Full Book-Entry **RATINGS: Moody's Aa2/S&P AA+**
(See "RATINGS" herein)

In the opinion of Bond Counsel, interest on the Series A Bonds and Series B Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of federal tax laws. Interest on the Series A Bonds and Series B Bonds is not a preference item for purposes of either individual or corporate federal alternative minimum tax; however, interest paid to corporate holders of the Series A Bonds and Series B Bonds may be indirectly subject to alternative minimum tax under circumstances described under "TAX MATTERS – Federal Tax Matters – Series A Bonds and Series B Bonds" herein. Bond Counsel is of the further opinion that the Bonds are exempt from personal property taxes in Pennsylvania and interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date of initial delivery of the Bonds. For a more complete description of federal and state tax matters pertaining to the Bonds, see "TAX MATTERS" herein.

$378,840,000
PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY
The Trustees of the University of Pennsylvania Refunding Revenue Bonds
consisting of:

$205,670,000	**$165,150,000**	**$8,020,000**
Refunding Revenue Bonds	**Refunding Revenue Bonds**	**Refunding Revenue Bonds**
Series A of 2015	**Series B of 2015**	**Series C of 2015 (Federally Taxable)**

Dated: Date of Delivery **Due: October 1, as shown on inside front cover**

The Bonds described above will be issued by the Pennsylvania Higher Educational Facilities Authority (the "Authority") under an Indenture of Trust dated as of January 15, 1987, as previously amended and supplemented and as further amended and supplemented by a Tenth Supplemental Indenture of Trust dated as of April 1, 2015 (collectively, and as amended and supplemented from time to time, the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., Philadelphia, Pennsylvania, as trustee, paying agent and bond registrar (in such capacities, the "Trustee"). The Bonds will be payable from and secured by certain funds held by the Trustee under the Indenture and payments to the Trustee, as assignee of the Authority, under the Loan Agreement dated as of January 15, 1987, as previously amended and supplemented and as further amended and supplemented by a Tenth Supplemental Loan Agreement dated as of April 1, 2015 (collectively, and as amended and supplemented from time to time, the "Loan Agreement"), between the Authority and

Penn
UNIVERSITY *of* PENNSYLVANIA

The Trustees of the University of Pennsylvania (the "University"). The Bonds are Additional Bonds (as defined in the Indenture) payable, equally and ratably with all other bonds of the Authority issued and outstanding under the Indenture, solely from the funds under the Indenture and from payments to be received by the Authority pursuant to the Loan Agreement. The Loan Agreement is a general, unsecured obligation of the University. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Interest on the Bonds is payable on April 1 and October 1 of each year, commencing October 1, 2015, until maturity or redemption prior to maturity. The principal of and interest on the Bonds will be paid by the Trustee. So long as The Depository Trust Company, New York, New York ("DTC") or its nominee, Cede & Co., is the Bondholder, such payments will be made directly to Cede & Co. Disbursement of such payments to the Beneficial Owners is the responsibility of the Direct Participants and Indirect Participants, as more fully described herein.

The Bonds are subject to optional and mandatory redemption prior to maturity as described herein.

The Bonds will be issued only as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for DTC. DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form, in denominations of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. So long as Cede & Co. is the registered owner, as nominee of DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid and shall not mean the Beneficial Owners of the Bonds. See "BOOK-ENTRY SYSTEM" herein.

The Bonds are limited obligations of the Authority. Neither the general credit of the Authority nor the credit or the taxing power of the Commonwealth of Pennsylvania or any political subdivision thereof is pledged for the payment of the principal or redemption price of, and interest on, the Bonds, nor shall the Bonds be or be deemed to be general obligations of the Authority or obligations of the Commonwealth of Pennsylvania or any political subdivision thereof, nor shall the Commonwealth of Pennsylvania or any political subdivision thereof be liable for the payment of the principal and redemption price of, and interest on, the Bonds. The Authority has no taxing power.

MATURITIES, INTEREST RATES, PRICES AND YIELDS
(See Inside Front Cover Page)

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

The Bonds are offered when, as and if issued by the Authority and received by the Underwriters (as defined herein), subject to the approving legal opinion of Ballard Spahr LLP, Bond Counsel, Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the University by Wendy S. White, Esquire, Senior Vice President and General Counsel of the University; for the Authority by its counsel, Hartman Underhill & Brubaker, LLC, Lancaster, Pennsylvania; and for the Underwriters by their counsel, Drinker Biddle & Reath LLP, Philadelphia, Pennsylvania. It is expected that the Bonds in definitive form will be available for delivery through the facilities of DTC on or about April 16, 2015.

Morgan Stanley **BofA Merrill Lynch**

Barclays Capital **Goldman, Sachs & Co.** **J.P. Morgan**

Loop Capital Markets **Wells Fargo Securities**

Dated: February 27, 2015

$378,840,000
PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY
THE TRUSTEES OF THE UNIVERSITY OF PENNSYLVANIA REFUNDING REVENUE BONDS

MATURITIES, INTEREST RATES, PRICES AND YIELDS

$205,670,000
The Trustees of the University of Pennsylvania
Refunding Revenue Bonds, Series A of 2015

Serial Bonds

Date (October 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP†
2016	$ 4,685,000	4.000%	105.304	0.350%	70917SPA5
2017	4,875,000	3.000%	105.746	0.640%	70917SPB3
2018	5,020,000	4.000%	110.351	0.950%	70917SPC1
2019	5,220,000	5.000%	116.589	1.170%	70917SPD9
2020	5,485,000	5.000%	118.853	1.400%	70917SPE7
2021	4,865,000	5.000%	120.850	1.590%	70917SPF4
2022	5,110,000	5.000%	122.083	1.820%	70917SPG2
2023	5,365,000	5.000%	123.324	1.990%	70917SPH0
2024	5,630,000	5.000%	124.370	2.140%	70917SPJ6
2025	5,915,000	5.000%	125.393	2.260%	70917SPK3
2026	5,315,000	5.000%	123.920	2.400% [C]	70917SPL1
2027	5,580,000	5.000%	122.468	2.540% [C]	70917SPM9
2028	5,860,000	5.000%	121.545	2.630% [C]	70917SPN7
2029	6,155,000	5.000%	120.833	2.700% [C]	70917SPP2
2030	6,460,000	5.000%	120.227	2.760% [C]	70917SPQ0
2031	6,340,000	5.000%	119.724	2.810% [C]	70917SPR8
2032	6,655,000	5.000%	119.324	2.850% [C]	70917SPS6
2033	6,990,000	5.000%	118.926	2.890% [C]	70917SPT4
2034	7,335,000	5.000%	118.727	2.910% [C]	70917SPU1
2036	7,550,000	5.000%	117.936	2.990% [C]	70917SPW7

Step Coupon Bonds

$89,260,000 Series A Term Bonds Due October 1, 2045, Priced @ 100.000% (CUSIP: 70917SPV9)†

The Step Coupon Bonds will bear interest in each period as follows:

From	To (and including)	Interest Rate
Date of Delivery	September 30, 2020	2.500%
October 1, 2020	September 30, 2025	3.500%
October 1, 2025	September 30, 2030	4.500%
October 1, 2030	September 30, 2035	5.000%
October 1, 2035	Maturity Date	5.500%

[C] Callable premium bond; yield to first call date of October 1, 2025

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services provided by CUSIP Global Services. CUSIP numbers are included herein solely for the convenience of the purchasers of the Bonds. None of the Authority, the University or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

MATURITIES, INTEREST RATES, PRICES AND YIELDS
(continued)

$165,150,000
The Trustees of the University of Pennsylvania
Refunding Revenue Bonds, Series B of 2015

Serial Bonds

Date (October 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP†
2016	$ 1,355,000	3.000%	103.851	0.350%	70917SPX5
2017	1,400,000	3.000%	105.746	0.640%	70917SPY3
2018	1,445,000	3.000%	106.957	0.950%	70917SPZ0
2019	1,490,000	3.000%	107.926	1.170%	70917SQA4
2020	1,260,000	4.000%	113.616	1.400%	70917SQB2
2020	4,605,000	5.000%	118.853	1.400%	70917SQU0
2021	8,485,000	5.000%	120.850	1.590%	70917SQC0
2022	13,055,000	5.000%	122.083	1.820%	70917SQD8
2023	8,220,000	5.000%	123.324	1.990%	70917SQE6
2024	13,095,000	5.000%	124.370	2.140%	70917SQF3
2025	18,965,000	5.000%	125.393	2.260%	70917SQG1
2026	14,550,000	5.000%	123.920	2.400% C	70917SQH9
2027	4,040,000	5.000%	122.468	2.540% C	70917SQJ5
2028	4,225,000	5.000%	121.545	2.630% C	70917SQK2
2029	2,640,000	5.000%	120.833	2.700% C	70917SQL0
2030	2,780,000	5.000%	120.227	2.760% C	70917SQM8
2031	2,930,000	5.000%	119.724	2.810% C	70917SQN6
2032	3,075,000	5.000%	119.324	2.850% C	70917SQP1
2033	3,235,000	5.000%	118.926	2.890% C	70917SQQ9
2034	12,555,000	5.000%	118.727	2.910% C	70917SQR7
2035	13,150,000	5.000%	118.331	2.950% C	70917SQS5

$28,595,000 4.000% Series B Term Bonds Due October 1, 2038, Priced @ 105.422% to Yield 3.380%[C] (CUSIP: 70917SQT3)†

$8,020,000
The Trustees of the University of Pennsylvania
Refunding Revenue Bonds, Series C of 2015 (Federally Taxable)

Serial Bonds

Date (October 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP†
2035	$8,020,000	3.677%	100.000	3.677%	70917SQV8

[C] Callable premium bond; yield to first call date of October 1, 2025

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services provided by CUSIP Global Services. CUSIP numbers are included herein solely for the convenience of the purchasers of the Bonds. None of the Authority, the University or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY
(Commonwealth of Pennsylvania)
1035 Mumma Road
Wormleysburg, PA 17043

BOARD MEMBERS

Executive Director
Robert Baccon

Authority Counsel
(Appointed by the Office of General Counsel)
Hartman Underhill & Brubaker, LLC
Lancaster, Pennsylvania

Trustee
The Bank of New York Mellon Trust Company, N.A.
Philadelphia, Pennsylvania

Bond Counsel
(Appointed by the Office of General Counsel)
Ballard Spahr LLP
Philadelphia, Pennsylvania

University Counsel
Wendy S. White, Esquire
Senior Vice President and General Counsel of the University

Counsel to Underwriters
Drinker Biddle & Reath LLP
Philadelphia, Pennsylvania

IN CONNECTION WITH THIS OFFERING THE UNDERWRITERS 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.

THE BONDS MAY BE OFFERED AND SOLD TO CERTAIN DEALERS (INCLUDING DEALERS DEPOSITING THE BONDS INTO INVESTMENT ACCOUNTS) AND TO OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS WITHOUT PRIOR NOTICE TO THE PUBLIC, BUT WITH PRIOR NOTICE TO THE AUTHORITY AND THE UNIVERSITY.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY, OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

The information set forth herein has been obtained from the Pennsylvania Higher Educational Facilities Authority (the "Authority"), and The Trustees of the University of Pennsylvania (the "University"), and other sources which are believed to be reliable, but the information provided by sources other than the Authority is not guaranteed as to accuracy or completeness by the Authority. The information and expressions of opinions 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 any of the information set forth herein since the date hereof.

The Underwriters (as defined herein) have provided the following sentence for inclusion in the Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Underwriters or the University to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy any of the Bonds in any jurisdiction in which it is unlawful to make such an offer, solicitation, or sale.

The Bonds are not and will not be registered under the Securities Act of 1933 as amended, or under any state securities laws, and the Indenture has not been and will not be qualified under the Trust Indenture Act of 1939, as amended, because of available exemptions therefrom. Neither the Securities and Exchange Commission nor any federal, state, municipal, or other governmental agency will pass upon the accuracy, completeness, or adequacy of the Official Statement.

This Official Statement speaks only as of the date printed on the cover page hereof. The information contained herein is subject to change. The Official Statement will be made available through the Electronic Municipal Market Access system.

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Official Statement

$378,840,000
PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY
The Trustees of the University of Pennsylvania Refunding Revenue Bonds
consisting of:

$205,670,000 **Refunding Revenue Bonds** **Series A of 2015**	**$165,150,000** **Refunding Revenue Bonds** **Series B of 2015**	**$8,020,000** **Refunding Revenue Bonds** **Series C of 2015 (Federally Taxable)**

INTRODUCTION

The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement. Capitalized terms used in this Official Statement that are not otherwise defined herein have the meanings given to them in APPENDIX C hereto.

Purpose of the Official Statement

The purpose of this Official Statement, including the cover pages and the Appendices, is to furnish certain information relating to (1) the Pennsylvania Higher Educational Facilities Authority (the "Authority"), (2) the Authority's The Trustees of the University of Pennsylvania Refunding Revenue Bonds, Series A of 2015, in the aggregate principal amount of $205,670,000 (the "Series A Bonds"); (3) the Authority's The Trustees of the University of Pennsylvania Refunding Revenue Bonds, Series B of 2015, in the aggregate principal amount of $165,150,000 (the "Series B Bonds"); (4) the Authority's The Trustees of the University of Pennsylvania Refunding Revenue Bonds, Series C of 2015 (Federally Taxable), in the aggregate principal amount of $8,020,000 (the "Series C Bonds," and together with the Series A Bonds and the Series B Bonds, the "Bonds") and (5) The Trustees of the University of Pennsylvania (the "University").

The Authority

The Authority is a body corporate and politic, constituting a public corporation and a governmental instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth"), created by the Pennsylvania Higher Educational Facilities Authority Act of 1967 (Act. No. 318 of the General Assembly of the Commonwealth, approved December 6, 1967, as amended) (the "Act"). The Authority has no taxing power. For additional information concerning the Authority, see "THE AUTHORITY" herein.

The University

The University is an independent non-sectarian research institution of higher education chartered under the laws of the Commonwealth. One of only nine colleges and universities established during the colonial period, the University is the third oldest Ivy League school. It is a privately endowed, gift-supported non-profit institution.

The University has a full-time student body of over 22,000 and a 280-acre campus in West Philadelphia (excluding the Hospital of the University of Pennsylvania) on which over 150 University buildings are situated. In addition, the Morris Arboretum in Northwestern Philadelphia encompasses 92 acres with 30 buildings, and the New Bolton Center in Chester County, Pennsylvania, consists of 600 acres with 77 buildings. The University is comprised of an academic component and a health system component known as the University of Pennsylvania Health System (the "Health System").

APPENDIX A contains certain information on the history, organization, operations, and financial condition of the University. APPENDIX B contains certain audited financial statements of the University.

The Bonds

The Bonds are authorized by resolution of the Authority adopted on December 18, 2014, and will be issued as Additional Bonds under an Indenture of Trust dated as of January 15, 1987, as previously supplemented and amended and as further supplemented and amended by a Tenth Supplemental Indenture of Trust dated as of April 1, 2015 (collectively, and as amended and supplemented from time to time, the "Indenture"), each between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee thereunder (the "Trustee"). The Bonds of each series initially will be issued in the form of one registered bond in the aggregate principal amount of each maturity thereof and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will maintain a book-entry system for recording ownership interests in the Bonds. See "BOOK-ENTRY SYSTEM" herein.

Refunding Program

The Bonds are being issued by the Authority for the purpose of undertaking a program (collectively, the "Refunding Program") on behalf of the University to refund certain prior bonds of the Authority issued and currently outstanding under the Indenture and more particularly described on Schedule 1 to this Official Statement (the "Refunded Bonds"), and to pay certain costs of issuance in respect of the Bonds. See "REFUNDING PROGRAM" herein and "SCHEDULE 1 – REFUNDED BONDS" hereto.

The proceeds of the Bonds will be loaned to the University for the purposes described above pursuant to a Loan Agreement dated as of January 15, 1987, as previously supplemented and amended and as further supplemented and amended by a Tenth Supplemental Loan Agreement dated as of April 1, 2015 (collectively, and as amended and supplemented from time to time, the "Loan Agreement"), between the Authority and the University. Under the Loan Agreement, the University will be obligated to make loan payments to the Trustee, as assignee of the Authority, in amounts and at times sufficient, among other things, to pay the principal, redemption price of, and interest on, the Bonds when due.

Tax Matters

Federal Tax Matters

Series A Bonds and Series B Bonds. In the opinion of Bond Counsel, interest on the Series A Bonds and Series B Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of federal tax laws. Interest on the Series A Bonds and Series B Bonds is not a preference item for purposes of either individual or corporate federal alternative minimum tax; however, interest paid to corporate holders of the Series A Bonds and Series B Bonds may be indirectly subject to alternative minimum tax under circumstances described herein.

Series C Bonds. Interest on the Series C Bonds is fully taxable for federal income tax purposes.

Pennsylvania Taxes

Bond Counsel is of the further opinion that the Bonds are exempt from personal property taxes in Pennsylvania and interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date of initial delivery of the Bonds.

For a more complete discussion of federal and state income tax matters, see “TAX MATTERS” herein.

Security and Sources of Payment for the Bonds

The Bonds are limited obligations of the Authority, payable solely from (1) payments to be made by the University under the Loan Agreement and (2) certain funds held by the Trustee under the Indenture, and not from any other fund or source of the Authority. The Authority has previously issued on behalf of the University, and there are currently outstanding under the Indenture, the following series of the Authority’s bonds (collectively, the "Prior Bonds"):

- The Trustees of the University of Pennsylvania Revenue Bonds, Series A of 2005, issued in the original aggregate principal amount of $37,655,000 (of which $9,075,000 was outstanding as of December 31, 2014);

- The Trustees of the University of Pennsylvania Revenue Bonds, Series B of 2005, issued in the original aggregate principal amount of $66,930,000 (of which $8,495,000 was outstanding as of December 31, 2014);

- The Trustees of the University of Pennsylvania Revenue Bonds, Series C of 2005, issued in the original aggregate principal amount of $141,620,000 (of which $114,600,000 was outstanding as of December 31, 2014);

- The Trustees of the University of Pennsylvania Revenue Bonds, Series A of 2009, issued in the original aggregate principal amount of $204,750,000 (all of which was outstanding as of December 31, 2014);

- The Trustees of the University of Pennsylvania Revenue Bonds, Series B of 2009, issued in the original aggregate principal amount of $42,860,000 (of which $34,145,000 was outstanding as of December 31, 2014);

- The Trustees of the University of Pennsylvania Revenue Bonds, Series C of 2009, issued in the original aggregate principal amount of $28,755,000 (all of which was outstanding as of December 31, 2014);

- The Trustees of the University of Pennsylvania Revenue Bonds, Series of 2010, issued in the original aggregate principal amount of $71,410,000 (all of which was outstanding as of December 31, 2014); and

- The Trustees of the University of Pennsylvania Revenue Bonds, Series A of 2011, issued in the original aggregate principal amount of $150,000,000 (all of which was outstanding as of December 31, 2014).

As more particularly described herein under “REFUNDING PROGRAM” and on “SCHEDULE 1 - REFUNDED BONDS” hereto, certain of the Prior Bonds will be refunded upon the issuance of the Bonds.

The obligation of the University to make payments under the Loan Agreement is a general, unsecured obligation of the University. The Bonds will not be secured by a pledge of gross receipts or other specified revenues of the University or by a mortgage lien on or security interest in any University property.

See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

Definitions and Summaries of Documents

Definitions of certain words and terms used in the Official Statement and summaries of the Indenture and the Loan Agreement are included in APPENDIX C. Such definitions and summaries do not purport to be comprehensive or definitive. All references herein to such documents are qualified in their entirety by reference to the definitive forms of such documents, copies of which may be viewed at the office of the Trustee in Philadelphia, Pennsylvania, and will be provided to any prospective purchaser requesting the same upon payment by such prospective purchaser of the cost of complying with such request.

THE AUTHORITY

The Authority is a body corporate and politic, constituting a public corporation and a governmental instrumentality of the Commonwealth, created by the Act. The Authority’s address is 1035 Mumma Road, Wormleysburg, Pennsylvania 17043.

Under the Act, the Authority consists of the Governor of the Commonwealth, the State Treasurer, the Auditor General, the Secretary of Education, the Secretary of the Department of General Services, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Minority Leader of the Senate and the Minority Leader of the House of Representatives. The President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Minority Leader of the Senate and the Minority Leader of the House of Representatives may designate a member of their respective legislative bodies to act as a member of the Authority in his or her stead. The members of the Authority serve without compensation, but are entitled to reimbursement for all necessary expenses incurred in connection with the performance of their duties as members. The powers of the Authority are exercised by a governing body consisting of the members of the Authority acting as a board.

The Authority is authorized under the Act to, among other things, acquire, construct, finance, improve, maintain and operate any educational facility (as therein defined), with the rights and powers, *inter alia*: (1) to finance projects for colleges (including universities) by making loans to such colleges which may be evidenced by, and secured as provided in, loan agreements, security agreements or other contracts, leases or agreements; (2) to borrow money for the purpose of paying all or any part of the cost of construction, acquisition, financing, alteration, reconstruction and rehabilitation of any educational facility which the Authority is authorized to acquire, construct, finance, improve, install, maintain or operate under the provisions of the Act and to pay the expenses incident to the provision of such loans; and (3) to issue bonds and other obligations for the purpose of paying the cost of projects, and to enter into trust indentures providing for the issuance of such obligations and for their payment and security.

As of December 31, 2014, revenue bonds and notes of the Authority issued to finance various projects in the Commonwealth were outstanding in the amount of $6,643,967,623. None of the revenues of the Authority with respect to its revenue bonds and notes issued for the benefit of other institutions will be pledged as security for any bonds or notes issued for the benefit of the University. Further, no revenue bonds and notes issued for the benefit of other institutions will be payable from or secured by the revenues of the Authority or other moneys securing any bonds or notes issued for the benefit of the University.

The Authority has issued, and may continue to issue, other series of bonds for the purpose of financing other projects, including other educational facilities. Each such series of bonds to the extent issued to benefit educational institutions other than the University is or will be secured by instruments separate and apart from the Indenture securing the Bonds.

The Act provides that the Authority is to obtain from the Pennsylvania State Public School Building Authority, for a fee, those executive, fiscal and administrative services which are not available from the colleges and universities, as may be required to carry out the functions of the Authority under the Act. Accordingly, the Authority and the State Public School Building Authority share an executive, fiscal and administrative staff, which currently numbers ten people, and operate under a joint administrative budget.

The following are key staff members of the Authority who are involved in the administration of the financings and projects:

Robert Baccon
Executive Director

Mr. Baccon has served as an executive of both the Authority and the State Public School Building Authority since 1984. He is a graduate of St. John's University with a bachelor's degree in management and holds a master's degree in international business from the Columbia University Graduate School of Business. Prior to his present post, Mr. Baccon held financial management positions with multinational U.S. corporations and was Vice President - Finance for a major highway construction contractor.

David Player
Comptroller & Director of Financial Management

Mr. Player serves as the Comptroller & Director of Financial Management of both the Authority and the State Public School Building Authority. He has been with the Authority and the State Public School Building Authority since 1999. Prior to his present post, he served as Senior Accountant for both authorities and as an auditor with the Pennsylvania Department of the Auditor General. Mr. Player is a graduate of The Pennsylvania State University with a bachelor's degree in accounting. He is a Certified Public Accountant and Certified Internal Auditor.

Beverly M. Nawa
Administrative Officer

Mrs. Nawa has served as the Administrative Officer of both the Authority and the State Public School Building Authority since August 2004. She is a graduate of Alvernia College with a bachelor's degree in business administration. Prior to her present employment, Mrs. Nawa served as an Audit Senior and an Accounting Systems Analyst with the Pennsylvania Department of the Auditor General.

THE AUTHORITY HAS NOT PREPARED OR ASSISTED IN THE PREPARATION OF THIS OFFICIAL STATEMENT, EXCEPT THE STATEMENTS UNDER THIS SECTION AND UNDER THE HEADING "LITIGATION – THE AUTHORITY," AND, EXCEPT AS AFORESAID, THE AUTHORITY DISCLAIMS RESPONSIBILITY FOR THE DISCLOSURES SET FORTH HEREIN MADE IN CONNECTION WITH THE OFFER, SALE, AND DISTRIBUTION OF THE BONDS.

REFUNDING PROGRAM

General

The Bonds are being issued by the Authority for the purpose of undertaking the Refunding Program and to pay certain costs of issuance in respect of the Bonds.

In connection with Refunding Program, concurrently with the issuance of the Bonds, the University, the Authority and the Trustee, as escrow agent (in such capacity, the "Escrow Agent") will enter into one or more escrow deposit agreements providing for the application of the proceeds of the Bonds, after payment of the costs of issuance thereof, to the refunding of the Refunded Bonds.

Moneys deposited with the Escrow Agent for the refunding of all Refunded Bonds will be irrevocably deposited with the Escrow Agent and held in one or more escrow accounts (together, the "Escrow Account") established with the Escrow Agent and will be applied by the Escrow Agent to the purchase of Defeasance Investments (as defined in APPENDIX C), the principal of and interest on which, together with any cash on deposit in the Escrow Account, will be sufficient to pay when due the principal and interest on each series of such Refunded Bonds until the applicable redemption date, and to redeem on such redemption date, at the applicable redemption price, the principal amount of such Refunded Bonds to be redeemed, all as specified on Schedule 1 to this Official Statement. Upon the deposit of the cash and Defeasance Investments into the Escrow Account, such Refunded Bonds will no longer be deemed Outstanding for purposes of the Indenture and will be secured solely by the applicable cash and Defeasance Investments on deposit in the Escrow Account.

Causey Demgen & Moore PC (the "Verification Agent") will provide at the time of delivery of the Bonds a report to the effect that such firm has verified the arithmetic accuracy of certain schedules provided to it with respect to the adequacy of the cash and the maturing principal of and interest on the Defeasance Investments to pay when due the maturing principal or redemption price of, and the interest on, the Refunded Bonds as required under the Escrow Agreement. The Verification Agent will express no opinion as to any assumptions provided to it.

Estimated Sources and Applications of Funds

The following sets forth the estimated sources and uses of funds in connection with the Refunding Program:

Sources of Funds:

Principal Amount of the Series A Bonds	$	205,670,000
Principal Amount of the Series B Bonds		165,150,000
Principal Amount of the Series C Bonds		8,020,000
Net Original Issue Premium		52,654,654
Total Estimated Sources of Funds	$	431,494,654

Applications of Funds:

Deposit to Escrow Account	$	429,345,890
Costs of Issuance [1]		2,148,764
Total Estimated Applications of Funds	$	431,494,654

(1) Includes Underwriters' discount, counsel fees (including Bond Counsel and Authority's counsel), rating agency fees, Trustee and paying agent fees, accountant and verification agent fees and other expenses related to issuance of the Bonds, printing costs, and miscellaneous fees and expenses of the Authority.

Pro Forma Outstanding Long-Term Debt of the University's Academic Component

At December 31, 2014, the University was obligated in respect of $985,023,263 in outstanding principal amount of long-term debt (including current portion), excluding long-term debt of the Health System. The following table summarizes the outstanding long-term debt of the University, excluding any debt of the Health System, at December 31, 2014, together with the *pro forma* long-term debt of the University, excluding any debt of the Health System, following the issuance of the Bonds and the completion of the Refunding Program (in each case, including current portion):

Description	Outstanding Principal Amount at December 31, 2014	*Pro Forma* Outstanding Principal Amount*
PHEFA The Trustees of the University of Pennsylvania, Series of 1990	$ 6,500,000	$ 6,500,000
Washington County Authority	56,500,000	56,500,000
PHEFA The Trustees of the University of Pennsylvania, Series A of 2005	9,075,000	3,920,000
PHEFA The Trustees of the University of Pennsylvania, Series B of 2005	8,495,000	8,495,000
PHEFA The Trustees of the University of Pennsylvania, Series C of 2005	114,600,000	5,255,000
PHEFA The Trustees of the University of Pennsylvania, Series A of 2009	204,750,000	--
PHEFA The Trustees of the University of Pennsylvania, Series B of 2009	34,145,000	20,075,000
PHEFA The Trustees of the University of Pennsylvania, Series C of 2009	28,755,000	15,105,000
PHEFA The Trustees of the University of Pennsylvania, Series 2010	71,410,000	50,045,000
PHEFA The Trustees of the University of Pennsylvania, Series 2011	150,000,000	131,805,000
The Trustees of the University of Pennsylvania Taxable Bonds, Series 2012	300,000,000	300,000,000
PHEFA The Trustees of the University of Pennsylvania, Series A of 2015	--	205,670,000
PHEFA The Trustees of the University of Pennsylvania, Series B of 2015	--	165,150,000
PHEFA The Trustees of the University of Pennsylvania, Series C of 2015	--	8,020,000
Other Loans	793,263	793,263
Total Long-Term Debt (including current portion)	$ 985,023,263	$ 977,333,263

* *Reflects the issuance of the Bonds and the completion of the Refunding Program as described herein.*

DESCRIPTION OF THE BONDS

Description of the Bonds

The Bonds are dated as indicated on the cover page hereof and will bear interest from such date at the rates set forth on the inside front cover page hereof, payable semiannually on April 1 and October 1 of each year, commencing October 1, 2015, until maturity or prior redemption, and will mature on the dates and in the amounts set forth on the inside front cover page of this Official Statement.

Interest on the Bonds will be paid on each Interest Payment Date by check or draft mailed to the persons in whose name the Bonds are registered on the registration books of the Authority (the "Bond Register") maintained by the Trustee at the address appearing thereon on the close of business on the fifteenth day (whether or not a Business Day) of the calendar month next preceding any Interest Payment Date (the "Regular Record Date"). Any such interest not so paid or duly provided for shall cease to be payable to the persons who are registered owners of the Bonds as of the Regular Record Date and will be payable to the persons who are registered owners of the Bonds at the close of business on the fifteenth day (the "Special Record Date") preceding the special payment date (the "Special Payment Date"), which will be the date fixed by the Trustee for the payment of defaulted interest whenever moneys become available for such payment. The principal of, premium, if any, and interest on the Bonds are payable in any legal tender which at the time of payment constitutes lawful money of the United States of America.

DTC will act as securities depository under a book-entry system for the Bonds. Unless such system is discontinued, the provisions described below under "BOOK-ENTRY SYSTEM" (including provisions regarding payments to and transfers by the owners of beneficial interests in the Bonds) will be applicable to the Bonds. See "BOOK-ENTRY SYSTEM" below.

The Indenture and the Loan Agreement and all provisions thereof are incorporated by reference in the text of the Bonds, and the Bonds provide that each registered owner, beneficial owner and Direct or Indirect Participant (as hereinafter defined) in DTC, by acceptance of a Bond (including receipt of a book-entry credit evidencing an interest therein), assents to all of the provisions of the Indenture and the Loan Agreement as an explicit and material part of the consideration running to the Authority to induce it to issue the Bonds. Copies of the Indenture and the Loan Agreement, including the full text of the form of the Bonds, are on file at the corporate trust office of the Trustee in Philadelphia, Pennsylvania.

Optional Redemption

Series A Bonds. Except for the Series A Bonds maturing on October 1, 2045 (the "Step Coupon Bonds"), the Series A Bonds maturing on and after October 1, 2026 are subject to optional redemption prior to maturity by the Authority, at the direction of the University, at any time on or after October 1, 2025, in whole or in part, at a redemption price equal to one hundred percent (100%) of the principal amount thereof, plus interest accrued to the redemption date. The Step Coupon Bonds are subject to optional redemption prior to maturity by the Authority, at the direction of the University, at any time on or after October 1, 2020, in whole or in part, at a redemption price equal to one hundred percent (100%) of the principal amount thereof, plus interest accrued to the redemption date.

Series B Bonds. The Series B Bonds maturing on and after October 1, 2026 are subject to optional redemption prior to maturity by the Authority, at the direction of the University, at any time on or after October 1, 2025, in whole or in part, at a redemption price equal to one hundred percent (100%) of the principal amount thereof, plus interest accrued to the redemption date.

Series C Bonds. The Series C Bonds are subject to optional redemption prior to maturity by the Authority, at the direction of the University at any time, in whole or in part, at a redemption price equal to the Make-Whole Redemption Price. For purposes of this paragraph, the following definitions shall apply:

"Comparable Treasury Issue" means the United States Treasury security or securities selected by a Designated Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Series C Bonds to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Series C Bonds.

"Comparable Treasury Price" means, with respect to any redemption date, the average of the Reference Treasury Dealer Quotations for such redemption date or, if the Designated Investment Banker obtains only one Reference Treasury Dealer Quotation, such Reference Treasury Dealer Quotation.

"Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the University.

"Make-Whole Redemption Price" means the greater of:

(1) 100% of the principal amount of any Series C Bonds being redeemed; and

(2) the sum of the present values of the remaining scheduled payments of principal and interest on any Series C Bonds being redeemed (exclusive of interest accrued to the date of

redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 20 basis points (0.20%).

"Reference Treasury Dealer" means each of Morgan Stanley & Co. LLC and Bank of America Merrill Lynch or their respective affiliates which are primary U.S. government securities dealers, and their respective successors; provided that if Morgan Stanley & Co. LLC or Bank of America Merrill Lynch or their respective affiliates shall cease to be a primary U.S. government securities dealer, the University shall substitute therefor another primary U.S. government securities dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third Business Day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Partial Redemptions. Any partial redemption of the Bonds of any series may be in any order of maturity within such series and in any principal amount (in authorized denominations) within a maturity as designated by the University.

Mandatory Redemption

Step Coupon Bonds. The Step Coupon Bonds maturing on October 1, 2045 will be subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof on October 1 of the years and in the amounts set forth below.

Year (October 1)	Amount	Year (October 1)	Amount
2037	$7,930,000	2042	$10,365,000
2038	8,365,000	2043	10,935,000
2039	8,825,000	2044	11,535,000
2040	9,310,000	2045*	12,170,000
2041	9,825,000		

* Final maturity date.

Series B Bonds. The Series B Bonds maturing on October 1, 2038 will be subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof on October 1 of the years and in the amounts set forth below.

Year (October 1)	Amount
2036	$9,195,000
2037	9,530,000
2038*	9,870,000

* Final maturity date.

The principal amount of the Bonds of each series otherwise required to be redeemed as described above may be reduced by the principal amount of the Bonds of such series previously called for optional redemption or theretofore delivered to the Trustee by the University in lieu of cash payments under the Loan Agreement or purchased by the Trustee out of moneys in the Bond Fund established under the Indenture and which have not theretofore been applied as a credit against any sinking fund installment, in either case in such order of sinking fund installments as the University may direct.

Notice of Redemption

Notice of any redemption, identifying the Bonds or portions thereof to be redeemed, will be given not less than 30 days nor more than 45 days prior to the redemption date, by first class (postage paid) to the registered owners of the Bonds to be redeemed at their registered addresses as shown on the Bond Register. Failure to mail any such notice or any defect in the mailed notice or the mailing thereof to any registered owner of a Bond will not affect the validity of the redemption proceedings as to the registered owner of any other Bond. No further interest will accrue on the principal of any Bonds called for redemption after the date fixed for redemption if payment of the redemption price thereof has been duly provided for, and the registered owners of such Bonds will have no rights with respect to such Bonds except to receive payment of the redemption price thereof and unpaid interest accrued to the date fixed for redemption.

If at the time of mailing of any notice of redemption, the Authority shall not have deposited with the Trustee monies sufficient to redeem all the Bonds called for redemption, such notice may state that such redemption is conditional, that is, is subject to the deposit of the redemption monies with the Trustee not later than the opening of business on the date fixed for redemption and shall be of no effect unless such monies are so deposited.

So long as DTC or its nominee is the registered owner of the Bonds, any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a Participant or otherwise) to notify the Beneficial Owner affected by any redemption of such redemption shall not affect the validity of the redemption.

Selection of Bonds to be Redeemed

Series A Bonds and Series B Bonds. If less than all of the Series A Bonds or the Series B Bonds of a particular maturity are called for redemption, the Trustee shall select the Series A Bonds or Series B Bonds, as applicable, of such maturity to be redeemed from the Series A Bonds or Series B Bonds of such maturity Outstanding and not previously called for redemption by lot; provided, however, that, if the Series A Bonds or Series B Bonds, as applicable, are registered in book-entry only form and so long as DTC or a successor securities depository is the sole Holder of such Bonds, if less than all of the Series A Bonds or Series B Bonds, as applicable, of a particular maturity are called for redemption, the selection for redemption of such Series A Bonds or Series B Bonds shall be made in accordance with the operational arrangements of DTC then in effect.

Series C Bonds. If less than all of the Series C Bonds of a particular maturity are called for redemption, the Trustee shall select the Series C Bonds of such maturity to be redeemed from the Series C Bonds of such maturity Outstanding and not previously called for redemption on a *pro rata* basis among the Holders of such Bonds; provided, however, that, if the Series C Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole Holder of such Bonds, if less than all of the Series C Bonds of a particular maturity are called for prior redemption, the selection for redemption of the Series C Bonds of such maturity shall be made on a *pro rata* basis only if and to the extent that such method is permitted in accordance with the operational arrangement of DTC then in effect. Neither the University nor the Authority can provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of the Series C Bonds on such basis.

For a discussion of the operational arrangements of DTC, see "BOOK-ENTRY SYSTEM" below.

Defeasance

If the Authority deposits with the Trustee funds, evidenced by moneys and/or Defeasance Investments (as defined in APPENDIX C) the principal of and interest on which, when due, will be sufficient to pay the principal or redemption price of any Bonds, by call for redemption or otherwise, together with interest accrued to the due date or the redemption date, as appropriate, in accordance with the terms of the Indenture, such Bonds shall no longer be deemed to be Outstanding under the Indenture. Interest on such Bonds, as appropriate, will cease to accrue on the due date or the redemption date, as appropriate, and from and after the date of such deposit of funds with the Trustee the holders of the Bonds will be restricted to the funds so deposited as provided in the Indenture.

BOOK-ENTRY SYSTEM

The Bonds will be issued in book-entry form. DTC 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 the Bonds of each series and maturity thereof in the aggregate principal amount thereof, and will be deposited with DTC.

The University and the Authority cannot and do not give any assurances that DTC will distribute to Direct Participants or that Direct Participants or others will distribute to the Beneficial Owners payments of principal of and interest and premium, if any, on the Bonds or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the University nor the Authority is responsible or liable for the failure of DTC or any Direct Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

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. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's 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 the 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 a 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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to which 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date.

The Omnibus Proxy assigns Cede & Co. consenting or voting right to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority and the University believe to be reliable, but neither the Authority nor the University take responsibility for the accuracy thereof.

The Authority and the University cannot and do not give any assurances that DTC will distribute to Direct Participants or that Direct Participants or others will distribute to the Beneficial Owners payments of principal of and interest and premium, if any, on the Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the Authority nor the University is responsible or liable for the failure of DTC or any Direct Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay related thereto.

None of the Authority, the Underwriters, the Trustee, or the University will have any responsibility or obligations to any Direct Participants or Indirect Participants or to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC, any Direct Participant, or any Indirect Participant; (ii) the payment by DTC, any Direct Participant, or any Indirect Participant of any amount with respect to the principal of or premium, if any, or interest on the Bonds; (iii) any notice that is permitted or required to be given to holders of the Bonds under the Indenture, (iv) the selection by DTC, any Direct Participant, or any Indirect Participant of any person to receive payment in the event of a partial redemption of the Bonds; (v) any consent given or other action taken by DTC as holder of the Bonds; or (vi) any other procedures or obligations of DTC, Direct Participants or Indirect Participants under the book-entry system.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

The Bonds are limited obligations of the Authority. Neither the general credit of the Authority nor the credit or the taxing power of the Commonwealth or any political subdivision thereof is pledged for the payment of the principal of, premium, if any, or interest on the Bonds, nor shall the Bonds be or be deemed to be general obligations of the Authority or obligations of the Commonwealth or any political subdivision thereof, nor shall the Commonwealth or any political subdivision thereof be liable for the payment of the principal of, premium, if any, or interest on the Bonds. The Authority has no taxing power.

The Indenture

The Bonds will be issued under and pursuant to the Indenture and will be payable thereunder equally and ratably with the Prior Bonds (other than the Refunded Bonds). Additional Bonds may be issued under the Indenture, payable thereunder equally and ratably secured with the Prior Bonds (other than the Refunded Bonds) and the Bonds, to pay the cost of any capital additions or to refund bonds or other indebtedness. The Indenture provides that all bonds issued thereunder are limited obligations of the Authority, payable only from and secured by sums payable under the Loan Agreement and amounts held in funds and accounts created under the Loan Agreement or the Indenture. The Authority has pledged to the Trustee the payments received or receivable by the Authority from the University pursuant to the Loan Agreement, and all income and receipts earned on funds held by the Trustee under the Indenture and the Loan Agreement, as security for the performance of the obligations of the Authority under the Indenture, including payments due on the Bonds, the Prior Bonds (other than the Refunded Bonds) and any Additional Bonds.

See APPENDIX C hereto for a description of the Indenture.

The Loan Agreement

Under the Loan Agreement, the Authority will loan the proceeds of the Bonds of the University for the purpose of undertaking the Refunding Program. The Loan Agreement is an unsecured general obligation of the University to which the full faith and general credit of the University are pledged. Such pledge shall remain in full force and effect until the Prior Bonds, the Bonds and all Additional Bonds and the interest thereon have been duly paid or otherwise discharged. The University will pay in immediately available funds to the Trustee, as assignee of the Authority as to the loan payments under the Loan Agreement, for deposit into the Bond Fund established under the Indenture, on or before each Interest Payment Date, an amount which, together with other available funds on deposit with the Trustee in the Bond Fund, is sufficient to pay the interest and principal or redemption price on the Bonds due and payable on such date. The Loan Agreement provides that the University shall pay all loan payments and additional payments without notice or demand, and without abatement, deduction, set-off, counterclaim, recoupment or defense or any right of termination or cancellation arising from any circumstances whatsoever.

The Bonds will not be secured by a pledge of gross receipts or other specified revenues of the University or by a mortgage lien on or security interest in any University property.

The Loan Agreement does not limit or restrict the ability of the University to incur future indebtedness, nor does it limit or restrict the ability of the University to grant any liens or to pledge or assign any property of the University, including its future revenues, as security for the payment of future indebtedness. Accordingly, the University may incur debt in the future without limit and may secure the payment of such future debt with all or any part of the University's assets, including its future revenues. In the event the University were to incur secured debt in the future, upon a default by the University with respect to the Bonds, holders of the Bonds would have no claim upon or right to payment from any property securing any future secured debt unless such secured debt were first paid in full. Currently, none of the existing long-term, general obligation debt of the University is secured by a lien on any assets or a pledge of any revenues or other property of the University with the exception of various capital equipment leases and certain mortgage loans incurred by affiliated entities of the University. However, most of the long-term debt of the Health System is secured by a pledge of the gross revenues of the Health System. For a more complete discussion of the University's outstanding long-term debt, see "INDEBTEDNESS OF THE UNIVERSITY" in APPENDIX A hereto.

See APPENDIX C hereto for a description of the Loan Agreement.

University of Pennsylvania Health System

The University of Pennsylvania Health System consists of certain operating divisions of the University and affiliated entities, including the Hospital of the University of Pennsylvania, Pennsylvania Hospital, Presbyterian Medical Center, Chester County Hospital, The Clinical Practices of the University of Pennsylvania and other health-related enterprises. The University and other members of the Health System have entered into a Master Trust Indenture securing certain indebtedness issued for the benefit of the operating divisions and entities comprising the Health System. The indebtedness issued under the Master Trust Indenture is payable solely from, and secured by a pledge of, the revenues of the "Obligated Group" established under the Master Trust Indenture, and the general credit of the University is not pledged to its payment. As of December 31, 2014, the principal amount of the total long-term debt of the Health System was $914,542,000 generally representing obligations limited to one or more components of the Health System, including $850,800,000 principal amount of debt secured by notes issued under the Master Trust Indenture.

For a more complete description of the Health System, see "THE UNIVERSITY OF PENNSYLVANIA HEALTH SYSTEM" in APPENDIX A hereto.

No Recourse Against Members of the Authority

No recourse shall be had for payment of the principal of or interest or premium, if any, on the Bonds, or for any claims based on the Bonds or on the Indenture or any indenture supplemental thereto, against any member, officer or employee, past, present or future, of the Authority, or of any successor corporation, as such, either directly or through the Authority or any such successor corporation, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of such members, officers or employees being released as a condition of and as consideration for the execution of the Indenture and the issuance of the Bonds.

TAX MATTERS

Federal Tax Matters - Series A Bonds and Series B Bonds

General. Concurrently with the issuance of the Bonds, Bond Counsel will deliver its opinion to the effect that, under existing law as enacted and construed on the date of initial delivery of such Bonds, interest on the Series A Bonds and the Series B Bonds (together, the "Tax-Exempt Bonds") is excludable from gross income for purposes of federal income tax, assuming the accuracy of the certifications of the

Authority and the University and continuing compliance by the Authority and the University with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Tax-Exempt Bonds is not a tax preference for purposes of either individual or corporate federal alternative minimum tax; however, interest on the Tax-Exempt Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder. Bond Counsel expresses no opinion regarding other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Tax-Exempt Bonds.

The Code establishes requirements that must be complied with subsequent to the issuance of the Tax-Exempt Bonds for interest thereon to be and remain excluded from gross income pursuant to Section 103 of the Code. Failure to comply with these requirements could cause the interest on the Tax-Exempt Bonds to be included in gross income, retroactive to the date of issue of the Tax-Exempt Bonds or at some later date. The requirements include, but are not limited to, the provisions of Section 148 of the Code which prescribes yield and other limits within which the proceeds of the Tax-Exempt Bonds are to be invested and may require that certain investment earnings on the foregoing be rebated on a periodic basis to the United States. The University and the Authority have covenanted to comply with the provisions of the Code.

Original Issue Premium. The initial public offering price of certain Tax-Exempt Bonds indicated on the inside front cover page hereof may be greater than the principal amount thereof (the "Tax-Exempt Premium Bonds"). The difference between the stated principal amount of any Tax-Exempt Premium Bond and the public offering price thereof is "original issue premium." For federal income tax purposes, original issue premium is amortizable periodically over the term of a Tax-Exempt Premium Bond through reductions in the holder's tax basis for such Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Holders should consult their tax advisors for an explanation of the amortization rules.

Information Reporting and Backup Withholding. A person making payments of tax-exempt interest to a bondholder is generally required to make an information report of the payments to the Internal Revenue Service and to perform "backup withholding" from the interest if the bondholder does not provide an IRS Form W-9 to the payor. "Backup withholding" means that the payor withholds tax from the interest payments at the backup withholding rate, currently 28%. Form W-9 states the bondholder's taxpayer identification number or basis of exemption from backup withholding.

If a holder purchasing a Tax-Exempt Bond through a brokerage account has executed a Form W-9 in connection with the account, as generally can be expected, there should be no backup withholding from the interest on the Tax-Exempt Bond.

If backup withholding occurs, it does not affect the excludability of the interest on the Tax-Exempt Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Federal Tax Matters - Series C Bonds

The following discussion summarizes the material United States federal income tax consequences generally applicable to the purchase, ownership and disposition of the Series C Bonds by the beneficial owners thereof ("Holders"). The discussion is generally limited to the tax consequences to the initial Holders of the Series C Bonds who purchase the Series C Bonds at the issue price within the meaning of Section 1273 of the Internal Revenue Code of 1986 (the "Code") and does not provide a comprehensive summary of all of the tax consequences to subsequent purchasers of the Series C Bonds. The discussion does not purport to be a complete analysis of all of the potential United States federal income tax consequences relating to the purchase, ownership and disposition of the Series C Bonds, nor does this discussion describe any federal estate or gift tax consequences. Furthermore, the discussion does not address all aspects of taxation that might be relevant to particular purchasers in light of their individual circumstances. For instance, the discussion does not address the alternative minimum tax provisions of the Code or special rules applicable to certain categories of purchasers including dealers in securities or foreign currencies, insurance companies, regulated investment companies, real estate mortgage investment conduits, financial institutions, tax-exempt entities, Holders whose functional currency is not the United States dollar and, except to the extent discussed below, Non-U.S. Holders (as defined below). The discussion does not address the special rules applicable to purchasers who hold the Series C Bonds as part of a hedge, straddle, conversion, constructive ownership or constructive sale transaction or other risk reduction transaction. The discussion does not address foreign taxes.

The discussion is based on the provisions of the Code, the regulations of the Department of the Treasury, and administrative and judicial interpretations, all as in effect today and all of which are subject to change, possibly on a retroactive basis. The discussion assumes that the Series C Bonds are held as capital assets within the meaning of Section 1221 of the Code.

Tax Consequences to U.S. Holders

General. Interest on the Series C Bonds is taxable to a U.S. Holder as ordinary income at the time the interest accrues or is received in accordance with the U.S. Holder's method of accounting for United States federal income tax purposes. A "U.S. Holder" is a Holder of a Series C Bond that is, for United States federal income tax purposes: (1) a citizen or resident of the United States, (2) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (3) an estate, the income of which is subject to United States federal income taxation regardless of its source, or (4) a trust, the administration of which is subject to the primary supervision of a court within the United States and which has one or more United States persons with authority to control all substantial decisions, or a trust that was in existence on August 20, 1996 and has elected to continue to be treated as a United States trust. If a partnership (or an entity taxable as a partnership) holds the Series C Bonds, the United States federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership.

Tax-Exempt Organizations. Income or gain from Series C Bonds held by a tax-exempt organization will be subject to the tax on unrelated business taxable income if the Series C Bonds are "debt-financed property" of the organization under Section 514(b) of the Code.

Sale, Exchange, Redemption or Retirement of the Series C Bonds. In general, upon the sale, exchange, redemption or retirement of a Series C Bond, a U.S. Holder will recognize capital gain or loss equal to the difference between the amount realized on such sale, exchange, redemption or retirement (not including any amount attributable to accrued but unpaid interest that the U.S. Holder has not already included in gross income) and such U.S. Holder's adjusted tax basis in the Series C Bond. Any amount attributable to accrued but unpaid interest that the Holder has not already included in gross income will be treated as a payment of interest. A U.S. Holder's adjusted tax basis in a Series C Bond generally will equal the cost of the Series C Bond to such U.S. Holder, reduced by any principal payments received by such U.S. Holder and increased by any accrued but unpaid interest the U.S. Holder has included in taxable income.

Backup Withholding. Holders will be subject to "backup withholding" of Federal income tax in the event they fail to furnish a taxpayer identification number to the Trustee or there are other, related compliance failures.

Market Discount. A holder who acquires a Series C Bond in a secondary market transaction at a price below the principal amount may be subject to Federal income tax rules providing that accrued market discount will be subject to taxation as ordinary income on the sale or other disposition of a "market discount bond." Dispositions subject to this rule include a redemption or retirement of a Series C Bond. The market discount rules may also limit a holder's deduction for interest expense for debt that is incurred or continued to purchase or carry a Series C Bond. A market discount bond is defined generally as a debt obligation purchased subsequent to issuance, at a price that is less than the principal amount of the obligation, subject to a *de minimis* rule. The Code allows a taxpayer to compute the accrual of market discount by using a ratable accrual method or a constant interest rate method. Also, a taxpayer may elect to include the accrued discount in gross income each year while holding the Series C Bond, as an alternative to including the total accrued discount in gross income at the time of a disposition.

Bond Premium. A purchaser of a Series C Bond who purchases such Series C Bond at a cost greater than its principal amount will have amortizable bond premium. If the holder elects to amortize the premium under Section 171 of the Code (which election will apply to all Series C Bonds held by the holder on the first day of the taxable year to which the election applies, and to all Series C Bonds thereafter acquired by the holder), such a purchaser must amortize the premium using constant yield principles based on the purchaser's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Purchasers of any Series C Bonds who acquire such Series C Bonds at a premium should consult with their own tax advisors with respect to the determination and treatment of such premium for federal income tax purposes and with respect to state and local tax consequences of owning such Series C Bonds.

Medicare Tax. For taxable years beginning after December 31, 2012, a U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the U.S. Holder's "net investment income" for the relevant taxable year and (2) the excess of the U.S. Holder's adjusted gross income (increased by certain amounts of excluded foreign income) for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000, depending on the individual's circumstances) (the "Medicare Tax"). A U.S. Holder's net investment income will generally include its interest income and net gain from the disposition of the Series C Bonds, unless such interest income and net gain is derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). Net investment income may, however, be reduced by properly allocable deductions to such income. U.S. Holders that are individuals, estates or trusts are urged to consult their tax advisors regarding the applicability of the Medicare Tax to their income and gains from the Series C Bonds.

Information Reporting and Backup Withholding. The Authority, or the Trustee on its behalf as paying agent (the "payor") must report annually to the IRS and to each U.S. Holder any interest that is payable to the U.S. Holder, subject to certain exceptions. Under section 3406 of the Code and applicable Treasury Regulations, a non-corporate U.S. Holder of the Series C Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Series C Bonds and the gross proceeds of a sale, exchange, redemption or retirement of the Series C Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in section 3406(c) of the Code or (iv) there has been a failure of the payee to certify under penalty of perjury that the payee is not subject to withholding under section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules do not constitute an additional tax and will be credited against the U.S. Holder's federal income tax liabilities (and possibly result in a refund), so long as the required information is timely provided to the IRS.

Tax Consequences to Non-U.S. Holders

Payments of interest on a Series C Bond to a Holder that is not a U.S. Holder (a "Non-U.S. Holder") are not subject to United States federal income tax or withholding tax, provided that:

- the Non-U.S. Holder is not actually or constructively a "10-percent shareholder" under Section 871(h) or 881(c)(3)(B) of the Code;

- the Non-U.S. Holder is not, for United States federal income tax purposes, a controlled foreign corporation with respect to which the Authority is a "related person" within the meaning of Section 881(c)(3)(C) of the Code;

- the Non-U.S. Holder is not a bank receiving interest described in Section 881(c)(3)(A) of the Code;

- the certification requirements under Section 871(h) or 881(c) of the Code and regulations (summarized below) are met; and

- the Series C Bond interest is not effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States under Section 871(b) or Section 882 of the Code.

In order to obtain the exemption from income and withholding tax, either (1) the Non-U.S. Holder must provide its name and address, and certify, under penalties of perjury on Internal Revenue Service Form W-8BEN, W-8BEN-E, W-8IMY or W-8EXP, as applicable, to the Authority or its paying agent, as the case may be, that such Holder is a Non-U.S. Holder or (2) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business ("Financial Institution") and holds a Series C Bond on behalf of the Non-U.S. Holder must certify, under penalties of perjury, to the Authority or its paying agent that such certificate has been received from the Holder by it or by any intermediary Financial Institution and must furnish the Authority or its paying agent with a copy of the certificate. A certificate is effective only with respect to payments of interest made to the certifying Non-U.S. Holder after issuance of the certificate in the calendar year of its issuance and the two immediately succeeding calendar years. A Non-U.S. Holder who does not satisfy the exemption requirements is generally subject to United States withholding tax on payments of interest.

Interest on a Series C Bond that is effectively connected with the conduct of a United States trade or business by the Non-U.S. Holder is generally subject to United States federal income tax in the same manner as with a U.S. Holder, except to the extent otherwise provided under an applicable tax treaty. Effectively connected interest income received by a corporate Non-U.S. Holder may also, under certain circumstances, be subject to an additional branch profits tax. Effectively connected interest income will not be subject to withholding tax if the Non-U.S. Holder delivers a properly completed Internal Revenue Service Form W-8ECI to the Authority or its paying agent.

Sale, Exchange, Redemption or Retirement of the Series C Bonds. In general, a Non-U.S. Holder of a Series C Bond will not be subject to United States federal income or nonresident withholding tax on the receipt of payments of principal on a Series C Bond and will not be subject to United States federal income tax on any gain recognized on the sale, exchange, redemption, retirement or other taxable disposition of such Series C Bond unless:

- the Non-U.S. Holder is a nonresident alien individual who is present in the United States for 183 or more days in the taxable year of disposition and certain other conditions are met under Section 871(a)(2) of the Code;
- the Non-U.S. Holder is required to pay tax pursuant to the provisions of United States tax law applicable to certain United States expatriates; or
- the gain is effectively connected with the conduct of a United States trade or business by the Non-U.S. Holder (or pursuant to an applicable tax treaty is attributable to a United States permanent establishment of the Non-U.S. Holder).

FATCA Information Reporting and Withholding Requirements. On March 18, 2010, President Obama signed into law the "Hiring Incentives to Restore Employment (HIRE) Act," which included the Foreign Account Tax Compliance Act ("FATCA"). Under the FATCA provisions, foreign financial institutions (which generally include hedge funds, private equity funds, mutual funds, securitization vehicles and other investment vehicles regardless of their size) that are not otherwise exempt from FATCA must comply with new information reporting rules with respect to their U.S. account holders and investors or confront a new withholding tax on U.S. source payments made to them. Specifically, FATCA requires that foreign financial institutions enter into an agreement with the United States government to collect and provide the IRS substantial information regarding U.S. account holders of such foreign financial institution, comply with the terms of an applicable intergovernmental agreement between the United States and such foreign financial institution's jurisdiction of formation, or establish an exemption from FATCA. Additionally, FATCA requires certain foreign entities that are not financial institutions to provide the withholding agent with a certification identifying the substantial U.S. owners of such foreign entity.

A foreign financial institution or other foreign entity that does not comply with the FATCA reporting requirements is subject to a 30% withholding tax with respect to any "withholdable payments." For this purpose, "withholdable payments" include U.S. source payments of taxable interest and the entire gross proceeds from the sale of any debt instruments of U.S. issuers. FATCA withholding on gross proceeds generally will apply to payments of gross proceeds made after December 31, 2016. The FATCA withholding tax applies regardless of whether the payment would otherwise be exempt from U.S. nonresident withholding tax (e.g., under an income tax treaty, the portfolio interest exemption or as capital gain). FATCA withholding does not apply to withholdable payments made directly to foreign governments, international organizations, foreign central banks of issue and individuals, and the Treasury is authorized to provide additional exceptions.

The IRS announced in Notice 2014-33, I.R.B. 2014-41 released on May 2, 2014, that calendar years 2014 and 2015 would be regarded as a transition period for purposes of IRS enforcement and the administration of FATCA's due diligence, reporting, and withholding provisions. The IRS will take into account the extent to which a foreign financial institution or other foreign entity has made good faith efforts to comply with the requirements in determining whether to provide enforcement relief during this transition period.

The Series C Bonds are subject to the above FATCA provisions. Accordingly, holders (particularly Non-U.S. Holders) should consult their tax advisors regarding the applicability of the FATCA requirements.

Effect of Defeasance

Defeasance of any of the Series C Bonds may result in a reissuance thereof, in which event the Holder will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified state interest which will be taxable as such) and the Holders's adjusted basis in the Series C Bonds.

Pennsylvania Tax Exemption

Bond Counsel will also deliver an opinion to the effect that, under existing law as enacted and construed on the date of initial delivery of the Bonds, the Bonds are exempt from personal property taxes in Pennsylvania, and interest on the Bonds is exempt from the Pennsylvania personal income tax and the Pennsylvania corporate net income tax.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation.

Other

The foregoing summary is included herein for general information only and does not discuss all aspects of United States federal taxation that may be relevant to a particular holder of Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

BENEFIT PLANS AND ERISA CONSIDERATIONS PERTAINING TO SERIES C BONDS

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain restrictions on employee pension and welfare benefit plans subject to ERISA (“ERISA Plans”) regarding prohibited transactions, and also imposes certain obligations on those persons who are fiduciaries with respect to ERISA Plans. Section 4975 of the Code imposes similar prohibited transaction restrictions on (i) tax-qualified retirement plans described in Section 401(a) and 403(a) of the Code, which are exempt from tax under section 501(a) of the Code and which are not governmental and church plans as defined herein (“Qualified Retirement Plans”), and (ii) Individual Retirement Accounts described in Section 408 and 408A of the Code, and certain other plans described in Section 4975(e) of the Code (“Tax-Favored Plans”).

Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA), and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA), are not subject to ERISA requirements. Additionally, such governmental and non-electing church plans are not subject to the requirements of Section 4975 of the Code. Although assets of such governmental or non-electing church plans, as well as non-U.S. plans, may be invested in the Series C Bonds without regard to the ERISA and Code considerations described below, any such investment may be subject to provisions of applicable federal and state law, or non-U.S. law, that are, to a material extent, similar to the requirements of ERISA and Section 4975 of the Code ("Similar Law"). Accordingly, fiduciaries of such plans should consult with their counsel in considering whether to purchase the Series C Bonds.

In addition to the imposition of general fiduciary obligations, including those of investment prudence and diversification and the requirement that a plan's investment be made in accordance with the documents governing the plan, Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax-Favored Plans and entities whose underlying assets include plan assets by reason of ERISA Plans or Tax-Favored Plans investing in such entities (collectively, "Benefit Plans") and persons who have certain specified relationships to the Benefit Plans (such persons are referred to as "Parties in Interest" or "Disqualified Persons"), unless a statutory or administrative exemption is available. The definitions of "Party in Interest" and "Disqualified Person" are expansive. While other entities may be encompassed by these definitions, they include, most notably: (i) a fiduciary with respect to a Benefit Plan; (ii) a person providing services to a Benefit Plan; and (iii) an employer or employee organization any of whose employees or members are covered by the Benefit Plan. Certain Parties in Interest (or Disqualified Persons) that participate in a prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Code) unless a statutory or administrative exemption is available. Further, the acquisition or holding of Series C Bonds by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the University or Trustee, or any of their respective affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan.

Plan Asset Issues. Certain transactions involving the purchase, holding or transfer of the Series C Bonds might be deemed to constitute prohibited transactions under ERISA and the Code if assets of the University were deemed to be assets of a Benefit Plan. The U.S. Department of Labor has promulgated regulations at 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA, describing what constitutes the assets of an employee benefit plan with respect to the plan's investment in an entity for purposes of certain provisions of ERISA and Section 4975 of the Code, including the fiduciary responsibility provisions of Title I of ERISA and Section 4975 of the Code (the "Plan Asset Regulation"). Under the Plan Assets Regulation, the assets of the University would be treated as plan assets of a Benefit Plan for purposes of ERISA and the Code only if the Benefit Plan acquires an "equity interest" in the University and none of the exceptions contained in the Plan Assets Regulation is applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features.

Although there can be no assurances in this regard, it appears that the Series C Bonds should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation. Accordingly, the assets of the University should not be treated as the assets of plans investing in the Series C Bonds. If the University's assets were deemed to constitute "plan assets" pursuant to the Plan Asset Regulation, transactions that the University might enter into, or may have entered into in the ordinary course of business, might constitute non-exempt prohibited transactions under ERISA and/or Section 4975 of the Internal Revenue Code.

Prohibited Transaction Exemptions. However, without regard to whether the Series C Bonds are treated as an equity interest for such purposes, the acquisition or holding of Series C Bonds by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Authority, the University or the Trustee, or any of their respective affiliates, is or becomes a Party in Interest or a

Disqualified Person with respect to such Benefit Plan. The fiduciary of a Benefit Plan that proposes to purchase and hold any Series C Bonds should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a Party in Interest, (ii) the sale or exchange of any property between a Benefit Plan and a Party in Interest, and (iii) the transfer to, or use by or for the benefit of, a Party in Interest, of any Benefit Plan assets.

Certain exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a Series C Bond. These are commonly referred to a prohibited transaction class exemption or "PTCEs." Included among these exemptions are: PTCE 75-1, which exempts certain transactions between a plan and certain broker dealers, reporting dealers and banks; PTCE 96-23, which exempts certain transactions effected at the sole discretion of an "in-house asset manager;" PTCE 90-1, which exempts certain investments by insurance company pooled separate accounts; PTCE 95-60, which exempts certain transactions effected on behalf of an "insurance company general account;" PTCE 91-38, which exempts certain investments by bank collective investment funds; and PTCE 84-14, which exempts certain transactions effected at the sole discretion of a "qualified professional asset manager." Note that IRAs (and certain other plans described in Section 4975(e)(1) of the Code) are typically not represented by banks, insurance companies or registered investment advisors so that, practically speaking, these status-based PTCEs may be unavailable.

In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code generally provide for a statutory exemption, commonly referred to as the Service Provider Exemption, from the prohibitions of Section 406(a) of ERISA and Section 4975 of the Code for certain transactions provided that neither the issuer of the securities nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Benefit Plan involved in the transaction and further provided that the Benefit Plan pays no more than adequate consideration in connection with the transaction. The availability of each of these PTCEs and/or the Service Provider Exemption is subject to a number of important conditions which the plan's fiduciary must consider in determining whether such exemptions apply.

Because of the foregoing, the Series C Bonds (and any interest therein) may not be purchased or held by any person investing "plan assets" of any Benefit Plan, unless such purchase and holding will not constitute or result in a non-exempt prohibited transaction under ERISA and the Code or similar violation of any applicable Similar Laws. No assurance can be provided that any of the above-listed PTCEs or the Service Provider Exemption will apply with respect to any particular investment in the Series C Bonds by, or on behalf of, a Benefit Plan (or other entity deemed to hold assets of a Benefit Plan under the Plan Asset Regulations) or, even if it were deemed to apply, that any exemption would apply to all transactions that may occur in connection with the investment.

Accordingly, by its acceptance of a Series C Bond, each purchaser and any fiduciary acting in connection with the purchase on behalf of a Benefit Plan will be deemed to have represented and warranted that either (i) no "plan assets" of any Benefit Plan have been used to purchase such Series C Bond, or (ii) that the acquisition, holding and the disposition of any Series C Bond by such holder does not and will not constitute a prohibited transaction under ERISA or Section 4975 of the Code or other Similar Laws for which there is no applicable statutory, regulatory or administrative exemption.

Any Benefit Plan fiduciary considering whether to purchase Series C Bonds on behalf of an ERISA Plan should, prior to purchasing the Series C Bonds, consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code to such investment and the availability of any of the exemptions referred to above. In addition, persons responsible for considering the purchase of Series C Bonds by a governmental plan, non-electing church plan or non-U.S. plan should consult with its counsel regarding the applicability of any Similar Law to such an investment.

LEGAL MATTERS

Legal matters incident to the authorization, issuance, and sale of the Bonds will be passed upon by Ballard Spahr LLP, Philadelphia, Pennsylvania, Bond Counsel. The proposed form of Bond Counsel's opinion with respect to the Bonds is included in APPENDIX D hereto. Certain legal matters will be passed upon for the Authority by its counsel, Hartman Underhill & Brubaker, LLC, Lancaster, Pennsylvania; for the University by Wendy S. White, Esquire, Senior Vice President and General Counsel of the University; and for the Underwriters by their counsel, Drinker Biddle & Reath LLP, Philadelphia, Pennsylvania.

Ballard Spahr LLP, which is acting as Bond Counsel in connection with the Bonds, and Drinker Biddle & Reath LLP, which is acting as counsel to the Underwriters in connection with the Bonds, each periodically provide general legal services to the University.

INDEPENDENT ACCOUNTANTS

The financial statements of the University as of June 30, 2014 and June 30, 2013 and for the fiscal years then ended included in APPENDIX B to this Official Statement have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing in APPENDIX B hereto.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services (a division of the McGraw-Hill Companies, Inc.) ("S&P") have assigned the Bonds long-term municipal bond ratings of "Aa2" and "AA+," respectively. Any explanation of the significance of any ratings may only be obtained from the rating agency furnishing the same.

The University has furnished to the rating agencies certain information and material concerning the Bonds and itself. Generally, rating agencies base their ratings on this information and materials and on investigations, studies and assumptions made by the rating agencies themselves. There is no assurance that the ratings initially assigned to any of the Bonds will be maintained for any given period or time or that such ratings may not be revised downward or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. None of the University, the Authority or the Underwriters have undertaken any responsibility to bring to the attention of the holders of the Bonds any proposed revision or withdrawal of the rating of the Bonds or to oppose any such proposed revision or withdrawal. Any downward change in or the withdrawal of any such rating might have an adverse effect on the market price or marketability of the Bonds to which it applies.

UNDERWRITING

Pursuant to the provisions of a bond purchase contract among the Authority, the University and Morgan Stanley & Co. LLC, as representative, on behalf of itself and the underwriters listed on the cover page of this Official Statement (the “Underwriters”), the Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the Authority at an aggregate discount of $1,643,548.25 from the initial public offering prices indicated on the inside front cover page of this Official Statement. The Underwriters will be obligated to purchase all of the Bonds if any are purchased. The public offering prices may be changed, from time to time, by the Underwriters. The Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing the Bonds into investment trusts) at prices lower than such public offering price.

The bond purchase contract for the Bonds requires the University to indemnify the Authority and the Underwriters against certain liabilities relating to this Official Statement.

The Underwriters and their respective 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. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the University, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) 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, parent company of Morgan Stanley & Co. LLC, one of the Underwriters of the Bonds, has entered into a retail distribution with Morgan Stanley Smith Barney LLC. As part of this distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Goldman, Sachs & Co. (“Goldman Sachs”), one of the Underwriters of the Bonds, has entered into a master dealer agreement with Incapital LLC (“Incapital”) for the distribution of certain municipal securities offerings, including the Bonds, to Incapital’s retail distribution network at the initial public offering prices. Pursuant to such master dealer agreement, Incapital will purchase Bonds from Goldman Sachs at the initial public offering price less a negotiated portion of the selling concession applicable to any Bonds that Incapital sells.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each a “JPM Dealer Agreement”) with Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC (“LPL”) for the retail distribution of certain municipal securities offerings to the retail customers of CS&Co. and LPL at the original issue prices. Pursuant to each JPM Dealer Agreement, if applicable to this transaction, each of CS&Co. and LPL will purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Loop Capital Markets LLC (“LCM”), one of the Underwriters of the Bonds, has entered into distribution agreements (each a “LCM Distribution Agreement”) with each of UBS Financial Services Inc. (“UBSFS”) and Deutsche Bank Securities Inc. (“DBS”) and Credit Suisse Securities (“CS”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each LCM

Distribution Agreement, each of UBSFS, DBS and CS will purchase Bonds from LCM at the original issue prices less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association. Wells Fargo Bank, National Association ("WFBNA"), one of the Underwriters, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

LEGALITY OF THE BONDS FOR INVESTMENT AND DEPOSIT

Under the Act, the bonds of the Authority (including the Bonds) are made securities in which all officers of the Commonwealth and its political subdivisions and municipal officers and administrative departments, boards and commissions of the Commonwealth, all banks, bankers, savings banks, trust companies, savings and loan associations, investment companies, and other persons carrying on a banking business, all insurance companies, insurance associations, and other persons carrying on an insurance business, and all administrators, executors, guardians, trustees and other fiduciaries, and all other persons whatsoever who are authorized to invest in bonds or other obligations of the Commonwealth, may properly and legally invest any funds, including capital belonging to them or within their control, and the bonds of the Authority (including the Bonds) are made securities which may properly and legally be deposited with, and received by, any State or municipal officers or agency of the Commonwealth for any purpose for which the deposit of bonds or other obligations of the Commonwealth is authorized by law.

NEGOTIABILITY

Under the Act, the Bonds have all the qualities of negotiable instruments under the law merchant and the laws of the Commonwealth relating to negotiable instruments.

LITIGATION

The Authority

There is no litigation of any nature pending or, to the Authority's knowledge, threatened against the Authority at the date of this Official Statement 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 proceedings of the Authority taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or the security provided for the payment of the Bonds or the existence or powers of the Authority.

The University

There are various legal actions pending against the University, which have arisen in the ordinary course of the University's business. In the opinion of University's management, any adverse decisions will not have a material adverse effect on the University's current business, financial position or operations. See "LITIGATION" in APPENDIX A hereto.

CONTINUING DISCLOSURE

At the time of issuance of the Bonds, the University will enter into a Continuing Disclosure Agreement (the "Disclosure Agreement") with the Trustee for the benefit of the holders of the Bonds as required to enable the Underwriters to comply with their obligations under Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). Under the Disclosure Agreement, the University will covenant to provide, through the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB"), the following:

- within 150 days of the end of each fiscal year of the University, a copy of its annual financial statements prepared in accordance with generally accepted accounting principles and audited by a certified public accountant, together with an update of the financial information and operating data set forth in Appendix A hereto under the following headings: "Undergraduate Student Applications and Enrollment;" "Tuition and Fees;" "Student Financial Aid;" Contributions;" "Sponsored Research;" "Endowment;" "Endowment Spending Policy;" "Investment Policy;" "Investment Performance;" and "Health System's Financial and Operating Summary;" and

- in a timely manner, but not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds: principal and interest payment delinquencies; nonpayment related defaults, if material; unscheduled draws on debt service reserves reflecting financial difficulties; unscheduled draws on credit enhancements reflecting financial difficulties; substitution of credit or liquidity providers, or their failure to perform; adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or a Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to tax status of the Bonds, or other events affecting the tax status of the Bonds; modifications to rights of registered owners of the Bonds, if material; bond calls (excluding mandatory sinking fund redemptions) and tender offers; defeasances; release, substitution or sale of property securing repayment of the Bonds, if material; rating changes; bankruptcy, insolvency, receivership, or similar proceeding by the University; consummation of a merger, consolidation, acquisition involving the University, or sale of all or substantially all of the assets of the University, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and appointment of an additional or a successor trustee, or the change in name of a trustee, if material.

The Disclosure Agreement may be amended by the University, in its discretion, in any particular way permitted by the Rule. In addition, the University reserves the right (i) to modify from time to time the specific types of information provided or the format of the presentation of its annual financial information and other operating data, to the extent necessary or appropriate in the judgment of the University, and (ii) upon prior written notice to EMMA to amend or terminate any or all of its continuing disclosure covenants for any reason if permitted to do so under the Rule. Any such amendment or modification must be supported by an opinion of counsel expert in federal securities law addressed to the University and the Trustee, to the effect that such amendment or modification would not, in and of itself, cause the undertaking of the University under the Disclosure Agreement to violate the Rule if such amendment or modification had been effective on the date of the Disclosure Agreement but taking into account any subsequent change in an official interpretation of the Rule.

In the event of a breach or default by the University of its covenants to provide information and notices as specified in the Disclosure Agreement, the Trustee or any record or beneficial owner of the Bonds may, but is not be required, to bring an action in a court of competent jurisdiction to compel specific performance by the University. No monetary damages may be recovered under any circumstances for any breach or default by the University of its covenants under the Disclosure Agreement. A breach or default under the Disclosure Agreement shall not constitute an event of default with respect to the Bonds or the Indenture or the Loan Agreement.

The University has entered into similar disclosure agreements in accordance with the Rule in connection with prior debt obligations issued on behalf of the University, including bonds issued on behalf of the University of Pennsylvania Health System. Such information may be available to investors so long as the University is obligated to provide such information as part of its other undertakings.

In connection with the University becoming the sole corporate member of The Chester County Hospital and Health System ("TCCHHS") effective September 1, 2013 and TCCHHS becoming a member of the Obligated Group of the University of Pennsylvania Health System on June 12, 2014, the University filed an event notice with EMMA on February 12, 2015, which was more than the required 10 business days after the underlying event if the University considered the event material for purposes of various continuing disclosure agreements entered into with respect to bonds issued for the benefit of the University and the Health System. In the event notice for the above-described acquisition, the University did not express a view as to whether the transaction was material. The University is currently in compliance in all material respects with its previous undertakings with regard to continuing disclosure for prior obligations issued. Further, the University has reviewed its disclosure policies and procedures to ensure that the University will be in compliance with continuing disclosure undertakings in the future.

The Authority is not a party to the Continuing Disclosure Agreement, and is not required to provide disclosure regarding its financial condition because, among other things, its financial condition is not material to an investment in the Bonds. In addition, the Authority has no responsibility for the University's compliance with the Disclosure Agreement or for the information provided by the University thereunder.

CERTAIN RELATIONSHIPS

Certain Trustees of the University have affiliations with firms participating in the issuance and sale of the Bonds, as follows:

- Hon. Thomas W. Wolf, Governor of the Commonwealth of Pennsylvania and an *ex officio* Trustee of the University, is a Board Member and President of the Pennsylvania Higher Educational Facilities Authority.

- Messrs. David M. Silfen and Mark O. Winkelman are both Charter Trustees of the University and members of the Executive Committee of the University's Board of Trustees. Mr. Silfen is a Senior Director at Goldman, Sachs & Co., which is one of the Underwriters in connection with the Bonds. Mr. Winkelman was formerly a Senior Director of Goldman, Sachs & Co, from 1999 to 2014, and currently serves on the board of directors of The Goldman Sachs Group, Inc.

- Mrs. Lee Spelman Doty, a Charter Trustee of the University and a member of the Executive Committee, is a Managing Director of JPMorgan Investment Management Inc., an affiliate of J.P. Morgan Securities, LLC, one of the Underwriters in connection with the Bonds.

- James C. Johnson, an Alumni Trustee of the University, was, until his retirement in January 2014, General Counsel of Loop Capital Markets LLC, which is one of the Underwriters in connection with the Bonds.

For a description of the University's comprehensive conflict-of-interest policy, see "THE TRUSTEES OF THE UNIVERSITY OF PENNSYLVANIA -- Transactions between the University and Members of its Board of Trustees" in APPENDIX A hereto.

MISCELLANEOUS

The distribution of this Official Statement in connection with the offering of the Bonds has been duly approved by the Authority and the University. This Official Statement is not to be construed as a contract or agreement between the Authority or the University and the purchasers or holders of any Bonds.

All of the summaries of the provisions of the Act, the Indenture, the Loan Agreement and of the Bonds set forth herein are only brief outlines of certain provisions thereof and are made subject to all of the detailed provisions thereof, to which reference is hereby made for further information, and do not purport to be complete statements of any or all such provisions of such document.

The Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

Information concerning the University and the Refunding Program to be financed by the Bonds has been provided by the University. All estimates, projections, and assumptions herein have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates, projections, or assumptions are correct or will be realized. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The Authority has not assisted in the preparation of this Official Statement, except for the statements under the sections captioned “THE AUTHORITY” and “LITIGATION - The Authority” herein and, except for those sections, the Authority is not responsible for any statements made in this Official Statement. Except for the authorization, execution, and delivery of documents required to effect the issuance of the Bonds, the Authority assumes no responsibility for the disclosures set forth in this Official Statement.

PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY

By: /s/ Robert Baccon
Robert Baccon
Executive Director

Approved:

THE TRUSTEES OF THE UNIVERSITY OF PENNSYLVANIA

By: /s/ Stephen D. Golding
Stephen D. Golding
Vice President for Finance and Treasurer

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SCHEDULE 1

REFUNDED BONDS

Pennsylvania Higher Educational Facilities Authority
The Trustees of the University of Pennsylvania Revenue Bonds, Series A of 2005

Original Issue Date	Stated Maturity	Interest Rate	Principal Redeemed	Redemption Date	Redemption Price	CUSIP†
6/7/2005	9/1/2025	4.250%	$ 5,155,000	4/16/2015	100%	70917NQ72
			$ 5,155,000			

Pennsylvania Higher Educational Facilities Authority
The Trustees of the University of Pennsylvania Revenue Bonds, Series C of 2005

Original Issue Date	Stated Maturity	Interest Rate	Principal Redeemed	Redemption Date	Redemption Price	CUSIP†
8/8/2005	7/15/2016	5.000%	$ 1,780,000	7/15/2015	100%	70917N7H1
8/8/2005	7/15/2017	5.000%	1,870,000	7/15/2015	100%	70917N7J7
8/8/2005	7/15/2018	5.000%	1,970,000	7/15/2015	100%	70917N7K4
8/8/2005	7/15/2019	5.000%	2,070,000	7/15/2015	100%	70917N7L2
8/8/2005	7/15/2020	5.000%	2,175,000	7/15/2015	100%	70917N7M0
8/8/2005	7/15/2021	5.000%	2,290,000	7/15/2015	100%	70917N7N8
8/8/2005	7/15/2022	5.000%	2,405,000	7/15/2015	100%	70917N7P3
8/8/2005	7/15/2023	5.000%	2,530,000	7/15/2015	100%	70917N7Q1
8/8/2005	7/15/2026	4.500%	635,000	7/15/2015	100%	70917N7R9
8/8/2005	7/15/2026	5.000%	7,760,000	7/15/2015	100%	70917N7S7
8/8/2005	7/15/2030	4.500%	13,185,000	7/15/2015	100%	70917N7T5
8/8/2005	7/15/2035	4.750%	39,050,000	7/15/2015	100%	70917N7U2
8/8/2005	7/15/2038	5.000%	31,625,000	7/15/2015	100%	70917N7V0
			$109,345,000			

Pennsylvania Higher Educational Facilities Authority
The Trustees of the University of Pennsylvania Revenue Bonds, Series A of 2009

Original Issue Date	Stated Maturity	Interest Rate	Principal Redeemed	Redemption Date	Redemption Price	CUSIP†
3/16/2009	9/1/2017	5.000%	$ 50,000,000	*	N/A	70917RTS4
3/16/2009	9/1/2019	5.000%	154,750,000	*	N/A	70917RTT2
			$204,750,000			

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* Escrow to final maturity date

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services provided by CUSIP Global Services. CUSIP numbers are included herein solely for the convenience of the purchasers of the Bonds. None of the Authority, the University or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

SCHEDULE 1

REFUNDED BONDS
(continued)

Pennsylvania Higher Educational Facilities Authority
The Trustees of the University of Pennsylvania Revenue Bonds, Series B of 2009

Original Issue Date	Stated Maturity	Interest Rate	Principal Refunded	Redemption Date	Redemption Price	CUSIP†
3/16/2009	9/1/2021	4.000%	$ 2,330,000	9/1/2019	100%	70917RUF0
3/16/2009	9/1/2022	5.000%	2,440,000	9/1/2019	100%	70917RUG8
3/16/2009	9/1/2023	4.125%	1,400,000	9/1/2019	100%	70917RUH6
3/16/2009	9/1/2024	5.000%	1,445,000	9/1/2019	100%	70917RUJ2
3/16/2009	9/1/2025	5.000%	1,520,000	9/1/2019	100%	70917RUK9
3/16/2009	9/1/2026	5.000%	1,575,000	9/1/2019	100%	70917RUL7
3/16/2009	9/1/2027	5.000%	1,650,000	9/1/2019	100%	70917RUM5
3/16/2009	9/1/2028	5.000%	1,710,000	9/1/2019	100%	70917RUN3
			$ 14,070,000			

Pennsylvania Higher Educational Facilities Authority
The Trustees of the University of Pennsylvania Revenue Bonds, Series C of 2009

Original Issue Date	Stated Maturity	Interest Rate	Principal Refunded	Redemption Date	Redemption Price	CUSIP†
3/16/2009	9/1/2020	5.000%	$ 4,330,000	9/1/2019	100%	70917RUX1
3/16/2009	9/1/2021	4.000%	4,545,000	9/1/2019	100%	70917RUY9
3/16/2009	9/1/2022	4.000%	2,000,000	9/1/2019	100%	70917RVA0
3/16/2009	9/1/2022	5.000%	2,775,000	9/1/2019	100%	70917RUZ6
			$ 13,650,000			

Pennsylvania Higher Educational Facilities Authority
The Trustees of the University of Pennsylvania Revenue Bonds, Series of 2010

Original Issue Date	Stated Maturity	Interest Rate	Principal Refunded	Redemption Date	Redemption Price	CUSIP†
10/13/2010	9/1/2023	5.000%	$ 4,950,000	9/1/2020	100%	70917RM93
10/13/2010	9/1/2024	4.000%	5,200,000	9/1/2020	100%	70917RN27
10/13/2010	9/1/2025	5.000%	5,455,000	9/1/2020	100%	70917RN35
10/13/2010	9/1/2026	5.000%	5,760,000	9/1/2020	100%	70917RN43
			$21,365,000			

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services provided by CUSIP Global Services. CUSIP numbers are included herein solely for the convenience of the purchasers of the Bonds. None of the Authority, the University or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

SCHEDULE 1

REFUNDED BONDS
(continued)

Pennsylvania Higher Educational Facilities Authority
The Trustees of the University of Pennsylvania Revenue Bonds, Series A of 2011

Original Issue Date	Stated Maturity	Interest Rate	Principal Refunded	Redemption Date	Redemption Price	CUSIP†
3/2/2011	9/1/2022	5.000%	$ 4,085,000	3/1/2021	100%	70917RQ99
3/2/2011	9/1/2024	5.000%	4,470,000	3/1/2021	100%	70917RR31
3/2/2011	9/1/2025	5.000%	4,700,000	3/1/2021	100%	70917RR49
3/2/2011	9/1/2026	5.000%	4,940,000	3/1/2021	100%	70917RR56
			$ 18,195,000			

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APPENDIX A

INFORMATION CONCERNING
THE TRUSTEES OF THE UNIVERSITY OF PENNSYLVANIA

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Appendix A constitute projections or estimates of future events, generally known as forward-looking statements. These statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. These forward-looking statements include, among others, the information under the caption "UNIVERSITY FINANCIAL DATA" in this Appendix A.

The achievement of certain results or other expectations in these forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The University does not plan to issue any updates or revisions to those forward-looking statements if or when changes in its expectations, or events, conditions or circumstances on which these statements are based occur.

THE TRUSTEES OF THE UNIVERSITY OF PENNSYLVANIA

The information set forth in this APPENDIX A is intended to provide certain information regarding The Trustees of the University of Pennsylvania and the University of Pennsylvania Health System.

General

The Trustees of the University of Pennsylvania (the "University" or "Penn") is an independent non-sectarian research institution of higher education chartered under the laws of the Commonwealth of Pennsylvania (the "Commonwealth"). One of only nine colleges and universities established during the colonial period, the University is the third oldest Ivy League school. It is a privately endowed, gift-supported non-profit corporation, and is exempt from federal income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

The University has a long history of innovation. Unique among its colonial peers in its radical departure from the traditional ecclesiastical curriculum, the University established the first liberal arts curriculum, combining for the first time a scientific and classical education and offering such new fields of study as modern languages, physics, mathematics, history, and economics. As the nation's first university, it introduced the concept of a multi-disciplinary education. It founded the nation's first School of Medicine in 1765, marking the beginning of formal medical education in North America, and the nation's first hospital established by a medical school.

The first professorships in botany and chemistry in the United States were established at the University. Benjamin Rush, a chemistry professor, joined the medical faculty in 1769 and published the first book on insanity in the United States, pioneering the study of mental disease. The Wharton School of Finance and Commerce, the first collegiate school of business, opened in 1881. In 1896, the world's first psychology clinic opened at the University. During World War II, ENIAC, the original large-scale, all-electronic digital computer, which was the forerunner of the computer industry, was designed and built at the Moore School of Electrical Engineering. The Piersol Rehabilitation Center, founded in 1959, was the first rehabilitation center in the City of Philadelphia (the "City").

The University continues this pioneering tradition today in fields as diverse as cancer research, genomics, gene therapy, digital media design, cognitive science, materials science, aging, biotechnology, bioethics, neuroscience, demography, management and technology, bioinformatics and computational biology, nanotechnology, translational research and public policy. For a decade, the Penn Compact has propelled the University from excellence to eminence by advancing its core endeavors of teaching, research and service. The Making History Campaign met with remarkable success, engaging the entire Penn community on an unprecedented level. Penn Compact 2020 renews Penn's fundamental priorities with intense focus on increasing access to the University's exceptional intellectual resources; integrating knowledge across academic disciplines with emphasis on innovative understanding and discovery; and engaging locally, nationally, and globally to bring the benefits of Penn's research, teaching, and service to individuals and communities at home and around the world. This vision will guide the University in strengthening three core values that make it unique: inclusion, innovation, and impact.

The University has a full-time student body of over 22,000 and a 280-acre campus in West Philadelphia (excluding the Hospital of the University of Pennsylvania) on which over 150 University buildings are situated. In addition, the University owns two properties that are not adjacent to the campus. The Morris Arboretum, located in Chestnut Hill, Pennsylvania, encompasses 92 acres with 30 buildings. The Morris Arboretum conducts four major activities: education, research, outreach and horticultural display. As the official Arboretum of the Commonwealth, it provides research and outreach services to state agencies, community institutions and to citizens of Pennsylvania and beyond. The New Bolton Center, in Kennett Square, Pennsylvania, consists of 600 acres with 77 buildings. Opened in 1954, the New Bolton Center comprises the George D. Widener Hospital for Large Animals, the University of Pennsylvania School of

Veterinary Medicine's teaching hospital for large animals, featuring one of the world's largest equine surgical facilities, the Marshak Dairy, the Laboratory of Aquatic Animal Medicine and Pathology and one of Pennsylvania's three Animal Diagnostic Laboratories.

In July 2007, the University acquired from the United States Postal Service two properties adjacent to the eastern edge of the University's main campus for $21.5 million. These properties include 2.5 acres of land and associated buildings which the University has leased for redevelopment to a private developer under a long term ground lease, and 14 acres of property which the University developed, together with adjacent property of the University, to form a 24-acre urban park now known as Penn Park. Penn Park is the centerpiece of "Penn Connects," the University's long-term master land use and urban design campus plan. Penn Park brings 20% more green space to the urban campus of the University and creates a new gateway uniting University City with Center City in Philadelphia.

In September 2010, the University acquired, for $13.0 million, 23 acres of land and facilities located across the Schuylkill River from the University's main campus in Philadelphia. More than 250,000 square feet of laboratory, office and warehouse space remains on the property that formerly comprised the DuPont Marshall Laboratory. The site is intended to be repurposed with light industrial, flex-use, and buildings scaled to fit the need for practical commercialization and business opportunities in the region. The site has also been designated as the home for the Penn Center for Innovation, a new initiative that will provide the infrastructure, leadership and resources needed to transfer promising Penn inventions, know-how and related assets into the marketplace for the public good. As of December 31, 2014, nearly 80,000 square feet of space was leased to University tenants, small research and technology businesses, and for storage for the University and other entities.

The University is comprised of an academic component (see "Programs- Academic" below) and a Health System component (see "THE UNIVERSITY OF PENNSYLVANIA HEALTH SYSTEM" below).

Governance

The University is governed by its Board of Trustees (the "University Trustees"). The Executive Committee of the University Trustees (the "Executive Committee") is elected annually and can act on behalf of the full University Trustees in most matters. Under the bylaws of the University, the University Trustees may consist of a maximum of ten Charter Trustees, thirty Term Trustees, fourteen Alumni Trustees, including the President of the Alumni Society, four Commonwealth Trustees and two Special Trustees. The Governor of the Commonwealth and the President of the University are Ex-Officio Trustees. Charter Trustees are elected by the University Trustees from among persons who have served as University Trustees for a period of not less than five years. Term Trustees are elected by the University Trustees for terms of five years. Alumni Trustees are elected by Penn Alumni for terms of five years from among those persons who have received degrees from the University. The Commonwealth Trustees are each appointed by one of the following members of the Pennsylvania legislature: the President Pro Tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives, and the Minority Leader of the House of Representatives. The Special Trustees are elected by the University Trustees as University Trustees whose services are in the best interest of the University to meet a particular need or purpose and have a term of service determined by the Chair and approved by the Executive Committee. Under normal circumstances, Charter, Term and Alumni Trustees must retire at the age of 70, at which time Charter Trustees are designated by the University Trustees as Trustees Emeriti. Term and Alumni Trustees who have been elected to two five-year terms in any class are eligible for election by the University Trustees as Trustees Emeriti. Trustees Emeriti and Ex-Officio Trustees are non-voting University Trustees.

In addition, the University has an Investment Board, which can include members who are not University Trustees. The Investment Board oversees the investment of endowment and similar funds, and all other investment funds of the University.

The members of the University Trustees as of January 20, 2015 are listed below:

Transactions Between the University and Members of its Board of Trustees

The University has a comprehensive conflict-of-interest policy that was formally adopted by the University Trustees in June 2000. The policy applies to University Trustees, officers and members of the Investment Board ("Covered Persons"), and is intended to address any real, potential, or apparent conflicts of interest that might call into question a person's duty of undivided loyalty to the University. The policy, which is in conformity with the Intermediate Sanctions regulations of the Internal Revenue Service ("IRS") applicable to tax-exempt organizations, adopts the IRS standard for approval of a transaction between a Covered Person and the University. The standard requires that a Covered Person seeking to enter into a transaction with the University recuse himself or herself from the decision-making process, that any payments made are at fair market value, and that the transaction, as a whole, is fair, reasonable and in the best interests of the University.

The relationships of certain Trustees of the University with certain Underwriters in connection with the offering of the Bonds are described under the "CERTAIN RELATIONSHIPS" in the forepart of the Official Statement.

Officers of the University

The officers of the University are the President, the Provost, the Executive Vice Presidents, the Senior Vice President, the Vice Presidents, the Secretary, the Treasurer, the Comptroller and the General Counsel. Subject to the policies of the University, all officers except the President are elected by the University Trustees upon nomination by the President. The President is elected by the University Trustees upon nomination by the Executive Committee. The principal officers of the University are as follows:

Dr. Amy Gutmann	*President*
Dr. Vincent Price	*Provost*
Mr. Craig R. Carnaroli	*Executive Vice President*
Dr. J. Larry Jameson	*Executive Vice President for the Health System and Dean of the Perelman School of Medicine*
Wendy S. White, Esquire	*Senior Vice President and General Counsel of the University and Health System*
Mr. Stephen D. Golding	*Vice President for Finance and Treasurer*
Ms. Anne Papageorge	*Vice President for Facilities and Real Estate Services*
Mr. John H. Zeller	*Vice President for Development and Alumni Relations*
Ms. Leslie Laird Kruhly	*Vice President and University Secretary*
Mr. John F. Horn	*Comptroller*

PROGRAMS

Academic

The University is comprised of the twelve schools listed below, four of which, marked by an asterisk (*), offer undergraduate degrees. Graduate and professional degrees are offered by all twelve schools:

School of Arts and Sciences *
School of Engineering and Applied Science *
School of Nursing *
Wharton School *
Annenberg School for Communication
Graduate School of Education
School of Design
School of Dental Medicine
School of Law
Perelman School of Medicine [1]
School of Social Policy and Practice
School of Veterinary Medicine

[1] *The Perelman School of Medicine also operates as part of PENN Medicine. For a description of the Perelman School of Medicine, see* "THE UNIVERSITY OF PENNSYLVANIA HEALTH SYSTEM" herein.

The quality and success of the programs offered by the University have been consistently recognized around the world. The University was ranked eighth in the 2015 *U.S. News and World Report* National Universities Ranking and also named one of the ten Best Values Schools. In these same rankings, the University's Wharton School was ranked first for both graduate and undergraduate business students, and the Law School and the School of Graduate Education – as well as departments across the School of Arts and

Sciences, the School of Design, and the Perelman School of Medicine – were all ranked in the top ten among the survey's wide range of specific academic areas. From a global perspective, the University is ranked among the top 16 institutions around the world in all three of the major international university rankings: the Academic Ranking of World Universities of the Center for World-Class Universities at the Shanghai Jiao Tong University, the QS World University Rankings, and the *Times Higher Education* World University Rankings. In 2014, the Middle States Commission on Higher Education reaffirmed the University's accreditation, following a rigorous, two-year process in which the University first prepared an in-depth, campus-wide Self-Study Report and was then reviewed by an external evaluation team of faculty members and senior administrators from peer institutions.

The proximity of all twelve of the University's schools on a single campus has stimulated a number of renowned multi-disciplinary enterprises aimed at solutions to major problems of global society. Among them are: the Center for Public Health Initiatives, Penn Institute for Urban Research, Leonard Davis Institute of Health Economics, Laboratory for Research on the Structure of Matter, David Mahoney Institute for Neurological Sciences, Lauder Institute, Abramson Family Cancer Research Institute, and Institute for Regenerative Medicine, as well as new globally-focused initiatives such as the Perry World House and the Penn Wharton China Center.

The twelve schools also combine their expertise in campus-wide academic theme years, which bring together a wide range of perspectives to illuminate critical global issues such as health, food, evolution, water, and the role of art in urban settings.

Faculty

For the 2015 Academic Year, there are 2,569 standing faculty at the University, approximately one for every four full-time undergraduates on campus. Approximately 79% of the faculty, excluding clinician educators in the Perelman School of Medicine, is tenured. All of the University's full-time faculty has earned a doctorate and/or other terminal professional degree.

The faculty of the University is actively engaged in teaching and research. Honors and awards received by members of the faculty include the Nobel Prize, Pulitzer Prize, Bancroft Prize, Guggenheim Fellowship, National Medal of Science, MacArthur Foundation Fellowship, Sloan Research Fellowship, Wolf Prize in Medicine, and Presidential Early Career Award for Scientists and Engineers.

Members of the faculty hold memberships and leadership positions in such prestigious professional and learned societies as the American Academy of Arts and Sciences, American Association for the Advancement of Science, American Philosophical Society, Institute of Medicine, National Academy of Engineering, National Academy of Science, and Royal Society of London.

Undergraduate Student Applications and Enrollment

The following table sets forth certain information regarding undergraduate applicants, acceptances and matriculants for the academic years indicated:

Academic Year	Applicants	Acceptances	Acceptance Percentage	Matriculants	Matriculation Percentage
2010-2011	26,941	3,841	14.3%	2,412	62.8%
2011-2012	31,633	3,935	12.4%	2,467	62.7%
2012-2013	31,218	3,935	12.6%	2,461	62.5%
2013-2014	31,282	3,830	12.2%	2,421	63.2%
2014-2015	35,866	3,718	10.4%	2,425	65.2%

The Admissions Office received 37,266 applications for the entering class for fall of 2015. This is an increase of 3.9 percent from the number for the 2014-2015 academic year.

The following is a five year analysis of the mean college entrance examination scores achieved by entering freshmen:

Mean SAT Scores			
Academic Year	**SAT 1 Critical Reading**	**SAT 1 Writing**	**SAT 1 Math**
2010-2011	703	717	728
2011-2012	704	717	726
2012-2013	707	720	728
2013-2014	710	725	728
2014-2015	715	733	733

The full-time equivalent enrollment at the University for the academic years indicated is as follows:

Full-Time Equivalent Enrollment					
Academic Year	**Undergraduate**	**Graduate**	**Professional**	**Full-Time Equivalent Enrollment**	**Total Degrees Awarded**
2010-2011	10,911	3,172	8,388	22,471	7,828
2011-2012	10,790	3,145	8,562	22,497	7,847
2012-2013	10,775	3,238	8,505	22,518	8,003
2013-2014	10,721	3,220	8,498	22,439	7,812
2014-2015	10,787	3,209	8,567	22,563	N/A

Notes:

1. Graduate and Professional student numbers have been restated for prior years in accordance with the University's current methodology which reports students with degrees pursued in Research Masters (AM, MS), PhD, or dual PhD degrees (PhD and MD/VMD/DMD/JD) as Graduate students, and all other students enrolled above the undergraduate level as Professional students. For year 2014-2015 and going forward, this will be the methodology for differentiating between Graduate and Professional students

2. Standard Part-time = 1/3 FTE is applied.

Tuition, Fees and Other Charges

The cost of education at the University is covered by tuition and fees, gifts, grants, income derived from investments and other sources. The University believes that its tuition, fees and other related student expenses are competitive with other major private institutions.

The University's total undergraduate tuition and fees and the standard undergraduate room and board charges are in the table below. Graduate and professional schools set their own tuition rates and fees annually. Tuition and fees for full-time programs range from $27,012 to $93,910 per year. The University offers substantial financial assistance to both residential and non-residential students.

Undergraduate Tuition, Fees and Other Charges

	2013-14 Academic Year	**2014-15 Academic Year**
Academic Year Tuition & Fees for a Full-Time Undergraduate (excluding room & board)	$ 45,890	$ 47,668
Academic Year Room & Board Charges	12,922	13,464
Total	$ 58,812	$ 61,132

Student Financial Aid

The University's undergraduate admissions policy reflects the philosophy that admission is need-blind. For the 2013-2014 academic year, approximately 75% of all University students received some type of financial assistance.

For the fiscal years listed below, the components of student financial aid were as follows:

Scholarships, Grants and Institutional Loans

	Fiscal Year Ended June 30,				
	2010	**2011**	**2012**	**2013**	**2014**
Grants and Loans - Unrestricted revenues	$107,490,000	$121,763,000	$131,869,000	$142,785,000	$148,734,000
Grants- Endowment income	39,305,000	43,261,000	47,004,000	52,232,000	59,529,000
Endowed & University Admin. Fed. Loans(1)	10,821,000	13,197,000	10,502,000	13,953,000	15,657,000
Federal, State & private grants(2)	39,911,000	43,192,000	44,017,000	47,927,000	50,292,000
Tuition remission(3)	113,838,000	119,247,000	125,480,000	131,402,000	132,613,000
Total	$311,365,000	$340,660,000	$358,872,000	$388,299,000	$406,825,000

(1) Includes Federal Perkins, Nursing and Health Profession Loans, University endowed loans and private loans for undergraduates administered by the University.
(2) Includes gifts and payments from third parties.
(3) Includes tuition remission for faculty/staff attending the University as well as research fellowships, research assistantships, teaching fellowships, and departmental grants. Does not include stipends.

Commencing with the 2009-2010 academic year, the University implemented a policy of meeting dependent undergraduate students' needs without expecting them to take out student loans. Under this policy, a student from a typical family with an income of less than $90,000 will not pay tuition, and a student from a typical family with income less than $40,000 will not be expected to pay tuition, room, or board.

The Penn Plan (Tuition Stabilizer Plan) and Penn Guaranteed Loan Program

The University has long been a leader in financing higher education for students and parents. The Penn Plan, a program of alternative payment options, was initiated in 1984. The program is made available to families of undergraduates, graduate degree candidates and students in the professional schools. The program is a partnership among the student, the student's family and the University to assure that students can manage more effectively the cost of attendance. As of June 30, 2014, 403 graduate, professional and undergraduate students and their families were participating in the Penn Plan.

In 1997, the University established the Penn Guaranteed Loan Program whereby the University guarantees loan obligations incurred by students attending the University. The program provides lower cost alternative loans to graduate and professional students attending the University. Loans issued by private lending institutions are guaranteed by the University under the Penn Guaranteed Loan Program. As of June 30, 2014, the amount of the loans outstanding for which the University is the guarantor was $61,100,679. The reserve established to support this contingent liability was $6,164,419.

UNIVERSITY FINANCIAL DATA

General

The financial statements of the University have been prepared on an accrual basis and include the accounts of the University and its related entities, including the Health System. All material transactions between the University and its related entities have been eliminated.

The selected financial data and other information below have been derived by management from the audited financial statements of the University prepared in accordance with generally accepted accounting principles. The University's annual audited financial statements for the fiscal years ended June 30, 2014 and 2013 are presented in Appendix B. The University currently makes certain annual operating and financial information, including its audited annual financial statement, available through the Municipal Securities Rulemaking Board -- Electronic Municipal Market Access (http://emma.msrb.org) as required in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended. The University will covenant in the Disclosure Agreement that, unless otherwise available on EMMA or any successor, copies of the University's audited financial statements will either be posted on the University's website or filed with the Trustee. See "CONTINUING DISCLOSURE" in the forepart of this Official Statement.

Summarized Statement of Financial Position (in thousands)	Fiscal Year Ended June 30				
	2010	2011	2012	2013	2014
Total Assets	$12,054,088	$13,944,362	$14,702,600	$16,048,432	$18,002,615
Total Liabilities	$3,824,982	$4,114,567	$5,008,974	$4,754,306	$5,030,778
Net Assets:					
Unrestricted	4,258,474	5,102,726	4,913,911	5,933,126	6,869,201
Temporarily restricted	1,515,660	2,107,041	2,017,544	2,433,998	2,960,272
Permanently restricted	2,454,972	2,620,028	2,762,171	2,927,002	3,142,364
Total Liabilities and Net Assets	$12,054,088	$13,944,362	$14,702,600	$16,048,432	$18,002,615

Summarized Statement of Activities (in thousands)	Fiscal Year Ended June 30				
	2010	2011	2012	2013	2014
Revenue and other support	$5,545,065	$5,889,519	$5,932,563	$6,191,033	$6,610,522
Expenses	(5,263,101)	(5,557,232)	(5,683,003)	(5,896,431)	(6,348,798)
Increase in net assets from operations	281,964	332,287	249,560	294,602	261,724
Increase(decrease) in net assets from non-operating activities	386,409	1,268,402	(385,729)	1,305,898	1,415,987
Increase (decrease) in total net assets	$668,373	$1,600,689	($136,169)	$1,600,500	$1,677,711
Net assets, beginning of year	7,560,733	8,229,106	9,829,795	9,693,626	11,294,126
Net assets, end of year	$8,229,106	$9,829,795	$9,693,626	$11,294,126	$12,971,837

Operating Budget

The University operates in a decentralized budget management structure, termed "responsibility center management (RCM)." The system holds each school and resource center responsible, as the revenue-producing entities of the University, for balancing expenditures to income. The University promotes a disciplined budget process whereby each responsibility center submits a high level five year all-funds budget during the fall and a detailed annual all-funds budget during the spring. Key central budget planning parameters, including undergraduate total charges, the salary pool, the employee benefit rate, and income growth under the endowment spending rule, form the common basis for all budgets. Budgets are reviewed by the University Office of Budget and Management Analysis and discussed in detail in meetings with the Provost (schools and resource centers) or the Executive Vice President (administrative and auxiliary centers). The full University budget in both an RCM and Generally Accepted Accounting Principles (GAAP) format is presented to the Trustees for approval in June. The University monitors budget performance during the course of the year, and requires that each responsibility center provide an updated forecast each quarter. The University reports GAAP performance against both the prior year actual results and the current year budget to the Trustees on a quarterly basis.

Commonwealth Appropriations

Although the University has no legal relationship with the Commonwealth, it has, pursuant to specific legislative appropriations, received sums from the Commonwealth for its support and maintenance and for other specific purposes in each year since 1903. Approximately $31,617,000 of the total unrestricted revenue of the University for Fiscal Year 2014 was provided from Commonwealth appropriations. The Pennsylvania legislature has appropriated $31,764,000 to the University for Fiscal Year 2015, most of which is targeted to support the School of Veterinary Medicine. Once an appropriation is made, it may be reduced administratively, usually because of Commonwealth budgetary constraints. There is no assurance that the Commonwealth will not reduce the University's appropriation for Fiscal Year 2015 or thereafter.

Contributions

Since 1984, the University has consistently ranked among the top 15 private universities in America in philanthropic support. Following the December 2012 conclusion of a comprehensive campaign which reached $4.3 billion, the University created the Penn Compact 2020 University Initiatives to build on what was accomplished during the campaign and continue the momentum through 2020. With shared University objectives, including other key priorities defined by the University's Schools and Centers, the University's goals are to raise an additional $350 million for undergraduate, graduate, and professional student aid, and if successful would bring the total raised for such purposes to over $1 billion during a 15-year period; and raise an additional $300 million for faculty support, bringing the total raised for such purpose to over $900 million during that same period.

The University's accounting policy is to record contributions as revenue when pledged at net present value. For the years listed below, contribution revenue was as follows (in thousands):

Fiscal Year Ended June 30	Endowment	Facilities	Operations	Total
2010	$113,760	$15,888	$101,809	$231,457
2011	135,500	55,355	306,770	497,625
2012	153,791	44,172	189,681	387,644
2013	149,136	100,013	199,606	448,755
2014	162,171	35,567	168,935	366,673

Sponsored Research

The University has long been a center for programs of research and training, and a significant portion of its research and graduate education programs are supported by research grants and contracts. The aggregate dollar amount of grants and contracts awarded to the University for sponsored research and training from governmental and private agencies during the years listed below were as follows (in thousands):

Fiscal Year Ended June 30	Total Grants and Contracts Awarded
2010[1]	$1,007,209
2011[1]	924,529
2012	872,603
2013	838,901
2014	935,213

1 The research awards for Fiscal Years 2010 and 2011 include funding made available through programs authorized pursuant to The American Recovery and Reinvestment Act of 2009.

For the last decade, the University has consistently ranked in the top 20 universities performing sponsored research as tabulated by the National Science Foundation, based on obligations for research and development. Forecasts of future years' growth rates in externally reimbursed expenditures under sponsored research and instruction agreements are complicated by the uncertainty of future national policy decisions and budget priorities.

Sponsored programs and research projects are funded as to both direct and indirect costs. Indirect costs are costs actually incurred, but differ from direct costs in that they have been incurred for purposes common to a number of projects, programs or activities of the University, and cannot be identified and charged directly to such specific projects, programs or activities with any reasonable degree of accuracy or without an inordinate amount of bookkeeping. Examples include utilities, maintenance, janitorial services and interest on debt issued to support research facilities, and such administrative services as accounting, purchasing, personnel and library.

Both direct and indirect cost activities are essential for the operation of the University. Without reimbursement for indirect costs, sponsored programs and research in the University would require additional institutional support of indirect services, to the detriment of other University activities. For most federal awards, the items included in each indirect cost category, the indirect cost rate and the appropriate base to be used in allocating such costs are reached through negotiation with the federal government.

In Fiscal Year 2014, the University received expendable grant and contract awards from the federal government (principally the Department of Health and Human Services) in the amount of $756.6 million, $210.5 million of which was awarded for indirect costs. Actual indirect cost revenues received, totaling $188.7 million for Fiscal Year 2014, represented approximately 2.9% of total unrestricted revenue. In Fiscal Year 2011, the University's Federal Indirect Cost Rate ("ICR") for research was 60% of modified total direct costs. Modified total direct costs requires that equipment, capital expenditures, charges for patient care, tuition remission, rental costs of off-site facilities, scholarships, and fellowships as well as the portion of each subgrant and subaward in excess of $25,000 are excluded from the calculation of ICR. The current rate agreement was negotiated in May, 2009 and ran through Fiscal Year 2014. The University is currently in negotiation with the Department of Health and Human Services for a new rate agreement. Certain types of federal awards include indirect costs at rates less than the research rate, such as training grants that are awarded at an 8% rate.

Some federal grants, especially for sponsored instructional and educational services, carry a stipulated limit on ICRs. Federal research grants and contracts are only infrequently subject to such limits.

Private foundations, corporations and other state and local agencies may also allow indirect costs as part of the sponsored program, contract or grant. In Fiscal Year 2014, the University received non-federal contracts and grants of $178.6 million, of which $33.4 million represented indirect cost recovery.

Endowment

As of June 30, 2014, the market value of the endowment totaled approximately $9.6 billion, an increase of $1.4 billion over the prior fiscal year, due to realized and unrealized gains from investments of $1.4 billion and new endowment gifts of $185.6 million, and $140 million of investments from unrestricted funds, which was offset by a spending rule distribution (as further described below) of $289.1 million to provide budgetary support for endowed programs. Investment income comprised approximately 5.7% of the University's total operating revenues for the fiscal year ended June 30, 2014.

Endowment Funds of University *(in millions)*	
Fiscal Year ended June 30	**Market Value**
2010	$5,987
2011	6,956
2012	7,134
2013	8,174
2014	9,582

As indicated above, at June 30, 2014, the aggregate market value of the University's endowment funds was approximately $9.6 billion. This valuation includes certain non-marketable real estate, private equity and natural resources investments, totaling approximately 18.0% of the portfolio, which are valued based on the most recent net asset value reported to the endowment, adjusted for cash flows where applicable.

The University is obligated under certain limited partnership agreements to advance additional funding periodically up to committed levels. At June 30, 2014, the University had unfunded commitments of $1.5 billion to a variety of private equity, real estate, natural resources and other commitment funds. Based upon past experience, the University expects these commitments to be funded over the next five years depending on market conditions.

Endowment Spending Policy

In 1981, the University Trustees adopted an endowment spending policy governing the expenditure of funds invested in the University's Associated Investments Fund ("AIF"). The spending policy is designed: (i) to smooth the impact of short-term market moves that may affect the endowment's value; (ii) to make endowment distributions more predictable for purposes of managing and planning the University's operating budget; and (iii) to protect the real value of the endowment over time.

Under the current spending policy, the distribution in each fiscal year is the sum of: (i) 70% of the prior fiscal year distribution adjusted by an inflation factor; and (ii) 30% of the prior fiscal year-end fair value of the AIF, lagged one year, multiplied by 6.5% for financial aid funds and 4.7% for all other funds. The higher target spending rate for financial aid endowments, scheduled to gradually decrease to 4.7% from the Fiscal Year 2016 to Fiscal Year 2018, is dedicated to supporting the University's no-loan financial aid initiative for undergraduates (see "Student Financial Aid" above) and to enhancing graduate and professional student aid.

Investment Policy

The investment objectives of the University's endowment and similar funds are the preservation and growth of principal in constant dollars so as to provide, under a prudent spending rule policy, a consistent level of real growth of budgetary support from such funds. Approximately 95.8% of the University's endowment funds are invested in the AIF, an open-ended, pooled investment vehicle that had a market value of approximately $9.2 billion as of June 30, 2014. The AIF asset allocation as of June 30, 2014 is shown below.

Associated Investment Fund Asset Allocation Fiscal Year ended June 30, 2014	
Domestic Equity	17.3%
International Equity	18.1%
Emerging Market Equity	8.6%
Absolute Return	29.1%
Real Estate	5.0%
Private Equity	9.2%
Natural Resources	3.8%
Investment Grade Bonds	8.9%
Total	100.0%

Investment Performance

For Fiscal Year 2014, the AIF achieved a total return of 17.5%. Longer measurement periods and comparisons with certain indices are reflected in the chart below.

Associated Investment Fund Annualized Returns for Periods ending June 30, 2014	1-Year	3-Year	5-Year	10-Year
AIF (University Investment Pool)	17.50%	10.90%	12.80%	8.00%
Composite Benchmark*	17.30%	10.60%	12.50%	7.60%

** The Composite Benchmark is a weighted average of the individual asset classes in the AIF, where the weights are set forth in accordance with AIF's strategic asset allocation.*

Plant Assets of the University

The book value of the University's investment in plant assets for the two fiscal years ended June 30, 2014 and 2013 are shown below (in thousands):

Plant, net of depreciation *(in thousands)*	Fiscal Year Ended June 30, 2013	 2014
Land	$ 225,619	$ 249,231
Buildings	5,893,038	6,295,973
Contents	1,369,647	1,594,993
Construction-in-progress	330,829	518,071
Total plant	7,819,133	8,658,268
Less accumulated depreciation	(3,449,760)	(3,876,707)
Plant, net of depreciation	$4,369,373	$4,781,561

Plant, net of depreciation, included $3,209,000 of land and $8,146,000 of completed facilities at June 30, 2013 which served as collateral for a debt obligation. This debt obligation was satisfied during Fiscal Year 2014.

The University recorded $342,451,000 and $313,947,000 of depreciation expense for the years ended June 30, 2014 and 2013, respectively. Rare books and other collectibles, which are not depreciated, aggregate $50,530,000 at June 30, 2014 and $46,396,000 at June 30, 2013.

Indebtedness of the University's Academic Component

The following University indebtedness outstanding as of December 31, 2014, excluding any indebtedness of the Health System, is a general obligation of the University payable from the assets and revenues of the University:

Outstanding University Indebtedness
As of December 31, 2014

Description	Principal Amount
PHEFA Series of 1990 Revenue Bonds	$ 6,500,000
Washington County Revenue Bonds	56,500,000
PHEFA Series A of 2005 Revenue Bonds	9,075,000
PHEFA Series B of 2005 Revenue Bonds	8,495,000
PHEFA Series C of 2005 Revenue Bonds	114,600,000
PHEFA Series A of 2009 Revenue Bonds	204,750,000
PHEFA Series B of 2009 Revenue Bonds	34,145,000
PHEFA Series C of 2009 Revenue Bonds	28,755,000
PHEFA Series 2010 Revenue Bonds	71,410,000
PHEFA Series 2011 Revenue Bonds	150,000,000
Series of 2012 Taxable Bonds	300,000,000
Other loans	793,000
Unamortized Premium/(Discount)	20,781,000
Total	$1,005,804,000

As more particularly described herein under "REFUNDING PROGRAM" in the forepart of this Official Statement, and on "SCHEDULE 1 - REFUNDED BONDS" thereto, certain of the Prior Bonds will be refunded upon the issuance of the Bonds.

The limited obligation debt of the Health System is more particularly described below under "THE UNIVERSITY OF PENNSYLVANIA HEALTH SYSTEM - Health System Limited Obligation Debt."

Capital Expenditures

As a large and complex institution with substantial capital facilities, the University regularly invests in maintaining, updating and expanding its facilities to meet its operating needs. Capital expenditures of the University are funded from available resources of the University, which may include future fundraising activities or future capital borrowings.

Future Borrowing

Depending on market conditions, the University may incur additional indebtedness, which may include additional bonds issued under the Indenture, to refinance certain currently outstanding indebtedness of the University, convert interest rate modes to take advantage of market conditions or to finance future capital projects. In addition, the Health System expects to issue up to $150 million of additional long-term debt to finance capital expenditures, and also may issue additional long term debt to refinance other long-term debt, as more particularly described under "THE UNIVERSITY OF PENNSYLVANIA HEALTH SYSTEM - Health System Limited Obligation Debt" below.

THE UNIVERSITY OF PENNSYLVANIA HEALTH SYSTEM

Structure and Governance

The University of Pennsylvania Health System ("UPHS" or the "Health System") is an operating division of the University and was created by action of the University Trustees on June 18, 1993 to integrate a tri-part mission of education, research and patient care. The Health System includes the following enterprises as of December 31, 2014.

Enterprise	Description
Hospital of the University of Pennsylvania ("HUP")	821 licensed bed (including 32 bassinets) quaternary acute care hospital
Pennsylvania Hospital	546 licensed bed (including 50 bassinets) acute care hospital
Presbyterian Medical Center, d/b/a Penn Presbyterian Medical Center ("Presbyterian")	331 licensed bed acute care hospital
The Chester County Hospital and Health System ("TCCHHS")	289 licensed bed (including 32 bassinets) acute care hospital
Clinical Practices of the University of the Pennsylvania ("CPUP")	19 separate clinical practices ranging in size from 6 to 540 physicians. Includes 1,588 physician faculty.
Clinical Care Associates ("CCA")	259 member primary care physician network
Wissahickon Hospice	Provides care to terminally ill

The Hospital of the University of Pennsylvania and the Clinical Practices of the University of Pennsylvania are unincorporated operating divisions of the University. The other five enterprises are Pennsylvania not-for-profit corporations with the University as their sole corporate member. These five enterprises are not liable for the payment of University indebtedness.

In addition to the facilities of the Health System described above, the Health System also participates, through corporate affiliations, in the ownership and/or operation of other healthcare facilities, with which the Health System also maintains clinical affiliations, as follows:

The Health System and The Good Shepherd Home, through a joint venture in which the Health System holds a 30% interest, operate PENN Medicine at Rittenhouse, located on the site of the former Graduate Hospital in Philadelphia, consisting principally of a 30,000 square foot long-term acute care hospital and a 46,000 square foot inpatient rehabilitation facility to which the Health System relocated the existing inpatient rehabilitation services provided at HUP and Pennsylvania Hospital.

The Health System owns a 15% equity interest in Chestnut Hill Health Care, LLC, which owns and operates Chestnut Hill Hospital, a 135-bed acute care hospital located in northwestern Philadelphia, and certain ancillary healthcare facilities which is controlled by CHS/Community Health System, Inc.

The University Trustees have established an umbrella governance structure for UPHS called "PENN Medicine." The purpose of this governance structure is to operate, oversee, and coordinate the academic, research, and clinical operations of the Health System. PENN Medicine has integrated certain functions of the various governing boards of members of the Health System into a single board, thus emphasizing the interdependency of the three missions. The Health System, together with the Perelman School of Medicine, comprises PENN Medicine.

Under the PENN Medicine structure, Presbyterian, Pennsylvania Hospital, TCCHHS, CCA and Wissahickon Hospice have retained their own separate legal existence and their own governing boards. The PENN Medicine Board is widely representative, drawn from University and the individual Health System governing boards, faculty, management, and others who have relevant expertise in health care and finance. Mark O. Winkelman serves as the chair of the PENN Medicine Board and of its Executive Committee.

Under the bylaws of PENN Medicine, the Chairman of the PENN Medicine Board is required to be a University Trustee, and the University Trustee Chair sits on the PENN Medicine Board. The bylaws also create a PENN Medicine Executive Committee, a majority of which consists of University Trustees. The PENN Medicine Trustees have certain responsibilities delegated to them by the University Trustees. The University Trustees maintain ultimate control over the governance and the operation of the Health System.

The members of the Health System have entered into a Master Trust Indenture ("MTI") securing certain indebtedness issued for the benefit of the operating divisions and entities comprising the Health System. HUP and CPUP are Designated Units under the MTI. The Designated Units, together with the other five enterprises included in the Health System, are the members of the "Obligated Group" under the MTI. The indebtedness issued under the MTI is payable solely from, and secured by a pledge of, the revenues of the Obligated Group members. The general credit of the University is not pledged to its payment.

The MTI and related agreements contain certain restrictive covenants which limit the issuance of additional indebtedness and, among other things, require the Health System to meet an annual debt service coverage requirement of "income available for debt service" (excess of revenue over expenses plus depreciation, amortization, interest expense and extraordinary items) of not less than 110% of the annual debt service requirements. For the Fiscal Year ended June 30, 2014, the Health System met this requirement.

As of December 31, 2014, the Health System was obligated in respect of $850,800,000 aggregate principal amount of long-term indebtedness incurred through the issuance of revenue bonds of the Pennsylvania Higher Education Facilities Authority (the "Authority") equally and ratably payable from and secured by loan payments from the members of the Obligated Group and Master Notes issued under the MTI. As of December 31, 2014, the members of the Obligated Group were additionally obligated with respect to other long-term debt and build-to-suit lease obligations aggregating $63,742,000 constituting general obligations of one or more members of the Obligated Group, but which are not payable from or secured by Master Notes issued under the MTI. See "Health System Limited Obligation Debt" below.

In addition to its inter-school and inter-departmental affiliations, the Health System maintains many external institutional affiliations. These affiliations provide additional resources for the educational, research, and clinical missions of PENN Medicine. The most significant category of affiliations is related to medical education where the Health System maintains affiliations for undergraduate and graduate medical education. Members of the standing faculty of the Perelman School of Medicine provide the vast majority of the medical staff at several leading medical institutions adjacent to HUP and the Perelman School of Medicine, including The Children's Hospital of Philadelphia, Children's Seashore House, Philadelphia Child Guidance Clinic and the Philadelphia Veterans Affairs Medical Center. In research, most of the affiliations are investigator-to-investigator. PENN Medicine also maintains significant institution-to-institution relationships with the Howard Hughes Medical Institute and the Wistar Institute.

On February 27, 2015, the Health System announced that the University Trustees approved the negotiation of a definitive agreement with Lancaster General Health ("LGH") based upon a non-binding letter of intent/term sheet signed by the parties in early February 2015. Under the non-binding term sheet, LGH would become a clinical component of UPHS through a member substitution in which the University would become the sole member of LGH. The Health System and LGH had previously announced, on February 11, 2014, the formation of a strategic alliance to jointly develop innovative programs and initiatives improving patient care, research and education at both not-for-profit institutions, and had executed a further memorandum of understanding on October 28, 2014, with regard to a consolidated relationship. LGH operates three hospitals in South Central Pennsylvania, including Lancaster General Hospital, a 533-bed general acute care hospital, Women & Babies Hospital, a 98-bed facility specializing in women's health and maternity services, and Lancaster Rehabilitation Hospital, a 59-bed rehabilitation hospital, as well as 14 outpatient centers, three urgent care sites, and a physician practice network with nearly 200 primary care and specialty practices at 40 practice sites. There is no assurance that a definitive agreement will be reached.

The Health System is also developing affiliations with other institutions and has established non-corporate affiliations (not owned or controlled by the University) with Chestnut Hill Health Care, Holy Redeemer Health System, St. Luke's Hospital and Health Network, Phoenixville Hospital, Shore Memorial Hospital and Bay Health Medical Center.

Health System's Financial and Operating Summary - Fiscal Year 2014

Unrestricted net assets increased from $1.581 billion to $2.057 billion, an increase of $476 million (30.1%) for the fiscal year ended June 30, 2014. This was primarily the result of excess of revenue over expenses of $438.6 million, which was partially offset by a negative pension and post retirement plan adjustment of $37.9 million and transfers to the Perelman School of Medicine and the University of $113.5 million.

The excess of revenue over expenses from operations was $291.4 million for the fiscal year ended June 30, 2014, reflecting an increase of $106.3 million from the prior fiscal year, and the fourteenth consecutive year of positive operating performance, exclusive of investment income. Including non-operating gains (interest and dividends, net realized gains, contributions and other support and unrealized gain on alternative investments) the total excess of revenue over expenses was $496.5 million.

The following table summarizes certain historical utilization statistics of the Health System for the five fiscal years ended June 30, 2014 and for the six months ended December 31, 2014 and 2013:

Health System Historical Utilization Statistics							
	Six Months Ended December 31		Fiscal Year Ended June 30				
	2013	2014	2010	2011	2012	2013	2014
Adult and Neonatal Staffed Beds	1,667	1,692	1,524	1,526	1,530	1,524	1,683
Newborn Bassinets	97	97	82	82	82	82	97
Adult and Neonatal Admissions	40,004	41,573	80,739	78,262	77,378	73,588	81,750
Newborn Admissions	4,619	5,470	7,581	7,838	7,760	7,707	9,550
Adult and Neonatal Patient Days	237,486	244,584	453,580	457,030	450,852	442,782	483,711
Newborn Patient Days	10,989	12,871	18,611	19,443	18,987	18,873	22.755
Adult and Neonatal Average Length of Stay (Days)	5.94	5.88	5.62	5.84	5.83	6.02	5.92
Newborn Average Length of Stay (Days)	2.38	2.35	2.45	2.48	2.45	2.45	2.38
Adult and Neonatal Staffed Beds Occupancy	78.3%	78.6%	81.6%	82.1%	80.6%	79.8%	78.4%
Inpatient Surgical Procedures (I/P)	14,124	15,012	29,293	27,769	27,829	26,364	29,078
Day Surgery Procedures	17,374	18,733	29,320	30,714	31,214	31,660	35,562
Emergency Room Visits	82,474	91,770	128,618	132,745	136,374	137,987	172,115
Outpatient Visits	1,059,360	1,194,853	1,539,819	1,589,733	1,534,720	1,624,817	2,242,196

Source: Health System records.

Health System Limited Obligation Debt

The following Health System indebtedness outstanding as of December 31, 2014, are obligations limited to one or more components of the Health System, including Health System obligations secured under the MTI:

Outstanding Health System Long-Term Debt (at December 31, 2014) Description	Principal Amount
MTI Secured Debt:	
PHEFA The University of Pennsylvania Health System Revenue Bonds, Series A of 2005	$ 133,855,000
PHEFA The University of Pennsylvania Health System Revenue Bonds, Series B of 2005	25,185,000
PHEFA The University of Pennsylvania Health System Revenue Bonds, Series A of 2008	81,210,000
PHEFA The University of Pennsylvania Health System Revenue Bonds, Series B of 2008	149,230,000
PHEFA The University of Pennsylvania Health System Revenue Bonds, Series A of 2009	74,370,000
PHEFA The University of Pennsylvania Health System Revenue Bonds, Series A of 2011	150,000,000
PHEFA The University of Pennsylvania Health System Revenue Bonds, Series A of 2012	136,950,000
PHEFA The University of Pennsylvania Health System Revenue Bonds, Series A of 2014	100,000,000
Total Parity Debt	$850,800,000
Other Debt:*	
Build-to-suit lease	47,656,000
Mortgages	16,086,000
Total Other Debt	$ 63,742,000
Unamortized Debt Premium/(Discount)	12,450,000
TOTAL LONG-TERM DEBT	$926,992,000

* *These obligations constitute general obligations of one or more components of the Health System but are not secured under the MTI.*

The Health System may incur additional indebtedness secured under the MTI during Fiscal Year 2015 in a principal amount that is not expected to exceed $150 million to finance various capital expenditures of the Health System, and may also incur additional debt secured under the MTI to refinance portions of the outstanding obligations described above incurred under the MTI to achieve debt service savings.

ADDITIONAL UNIVERSITY INFORMATION

Employee Relations

As of December 31, 2014, the Academic Component presently has an academic staff of approximately 11,731 (standing faculty, associated faculty and academic support staff) and 10,380 full-time administrative and support employees. Of these, 1,127 are covered by six collective bargaining agreements in the following general categories: housekeeping employees (521); groundskeepers (28); truck drivers (5); parking (11); mail (8); police officers (89); skilled trades (212); library workers (137); stage hands (4) and dining services (112). No other employees of the University are covered by collective bargaining agreements.

Collective bargaining agreements with respect to all unionized employees are in full force and effect. These contracts expire as follows: the dining services contract, in July 2017; the police officers' contract, in August, 2017; the skilled trades contract, in June 2015; the library contract, in July 2017 and the housekeeping staff contract, in July 2018. Currently, the stage hands contract is being negotiated with an anticipated new expiration date to be in September 2017.

At December 31, 2014, the Health System had 18,705 employees. Employees of certain components of the Health System are covered by three collective bargaining agreements representing employees at certain facilities as follows (numbers of employees are at December 31, 2014): 95 physical plant employees at HUP are represented by the International Union of Operating Engineers, Local 835 (AFL-CIO) under a collective bargaining agreement that expires on June 30, 2016; 12 physical plant employees at Penn Medicine at Rittenhouse are represented by the International Union of Operating Engineers, Local 835 (AFL-CIO) under a collective bargaining agreement that expires on September 30, 2016; and 20 licensed practical nurses and 62 certified nursing assistants employed by the Penn Center for Rehabilitation and Care, a wholly-owned subsidiary of PPMC, are represented by the National Union of Hospital and Healthcare Employees, Local 1199C, under collective bargaining agreements that expire on June 30, 2018.

Retirement Plan

Retirement benefits are principally provided to exempt full-time academic employees, certain administrative personnel and Health System employees through contributory defined contribution plans. The Academic Component's policy with respect to its contribution is to provide up to 9% of eligible employees' salaries, while the Health System's contribution can be up to 6.5%. The University's contributions to these plans amounted to $119,386,000 and $110,692,000 as of June 30, 2014 and 2013, respectively.

The Health System has a non-contributory defined contribution plan and a non-contributory defined benefit plan which were frozen to new entrants effective July 1, 2010. The Academic Component has a non-contributory defined benefit pension plan which was frozen to new full-time entrants effective July 1, 2000. Benefits under these plans generally are based on the employee's years of service and compensation during the years preceding retirement. Contributions to the plans are made in amounts necessary to at least satisfy the minimum required contributions as specified in the Internal Revenue Code and related regulations.

Retirement benefits are provided for CPUP physicians and certain administrative personnel through payments to the University of $25,197,000 and $23,790,000 in 2014 and 2013, respectively.

TCCHHS has a number of affiliates with either a 403(b) or 401(k) defined contribution savings plan design. All affiliates share the same employer discretionary matching process; each affiliate will match 50% of an employee's contribution (subject to the IRS annual contribution limit) up to a total of 4% of the employee's salary in a given year. Total contributions to the plans were $1,405,791 from September 1, 2013 through June 30, 2014.

TCCHHS also has a defined contribution profit sharing plan covering all eligible employees, as defined. TCCHHS may choose to contribute a discretionary amount to the plan each year. No amount was funded.

Insurance

The assets of the University, including assets of the Health System, are protected by a comprehensive program of insurance. The general liability coverage is placed with a reciprocal risk retention group known as "Pinnacle," which is owned by seventeen universities, and is reinsured through a captive known as "Genesis," which is owned by those same seventeen universities. The general liability limit in the amount of $2,000,000 is subject to a $500,000 deductible, with the reciprocal risk retention group and the captive covering the next $1,500,000 of exposure on a quota share basis. The University maintains all-risk property liability coverage with a commercial insurance carrier at a limit of $2.0 billion for property, plant and equipment, with a $500,000 deductible per incident for University owned and leased properties and a $100,000 deductible per incident for the Health System owned and leased properties. In addition to Genesis and Pinnacle, the University's present coverage includes automobile liability insurance, professional liability, excess liability insurance, fine arts insurance, environmental impairment liability, surety bonds, workers' compensation, crime insurance, directors and officers insurance, fiduciary liability, and cyber liability. The University conducts periodic reviews of its insurance needs in an effort to maintain adequate coverage at reasonable cost.

Malpractice Insurance

Act 111, the Pennsylvania Health Care Services Malpractice Act, requires every health care provider (hospitals, physicians and nurse mid-wives) to insure their medical malpractice liability exposure by purchasing commercial insurance or qualifying as a self-insurer. This statute, as amended, provides for a Medical Care Availability and Reduction of Error Fund (the "MCare Fund"), which provides coverage for all medical malpractice awards against a health care provider in excess of the primary limits with limits of $500,000 per incident and $1,500,000 in the aggregate. The primary limit of coverage prescribed by the statute is currently $500,000 per incident per health care provider and $1,500,000 in the aggregate for physicians and nurse mid-wives, and $2,500,000 in the aggregate for a hospital. Nurse practitioners, physician assistants, clinical nurse specialists, perfusionists and physical therapists also are required to secure coverage with limits of $1 million per incident and $3 million in the aggregate. The Health System insures these exposures through Franklin Casualty Insurance Company, a wholly owned insurance subsidiary included in the combined financial statements of the Health System that has been operational since July 1, 1997. The company insures only the primary medical professional liability risk of the Health System employed physicians, nurse midwives, nurse practitioners, physician assistants, clinical nurse specialists, perfusionists, physical therapists and owned hospitals. Franklin Casualty Insurance Company is ultimately responsible for payment of any malpractice awards within the primary limits and the prescribed limits for nurse practitioners, physician assistants, clinical nurse specialists, perfusionists and physical therapists. The Health System's exposure in excess of coverage provided by the MCare Fund or the limits for nurse practitioners, physician assistants and physical therapists is covered by a program that utilizes self-insurance and commercial insurance.

Litigation

The University is a party in various legal proceedings arising in the ordinary course of its operations. In the opinion of management, the University has adequate insurance to cover the estimated potential liability for damages in these cases, and, to the extent such liability is not covered by insurance, any adverse decision would not have a material adverse effect on the University's financial position.

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APPENDIX B

FINANCIAL STATEMENTS OF THE UNIVERSITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2014

University of Pennsylvania

Consolidated Financial Statements
June 30, 2014 and 2013

University of Pennsylvania
Index
June 30, 2014 and 2013

Independent Auditor's Report

To the Trustees of the University of Pennsylvania:

We have audited the accompanying consolidated financial statements of the University of Pennsylvania (the "University"), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 our 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, we consider internal control relevant to the University'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 University'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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Pennsylvania at June 30, 2014 and 2013, and the results of their activities and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

September 19, 2014

PricewaterhouseCoopers LLP, Two Commerce Square, Suite 1700, 2001 Market Street, Philadelphia, PA 19013-7042
T: (267) 330 - 3000, F: (267) 330 - 3300, www.pwc.com/us

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University of Pennsylvania
(in thousands)

	June 30, 2014	June 30, 2013
Assets		
Cash and cash equivalents	$ 1,116,472	$ 1,241,370
Accounts receivable, net of allowances of $15,856 and $13,337	298,512	252,286
Patient receivables, net of allowances of $177,599 and $148,345	401,490	339,744
Contributions receivable, net	328,522	334,610
Loans receivable, net of allowances of $3,656 and $3,454	94,078	93,870
Other assets	181,646	133,881
Investments, at fair value	10,800,334	9,283,298
Plant, net of depreciation	4,781,561	4,369,373
Total assets	$ 18,002,615	$ 16,048,432
Liabilities		
Accounts payable	$ 186,556	$ 150,805
Accrued expenses and other liabilities	1,425,904	1,390,978
Deferred income	165,699	169,650
Deposits, advances, and agency funds	122,098	122,387
Federal student loan advances	79,938	79,040
Liabilities associated with investments	183,211	69,339
Accrued retirement benefits	881,787	830,996
Debt obligations	1,985,585	1,941,111
Total liabilities	5,030,778	4,754,306
Net assets		
Unrestricted	6,869,201	5,933,126
Temporarily restricted	2,960,272	2,433,998
Permanently restricted	3,142,364	2,927,002
	12,971,837	11,294,126
Total liabilities and net assets	$ 18,002,615	$ 16,048,432

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

Consolidated Statements of Activities

University of Pennsylvania
for the years ended June 30, 2014 and 2013
(in thousands)

	2014	2013
Unrestricted		
Revenue and other support:		
Tuition and fees, net	$ 817,285	$ 797,144
Commonwealth appropriations	31,617	31,480
Sponsored programs	881,298	908,795
Contributions and donor support	175,580	178,766
Investment income	377,122	335,658
Net patient service revenue	3,705,148	3,287,168
Sales and services of auxiliary enterprises	112,446	108,382
Other income	445,190	480,256
Independent operations	64,836	63,384
	6,610,522	6,191,033
Expenses:		
Compensation and benefits	3,670,471	3,449,781
Depreciation and amortization	343,506	314,980
Interest on indebtedness	75,123	77,355
Other operating expenses	2,259,698	2,054,315
	6,348,798	5,896,431
Increase in net assets from operations	**261,724**	**294,602**
Nonoperating revenue, net gains, reclassifications and other:		
Gain on investments, net	614,487	412,443
Investment income, net of amounts classified as operating revenue	(80,486)	(59,540)
Pension and other postretirement plan adjustments	(39,856)	310,150
Contributions and donor support for capital related activities	180,206	61,560
Total nonoperating revenue, net gains, reclassifications and other	674,351	724,613
Increase in unrestricted net assets	936,075	1,019,215
Temporarily Restricted		
Contributions	149,856	207,651
Gain on investments, net	710,697	503,520
Investment income	28,198	42,351
Net assets released from restrictions	(362,477)	(337,068)
Increase in temporarily restricted net assets	526,274	416,454
Permanently Restricted		
Contributions	170,042	142,727
Gain on investments, net	44,589	21,011
Investment income	731	1,093
Increase in permanently restricted net assets	215,362	164,831
Increase in net assets from nonoperating and restricted revenue, net gains, reclassifications and other	**1,415,987**	**1,305,898**
Increase in total net assets	**1,677,711**	**1,600,500**
Net assets, beginning of year	11,294,126	9,693,626
Net assets, end of year	$ 12,971,837	$ 11,294,126

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

University of Pennsylvania
for the years ended June 30, 2014 and 2013
(in thousands)

	2014	2013
Cash flows from operating activities:		
Increase in net assets	$ 1,677,711	$ 1,600,500
Adjustment to reconcile increase in net assets to		
net cash provided by operating activities:		
Depreciation and amortization	343,506	314,980
Provision for bad debts	247,502	197,916
Gain on investments, net	(1,369,773)	(936,974)
Loss on disposal of plant, property and equipment	8,638	393
Donated equipment	(4,503)	(10,048)
Proceeds from split-interest agreements designated for operations	22,500	22,504
Receipt of contributed securities	(78,201)	(77,880)
Proceeds from contributed securities	25,099	16,497
Proceeds from contributions received designated for the		
acquisition of long-lived assets and long-term investment	(320,245)	(159,016)
Pension and other postretirement plan adjustments	39,856	(310,150)
Changes in operating assets and liabilities:		
Patient, accounts and loans receivable	(324,081)	(157,106)
Contributions receivable	10,379	(57,616)
Other assets	1,961	75,135
Accounts payable, accrued expenses and accrued retirement benefits	45,135	84,177
Deposits, advances and agency funds	(831)	(8,925)
Deferred income	(3,951)	(7,617)
Net cash provided by operating activities	320,702	586,770
Cash flows from investing activities:		
Purchase of investments	(9,021,417)	(9,589,906)
Proceeds from sale of investments	9,009,628	9,480,421
Purchase of plant, property and equipment	(575,857)	(498,735)
Cash acquired in Chester County Health System (TCCHHS) membership substitution	15,397	
Net cash used by investing activities	(572,249)	(608,220)
Cash flows from financing activities:		
Proceeds from contributions received designated for the		
acquisition of long-lived assets and long-term investment	161,260	154,698
Proceeds from contributed securities received designated for the		
acquisition of long-lived assets and long-term investment	43,031	57,539
Federal student loan advances	898	385
Repayment of long-term debt	(178,540)	(73,777)
Proceeds from issuances of long-term debt	100,000	
Net cash provided by financing activities	126,649	138,845
Net (decrease) increase in cash and cash equivalents	(124,898)	117,395
Cash and cash equivalents, beginning of year	1,241,370	1,123,975
Cash and cash equivalents, end of year	$ 1,116,472	$ 1,241,370
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	$ 78,899	$ 79,876
Contributed securities received	78,201	77,880
Accrued plant, property and equipment acquisitions	165,233	121,481
Assets contributed under split-interest agreements	2,914	4,816
Assets acquired in TCCHHS membership substitution	275,183	
Liabilities assumed in TCCHHS membership substitution	118,883	
Contribution received in TCCHHS membership substitution	156,300	

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

1. Significant Accounting Policies

Organization

The University Of Pennsylvania (the University), located in Philadelphia, Pennsylvania, is an independent, nonsectarian, not-for-profit institution of higher learning founded in 1740. The University Academic Component (Academic Component) provides educational services, primarily for students at the undergraduate, graduate, professional and postdoctoral levels and performs research, training and other services under grants, contracts and similar agreements with sponsoring organizations, primarily departments and agencies of the United States Government. The University also operates an integrated health care delivery system, the University of Pennsylvania Health System (UPHS). The University is a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code.

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of the University and its subsidiaries, over which the University has a controlling financial interest or exercises control. All material transactions between the University and its subsidiaries are eliminated in consolidation. Investments in subsidiaries over which the University has the ability to exercise significant influence are reported using the equity method of accounting. Other investments in subsidiaries are reported using the cost method of accounting.

The net assets of the University are classified and reported as follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted - Net assets that are subject to legal or donor-imposed restrictions that will be met by actions of the University and/or the passage of time. These net assets include gifts donated for specific purposes and appreciation on permanent endowment, which is restricted by Pennsylvania law on the amounts that may be expended in a given year.

Permanently restricted – The original value of donor restricted net assets, the use of which is limited to investment and can only be appropriated for expenditure by the University in accordance with the Pennsylvania Uniform Principal and Income Act (Pennsylvania Act).

Expenses are reported as a decrease in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Donor-restricted resources intended for the acquisition or construction of long-lived assets are initially reported as temporarily restricted net assets and released from restrictions from temporarily restricted net assets to unrestricted net assets when the asset is placed in service.

Expirations of temporary restrictions on contributions and investment income are reported as net assets released from restrictions from temporarily restricted net assets. The corresponding amounts are included in the reported unrestricted Consolidated Statements of Activities as follows:

Temporarily Restricted

	2014	2013
Net assets released from restrictions	$ 362,477	$ 337,068

Unrestricted

	2014	2013
Contributions and donor support	$ 102,813	$ 80,389
Investment income	209,766	195,119
Contributions and donor support for capital related activities	49,898	61,560
Net assets released from restrictions	$ 362,477	$ 337,068

Gains on operating assets and liabilities, such as property, plant and equipment sales, license sales, contract settlements and debt retirements are reported in Other income. Losses on operating assets and liabilities are reported in the appropriate expense category. Gains or losses associated with investment activities are included in net gains (losses) on investments.

Certain reclassifications have been made to previously reported amounts in the consolidated financial statements and disclosures to conform to the current presentation.

The University monitors for material subsequent events that may require adjustment to or disclosure in the consolidated financial statements through September 19, 2014, the date the consolidated financial statements were available to be issued.

Fair Value

The University values certain financial and non-financial assets and liabilities by applying the Financial Accounting Standards Board (FASB) pronouncement on *Fair Value Measurements.* The pronouncement defines fair value and establishes a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. Fair value is defined 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 (an exit price). The hierarchy is broken down into three levels based on inputs that market participants would use in valuing the asset or liability developed based on market data obtained from sources independent of the University as follows:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable.

Level 3: Unobservable inputs for the asset or liability.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. The University is required by the pronouncement to maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3). The University considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the University's perceived risk of that instrument.

Assets and liabilities are disclosed in the Consolidated Notes to Financial Statements within the hierarchy based on the lowest (or least observable) input that is significant to the measurement. The University’s assessment of the significance of an input requires judgment, which may affect the valuation and categorization within the fair value hierarchy. The fair value of assets and liabilities using Level 3 inputs are generally determined by using pricing models, discounted cash flow methods or calculated net asset value per share, which all require significant management judgment or estimation.

As a practical expedient, the University is permitted under the pronouncement to estimate the fair value of an investment in an investment company at the measurement date using the reported net asset value (NAV). Adjustment is required if the University expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with US generally accepted accounting principles (US GAAP). The University’s investments in private equity, natural resources, real estate and certain hedge funds in the absolute return portfolio are generally valued based on the most current NAV adjusted for cash flows when the reported NAV is not at the measurement date. This amount represents fair value of these investments at June 30, 2014 and 2013.

The University performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with US GAAP. The University has assessed factors including, but not limited to, managers’ compliance with the *Fair Value Measurement* standard, price transparency and valuation procedures in place, the ability to redeem at NAV at the measurement date and existence of certain redemption restrictions at the measurement date.

Cash and Cash Equivalents

Cash equivalents include short-term, highly liquid investments and are carried at cost which approximates fair value. Unrestricted short-term investments available for current operations with maturities of three months or less when purchased are classified as cash equivalents.

Loans Receivable

Student loans receivable are reported at their net realizable value. Such loans include donor-restricted and federally-sponsored student loans with mandated interest rates and repayment terms. Determination of the fair value of Student loans receivable is not practicable.

The University records an allowance for doubtful accounts related to Student loans receivable as follows (in thousands):

	2014		2013	
	Receivable Balance	**Related Allowance**	**Receivable Balance**	**Related Allowance**
Federally-sponsored student loans	$ 71,218		$ 70,915	
Other student loans	16,844	$ 3,452	16,561	$ 3,250
Total	$ 88,062	$ 3,452	$ 87,476	$ 3,250

Changes in the allowance for doubtful accounts related to Other student loans receivable as of June 30, 2014 and 2013 are as follows (in thousands):

	2014	2013
July 1	$ 3,250	$ 2,997
Add: Provisions	244	284
Less: Recoveries	(42)	(31)
June 30	$ 3,452	$ 3,250

The University regularly assesses the adequacy of the allowance for doubtful accounts related to Student loans receivable by performing ongoing evaluations of the student loan portfolio, including such factors as the differing economic risks associated with each loan program, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or indemnifications. The University also performs a detailed review of the aging of the Student loan receivable balances and of the default rate by loan program in comparison to prior years. The level of the allowance is adjusted based on the results of this analysis. The University considers the allowance recorded at June 30, 2014 to be reasonable and adequate to absorb potential credit losses inherent in the student loan portfolio.

The federally-sponsored student loans receivable represents amounts due from current and former students under various Federal Government funded loan programs, including Perkins and other health professional programs offered to graduate and undergraduate students. Loans disbursed under these programs are able to be assigned to the Federal Government upon default by the borrower, and therefore, no related allowance is considered necessary. Funding received under these programs is ultimately refundable to the Federal Government in the event the University no longer participates and accordingly is reported as a liability in Federal student loan advances in the Consolidated Statements of Position.

Investments, at Fair Value

The University's Associated Investments Fund (AIF) is invested in accordance with the investment policies set out by an Investment Board which has been appointed by the Trustees. The Office of Investments is responsible for the day-to-day management of the portfolio including identifying, selecting and monitoring a variety of external investment managers to implement the strategic asset allocation set forth by the Investment Board. The University's investment portfolio may include marketable and not readily marketable securities that it intends to hold for an indefinite period of time. Changes in the fair value of investments are reported in Gains or losses on investment in the Consolidated Statements of Activities. The following is a summary of the investments held in the AIF by asset allocation as well as investment risk:

Short-Term

Short-term investments include cash equivalents and fixed income investments with maturities of less than one year. Short-term investments are valued using observable market data and are categorized as Level 1 based on quoted market prices in active markets. The majority of these short-term investments are held in a US Treasury money market account.

Equity

Equity investments consist of direct holdings of public securities in managed accounts as well as exchange traded funds, mutual funds, commingled funds and limited partnerships. The securities held in managed accounts, mutual funds and exchange traded funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1. Commingled funds are valued at NAV and are categorized as Level 2. Limited partnership interests are valued at NAV. If the University has the ability to redeem from the limited partnership up to 180 days beyond the measurement date, June 30, at NAV, the investment is classified as Level 2. If the redemption period extends beyond 180 days, the investment is categorized as Level 3.

Debt

Debt investments consist of direct holdings of securities in managed accounts and a single limited partnership. Securities such as US Treasuries, held in managed accounts, are valued based on quoted market prices in active markets and are categorized as Level 1. Securities such as corporate bonds, high yield bonds and bank loans, also held in managed accounts, are valued based on quoted market prices or dealer or broker quotations and are categorized as Level 2 or in the cases where they trade infrequently as Level 3. A limited partnership interest in a fund dedicated to credit investments is valued at NAV. If the University has the ability to redeem from the limited partnership up to 180 days beyond the measurement date at NAV, the investment is classified at Level 2. If the redemption period extends beyond 180 days, the investment is categorized as Level 3.

Absolute Return

Absolute return investments are made up of allocations to partnerships. The fund managers invest in a variety of securities, based on the strategy of the fund, which may or may not be quoted in an active market. Illiquid investments, if any, are generally designated as a side pocket by hedge fund managers and may be valued based on an appraised value, discounted cash flow, industry comparables or some other method. Limited partnership interests are valued at NAV. If the University has the ability to redeem from the limited partnership up to 180 days beyond the measurement date at NAV, the investment is classified as Level 2. If the redemption period extends beyond 180 days, the investment is categorized as Level 3. Side pocket investments are classified as Level 3.

Private Equity

Investments in private equity are in the form of close-ended limited partnership interests. The fund managers primarily invest in private investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These limited partnership investments are valued at NAV, are not redeemable within 180 days and are categorized as Level 3.

Real Estate

Investments in real estate are primarily in the form of close-ended limited partnership interests. The fund managers primarily invest in private investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These limited partnership investments are valued at NAV, are not redeemable within 180 days and are categorized as Level 3. Real estate investments also include an open-ended real estate investment trust which is categorized as a Level 2 investment given the University's ability to redeem from the limited partnership up to 180 days beyond the measurement date at NAV.

Natural Resources

Investments in natural resources are made up of limited partnership interests, securities in a managed account and a commingled fund. The limited partnership fund managers primarily invest in private investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These limited partnership investments are valued at NAV, are not redeemable within 180 days and are categorized as Level 3. The University directly holds the securities held in the managed account through a custodial relationship. The securities held in the managed account are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1. The commingled fund is valued at NAV and is categorized as Level 2 investment given the University's ability to redeem from the limited partnership up to 180 days beyond the measurement date at NAV.

Derivatives

The University, in the normal course of business, utilizes derivative financial instruments in connection with its investment activity. Derivatives utilized by the University include futures, options, swaps and forward currency contracts and are reflected at fair value following the definition of Level 1 and 2 assets and liabilities as previously described. Investments in derivative contracts are subject to foreign exchange and equity price risks that can result in a loss of all or part of an investment. In addition, the University is also subject to additional counterparty risk should its counterparties fail to meet the terms of their contracts.

Investment Risks

The University's investing activities expose it to a variety of risks, including market, credit and liquidity risks and attempts to identify, measure and monitor risk through various mechanisms including risk management strategies and credit policies.

Market risk is the potential for changes in the fair value of the University's investment portfolio. Commonly used categories of market risk include currency risk (exposure to exchange rate differences between functional currency relative to other foreign currencies), interest rate risk (changes to prevailing interest rates or changes in expectations of futures rates) and price risk (changes in market value other than those related to currency or interest rate risk, including the use of NAV provided).

Credit risk is the risk that one party to a financial investment will cause a financial loss for the other party by failing to discharge an obligation (counterparty risk).

Liquidity risk is the risk that the University will not be able to meet its obligations associated with financial liabilities.

Endowment

The University's endowment consists of 5,539 donor-restricted permanent or term endowment funds and 844 unrestricted endowment funds established by management for a variety of purposes. The University reports all endowment investments at fair value. The majority of the endowment funds of the University have been pooled in the University's AIF, which is invested in equities, bonds, hedge funds, natural resources, private equity and real estate limited partnerships. The endowment funds not pooled in the AIF are primarily invested in equities and bonds.

The Commonwealth of Pennsylvania has not adopted the Uniform Management of Institutional Funds Act (UMIFA) or the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Rather, the Pennsylvania Act governs the investment, use and management of the University's endowment funds.

The Pennsylvania Act does not require the preservation of the fair value of a donor's original gift as of the gift date of a donor-restricted endowment fund, absent explicit donor stipulations to the contrary. However, based on its interpretation of the Pennsylvania Act and relevant accounting literature, the University classifies as permanently restricted net assets for reporting purposes: (i) the original value of gifts donated to the permanent endowment; (ii) the original value of subsequent gifts to the permanent endowment; and (iii) 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 in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University. The Pennsylvania Act allows a nonprofit to elect to appropriate for expenditure between 2% and 7% of the endowment fair value, determined at least annually and averaged over a period of three or more preceding years.

In accordance with the Pennsylvania Act, the University has elected to adopt and follow an investment policy seeking a total return for the investments held by the AIF, whether the return is derived from appreciation of capital or earnings and distributions with respect to capital or both. The endowment spending policy which the Board of Trustees has elected to govern the expenditure of funds invested in the AIF is designed to manage annual spending levels and is independent of the cash yield and appreciation of investments for the year. For Fiscal Year 2014, the spending rule target payout was based on the sum of: (i) 70% of the prior fiscal year distribution adjusted by an inflation factor; and (ii) 30% of the prior fiscal year-end fair value of the AIF, lagged one year, multiplied by 6.5% for financial aid funds and 4.7% for all other funds. The payout or allocation to operations exceeded actual income, net of expenses and net of income permanently reinvested, by $258,528,000 in 2014 and by $209,372,000 in 2013.

The University expects to use the current spending rule formula with no adjustments for Fiscal Year 2015.

Plant

Plant, including equipment, is reported net of related depreciation. Donated Plant is reported based on estimated fair value at the date of acquisition. Capital leases are categorized as buildings or equipment and are reflected at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. All other Plant, including land, is reported at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, ranging from 5 to 50 years for buildings and improvements and 4 to 20 years for equipment or the shorter of the lease term or estimated useful life of the asset for capital lease assets. Upon disposal of assets, the cost and related accumulated depreciation are removed from the accounts and the resulting net gain or loss is included in other income or total expenses, respectively. Rare books and other collectibles, which appreciate in value, are not subject to depreciation.

Split-Interest Agreements

The University's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts, charitable gift annuities, pooled income funds, perpetual trusts and charitable lead trusts. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements.

The University recognizes assets contributed to charitable remainder trusts, charitable gift annuities and pooled income funds, where it serves as trustee, at fair value, recognizes a liability to the beneficiaries based on the present value of the estimated future payments to beneficiaries to be made over the estimated remaining life of those beneficiaries using current market rates at the date of the contribution, and recognizes the difference as contribution revenue. Subsequently, the trust assets, invested in equity and debt securities, are measured at fair value at quoted market prices, and are categorized as Level 1, with the changes reported as an adjustment to Investments, at fair value on the Consolidated Statements of Position and Gains or losses on investment on the Consolidated Statements of Activities. Liabilities to beneficiaries are revalued based on current market rates, and are categorized as Level 2, with the changes reported as an adjustment to Liabilities associated with investments on the Consolidated Statements of Position and Gains or losses on investment on the Consolidated Statements of Activities.

Charitable remainder trust assets, where the University does not serve as trustee, are initially valued using the current fair value of the underlying assets, using observable market inputs based on its beneficial interest in the trust, discounted to a single present value using current market rates at the date of the contribution. The initially contributed assets are categorized as Level 3, and reported as Investments, at fair value on the Consolidated Statements of Position and as Contribution revenue on the Consolidated Statements of Activities. Subsequent valuation follows this same approach with changes in fair value reported as an adjustment to Investments, at fair value on the Consolidated Statements of Position and Gains or losses on investment on the Consolidated Statements of Activities. The primary unobservable input used in the fair value measurement of the Charitable remainder trust assets is the discount rate. Significant fluctuation in the discount rates utilized in this calculation could result in a material change in fair value.

Perpetual trust assets are initially valued at the current fair value of the underlying assets using observable market inputs based on its beneficial interest in the trust. The initially contributed assets are categorized as Level 3 and are reported as Investments, at fair value on the Consolidated Statements of Position and as Contribution revenue on the Consolidated Statements of Activities. Subsequent valuation follows this same approach with changes in fair value reported as an adjustment to Investments, at fair value on the Consolidated Statements of Position and Gains or losses on investment on the Consolidated Statements of Activities. The primary unobservable inputs used in the fair value measurement of the perpetual trust assets are the underlying securities held by the trust. Significant fluctuation in the market value of these underlying securities could result in a material change in fair value.

Charitable lead trust assets contributed prior to July 1, 2010 were initially valued based on estimated future payments discounted to a single present value using current market rates at the date of the contribution, matched to the payment period of the agreement. Effective July 1, 2010, the University elected to fair value new charitable lead trust assets contributed under the FASB Fair Value Option standard to more appropriately approximate the value that would be received if the right to these future payments could be sold. The University values these assets by discounting future cash flows using current market rates at the measurement date, matched to the payment period of the agreement. The initially contributed assets are categorized as Level 3, and reported as Investments, at fair value on the Consolidated Statements of Position and as Contribution revenue on the Consolidated Statements of Activities. Subsequent valuation follows this same approach with changes in fair value reported as an adjustment to Investments, at fair value on the Consolidated Statements of Position and Gains or losses on investment on the Consolidated Statements of Activities. The primary unobservable input used in the fair value measurement of the Charitable lead trust assets is the discount rate. Significant fluctuation in the discount rates utilized in this calculation could result in a material change in fair value.

Income Taxes

The University is a tax exempt organization under Section 501 (c) (3) of the Internal Revenue Code. Most of its activities and income are related to its exempt purposes and are exempt from federal and state income taxes. None of its activities and income is subject to Pennsylvania income tax. Unrelated activities and income including certain sales of healthcare related products and services and certain sales of computer hardware and software are subject to federal “Unrelated Business Income Tax.” Investments in certain partnerships are subject to state (other than Pennsylvania), where applicable, and federal “Unrelated Business Income Tax.”

The University evaluates its tax position based on the FASB standard on Accounting for Uncertainty in Income Taxes, which requires the use of a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in an unrelated business activity tax return and disclosures regarding uncertainties in tax positions. The first step is recognition: the University determines whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, the University presumes that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. The second step is measurement: a tax position that meets the more-likely-than-not threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Difference between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in an increase in a liability for income taxes payable or a reduction of an income tax refund receivable.

Income tax expense, including any related penalties and interest, for operating activities are reported in the same functional expense category as the activity. Income tax expense, including any related penalties and interest, for investing activities are reported with the associated investment activity in investment income or investment gains and losses.

Tuition and Fees

The University maintains a policy of offering qualified undergraduate applicants admission to the University without regard to financial circumstance. This policy provides financial aid to eligible students in the form of direct grants and employment during the academic year. The University maintains a no-loan policy whereby any qualified undergraduate student with demonstrated financial need receives a loan-free aid package. Students may still borrow at their discretion to supplement their aid packages. Tuition and fees have been reduced by certain grants and scholarships in the amount of $294,621,000 in 2014 and $280,189,000 in 2013.

Sponsored Programs

The University receives grant and contract revenue from governmental and private sources. In 2014 and 2013, grant and contract revenue earned from governmental sources totaled $724,989,000 and $764,155,000, respectively, of which revenue earned under the American Recovery and Reinvestment Act (ARRA) totaled $9,773,000 and $31,102,000. The University recognizes revenue associated with the direct and the applicable indirect costs of sponsored programs as the related costs are incurred. The University negotiates its federal indirect rate with its cognizant federal agency. Indirect costs recovered on federally-sponsored programs are generally based on predetermined reimbursement rates which are stated as a percentage and distributed based on the modified total direct costs incurred. Indirect costs recovered on all other grants and contracts are based on rates negotiated with the respective sponsors. Funds received for sponsored research activity are subject to audit. Based upon information currently available, management believes that any liability resulting from such audits will not materially affect the financial position or operations of the University.

Contributions

Unrestricted Contributions and donor support includes net assets released as a result of corresponding expenditures which met donor imposed restrictions. Contributions, including unconditional promises to donate, cash and other assets, are recognized as revenue in the period received and are reported as increases in the appropriate net asset category based on donor restrictions. Contributions designated for the acquisition of long-lived assets and long-term investment are reported in Nonoperating revenue, net gains, reclassifications and other. Unconditional pledges received prior to July 1, 2010 are recognized at their estimated net present value using current market rates, at the date of the pledge, ranging from 2.69% to 5.82%, net of an allowance for uncollectible amounts, and are classified in the appropriate net asset category.

Effective July 1, 2010, the University elected to fair value new unconditional pledges received under the FASB Fair Value Option standard to more appropriately approximate the value that would be received if the right to these future payments could be sold. The University values these assets by discounting future cash flows using current market rates at the measurement date, ranging from 0.92% to 3.17%, matched to the payment period of the agreement, and accordingly categorizes these assets as Level 3. The primary unobservable input used in the fair value measurement of the University's Contributions receivable is the discount rate. Significant fluctuation in the discount rates utilized in this calculation could result in a material change.

Net Patient Service Revenue

Net patient service revenue is derived primarily from UPHS patient services and is accounted for at established rates on the accrual basis in the period the service is provided. Patient service revenue is net of charity care and community services. Certain revenue received from third-party payors is subject to audit and retroactive adjustment. Any changes in estimates under these contracts are recorded in operations currently.

Allocation of Certain Expenses

The Functional Classification of Expenditures disclosure allocates operation and maintenance of plant and depreciation to functional classifications based on square footage. Interest expense is allocated to the functional classifications of the activity that directly benefited from the proceeds of the debt.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates made by management include the valuation of alternative investments, the estimated net realizable value of patient and contributions receivables and the actuarially determined pension and other postretirement benefits, malpractice and self-insurance reserves. Actual results could differ from those estimates.

Recent Authoritative Pronouncements

In May 2014, the FASB issued a standard on Revenue from Contracts with Customers. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2016. University management is evaluating the impact this will have on the consolidated financial statements beginning in Fiscal Year 2018.

2. University of Pennsylvania Health System - Summarized financial information

The Trustees of the University of Pennsylvania formed Penn Medicine, the governance structure which oversees the activities of UPHS and the University of Pennsylvania Perelman School of Medicine. The governing body operates, oversees and coordinates the academic, research and clinical missions of Penn Medicine.

UPHS is comprised of the Clinical Practices of the University of Pennsylvania, Clinical Care Associates, Hospital of the University of Pennsylvania, Penn Presbyterian Medical Center, Pennsylvania Hospital of the University of Pennsylvania Health System, Wissahickon Hospice of the University of Pennsylvania Health System, Franklin Casualty Insurance Company, a wholly owned Risk Retention Group, and Quaker Insurance Company Ltd., a wholly owned offshore captive insurance company, (collectively referred to as RRG/Captive). In September 2013, through a membership substitution, The Chester County Hospital and Health System (TCCHHS) became part of UPHS.

Effective September 1, 2013, UPHS has agreed to become the corporate member of TCCHHS, a non-profit health system located in West Chester, PA, under the terms of a membership substitution transaction. UPHS acquired $275,183,000 of total assets, consisting primarily of property, plant and equipment, and assumed $118,883,000 of total liabilities consisting primarily of long-term debt obligations. Net assets of $156,300,000 were recorded as a nonoperating Contribution on the Consolidated Statements of Activities in the respective net asset classes, of which $12,254,000 was temporarily restricted and $13,738,000 was permanently restricted.

Throughout the year, certain transactions are conducted between UPHS and the University. The effect of these transactions (primarily billings for allocations of common costs, physicians' salaries and benefits, certain purchased services and support for the Perelman School of Medicine) is included in the summarized financial information of UPHS. The University owed UPHS $1,008,000 at June 30, 2014 and UPHS owed the University $119,000 at June 30, 2013. This represents normal current inter-entity activity which is eliminated in the consolidated financial statements.

Nonoperating, net includes transfers to the University of $110,926,000 and $87,354,000 in 2014 and 2013, respectively, to further the research and educational activities of the Perelman School of Medicine and $2,601,000 and $3,576,000 in 2014 and 2013, respectively, for other activities. In addition, UPHS recognized operating expenses of $21,411,000 and $21,966,000 in 2014 and 2013, respectively, to support academic operating activities in the clinical departments of the Perelman School of Medicine. These transfers are eliminated in the consolidated financial statements.

During 2012, UPHS received the initial payment of the incentive relating to Electronic Health Records (EHR), as part of ARRA. The Health Information Technology for Economic and Clinical Health Act provision within ARRA allowed for incentives of $19 billion to hospitals who implement and meaningfully use EHR technology by 2014. In accordance with FASB's standard on *Gain Contingencies*, when all contingencies have been met and the funds have been received, UPHS recognizes these incentives as Other revenue. UPHS received $15,432,000 and $23,974,000 as of June 30, 2014 and 2013, respectively.

Net Patient Service Revenue

Net patient service revenue, net of contractual allowances and discounts, excluding bad debt, is as follows for the year ending June 30, 2014:

	Third Party Payors	Self-Pay	Total All Payors
Net Patient Service Revenue	$ 3,714,037	$ 237,066	$ 3,951,103

Net patient service revenue for the years ending June 30, 2014 and 2013 is derived from the following payors:

	2014	2013
Medicare (including Managed Medicare)	26%	26%
Medicaid (including Managed Medicaid)	14%	15%
Managed Care	33%	33%
Independence Blue Cross	17%	17%
Commercial	4%	4%
Self Pay	6%	5%
	100%	100%

The provision for bad debt is based on management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage and other collection indicators. UPHS provides care to patients who do not have health insurance or meet the criteria to qualify for its charity care policy. UPHS pursues collection of these amounts, however certain amounts are deemed to be uncollectible. These amounts are classified in the Provision for bad debt in the UPHS summarized financial information below. Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category, including not covered by insurance, and history of cash collections. The results of this review are then used to make any modifications to the provision for bad debt to establish an appropriate allowance for uncollectible accounts. No significant modifications were made for Fiscal Years 2014 or 2013. After satisfaction of amounts due from insurance and reasonable efforts to collect from patients have been exhausted, UPHS follows established guidelines for placing certain past-due patient balances with collection agencies, subject to terms of certain restrictions on collection efforts as determined by UPHS. Account receivables are written off after collection efforts have been followed in accordance with UPHS' policy. UPHS' provision for bad debts totaled $239,649,000 and $191,479,000 for 2014 and 2013, respectively, which is reported as a reduction to Net patient service revenue in the table on page 16.

Third-Party Payors

During 2012, UPHS and Independence Blue Cross (IBC) reached agreement on terms of a four-year agreement effective July 1, 2012. Payments made for inpatient services provided to IBC traditional and managed care subscribers are effected on a per case rate basis for most services. Payment for outpatient services is principally based upon negotiated fee schedules. Hospital and physician rates also provide for annual inflationary increases. In addition, incentives are paid for high performance with regard to clinical outcomes and patient quality.

During 2010, UPHS and Aetna reached agreement on terms of a five-year agreement. The terms of the agreement provide payments for inpatient hospital services on a per case rate basis. Payments for outpatient services continue to be predominantly based upon negotiated fee schedules.

UPHS also has reimbursement agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

Final adjustments to revenue, resulting from settlements with third-party payors, are recorded in the year in which they are settled. The 2014 and 2013 net patient service revenue was increased by $1,197,000 and $4,726,000, respectively, as a result of final settlements and the revision or removal of allowances previously estimated that were no longer necessary.

Charity Care

UPHS provides services to patients, who meet certain criteria under its charity care policy, without charge or at amounts less than UPHS' established rates. Because UPHS does not pursue collections, such amounts have been excluded from Net Patient service revenue.

In accordance with the FASB standard on *Measuring Charity Care for Disclosure*, UPHS estimates the costs of providing charity care services based on data derived from a combination of UPHS' cost accounting system and the ratio of costs to charges. Of the Total expenses reported by UPHS below, an estimated $10,680,000 and $8,530,000 were incurred as a result of providing services to charity patients for the years ended June 30, 2014 and 2013, respectively.

Summarized financial information for UPHS as of and for the years ended June 30, 2014 and 2013, prior to eliminations for transactions between UPHS and other entities of the University, is as follows (in thousands):

	2014	2013
Net patient service revenue	$ 3,951,103	$ 3,487,651
Provision for bad debt	(239,649)	(191,479)
Net patient service revenue less bad debts	3,711,454	3,296,172
Other revenue	227,772	204,806
Total expenses	(3,647,836)	(3,315,846)
Excess of revenues over expenses from operations	291,390	185,132
Other unrestricted income, net	147,175	111,206
Excess of revenue over expenses	438,565	296,338
Nonoperating, net	66,241	141,822
Unrealized gain, net	57,911	36,192
Increase in net assets	$ 562,717	$ 474,352
Total current assets	$ 1,200,386	$ 1,158,609
Assets whose use is limited (including board designated funds of $1,147,562 and $975,684 and trustee held funds of $8,546 and $13,586 for 2014 and 2013, respectively)	1,818,089	1,557,413
Plant, net of depreciation	1,852,090	1,471,979
Investments and other assets	619,870	552,108
Total assets	$ 5,490,435	$ 4,740,109
Total current liabilities	$ 619,555	$ 613,214
Long-term debt, net of current portion	917,425	796,887
Other liabilities	1,350,198	1,289,468
Total liabilities	2,887,178	2,699,569
Net assets		
Unrestricted	2,057,377	1,581,325
Temporarily restricted	380,837	321,370
Permanently restricted	165,043	137,845
Total net assets	2,603,257	2,040,540
Total liabilities and net assets	$ 5,490,435	$ 4,740,109

3. Accounts Receivable

The major components of receivables, net of reserve for doubtful accounts of $15,856,000 and $13,337,000 at June 30, 2014 and 2013, respectively, are as follows (in thousands):

	2014	2013
Sponsored research	$ 115,251	$ 89,796
Malpractice	99,106	72,445
Student	16,266	13,575
Trade	33,895	31,233
Investment income	5,845	16,200
Other	28,149	29,037
Total Accounts receivable	$ 298,512	$ 252,286

4. Contributions Receivable

A summary of contributions receivable is as follows at June 30, 2014 and 2013 (in thousands):

	2014	2013
Unconditional promises expected to be collected in:		
Less than one year	$ 161,293	$ 146,793
One year to five years	191,781	214,847
Over five years	35,399	40,834
	388,473	402,474
Less: Discount	(24,987)	(32,863)
Less: Allowance for doubtful amounts	(34,964)	(35,001)
Total Contributions receivable, net	$ 328,522	$ 334,610

At June 30, 2014 and 2013, the University has outstanding unrecorded conditional promises to give, including non-legally binding bequests, of $213,487,000 and $212,552,000, respectively. When they become unconditional promises to give or are received in cash or kind, they will be recorded and generally will be restricted for operations, endowment and capital projects as stipulated by the donors.

5. Other Assets

The major components of other assets at June 30, 2014 and 2013, respectively, are as follows (in thousands):

	2014	2013
Goodwill	$ 24,888	$ 24,888
Inventory	33,624	27,239
Prepaid expenses	65,941	40,295
Deferred financing fees	12,302	12,778
FICA refund	2,209	4,820
Interest in partnerships	21,080	2,512
Other	21,602	21,349
Total Other assets	$ 181,646	$ 133,881

Goodwill of $24,888,000 at June 30, 2014 and 2013, respectively, associated with the statutory merger of the Presbyterian Medical Center of Philadelphia into UPHS, is reviewed for impairment on an annual basis by comparing the reporting unit's carrying value to its fair value calculated using a discounted cash flow approach, which incorporates market participant data, or sooner if indicators of impairment arise. There were no goodwill impairments during Fiscal Year 2014.

In March 2010, the Internal Revenue Service (IRS) announced that for periods ending before April 1, 2005, medical and dental residents are excepted from the Federal Insurance Contributions Act (FICA) taxes based on the student exception under the IRS Code section 3121(b)(10). The IRS started making payments to the University for tax and interest during Fiscal Year 2012. Other assets includes estimated payments due from the IRS of $2,209,000 and $4,820,000, at June 30, 2014 and 2013, respectively. Accrued expenses and other liabilities includes the estimated amounts payable to the residents of $931,000 and $44,989,000 at June 30, 2014 and 2013, respectively. Since the employer tax and interest was estimated in prior periods, the statements of activities for Fiscal Year 2014 and 2013 were not significantly impacted.

6. Investments, at Fair Value

A summary of investments, including the AIF, measured at fair value in accordance with the *Fair Value Measurements* standard, as of June 30, 2014 and 2013 is as follows (in thousands):

Assets	Level 1	Level 2	Level 3	2014
Short-term	$ 801,019			$ 801,019
Equity:				
US equities	1,158,554	$ 451,428	$ 313,465	1,923,447
International equities	442,956	658,309	178,891	1,280,156
Emerging market equities	113,801	485,870	284,068	883,739
Total Equity	1,715,311	1,595,607	776,424	4,087,342
Debt:				
US treasuries	1,258,771			1,258,771
Corporate bonds		40,763		40,763
High yield			1,225	1,225
Total Debt	1,258,771	40,763	1,225	1,300,759
Split-interest agreements	77,198		431,677	508,875
Absolute return		905,494	1,541,251	2,446,745
Real estate		45,228	410,214	455,442
Private equity			854,217	854,217
Natural resources	73,680	76,033	189,665	339,378
Derivative instruments	776	4,048		4,824
Other			1,733	1,733
Total assets	$ 3,926,755	$ 2,667,173	$ 4,206,406	$ 10,800,334

Assets	Level 1	Level 2	Level 3	2013
Short-term	$ 547,229			$ 547,229
Equity:				
US equities	1,243,598	$ 218,695	$ 224,440	1,686,733
International equities	324,845	716,858	135,138	1,176,841
Emerging market equities	111,698	338,487	73,132	523,317
Total Equity	1,680,141	1,274,040	432,710	3,386,891
Debt:				
US treasuries	1,199,303			1,199,303
Corporate bonds		42,717	1	42,718
High yield		29,422	1,947	31,369
Total Debt	1,199,303	72,139	1,948	1,273,390
Split-interest agreements	69,946		414,712	484,658
Absolute return		563,548	1,585,102	2,148,650
Real estate		40,984	410,649	451,633
Private equity			684,639	684,639
Natural resources	63,213	55,805	173,653	292,671
Derivative instruments	8,206	3,702		11,908
Other			1,629	1,629
Total assets	$ 3,568,038	$ 2,010,218	$ 3,705,042	$ 9,283,298

A summary of Liabilities associated with investments as of June 30, 2014 and 2013 is as follows (in thousands):

Liabilities	Level 1	Level 2	Level 3	2014
Securities sold, not yet purchased	$ 128,697	$ 10,642		$ 139,339
Derivative instruments	54	4,367		4,421
Split-interest agreements		36,607		36,607
Other	2,844			2,844
Total liabilities	$ 131,595	$ 51,616	$ -	$ 183,211

Liabilities	Level 1	Level 2	Level 3	2013
Securities sold, not yet purchased	$ 28,849			$ 28,849
Derivative instruments	746	$ 381		1,127
Split-interest agreements		38,756		38,756
Other	607			607
Total liabilities	$ 30,202	$ 39,137	$ -	$ 69,339

The liabilities depicted above include $30,579,000 segregated in this year's presentation for comparability to the June 30, 2014 presentation.

Included in Short-term investments is $3,053,000 and $7,470,000 of amounts held by trustees under indenture and escrow agreements at June 30, 2014 and 2013, respectively.

At June 30, 2014 and 2013, Short-term investments include $86,485,000 and $72,480,000, respectively, of outstanding receivables from trading activities. At June 30, 2014 and 2013, Short-term investments include $65,813,000 and $57,152,000, respectively, of outstanding payables from trading activities.

Changes in the fair value of the University's Level 3 investments as of June 30, 2014 and 2013 are as follows (in thousands):

	June 30, 2013	Net realized gains/(losses)	Net unrealized gains/(losses)	Purchases	Sales	Transfers in	Transfers out	June 30, 2014
Equity:								
US equities	$ 224,440		$ 37,860	$ 151,670		$ 50,724	$ (151,229)	$ 313,465
International equities	135,138	$ 10,702	43,884		$ (10,833)			178,891
Emerging market equities	73,132		71,061	166,700			(26,825)	284,068
Debt:								
Corporate bonds	1	(1)	1		(1)			-
High yield	1,947		562		(1,284)			1,225
Split-interest agreements	414,712	10,385	11,013	18,391	(22,824)			431,677
Absolute return	1,585,102	60,402	117,862	267,069	(193,947)	25,028	(320,265)	1,541,251
Real estate	410,649	35,404	22,126	76,474	(134,439)			410,214
Private equity	684,639	75,016	99,118	137,302	(140,380)	63	(1,541)	854,217
Natural resources	173,653	16,717	19,118	26,383	(46,206)			189,665
Other	1,629	(9)	131		(18)			1,733
Total	$ 3,705,042	$ 208,616	$ 422,736	$ 843,989	$ (549,932)	$ 75,815	$ (499,860)	$ 4,206,406

	June 30, 2012	Net realized gains/(losses)	Net unrealized gains/(losses)	Purchases	Sales	Transfers in	Transfers out	June 30, 2013
Equity:								
US equities	$ 1,578		$ 4,440	$ 220,000			$ (1,578)	$ 224,440
International equities	111,911		23,227					135,138
Emerging market equities	94,068		(3,544)	27,601	$ (74)		(44,919)	73,132
Debt:								
Corporate bonds	600				(2)		(597)	1
High yield	3,323		785		(2,161)			1,947
Split-interest agreements	413,997	$ 4,080	18,864	1,465	(23,694)			414,712
Absolute return	910,637	10,637	117,497	518,544	(155,537)	$ 183,324		1,585,102
Real estate	362,872	16,292	15,026	74,109	(57,650)			410,649
Private equity	607,969	62,234	7,429	111,100	(105,776)	1,683		684,639
Natural resources	199,537	34,220	(27,708)	22,599	(54,995)			173,653
Other	1,135	(122)	19			597		1,629
Total	$ 2,707,627	$ 127,341	$ 156,035	$ 975,418	$ (399,889)	$ 185,604	$ (47,094)	$ 3,705,042

Level 3 investments at June 30, 2014 include net unrealized gains recorded during Fiscal Year 2014 of $620,936,000. Level 3 investments at June 30, 2013 include net unrealized gains recorded during Fiscal Year 2013 of $279,243,000.

Transfers between leveled assets are based on the actual date of the event which caused the transfer. As of June 30, 2014 and 2013 there were no transfers between Level 1 and 2. Transfers between Level 3 and Level 2 as of June 30, 2014 and 2013 were due primarily to redemption period changes at the underlying commingled funds or partnerships as well as side pocket activity in Absolute Return investments.

The University has made investments in various long-lived partnerships and, in other cases, has entered into contractual agreements that may limit its ability to initiate redemptions due to notice periods, lock-ups and gates. The University has also made commitments to various limited partnerships. The University expects these funds to be called over the next 5 years. The total amount of unfunded commitments is $1,507,305,000 which represents 16.4% of the AIF value as of June 30, 2014. Details on the fair value, remaining estimated life, outstanding commitments, current redemption terms and restrictions by strategy and type of investment are provided below (in thousands):

Strategy	Fair Value	Remaining Life	Outstanding Commitments	Redemption Terms	Redemption Restrictions
Short-term	$ 801,019	N/A	$ -	Daily	None
Equity					
Managed accounts	1,277,980	N/A	-	Daily and semi-annually	Lock-up provisions range from none to 1 year
Mutual funds	188,029	N/A	-	Daily	None
Exchange traded funds	39,541	N/A	-	Daily	None
Commingled funds	998,822	N/A	-	Weekly to quarterly with varying notice periods	None
Partnerships	1,582,970	N/A	85,300	Quarterly to annually with varying notice periods	Lock-up provisions ranging from 0 to 2 years and $9 million of side pocket investments
Total Equity	4,087,342		85,300		
Debt					
Managed accounts	1,299,534	N/A	-	Daily	None
Partnership	1,225	N/A	-	N/A	Illiquid side pocket investments
Total Debt	1,300,759				
Absolute return	2,446,745	N/A	190,690	Quarterly, annually, and 2 years with varying notice periods. Excludes 14 limited partnerships with no redemptions permitted. Distributions received as underlying investments are liquidated.	Lock-up provisions ranging from 0 to 2 years with some earlier redemptions permitted subject to redemption fee. Excludes $332 million in 14 limited partnerships with no redemptions permitted and $109 million of side pocket investments.
Real estate	455,442	1 to 13 years	421,964	Redemptions not permitted. Distributions received as underlying investments are liquidated. Excludes 1 fund with quarterly liquidity on 90 day notice period.	N/A
Private equity	854,217	1 to 16 years	719,245	Redemptions not permitted. Distributions received as underlying investments are liquidated.	N/A
Natural resources					
Managed account	73,680	N/A	-	Daily	None
Commingled fund	76,033	N/A	-	Daily	None
Partnerships	189,665	2 to 14 years	90,106	Redemptions not permitted. Distributions received as underlying investments are liquidated.	N/A
Total Natural resources	339,378		90,106		
Totals	$ 10,284,902		$ 1,507,305		

Included in Level 1 Split-interest agreement investments above are readily marketable assets invested by the University separately from the AIF where the University serves as trustee with an aggregate fair value of $77,198,000 and $69,947,000 at June 30, 2014 and 2013, respectively. Level 3 Split-interest agreement investments are managed and invested outside of the University by external trustees.

Invested in the AIF with an aggregate fair value of $144,559,000 and $128,984,000 at June 30, 2014 and 2013, respectively, is a perpetual trust managed by an external trustee who has delegated investment decisions to the University. The University invests the assets of this trust in accordance with its Endowment Policy.

Included in Split-interest agreements are amounts held to meet legally mandated annuity reserves of $31,171,000 and $33,387,000 as of June 30, 2014 and 2013, respectively, as required by the laws of the following states where certain individual donors reside: California, New Jersey and New York.

A summary of Level 3 assets included in Split-interest agreements, where the University is not trustee, measured at fair value, as of June 30, 2014 and 2013 is as follows (in thousands):

	2014	2013
Charitable remainder trusts	$ 6,974	$ 6,089
Charitable lead trusts	148,208	171,224
Perpetual trusts	276,495	237,399
Total	$ 431,677	$ 414,712

Changes to the reported amounts of Split-interest agreements measured at fair value using unobservable (Level 3) inputs as of June 30, 2014 and 2013 are as follows (in thousands):

	Charitable Remainder Trusts	Charitable Lead Trusts	Perpetual Trusts	Total
June 30, 2013	$ 6,089	$ 171,224	$ 237,399	$ 414,712
Net realized gains			10,384	10,384
Net unrealized gains/(losses)	116	(516)	11,414	11,014
Acquisitions	769		17,622	18,391
Liquidations		(22,500)	(324)	(22,824)
June 30, 2014	$ 6,974	$ 148,208	$ 276,495	$ 431,677

	Charitable Remainder Trusts	Charitable Lead Trusts	Perpetual Trusts	Total
June 30, 2012	$ 5,675	$ 186,157	$ 222,165	$ 413,997
Net realized gains	274		3,806	4,080
Net unrealized gains	3	7,571	11,290	18,864
Acquisitions	1,327		138	1,465
Liquidations	(1,190)	(22,504)		(23,694)
June 30, 2013	$ 6,089	$ 171,224	$ 237,399	$ 414,712

The following tables set forth the fair value, related gain (loss) and notional amount of the University's derivative instruments by contract type as of June 30, 2014 and 2013 (in thousands):

2014	Notional Amount	Gross Derivative Assets	Gross Derivative Liabilities	Dervative Gains (Losses)
Foreign currency contracts	$ 151,370	$ 908	$ 1,290	$ 12,028
Futures contracts				1,601
Options contracts	7,880	985	353	(867)
Swaps	32,527	2,931	2,778	(295)
Total	$ 191,777	$ 4,824	$ 4,421	$ 12,467

2013	Notional Amount	Gross Derivative Assets	Gross Derivative Liabilities	Dervative Gains (Losses)
Foreign currency contracts	$ 141,659	$ 3,458	$ 19	$ 15,546
Futures contracts	6,016	7,790		11,924
Options contracts	5,395	459	373	246
Swaps	3,536	201	735	(690)
Total	$ 156,606	$ 11,908	$ 1,127	$ 27,026

The notional amount is representative of the volume and activity of the respective derivative type during the years ended June 30, 2014 and 2013.

Gross derivatives assets and liabilities are shown in Investments, at fair value and Accrued expenses and other liabilities on the Consolidated Statements of Financial Position, respectively. Derivative gains (losses) are shown in Gain on investments, net on the Consolidated Statements of Activities.

A summary of the University's total investment return for the years ended June 30, 2014 and 2013 as reported in the Consolidated Statements of Activities is presented below (in thousands):

	2014	2013
AIF investment income	$ 84,206	$ 98,354
AIF realized and unrealized gains	1,315,855	891,019
Return on AIF	1,400,061	989,373
Other investment income and (losses)/gains	85,511	72,044
Total Return on investments	$ 1,485,572	$ 1,061,417

7. Endowment

The composition and changes to the amount of the University's endowment at June 30, 2014 is as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$ 2,312,089	$ 3,110,884	$ 5,422,973
Quasi-endowment funds	$ 4,159,362			4,159,362
June 30, 2014	$ 4,159,362	$ 2,312,089	$ 3,110,884	$ 9,582,335

	Quasi	Donor Restricted		
	Unrestricted	Temporarily	Permanently	Total
Net assets, June 30, 2013	$ 3,457,955	$ 1,816,718	$ 2,899,492	$ 8,174,165
Investment return:				
Investment income, net of expenses	20,506	21,958	454	42,918
Gains (realized and unrealized)	594,132	712,993	29,357	1,336,482
Total investment return	614,638	734,951	29,811	1,379,400
New gifts	24,302	4,669	156,602	185,573
Allocation of endowment assets for expenditure	(289,088)			(289,088)
Transfers	143,431	(36,125)	24,979	132,285
Released from restriction	208,124	(208,124)		
Net assets, June 30, 2014	$ 4,159,362	$ 2,312,089	$ 3,110,884	$ 9,582,335

The composition and changes to the amount of the University's endowment as of June 30, 2013 are as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$ 1,816,718	$ 2,899,492	$ 4,716,210
Quasi-endowment funds	$ 3,457,955			3,457,955
June 30, 2013	$ 3,457,955	$ 1,816,718	$ 2,899,492	$ 8,174,165

	Quasi	Donor Restricted		
	Unrestricted	Temporarily	Permanently	Total
Net assets, June 30, 2012	$ 2,916,222	$ 1,485,239	$ 2,732,557	$ 7,134,018
Investment return:				
Investment income, net of expenses	35,192	40,670	772	76,634
Gains (realized and unrealized)	392,255	492,665	20,038	904,958
Total investment return	427,447	533,335	20,810	981,592
New gifts	53,198	702	148,039	201,939
Allocation of endowment assets for expenditure	(268,877)			(268,877)
Transfers	129,048	(1,641)	(1,914)	125,493
Released from restriction	200,917	(200,917)		
Net assets, June 30, 2013	$ 3,457,955	$ 1,816,718	$ 2,899,492	$ 8,174,165

Quasi Unrestricted funds were increased by $379,360,000 at June 30, 2012 and $53,409,000 for related 2013 income/gains for comparability as a result of the inclusion of those funds in the 2014 presentation.

The fair value of certain permanently restricted endowment funds is less than the original donated value by $182,000 and $4,542,000 as of June 30, 2014 and 2013, respectively, and is reflected as a reduction of Temporarily restricted assets.

8. Plant, net of depreciation

The components of plant at June 30, 2014 and 2013 are as follows (in thousands):

	2014	2013
Land and land improvements	$ 249,231	$ 225,619
Buildings and fixed equipment	6,295,973	5,893,038
Moveable equipment and other	1,594,993	1,369,647
Construction-in-progress	518,071	330,829
	8,658,268	7,819,133
Less: Accumulated depreciation	(3,876,707)	(3,449,760)
Plant, net of depreciation	$ 4,781,561	$ 4,369,373

Included in the amounts listed above are two build-to-suit lease arrangements, related to Pennsylvania Hospital and Penn Presbyterian Medical Center (PPMC), where UPHS has been involved in the construction of structural improvements prior to the commencement of the lease or takes some level of construction risk. UPHS is considered the owner of the assets during the construction period under U.S. GAAP. Included in Construction-in-progress above are assets, including landlord construction costs, related to the PPMC lease, with a corresponding financial obligation in Accrued expenses and other liabilities, recorded on the Consolidated Statements of Position in the amount of $47,447,000 and $ 24,409,000 for years ended June 30, 2014 and 2013, respectively.

During Fiscal Year 2014, construction was completed on the Pennsylvania Hospital facility and the lease commenced. As UPHS continued to demonstrate significant involvement after the completion of the project at June 30, 2014, an asset is included in Buildings and fixed equipment above, with a corresponding financial obligation in Debt obligations on the Consolidated Statements of Position in the amount of $47,598,000 at June 30, 2014. Similar accounting treatment is also expected upon completion of the PPMC arrangement. At June 30, 2013, while still under construction, an asset, included in Construction-in-progress above, with a corresponding financial obligation in Accrued expenses and other liabilities was reported on the Consolidated Statements of Position in the amount of $44,654,000.

Plant, net of depreciation, included $3,209,000 of land and $8,146,000 of completed facilities at June 30, 2013 which served as collateral for a debt obligation. This debt obligation was settled during Fiscal Year 2014.

The University recorded $342,451,000 and $313,947,000 of depreciation expense for the years ended June 30, 2014 and 2013, respectively. Rare books and other collectibles aggregate $50,530,000 at June 30, 2014 and $46,396,000 at June 30, 2013.

The University capitalized $2,919,000 and $2,912,000 of interest costs for the years ended June 30, 2014 and 2013, respectively, in accordance with the FASB standard on *Capitalization of Interest*.

9. Conditional Asset Retirement Obligations

The University's conditional asset retirement obligations primarily relate to asbestos contained in buildings and underground steam distribution piping. Conditional asset retirement obligations, included within Accrued expenses and other liabilities in the Consolidated Statements of Financial Position are as follows (in thousands):

	2014	2013
July 1	$ 22,789	$ 20,234
Less: Payments	(1,369)	(747)
Add: Additions	1,878	2,683
Add: Accretion	670	619
June 30	$ 23,968	$ 22,789

10. Split-Interest Agreements

Changes in the value of assets, liabilities and net assets pursuant to split-interest agreements as of June 30, 2014 and 2013 are as follows (in thousands):

2014	Assets	Liabilities	Net Assets
June 30, 2013	$ 484,658	$ (38,756)	$ 445,902
New contributions	23,396	(2,797)	20,599
Investment income	1,688	(1,023)	665
Realized and unrealized gain, net	31,340		31,340
Payments and settlements	(32,207)	7,692	(24,515)
Actuarial adjustment		(1,723)	(1,723)
Net change	24,217	2,149	26,366
June 30, 2014	$ 508,875	$ (36,607)	$ 472,268

2013	Assets	Liabilities	Net Assets
June 30, 2012	$ 473,140	$ (36,164)	$ 436,976
New contributions	12,971	(6,357)	6,614
Investment income	1,611	(1,131)	480
Realized and unrealized gain, net	28,894		28,894
Payments and settlements	(31,958)	7,349	(24,609)
Actuarial adjustment		(2,453)	(2,453)
Net change	11,518	(2,592)	8,926
June 30, 2013	$ 484,658	$ (38,756)	$ 445,902

11. Medical Professional Liability Claims

The University is insured for medical professional liability claims through the combination of the Medical Care Availability and Reduction of Error Fund (Mcare, formerly, the Medical Professional Liability Catastrophe Loss Fund of the Commonwealth of Pennsylvania -- CAT Fund), various commercial insurance companies and a risk retention program.

Mcare levies health care provider surcharges, as a percentage of the Pennsylvania Joint Underwriters Association rates for basic coverage, to pay claims and pay administrative expenses of Mcare participants. These surcharges are recognized as expenses in the period incurred. Mcare operates on a pay-as-you-go basis and no provision has been made for any future Mcare assessments in the accompanying financial statements as the University's portion of the unfunded Mcare liability cannot be estimated.

In accordance with FASBs standard on *Presentation of Insurance Claims and Related Insurance Recoveries*, anticipated insurance recoveries and estimated liabilities for medical malpractice claims or similar contingent liabilities are presented separately on the Consolidated Statement of Financial Position in Accounts Receivable, net of allowances and Accrued expenses and other liabilities, respectively. The University accrues for estimated risks arising from both asserted and unasserted medical professional liability claims. The estimate of the gross liability and corresponding receivable for unasserted claims arising from unreported incidents is based on analysis of historical claims data by an independent actuary, which is recorded utilizing a 2.25% as a discount rate as of June 30, 2014 and 2013. The gross liability recorded under this program is $626,482,000 and $591,118,000 at June 30, 2014 and 2013, respectively, with a corresponding receivable of $99,106,000 and $72,445,000 at June 30, 2014 and 2013, respectively.

12. Contingencies, Guarantees and Commitments

The University has guaranteed certain obligations as follows (in thousands):

	2014		2013	
	Amount Guaranteed	Recognized Liability	Amount Guaranteed	Recognized Liability
Mortgage Loans	$ 3,856		$ 4,619	
Student Loans	61,101	$ 6,164	62,590	$ 6,429
Other	3,667	277	4,374	14
	$ 68,624	$ 6,441	$ 71,583	$ 6,443

To encourage home ownership and home improvement in the University's geographic area and beyond, certain University and affiliate employee mortgage loans are guaranteed. Under this program, the University guarantees the employee's first mortgage amount that is in excess of 80% loan-to-value, up to 105% loan-to-value. The maximum amount that will be guaranteed on any single loan is limited to $250,000. For all loans guaranteed upon default by the borrower, the University may be required to pay any loss incurred following the lender's foreclosure process or the University may be required to purchase the loan. If the University purchases the loan, it will work with the borrower to make the loan current or it may foreclose and recover a portion of any loan from the sale of the mortgaged property. Of the amount guaranteed, $2,912,000 and $3,004,000 at June 30, 2014 and 2013, respectively, was estimated to be recoverable from subsequent sale of underlying assets the University would acquire if it performed under the guarantees. The University does not anticipate that any significant net payments will result from these guarantees. FASB standard *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* does not require a guarantee liability to be recognized for employee mortgages.

The University offers various loan programs for students and families to pay tuition, fees and other costs. Certain loans issued by private lending institutions are guaranteed by the University. Upon default by the borrower, the University is required to pay all or a portion of the outstanding loan balance. The University recognizes a liability for the greater of the fair value of the guarantee or defaults in the portfolio of guaranteed loans per FASB's standard on *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.* The amount of the liability recognized for which the fair value of the guarantee exceeds defaults in the portfolio of guaranteed loans is $3,112,000 and $2,740,000 at June 30, 2014 and 2013, respectively. The remaining balance of the liability recognized represents defaults in the portfolio which exceed the estimated fair value of the guarantee. These recognized liabilities reflect effective default reserve rates of 45.7% and 32.8% at June 30, 2014 and 2013, respectively.

The Other category principally includes guarantees of indebtedness for certain businesses in the University's geographic area whose activities benefit employees, students and the community. Of the amount guaranteed, $2,031,000 at June 30, 2014 and $2,606,000 at June 30, 2013, was estimated to be recoverable from subsequent sale of underlying assets the University would acquire if it performed under the guarantees and from other partners in the businesses. The University does not anticipate that any significant net payments will result from these guarantees. The recognized liability reflects the fair value of guarantees issued after December 31, 2002.

Various lawsuits, claims and other contingent liabilities arise in the ordinary course of the University's education and health care activities. Based upon information currently available, management believes that any liability resulting there from will not materially affect the financial position or operations of the University.

The University is currently involved in various projects that have resulted in capital and property acquisition commitments from the University. As of June 30, 2014, approximately $316,304,000 has been committed by the University.

13. Pension and Other Postretirement Benefit Costs

Retirement benefits are principally provided to employees through contributory defined contribution plans. The Academic Component's policy with respect to its contribution is to provide up to 9% of eligible employees' salaries, while the UPHS contribution can be up to 6.5%. The University's contributions to these plans amounted to $119,386,000 and $110,692,000 as of June 30, 2014 and 2013, respectively.

TCCHHS has a number of affiliates with either 403(b) or 401(k) defined contribution savings plans. All affiliates share the same employer discretionary matching process; each affiliate will match 50% of an employee's contribution (subject to the IRS annual contribution limit) up to a total of 4% of the employee's salary in a given year. Total contributions to the plans were $1,405,791 from September 1, 2013 through June 30, 2014.

TCCHHS also has a defined contribution profit sharing plan covering all eligible employees, as defined. TCCHHS may choose to contribute a discretionary amount to the plan each year. No amount was funded from September 1, 2013 through June 30, 2014.

Clinical Care Associates also has a non-qualified supplemental retirement plan to provide retirement benefits to a select group of physician employees. Contributions to this plan are based upon the annual compensation of the eligible employees. Retirement plan expense for this plan was $672,000 and $600,000 as of June 30, 2014 and 2013, respectively.

UPHS has a non-contributory defined contribution plan and a non-contributory defined benefit plan which were frozen to new entrants effective July 1, 2010.

The Academic Component has a non-contributory defined benefit pension plan which was frozen to new full-time entrants effective July 1, 2000.

Benefits under the defined benefit plans generally are based on the employee's years of service and compensation during the years preceding retirement. Contributions to the defined benefit plans are made in amounts necessary to at least satisfy the minimum required contributions as specified in the Internal Revenue Service Code and related regulations.

The funded status of the plans is measured as the difference between the plan assets at fair value and the projected benefit obligation (PBO) or accumulated postretirement benefit obligation (APBO). The difference between actual amounts and estimates based on actuarial assumptions are recognized as Pension and other postretirement plan adjustments in the Consolidated Statements of Activities in the period in which they occur.

Net Periodic Cost

The components of net periodic benefit cost for pension benefits and other postretirement benefits are as follows (in thousands):

	Pension Benefits		Other Postretirement Benefits	
Net Periodic Cost	**2014**	**2013**	**2014**	**2013**
Service cost	$ 58,737	$ 60,989	$ 24,349	$ 29,070
Interest cost	81,187	73,728	34,192	30,215
Expected return on plan assets	(98,184)	(83,550)	(21,967)	(18,874)
Amortization of:				
Net prior service cost	210	1,326	27	269
Net losses	21,630	48,457	7,233	12,623
Net periodic benefit cost	$ 63,580	$ 100,950	$ 43,834	$ 53,303

Obligation and Funded Status

The following shows changes in the benefit obligation, plan assets and funded status. Benefit obligation balances presented below reflect the projected benefit obligation for pension plans and accumulated postretirement benefit obligation for other postretirement benefits plans (in thousands):

	Pension Benefits		Other Postretirement Benefits	
Change in Benefit Obligation	**2014**	**2013**	**2014**	**2013**
Benefit obligation at beginning of year	$ 1,646,120	$ 1,672,828	$ 705,139	$ 723,718
Service cost	58,737	60,989	24,349	29,070
Interest cost	81,187	73,728	34,192	30,215
Plan participants' contributions	156	149	5,460	4,619
Retiree drug subsidy			235	299
Net actuarial (gain) loss due to plan experience	143,397	(125,523)	24,555	(58,979)
Benefits paid from fund	(40,492)	(36,051)	(15,066)	(14,648)
Benefits paid outside of fund			(7,681)	(8,644)
Plan amendments				(511)
Benefit obligation at end of year	$ 1,889,105	$ 1,646,120	$ 771,183	$ 705,139
Accumulated benefit obligation	$ 1,615,682	$ 1,405,144	$ 771,183	$ 705,139

	Pension Benefits		Other Postretirement Benefits	
Change in Plan Assets	**2014**	**2013**	**2014**	**2013**
Fair value of plan assets at beginning of year	$ 1,237,854	$ 1,040,939	$ 290,698	$ 248,783
University contributions	64,801	97,433	22,800	22,800
Benefits paid by University			7,051	7,986
Plan participants' contributions	156	149	5,460	4,619
Benefits paid from fund	(40,492)	(36,051)	(15,066)	(14,648)
Benefits paid outside of fund			(7,681)	(8,644)
Retiree drug subsidy			235	299
Actual return on assets	181,059	135,384	38,087	29,503
Fair value of plan assets at end of year	$ 1,443,378	$ 1,237,854	$ 341,584	$ 290,698

	Pension Benefits		Other Postretirement Benefits	
Funded Status	**2014**	**2013**	**2014**	**2013**
Projected benefit obligation / accumulated postretirement benefit obligation	$ (1,889,105)	$ (1,646,120)	$ (771,183)	$ (705,139)
Plan assets at fair value	1,443,378	1,237,854	341,584	290,698
Funded status at end of year	$ (445,727)	$ (408,266)	$ (429,599)	$ (414,441)

Net Amounts Recognized in the Consolidated Statements of Financial Position

	Pension Benefits		Other Postretirement Benefits	
Unrestricted Net Assets	**2014**	**2013**	**2014**	**2013**
Net actuarial (gain) loss	$ 453,044	$ 414,154	$ 179,037	$ 177,837
Net prior service cost		209	(117)	(92)
Total	$ 453,044	$ 414,363	$ 178,920	$ 177,745
Adjustment to unrestricted net assets	$ 38,681	$ (227,139)	$ 1,175	$ (83,011)

The estimated amount that will be amortized from Unrestricted Net Assets into net periodic benefit cost in 2015 is as follows:

	Pension Benefits	Other Postretirement Benefits
Amortization of prior service cost	$ -	$ 27
Amortization of net (gains) losses	23,113	7,261

Aggregate underfunded plans (Accrued retirement benefits) are reported as follows:

	Pension Benefits		Other Postretirement Benefits	
	2014	**2013**	**2014**	**2013**
Accrued retirement benefits	$ (445,727)	$ (408,266)	$ (429,599)	$ (414,441)
Funded status at end of year	$ (445,727)	$ (408,266)	$ (429,599)	$ (414,441)

Reported Accrued retirement benefits includes $6,461,000 and $8,289,000 for faculty early retirement programs at June 30, 2014 and 2013, respectively.

Information for Plans with PBO/APBO in Excess of Plan Assets	Pension Benefits 2014	Pension Benefits 2013	Other Postretirement Benefits 2014	Other Postretirement Benefits 2013
Projected benefit obligation / accumulated postretirement benefit obligation	$ 1,889,105	$ 1,646,120	$ 771,183	$ 705,139
Accumulated benefit obligation / accumulated postretirement benefit obligation	1,615,682	1,405,144	771,183	705,139
Fair value of plan assets	1,443,378	1,237,854	341,584	290,698

Actuarial Assumptions

The expected long-term rate of return on plan assets is management's best estimate of the average investment return expected to be received on the assets invested in the plan over the benefit period. The expected long-term rate of return on plan assets has been established by considering historical and future expected returns of the asset classes invested in by the pension trust, and the allocation strategy currently in place among those classes.

	Pension Benefits		Other Postretirement Benefits	
Weighted-Average Assumptions Used to Determine Benefit Obligations at Year End	**2014**	**2013**	**2014**	**2013**
Discount rate	4.50%	5.00%	4.41%	4.90%
Salary increase	3.97%	4.00%	N/A	N/A
Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost				
Discount rate	5.00%	4.48%	4.93%	4.25%
Expected long-term return on plan assets	7.92%	7.92%	7.50%	7.50%
Salary increase	4.00%	4.00%	N/A	N/A
Assumed Health Care Cost Trend Rates				
Initial trend rate	N/A	N/A	6.19%	6.70%
Ultimate trend rate	N/A	N/A	4.84%	4.85%
Fiscal year end that ultimate trend rate is reached	N/A	N/A	2021	2021

Assumed health care cost trend rates have a significant effect on the amounts reported for the other postretirement benefits. A one-percentage-point change in assumed health care trend rates would have the following effects on other postretirement benefits (in thousands):

	1-Percentage Point Increase		1-Percentage Point Decrease	
	2014	**2013**	**2014**	**2013**
Effect on total of service and interest cost	12,115	11,318	(9,318)	(8,749)
Effect on accumulated postretirement benefit obligation	130,042	115,695	(103,502)	(92,554)

Plan Assets

The principal investment objectives for the pension and other postretirement benefits plans are: to ensure the availability of funds to pay pension benefits as they become due under a broad range of future economic scenarios; to maximize long-term investment returns with an acceptable level of risk based on the pension obligations; and to invest the pension trust in a diversified manner. The following is a summary of investments held in the plans by asset allocation as well as investment risk:

Short-Term

Short-term investments in the plan assets include cash equivalents and fixed income investments with maturities of less than one year. Short-term investments are valued using observable market data and are categorized as Level 1 based on quoted market prices in active markets. The majority of these short-term investments are held in a US Treasury money market account.

Equity

Equity investments in the plan assets consist of direct holdings of public securities in managed accounts as well as exchange traded funds, mutual funds, commingled funds and limited partnerships. The securities held in managed accounts, mutual funds and exchange traded funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1. Commingled funds are valued at NAV and are categorized as Level 2. Limited partnership interests are valued at NAV. If the University has the ability to redeem from the limited partnership up to 180 days beyond the measurement date, June 30, at NAV, the investment is classified as Level 2. If the redemption period extends beyond 180 days, the investment is categorized as Level 3.

Debt

Debt investments consist of direct holdings of securities in managed accounts and commingled funds. Securities such as US Treasuries, which are held in managed accounts, are valued based on quoted market prices in active markets and are categorized as Level 1. Securities such as corporate and high yield bonds, also held in managed accounts, are valued based on quoted market prices or dealer or broker quotations and are categorized as Level 2 or in the cases where they trade infrequently as Level 3. Commingled funds are valued at NAV and are categorized as Level 2.

Absolute Return

Absolute return investments are made up of investments in partnerships. The fund managers invest in a variety of securities, based on the strategy of the fund, which may or may not be quoted in an active market. Illiquid investments, if any, are generally designated as a side pocket by hedge fund managers and may be valued based on an appraised value, discounted cash flow, industry comparables or some other method. Limited partnership interests are valued at NAV. A limited partnership interest may be categorized as Level 2 or Level 3 based on the University's ability to redeem up to 180 days beyond the measurement date as previously described. Side pocket investments would be classified as Level 3.

Real Estate

Investments in real estate include close-ended limited partnership interests and an open-ended real estate investment trust. The fund managers of the close-ended limited partnership primarily invest in private investments for which there is no readily determinable market value. The fund managers may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These limited partnership investments are valued at NAV, are not redeemable within 180 days and are categorized as Level 3. Real estate investments also include an open-ended real estate investment trust which is categorized as a Level 2 investment given the University's ability to redeem from the limited partnership up to 180 days beyond the measurement date at NAV.

Private Equity

Investments in private equity are in the form of close-ended limited partnership interests. The fund managers primarily invest in private investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These limited partnership investments are valued at NAV, are not redeemable within 180 days and are categorized as Level 3.

Natural Resources

Investments in natural resources include a limited partnership interest. The limited partnership fund manager primarily invests in private investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. The limited partnership investment is valued at NAV, is not redeemable within 180 days and is categorized as Level 3.

Derivatives

The University enters into forward foreign currency contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date as a hedge or cross hedge against either specific non-US dollar denominated transactions or portfolio positions. The University purchases or sells futures contracts to manage changes in interest rates, securities prices, currency exchange rates, or to seek to increase total return. Forward foreign currency contracts are categorized as Level 2. Futures contracts are categorized as Level 1.

As of June 30, 2014 and 2013, the University had forward currency contracts in the plan assets with a notional exposure of $23,705,000 and $16,495,000, respectively. There were no futures contracts outstanding as of June 30, 2014 and 2013, respectively. The notional amount is representative of the volume and activity of the respective derivative type during the years ended June 30, 2014 and 2013.

Investment Risk

The University's investing activities expose it to a variety of risks, including market, credit and liquidity risks and attempts to identify, measure and monitor risk through various mechanisms including risk management strategies and credit policies.

Market risk is the potential for changes in the fair value of the University's investment portfolio. Commonly used categories of market risk include currency risk (exposure to exchange rate differences between functional currency relative to other foreign currencies), interest rate risk (changes to prevailing interest rates or changes in expectations of futures rates) and price risk (changes in market value other than those related to currency or interest rate risk, including the use of NAV provided).

Credit risk is the risk that one party to a financial investment will cause a financial loss for the other party by failing to discharge an obligation (counterparty risk). Liquidity risk is the risk that the University will not be able to meet its obligations associated with financial liabilities. The University has various limited partnerships and, in other cases, has entered into contractual agreements that may limit its ability to initiate redemptions due to notice periods, lock-ups and gates.

Unfunded Commitments

As of June 30, 2014, the University has unfunded commitments to limited partnerships totaling $63,312,000, which are expected to be called over the next several years.

A summary of plan assets, measured at fair value in accordance with the *Employers' Disclosures about Pensions and Other Postretirement Benefits* standard, as of June 30, 2014 and 2013 is as follows (in thousands):

Pension Benefits:

Assets	Level 1	Level 2	Level 3	2014
Short-term	$ 85,331			$ 85,331
Equity:				
US equities	342,569	$ 13,848	$ 44,079	400,496
International equities	34,862	223,654	20,055	278,571
Emerging market equities	34,283	55,593	34,315	124,191
Debt:				
US treasuries	135,644			135,644
Corporate bonds		57,561		57,561
High yield		11,475		11,475
Absolute return		202,519	127,685	330,204
Real estate		13,551	431	13,982
Private equity			4,284	4,284
Natural resources			1,786	1,786
Total assets	$ 632,689	$ 578,201	$ 232,635	$ 1,443,525

Liabilities	Level 1	Level 2	Level 3	2014
Derivative instruments		$ 147		$ 147
Total liabilities	$ -	$ 147	$ -	$ 147

Assets	Level 1	Level 2	Level 3	2013
Short-term	$ 99,077			$ 99,077
Equity:				
US equities	325,103		$ 20,215	345,318
International equities	105,295	$ 127,757		233,052
Emerging market equities	27,817	44,430		72,247
Debt:				
US treasuries	137,398			137,398
Corporate bonds		47,398		47,398
High yield		10,417		10,417
Absolute return		130,798	149,827	280,625
Real estate		12,278		12,278
Derivative instruments:				
Forward currency contracts		45		45
Total assets	$ 694,690	$ 373,123	$ 170,042	$ 1,237,855

Liabilities	Level 1	Level 2	Level 3	2013
Derivative instruments		$ 1		$ 1
Total liabilities	$ -	$ 1	$ -	$ 1

Other Postretirement Benefits:

Assets	Level 1	Level 2	Level 3	2014
Short-term	$ 24,065			$ 24,065
Equity:				
US equities	91,498		$ 7,054	98,552
International equities	10,028	$ 69,055	7,518	86,601
Emerging market equities	4,786	13,990		18,776
Debt:				
US treasuries	68,158			68,158
Corporate bonds		14,784		14,784
High yield bonds		2,875		2,875
Absolute return			27,818	27,818
Total	$ 198,535	$ 100,704	$ 42,390	$ 341,629

Liabilities	Level 1	Level 2	Level 3	2014
Derivative instruments		$ 45		$ 45
Total	$ -	$ 45	$ -	$ 45

Assets	Level 1	Level 2	Level 3	2013
Short-term	$ 25,583			$ 25,583
Equity:				
US equities	110,523			110,523
International equities	37,361	$ 38,202		75,563
Emerging market equities	3,662	11,664		15,326
Debt:				
US treasuries	47,853			47,853
Corporate bonds		13,228		13,228
High yield bonds		2,607		2,607
Derivative instruments:				
Forward currency contracts		15		15
Total	$ 224,982	$ 65,716	$ -	$ 290,698

Changes to the reported amounts of plan assets measured at fair value using unobservable (Level 3) inputs as of June 30, 2014 and 2013 are as follows (in thousands):

Pension Benefits:

	June 30, 2013	Net realized gains/(losses)	Net unrealized gains/(losses)	Purchases	Sales	Transfers in	Transfers out	June 30, 2014
US equities	$ 20,215		$ 3,972	$ 30,000			$ (10,108)	$ 44,079
International equities			55	20,000				20,055
Emerging market equities			8,815	25,500				34,315
Absolute return	149,827	$ 2,162	11,666	35,675	$ (9,768)	$ 19,782	(81,659)	127,685
Real estate			(131)	562				431
Private equity			(69)	4,353				4,284
Natural resources				1,786				1,786
Total	$ 170,042	$ 2,162	$ 24,308	$ 117,876	$ (9,768)	$ 19,782	$ (91,767)	$ 232,635

	June 30, 2012	Net realized gains/(losses)	Net unrealized gains/(losses)	Purchases	Sales	Transfers in	Transfers out	June 30, 2013
US equities			$ 215	$ 20,000				$ 20,215
Absolute return	$ 67,927	$ 1,033	14,998	51,539	$ (8,852)	$ 43,493	$ (20,311)	149,827
Total	$ 67,927	$ 1,033	$ 15,213	$ 71,539	$ (8,852)	$ 43,493	$ (20,311)	$ 170,042

Level 3 pension plan assets at June 30, 2014 include net unrealized gains recorded during Fiscal Year 2014 of $26,470,000. Level 3 pension plan assets at June 30, 2013 include net unrealized gains recorded during Fiscal Year 2013 of $16,246,000.

Other Postretirement Benefits:

	June 30, 2013	Net realized gains/(losses)	Net unrealized gains/(losses)	Purchases	Sales	Transfers in	Transfers out	June 30, 2014
US equities			$ 54	$ 7,000				$ 7,054
International equities			18	7,500				7,518
Absolute return			818	27,000				27,818
Total	$ -	$ -	$ 890	$ 41,500	$ -	$ -	$ -	$ 42,390

Level 3 other postretirement plan assets at June 30, 2014 include net unrealized gains recorded during Fiscal Year 2014 of $890,000.

Transfers between leveled assets are based on the actual date of the event which caused the transfer. As of June 30, 2014 and 2013 there were no transfers between Level 1 and 2. Transfers between Level 3 and Level 2 as of June 30, 2014 and 2013 were due to redemption period changes at the underlying commingled funds or partnerships as well as side pocket activity in Absolute Return investments.

	Pension Benefits			Other Postretirement Benefits		
Allocation of Plan Assets	**Target**	**2014**	**2013**	**Target**	**2014**	**2013**
Short-term		5.9%	8.0%		7.0%	8.8%
Equity:						
US equities	33.7%	27.7%	27.9%	40.9%	28.9%	38.0%
International equities	18.7%	19.3%	18.8%	22.9%	25.4%	26.0%
Emerging markets equities	5.0%	8.6%	5.9%	3.0%	5.5%	5.3%
Debt:						
US treasuries	21.4%	9.4%	11.1%	25.0%	20.0%	16.5%
Corporate bonds		4.0%	3.8%		4.3%	4.5%
High yield		0.8%	0.8%		0.8%	0.9%
Absolute return	20.0%	22.9%	22.7%	8.2%	8.1%	
Real estate	0.8%	1.0%	1.0%			
Private equity	0.3%	0.3%				
Natural resources	0.1%	0.1%				
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The average quality of debt investments at June 30, 2014 was Aa1/AA with an effective duration of 2.67 years.

Cash Flows & Estimated Future Benefit Payments

University contributions for the year ending:	**Pension Benefits**	**Other Postretirement Benefits**
June 30, 2013	$ 97,433	$ 22,800
June 30, 2014	64,801	22,800
June 30, 2015	61,465	22,800
Benefits paid from outside of the fund for the year ending:		
June 30, 2013	N/A	$ 8,644
June 30, 2014	N/A	7,681
June 30, 2015	N/A	9,479
Plan participants' contributions for the year ending:		
June 30, 2013	$ 149	$ 4,619
June 30, 2014	156	5,460
June 30, 2015	156	5,723

Benefits Payments in Total

Actual benefit payments for the year ending:	Pension Benefits	Other Postretirement Benefits before Medicare Part D Subsidy	Impact of Medicare Part D Subsidy
June 30, 2013	$ 36,051	$ 23,292	$ 299
June 30, 2014	40,492	22,747	235
Expected benefit payments for the year ending:			
June 30, 2015	$ 48,765	$ 27,161	$ 347
June 30, 2016	53,049	29,008	367
June 30, 2017	57,609	30,665	383
June 30, 2018	63,226	32,681	398
June 30, 2019	68,933	34,338	414
June 30, 2020 to June 30, 2024	450,280	200,708	2,239

14. Debt Obligations

Debt obligations at June 30, 2014 and 2013 are as follows (in thousands):

	Final Maturity	Interest Rate at June 30, 2014	2014	2013
Academic Component:				
Fixed rate debt obligations:				
The Trustees of the University of Pennsylvania				
Series of 2012 Taxable Bonds	09/2112	4.674%	$ 300,000	$ 300,000
Pennsylvania Higher Educational Facilities Authority (PHEFA)				
Series A of 2011 revenue bonds	09/2041	4.00%-5.00%	150,000	150,000
Unamortized premium			851	896
Series of 2010 revenue bonds	09/2033	4.00%-5.00%	71,410	71,410
Unamortized premium			4,648	4,946
Series B of 2009 revenue bonds	09/2032	3.00%-5.00%	35,990	37,765
Unamortized premium			821	914
Series C of 2009 revenue bonds	09/2022	4.00%-5.00%	28,755	28,754
Unamortized premium			1,156	1,371
Series A of 2009 revenue bonds	09/2019	5.000%	204,750	204,750
Unamortized premium			11,874	14,232
Series C of 2005 revenue bonds	07/2038	4.00%-5.00%	119,600	124,380
Unamortized premium			2,717	2,892
Series A of 2005 revenue bonds	09/2025	4.25%-5.00%	12,805	16,350
Unamortized premium			372	455
Series B of 2005 revenue bonds	09/2015	5.250%	16,555	24,200
Unamortized premium				260
Other loans	05/2031	3.000%	812	849
Total Fixed rate debt obligations:			963,116	984,424
Variable rate debt obligations:				
PHEFA				
Series of 1990 revenue bonds	12/2020	0.30%	6,500	6,500
Washington County Authority				
Series of 2004	07/2034	0.03%	56,500	57,500
Other loans	04/2014	N/A		9,300
Total Variable rate debt obligations			63,000	73,300
Total Academic Component debt obligations			$ 1,026,116	$ 1,057,724

	Final Maturity	Interest Rate at June 30, 2014	2014	2013
UPHS:				
Fixed rate debt obligations:				
PHEFA				
Series A of 2012 revenue bonds	08/2032	3.00%-5.00%	$ 136,950	$ 136,950
Unamortized premium			11,546	12,202
Series A of 2011 revenue bonds	08/2042	4.75%-5.875%	150,000	150,000
Unamortized discount			(972)	(1,029)
Series A of 2009 revenue bonds	08/2024	3.00%-5.25%	77,645	80,370
Unamortized premium			1,006	1,166
Series B of 2008 revenue bonds	08/2027	5.50%-6.00%	149,230	201,230
Unamortized discount			(1,562)	(1,795)
Series A of 2005 revenue bonds	08/2023	4.25%-5.00%	152,570	170,375
Unamortized premium			2,942	4,036
Series B of 2005 revenue bonds	08/2018	3.625%-5.00%	33,030	40,600
Unamortized premium			302	472
Build to suit lease			47,598	
Mortgages	04/2022	4.875%-6.25%	16,774	
Total Fixed rate debt obligations:			777,059	794,577
Variable rate debt obligations:				
PHEFA				
Series A of 2014 revenue bonds	06/2045	0.47%	100,000	
Series A of 2008 revenue bonds	03/2038	0.06%	81,210	86,510
Pennsylvania economic development financing authority				
Series C of 1994 revenue bonds	09/2014	0.17%	1,200	2,300
Total Variable rate debt obligations			182,410	88,810
Total UPHS debt obligations			959,469	883,387
Total University debt obligations			$ 1,985,585	$ 1,941,111

The fair value of the University's existing debt obligations was $2,091,089,000 and $2,016,350,000 at June 30, 2014 and 2013, respectively. The University determines the fair value of its existing fixed rate debt obligations based on trade data, broker/dealer quotes and other observable market data. The carrying amounts of its variable rate debt obligations approximate fair value because the obligations are currently callable at a price equal to the carrying amounts. The University considers this to be a Level 2 measurement.

The University has letters of credit with various financial institutions to secure certain self insured liabilities in the amount of $3,907,000 at June 30, 2014 and 2013. These letters of credit have evergreen provisions for automatic renewal. There have been no draws under these letters of credit.

Contractual maturities of debt obligations are as follows (in thousands):

Fiscal Year	Bond and Other Loan Obligations	Build-to-Suit Lease Obligations	Total
2015	$ 60,716	$ 3,583	$ 64,299
2016	55,884	3,668	59,552
2017	45,644	3,755	49,399
2018	96,425	3,844	100,269
2019	100,322	3,935	104,257
Thereafter	1,543,295	66,585	1,609,880
Total Principal	1,902,286	85,370	1,987,656
Unamortized net premium/(discount)	35,701		35,701
Build-to-suit lease related interest		(37,772)	(37,772)
Total Debt	$1,937,987	$ 47,598	$1,985,585

Academic Component

The University has variable rate debt in the amount of $63,000,000 which is subject to optional tender by the holders upon seven days notice. These bonds are reflected in the table above based on original scheduled maturities. In the event that the University receives notice of any optional tender on its variable rate demand bonds, the purchase price will be repaid from the remarketing of the bonds. However, in the event that the entire remarketing effort were to fail, the University would have the general obligation to purchase the bonds and the 2015 principal payments in the debt obligations maturity table above would increase from $18,672,000 to $81,672,000. On June 10, 2011, the University entered into a five year agreement with a financial institution, whereby the institution has agreed to provide a line of credit in the amount of $100,000,000 in order to supplement the University's liquidity relating to its variable rate demand bonds and for other general purposes of the University. The University pays a fee annually on the unused amount of the line of credit. As of June 30, 2014, there have been no draws under the agreement.

UPHS

Pennsylvania Higher Educational Facilities Authority Revenue Bonds

UPHS Series A of 2014 Bonds in the amount of $100,000,000 were issued on June 12, 2014 for the purpose of funding various UPHS capital expenditures. The bonds mature in varying amounts from $1,430,000 to $27,120,000 with a final maturity of $27,120,000 in 2045. The interest rate on the bonds is reset weekly through a remarketing process. The holder of the bonds will have the option to put the Bonds on June 12, 2021, as described in a Continuing Covenant Agreement between UPHS and TD Bank. The bonds are subject to optional redemption by the University, the obligated group agent, at any time.

The PHEFA Revenue Bonds are secured by master notes issued under the UPHS Master Trust Indenture (MTI). The MTI and related agreements contain certain restrictive covenants which limit the issuance of additional indebtedness, and among other things, require UPHS to meet an annual debt service coverage requirement of "income available for debt service" (excess of revenue over expenses plus depreciation, amortization, interest expense and extraordinary items) at an amount equal to 110% of the annual debt service requirements. If the coverage requirement for a particular year is not met, within six months of the close of that fiscal year UPHS must retain the services of a consultant to make recommendations to improve the coverage requirement. UPHS must also implement the recommendations of the consultant to the extent that they can be feasibly implemented. UPHS will not be considered to be in default of the provisions of the MTI so long as UPHS has sufficient cash flow to pay total operating expenses and to pay debt service for the fiscal year. In both 2014 and 2013, UPHS met its debt service coverage requirement under the MTI. Additionally, UPHS has pledged its gross revenues to secure its obligation under the MTI.

UPHS has various mortgage payables with monthly installments ranging from $29,000 to $4,194,000, including interest. The mortgages have interest rates between 4.875% and 6.25%. The mortgages will fully amortize on or before April 1, 2022 and are collateralized by land and buildings of approximately $20,000,000.

UPHS entered into a three year agreement with a financial institution on April 30, 2013, subsequently amended on July 13, 2013, whereby the institution has agreed to provide a line of credit in the amount of $100,000,000 in order to supplement liquidity for general purposes of the health system. UPHS paid an upfront facility fee and a fee on the unused amount of the line of credit. As of June 30, 2014, there are no draws under the agreement.

UPHS has variable rate debt in the amount of $81,210,000 (PHEFA 2008A Revenue Bonds) which is subject to optional tender by the holders upon seven days notice. These bonds are reflected in the table above based on original scheduled maturities. These bonds are secured by a letter of credit, which expires April 2018, in the amount of $82,745,000 as of June 30, 2014. As of June 30, 2014, there have been no draws under this agreement.

PHEFA 1994C Revenue Bonds are secured by a letter of credit, which expires September 2014, in the amount of $1,236,000 as of June 30, 2014. As of June 30, 2014, there have been no draws under this agreement.

Interest Rate Swap Agreements

The following tables summarize the fair value of the University's interest rate swap agreements, not designated as hedging instruments, as of June 30, 2014 and 2013, and the effect of the interest rate swap agreements on the Consolidated Statements of Activities, both realized and unrealized, for the years ended June 30, 2014 and 2013 (in thousands):

Statements of Position

	Line Item	2014	2013
Liability interest rate swaps			
Academic Component	Accrued expenses and other liabilities	$ 20,830	$ 20,082
UPHS	Accrued expenses and other liabilities	7,046	8,235
Total Liability interest rate swaps		$ 27,876	$ 28,317
Asset interest rate swaps			
UPHS	Other assets	$ 4,582	$ 4,777
Total Asset interest rate swaps		$ 4,582	$ 4,777

Statements of Activities

	Line Item	2014	2013
Academic Component	Gains or losses on investments	$ (4,277)	$ 7,464
UPHS	Gains or losses on investments	(454)	(116)
Total		$ (4,731)	$ 7,348

Academic Component

To protect against the risk of future interest rate changes in its debt portfolio, the Academic Component of the University entered into an interest swap agreement with Goldman Sachs Mitsui Marine Derivative Products, L.P. (GSMMDP) on November 6, 2007. Under the agreement, commencing on November 3, 2008, GSMMDP began paying the University interest on the notional amount of $101,950,000 based on 67% of London Inter-Bank Offered Rate (LIBOR) and the University began paying GSMMDP interest at a fixed rate of 3.573% on a monthly basis. The swap agreement matures July 1, 2034. The University has the right to terminate, cancel and cash settle this agreement, in whole or in part, at current fair value, on any business day. The University determines the fair value of this agreement by obtaining a quote from GSMMDP which is based on the income approach, using observable market data to discount future net payment streams and accordingly considers this to be a Level 2 measurement. The quote provided by GSMMDP also represents the amount the University would accept or be required to pay to transfer the agreement to GSMMDP, or exit price as defined by the Fair Value Measurements standard. The University also takes into account the risk of nonperformance. The agreement also contains a provision that requires the University to post collateral in the amount by which the fair value of the interest rate swap liability exceeds certain thresholds, which are based on the University's credit rating. At June 30, 2014, the threshold was $20,000,000 and $700,000 was posted as collateral.

UPHS

On January 7, 2010, UPHS entered into an interest rate exchange agreement (the Agreement) with Merrill Lynch Capital Services. The notional amount of the agreement was $26,150,000 and $27,080,000 as of June 30, 2014 and 2013, respectively. Under the terms of the Agreement, which became effective on January 7, 2010, UPHS pays a floating rate based on a Securities Industry and Financial Markets Association (SIFMA) index and receives a fixed rate of 2.902%. The Agreement was not entered into for trading or speculative purposes but rather to synthetically convert a portion of the UPHS Series A of 2009 Bonds to a variable interest rate. The Agreement will terminate on August 15, 2023.

On July 15, 2009, UPHS entered into an interest rate exchange agreement with Merrill Lynch Capital Services. The notional amount of the agreement was $26,150,000 and $27,080,000 as of June 30, 2014 and 2013, respectively. Under the terms of the Agreement, which became effective on January 1, 2010, UPHS pays a floating rate based on a SIFMA index and receives a fixed rate of 3.184%. The Agreement was not entered into for trading or speculative purposes but rather to synthetically convert a portion of the UPHS Series A of 2009 Bonds to a variable interest rate. The Agreement will terminate on August 15, 2023.

On October 24, 2007, UPHS entered into an interest rate exchange agreement with Merrill Lynch Capital Services to effectively fix the interest rate associated with UPHS Series A of 2008 Bonds (which legally defeased Series 2002 Pennsylvania Hospital Revenue Bonds). The notional amount of the agreement was $81,210,000 and $86,510,000 as of June 30, 2014 and 2013, respectively. Under the terms of the Agreement, which became effective on December 11, 2007, UPHS pays a fixed rate of 3.755% and receives a floating rate based on 67% of the one-month LIBOR. The Agreement was not entered into for trading or speculative purposes. UPHS has the option under the Agreement to terminate the Agreement at zero on January 1, 2018 and every 6 months thereafter.

UPHS determines the fair value of its three interest rate swap agreements by obtaining a quote from Merrill Lynch which is based on the income approach, using observable market data to discount future net payment streams and accordingly considers the agreements to be Level 2 measurements. The quote provided by Merrill Lynch also represents the amount UPHS would accept or be required to pay to transfer the Agreement to Merrill Lynch, or exit price as defined by the Fair Value Measurements standard. UPHS verifies the reasonableness of the quote provided by Merrill Lynch by comparing it to a similar quote from a swap adviser and the results of similar observable inputs used in a pricing model. UPHS also assesses the risk of nonperformance by reviewing bond ratings. The Agreements also contain provisions that require UPHS to post collateral in the amount by which the fair value of the interest rate swap liability exceeds certain thresholds, which are based on UPHS's credit rating. At June 30, 2014, the threshold was $40,000,000 and therefore no collateral was required to be posted.

15. Energy Hedges

The University has entered into several International Swaps and Derivatives Association agreements (ISDA agreements) to stabilize expected electricity costs over the long term. Under the agreements, the University has outstanding hedges with a notional amount of $22,919,000 for specific time periods and 554,244 Megawatt hours (MWhs) as of June 30, 2014. When the hedges settle at various maturities, there will be a cash transaction based on the number of MWhs that month for all of the hedges.

The University determines the fair value of these agreements by obtaining quotes from an energy consultant, which are determined using the market approach. The consultant analyzes prices and other relevant information generated by market transactions involving identical or comparable assets by using published New York Mercantile Exchange (NYMEX) close prices for hedges settled at the PJM Western Hub (PJM WH). The prices provided represent the amount the University would accept or be required to pay to transfer the agreement, or exit price as defined by the Fair Value Measurements standard. As the fair value of the hedges are determined based on inputs that are readily available in or can be derived from information available in public markets, the University has categorized the hedges as Level 2.

These agreements are subject to credit risk in excess of the amount recorded on the University's Statement of Position in accordance with generally accepted accounting principles. Credit risk represents the potential loss that may occur because a counterparty fails to perform according to the terms of the agreement. The University considers counterparty credit risk and its own credit risk, which did not have a material impact on its determination of fair values. The agreements also contain provisions that would require the University to post collateral in the amount by which the fair value of the agreement liability exceeds certain thresholds, which are based on the University's credit rating. At June 30, 2014, the minimum thresholds range from $20,000,000 to $25,000,000. The University evaluated its position as of June 30, 2014 and determined no collateral was required to be posted.

The following tables summarize the fair value of the University's ISDA agreements as of June 30, 2014 and 2013, and the effect of these agreements on the Consolidated Statements of Activities for the years ended June 30, 2014 and 2013 (in thousands):

Statements of Position

	Line Item	2014	2013
Asset position	Other assets	$ 2,130	$ -
Liability position	Accrued expenses and other liabilities	$ -	$ 3,933

Statements of Activities

	Line Item	2014	2013
Unrealized Gain	Gains or losses on investment	$ 6,063	$ 4,188
Realized Gain (Loss)	Other operating expenses	$ 3,439	$ (5,146)

16. Net Assets

The major components of net assets at June 30, 2014 and 2013 are as follows (in thousands):

2014	Unrestricted	Temporarily restricted	Permanently restricted	Total
General operating	$ 2,677,503	$ 271,243		$ 2,948,746
Sponsored programs	22,396			22,396
Capital		201,790		201,790
Student loans	9,940		$ 17,169	27,109
Planned giving agreements		175,150	14,311	189,461
Endowment	4,159,362	2,312,089	3,110,884	9,582,335
Total	$ 6,869,201	$ 2,960,272	$ 3,142,364	$ 12,971,837

2013	Unrestricted	Temporarily restricted	Permanently restricted	Total
General operating	$ 2,436,368	$ 210,603		$ 2,646,971
Sponsored programs	28,730			28,730
Capital		215,863		215,863
Student loans	10,073		$ 15,372	25,445
Planned giving agreements		190,814	12,138	202,952
Endowment	3,457,955	1,816,718	2,899,492	8,174,165
Total	$ 5,933,126	$ 2,433,998	$ 2,927,002	$ 11,294,126

17. Operating Leases

The University leases research labs, office space and equipment under operating leases expiring through March 2030. Rental expense for the years ended June 30, 2014 and 2013 totaling $71,829,000 and $65,600,000, respectively, is included in the accompanying Consolidated Statements of Activities.

At June 30, 2014, future minimum lease payments under existing operating leases were as follows (in thousands):

2015	$ 58,982
2016	47,592
2017	43,712
2018	36,316
2019	30,991
Thereafter	140,066
Total Minimum lease payments	$ 357,659

18. Functional Classification of Expenditures

Expenses incurred were for (in thousands):

	Compensation and benefits	Depreciation and amortization	Interest on indebtedness	Other operating expense	June 30, 2014	June 30, 2013
Instruction	$ 726,057	$ 54,316	$ 5,642	$ 373,153	$ 1,159,168	$ 1,100,057
Research	378,127	42,168	25,622	277,053	722,970	718,142
Hospital and physician practices	2,120,405	157,836	36,277	1,319,747	3,634,265	3,301,208
Auxiliary enterprises	29,739	27,010	5,986	74,370	137,105	123,853
Other educational activities	117,464	11,426	253	58,852	187,995	189,398
Student services	45,984		21	31,797	77,802	70,099
Academic support	35,804	29,243	327	12,837	78,211	74,883
Management and general	209,556	17,006	395	60,277	287,234	256,068
Independent operations	7,335	4,501	600	51,612	64,048	62,723
Total	$ 3,670,471	$ 343,506	$ 75,123	$ 2,259,698	$ 6,348,798	$ 5,896,431

APPENDIX C

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LOAN AGREEMENT

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DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LOAN AGREEMENT

DEFINITIONS

The following are definitions of the terms used in this Appendix C.

"Act" means the Pennsylvania Higher Educational Facilities Authority Act of 1967 (Act of December 6, 1967, P.L. 678), as from time to time amended or supplemented.

"Additional Bonds" means Bonds, other than the 2005 Bonds, the 2009 Bonds, the 2010 Bonds, the 2011 Bonds and the 2015 Bonds issued under the Indenture.

"Administrative Expenses" means those expenses reasonably and properly incurred by the Authority in carrying out its responsibilities and duties, or in providing its services and facilities to the University under the Act or the Indenture or pursuant to the Loan Agreement and shall include the fees and expenses of the Trustee with respect to its duties under the Indenture.

"Annual Administrative Fee" means the annual fee for the general administrative services of the Authority with respect to a particular series of the Bonds issued under the Indenture.

"Authority" means Pennsylvania Higher Educational Facilities Authority, or its successor or successors.

"Authority Board" means the governing body of the Authority.

"Bond" or "Bonds" means the 2005 Bonds, the 2009 Bonds, the 2010 Bonds, the 2011 Bonds and the 2015 Bonds or any other revenue bonds issued under the Indenture.

"Bond Fund" means the Bond Fund created pursuant to the Original Indenture.

"Bondholder" or "holder of Bonds" means the Registered Owner of any Bond.

"Certificate" means a written statement signed by or on behalf of the Person charged with responsibility therefor.

"Certified Public Accountant" means a Person who shall be Independent, appointed by the University Board or the Authority, as the case may be, actively engaged in the business of public accounting, and duly certified as a certified public accountant under the laws of the Commonwealth.

"Certified Resolution" of the Authority or of the University means a copy of one or more resolutions certified by the Secretary, Associate Secretary or Assistant Secretary of the Authority or the University, as the case may be, under its seal to have been adopted by the Authority Board or the University Board, as the case may be, and to be in effect on the date of such certification.

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

"Commonwealth" means the Commonwealth of Pennsylvania.

"Consultant" or "University Consultant" means a Person who shall be Independent, appointed by the University Board, satisfactory to the Authority and not unsatisfactory to the Trustee, qualified to pass upon questions relating to the financial affairs of institutions of higher education or institutions providing health services, as appropriate, and having a favorable reputation for skill and experience in the financial affairs of such institutions.

"Cost" or "Costs", in connection with any Project, means all expenses which are properly chargeable thereto under Generally Accepted Accounting Principles or which are incidental to the financing, acquisition, and construction of any Project, including, but without limiting the generality of the foregoing:

(a) Amounts payable to contractors and costs incident to the award of contracts;

(b) Cost of labor, facilities and services furnished by or for the University or the Authority and their employees or others, materials and supplies purchased by the University or the Authority or others, and permits and licenses obtained by the University, the Authority or others;

(c) Engineering, legal, accounting, other professional and advisory fees and costs of surveys (including environmental surveys);

(d) Premiums for surety bonds and insurance during construction and costs on account of personal injuries and property damage in the course of construction and insurance against the same;

(e) Interest on the Bonds during construction;

(f) The Authority's initial fee and the Annual Administrative Fee and Administrative Expenses during the period prior to completion of any Project;

(g) Printing, engraving and other expenses of financing, including but not limited to the fees of Bond Counsel, University Counsel, Financial Advisor, and Trustee, and expenses incurred in connection with obtaining municipal bond ratings, municipal bond insurance, letters of credit and standby take-outs or credit agreements;

(h) Costs, fees and expenses in connection with the acquisition of real and personal property or rights therein, including premiums for title insurance;

(i) Cost of equipment purchased by the University and necessary for the completion and proper operation of any Project or property in question;

(j) Amounts required to repay temporary loans or advances from other funds of the University made to finance the Costs of any Project;

(k) Cost of acquisition of real estate, construction and prior construction and/or site costs and improvements performed by the University in anticipation of any Project; and

(l) Moneys necessary to fund the funds created under the Indenture.

In the case of any Project for refunding or redeeming any Bonds or other indebtedness, "Cost" includes, without limiting the generality of the foregoing, the items listed in (c), (f), (g) and (l) above, advertising and other expenses related to the redemption of the Bonds or other indebtedness to be redeemed, and the Redemption Price thereof (and the accrued interest payable on redemption to the extent not otherwise provided for).

Whenever Costs are required to be itemized, such itemization shall, to the extent practicable, correspond with the items listed above. Whenever Costs are to be paid under the Indenture, such payment may be made by way of reimbursement to the University, the Authority or others who have paid the same.

"Counsel" means an attorney-at-law or law firm (who may be Bond Counsel or counsel for the University, the Trustee or the Authority) not unsatisfactory to the Trustee.

"Debt Service Requirements" means for a specified period and with respect to a particular series of Bonds, interest payable during the period (excluding interest funded from the proceeds of the Bonds), amounts required to be paid into any mandatory sinking fund account during the period, and amounts required to pay the principal maturing during the period which would not be redeemed or paid prior to or at maturity through any sinking fund account.

"Defeasance Investments" means and includes any of the following securities, if and to the extent the same are at the time legal for investment of Authority funds:

(a) Government Obligations; and

(b) Pre-refunded Debt obligations, the income from which is exempt from federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended, or the National Housing Act of 1939, as amended, rated "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and "Aaa" by Moody's Investors Service or equivalent ratings then in effect, having a term no longer than ten (10) years from the date of purchase.

"Eighth Supplemental Indenture" means the Eighth Supplemental Indenture of Trust dated as of October 1, 2010 between the Authority and the Trustee.

"Eighth Supplemental Loan Agreement" means the Eighth Supplemental Loan Agreement dated as of October 1, 2010 between the Authority and the University.

"Fifth Supplemental Indenture" means the Fifth Supplemental Indenture of Trust dated as of August 1, 2005 between the Authority and the Trustee.

"Fifth Supplemental Loan Agreement" means the Fifth Supplemental Loan Agreement dated as of August 1, 2005 between the Authority and the University.

"First Supplemental Indenture" means the First Supplemental Indenture of Trust dated as of March 15, 1995 between the Authority and the Trustee.

"First Supplemental Loan Agreement" means the First Supplemental Loan Agreement dated as of March 15, 1995 between the Authority and the University.

"Fiscal Year" when used with respect to the University, means the period of twelve months beginning July 1 of each year unless and until a different Fiscal Year is adopted by the University and notice thereof given to the Authority and the Trustee.

"Fourth Supplemental Indenture" means the Fourth Supplemental Indenture of Trust, dated as of January 1, 2005, between the Authority and the Trustee.

"Fourth Supplemental Loan Agreement" means the Fourth Supplemental Loan Agreement, dated as of January 1, 2005, between the Authority and the University.

"Generally Accepted Accounting Principles" means those accounting principles, not contrary to those promulgated by a nationally recognized financial standards body, applicable in the preparation of financial statements of institutions of higher learning.

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

"Indenture" means the Indenture of Trust dated as of January 15, 1987, as supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture and the Tenth Supplemental Indenture between the Authority and the Trustee, as originally executed and as amended or supplemented as therein provided.

"Independent" means with respect to the Certified Public Accountant, the Insurance Consultant and any other Consultant, a Person who is not a member of the University Board (or other University governing body) or the Authority Board, an officer or employee of the Authority or an officer or employee of the University, or which is not a partnership, corporation or association having a partner, director, officer, member or substantial stockholder who is a member of the University Board or the Authority Board, an officer or employee of the Authority or an officer or employee of the University; provided, however, that the fact that such Person is retained regularly by or transacts business with the Authority or the University shall not make such Person an employee within the meaning of this definition.

"Insurance Consultant" means a Person who is Independent, appointed by the University and not unsatisfactory to the Authority or the Trustee, qualified to survey risks and to recommend insurance coverage for higher education facilities and services and organizations engaged in like operations and having a favorable reputation for skill and experience in such surveys and such recommendations, and who may be a broker or agent with whom the University regularly transacts business.

"Investment Securities" with respect to the 2015 Bonds, means and includes any of the following securities, if and to the extent the same are at the time legal for investment of Authority funds:

(a) Government Obligations;

(b) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies or such other like governmental or government-sponsored agencies which may be hereafter created: Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Financing Bank; Federal Home Loan Bank System; Federal Home Loan Mortgage Corporation; Export-Import Bank of the United States; Farmers Home Administration; Small Business Administration; Inter-American Development Bank; International Bank for Reconstruction and Development; Federal Land Banks; the Federal National Mortgage Association; the Government National Mortgage Association; or the Tennessee Valley Authority;

(c) Direct and general obligations of any state of the United States or any municipality of the Commonwealth of Pennsylvania, to the payment of the principal of and interest on which the full faith and credit of such state or municipality is pledged, if at the time of their purchase such obligations are rated in the AA or higher, or Aa or higher, rating category by either Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") or Moody's Investors Service ("Moody's"), respectively, or in a similar rating category subsequently adopted by such services, or upon the discontinuance of either or both of such services, in equivalent rating categories of such other nationally recognized rating service or services as the case may be, satisfactory to the Authority;

(d) Negotiable or non-negotiable certificates of deposit, time deposits, trust deposits, investment agreements or other similar arrangements, issued by (i) any financial institution or (ii) any bank or trust company (including the Trustee and any banks affiliated with the Trustee) the deposits of which are insured by the Federal Deposit Insurance Corporation, such arrangements to be secured as to principal, to the extent not insured, by the securities listed in subsections (a), (b) or (c) above, or, if not so insured or secured, issued by a financial institution or a bank (including the Trustee or any banks affiliated with the Trustee) the debt obligations of which (or, in the case of the principal bank in a bank holding company, the debt obligations of the bank holding company) are rated, at the time of purchase, in one of the two highest rating categories by either S&P or Moody's;

(e) Repurchase agreements or similar arrangements, (i) with banking institutions or other financial institutions, including the Trustee or any bank or financial institution affiliated with the Trustee if applicable, (having or the parent company of which shall have a current S&P or other equivalent rating for any purpose, including outstanding indebtedness, of a least "A") pursuant to which there shall have been delivered to the Trustee, or its designee, Investment Securities of the types set forth in subsections (a) and/or (b) above having at all times a fair market value of at least 100% of the value of such agreement; or (ii) with banking institutions or other financial institutions, including the Trustee and any affiliate of the Trustee if applicable, not meeting the rating requirements of (i) above pursuant to which there shall have been delivered to the Trustee or its designee, Investment Securities of the types set forth in subsection (a) and/or (b) under and at all times having a fair market value of least 101% of the value of such agreement;

(f) Shares of open-end, diversified investment companies (i) registered under the Investment Company Act of 1940, (ii) rated, at the time of purchase, AA or higher by S&P or Aa or higher by Moody's, or equivalent ratings then in effect, (iii) maintaining a constant net asset value per share in accordance with regulations of the Securities and Exchange Commission, and (iv) individually having aggregate net assets of not less than $10,000,000 on the date of purchase; including, without limitation, JP Morgan Money Market Mutual Funds or any other mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee charges and collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (ii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or its affiliates; provided that the purchase of any particular investment company shall be limited to an aggregate amount owned at any time of $10,000,000;

(g) Commercial paper rated, at the time of purchase, A-1 (or higher) by S&P and P-1 (or higher) by Moody's, or equivalent ratings then in effect;

(h) Public housing bonds issued by public agencies or municipalities, or temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, but only if such obligations are rated, at the time of purchase, "AAA" or the equivalent by a nationally recognized rating agency; and

(i) Escrow certificates with respect to securities listed in subsections (a) or (b) above, including without limitation zero coupons and similar accrual certificates.

"Loan Agreement" means the Loan Agreement dated as of January 15, 1987, as supplemented by the First Supplemental Loan Agreement, the Second Supplemental Loan Agreement, the Third Supplemental Loan Agreement, the Fourth Supplemental Loan Agreement, the Fifth Supplemental Loan Agreement, the Sixth Supplemental Loan Agreement, the Seventh Supplemental Loan Agreement, the Eighth Supplemental Loan Agreement, the Ninth Supplemental Loan Agreement and the Tenth

Supplemental Loan Agreement between the Authority and the University, and all modifications, alterations, amendments and supplements thereto.

"Loan Payments" means the payments of principal of and interest on the Loan made pursuant to the Loan Agreement.

"Ninth Supplemental Indenture" means the Ninth Supplemental Indenture of Trust dated as of February 1, 2011 between the Authority and the Trustee.

"Ninth Supplemental Loan Agreement" means the Ninth Supplemental Loan Agreement dated as of February 1, 2011 between the Authority and the University.

"Officer's Certificate" means a certificate signed by a Responsible Officer.

"Original Indenture" means the Indenture of Trust dated as of January 15, 1987, between the Authority and the Trustee.

"Original Loan Agreement" means the Loan Agreement dated as of January 15, 1987, between the Authority and the University.

"Outstanding" in connection with the Bonds, means, as of the time in question, all Bonds authenticated and delivered under the Indenture, except such thereof as:

(a) are cancelled or required to be cancelled under the terms of the debt incurring instrument;

(b) for the payment, redemption or purchase of which moneys or Defeasance Investments (the principal of and interest on which Defeasance Investments when due, will provide sufficient moneys to fully pay the principal, premium, if any, of and interest on the Bonds when due or a portion thereof) shall have been or shall concurrently be deposited with the Trustee, or an escrow agent appointed for such purpose; provided that, if Bonds are being redeemed, the required notice of redemption shall have been given or provision satisfactory to the Trustee or other appropriate party shall have been made therefor, and that if Bonds are being purchased, there shall be a firm commitment for the purchase and sale thereof; or

(c) in substitution for which other Bonds have been authenticated and delivered pursuant to the Indenture.

"Person" means an individual, a corporation, a partnership, an association, a joint stock company, a trust, an unincorporated organization, a government body, and any other political subdivision, municipality or municipal authority or any other group or entity.

"Pledged Revenues" means all amounts payable by the University to the Authority under the Loan Agreement (except those representing the Annual Administrative Fee of the Authority and Administrative Expenses), all moneys and Investment Securities held in any Funds and Accounts and all income and receipts earned from investment of the moneys in such Funds and Accounts.

"Project" means the issuance of Bonds by the Authority and the lending of the proceeds thereof to the University to pay the Costs of any project of the University permitted under the Act.

"Redemption Price," where used with respect to a Bond, means the principal amount of such Bond plus the applicable premium, if any, and accrued interest payable upon redemption thereof pursuant to the Indenture.

“Registered Owner”, “Owner” or “Bondholder”, in connection with a Bond, means the Person or Persons in whose name or names the Bond is registered on the books of the Authority kept for that purpose in accordance with the Indenture and the Bond.

“Regulatory Body” means and includes: (i) the United States of America and any department of or corporation, agency, or instrumentality heretofore or hereafter, created, designated or established by the United States of America; (ii) the Commonwealth, any political subdivision thereof, and any department of or corporation, agency or instrumentality heretofore or hereafter created, designated or established by the Commonwealth; (iii) the City of Philadelphia and any department of, or corporation, agency or instrumentality heretofore or hereafter created, designated or established by, the City; and (iv) any other public or private body, whether Federal, State, local or otherwise, which, in each case, has or exercises regulatory or supervisory jurisdiction and authority over the University, but shall not include the Authority.

“Responsible Officer” means (i) when used with respect to the Authority, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Executive Director, any Assistant Executive Director, the Controller or any Assistant Controller, (ii) when used with respect to the University, the following administrative officers, the President, the Senior Vice President, the Vice President for Finance, Secretary, Assistant Secretary, Associate Secretary or Treasurer, and (iii) when used with respect to either the University or the Authority, as the case may be, any other person designated by resolution of the Authority Board or the University Board to act for any of the foregoing, either generally or with respect to the execution of any particular document or other specific matter, a certified copy of which resolution shall be on file with the Trustee.

“Second Supplemental Indenture” means the Second Supplemental Indenture of Trust dated as of January 15, 1998 between the Authority and the Trustee.

“Second Supplemental Loan Agreement” means the Second Supplemental Loan Agreement dated as of January 15, 1998 between the Authority and the University.

“Seventh Supplemental Indenture” means the Seventh Supplemental Indenture of Trust dated as of March 1, 2009 between the Authority and the Trustee.

“Seventh Supplemental Loan Agreement” means the Seventh Supplemental Loan Agreement dated as of March 1, 2009 between the Authority and the University.

“Sixth Supplemental Indenture” means the Sixth Supplemental Indenture of Trust dated as of April 1, 2008 between the Authority and the Trustee.

“Sixth Supplemental Loan Agreement” means the Sixth Supplemental Loan Agreement dated as of April 1, 2008 between the Authority and the University.

“Tenth Supplemental Indenture” means the Tenth Supplemental Indenture of Trust dated as of April 1, 2015 between the Authority and the Trustee.

“Tenth Supplemental Loan Agreement” means the Tenth Supplemental Loan Agreement dated as of April 1, 2015 between the Authority and the University.

“Third Supplemental Indenture” means the Third Supplemental Indenture of Trust dated as of February 1, 2002 between the Authority and the Trustee.

"Third Supplemental Loan Agreement" means the Third Supplemental Loan Agreement dated as of February 1, 2002 between the Authority and the University.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., Philadelphia, Pennsylvania, or its successor for the time being in the trust created by the Indenture.

"2005 Bonds" means $246,205,000 original aggregate principal amount of The Trustees of the University of the Pennsylvania Revenue Bonds, Series A, B and C of 2005 issued by the Authority under the terms of the Indenture.

"2009 Bonds" means the $276,365,000 original aggregate principal amount of The Trustees of the University of Pennsylvania Revenue Bonds, Series A, B and C of 2009 issued by the Authority under the terms of the Indenture.

"2010 Bonds" means the $71,410,000 original aggregate principal amount of The Trustees of the University of Pennsylvania Revenue Bonds, Series of 2010 issued by the Authority under the terms of the Indenture.

"2011 Bonds" means the $150,000,000 original aggregate principal amount of The Trustees of the University of Pennsylvania Revenue Bonds, Series A of 2011 issued by the Authority under the terms of the Indenture.

"2015 Bonds" means the 2015A Bonds, the 2015B Bonds and the 2015C Bonds.

"2015 Bonds Account" means the account created pursuant to the Tenth Supplemental Indenture.

"2015A Bonds" means the $205,670,000 original aggregate principal amount of The Trustees of the University of Pennsylvania Refunding Revenue Bonds, Series A of 2015 issued by the Authority under the terms of the Indenture.

"2015B Bonds" means the $165,150,000 original aggregate principal amount of The Trustees of the University of Pennsylvania Refunding Revenue Bonds, Series B of 2015 issued by the Authority under the terms of the Indenture.

"2015C Bonds" means the $8,020,000 original aggregate principal amount of The Trustees of the University of Pennsylvania Refunding Revenue Bonds, Series C of 2015 (Federally Taxable) issued by the Authority under the terms of the Indenture.

"University" means The Trustees of the University of Pennsylvania, an institution of higher education, organized and existing under the laws of the Commonwealth of Pennsylvania, or its successors and assigns.

"University Board" means the then legally constituted governing body vested with the power of management of the University or a duly authorized committee thereof.

THE INDENTURE

The 2015 Bonds are being issued under and subject to the provisions of the Indenture between the Authority and the Trustee, to which reference is made for complete details of the terms of the 2015 Bonds. The following summarizes certain provisions of the Indenture, but is not to be regarded as a full statement thereof.

Pledge and Assignment

Under the Indenture, the Pledged Revenues payable to the Authority from the University under the Loan Agreement, as well as all income and receipts earned on funds (except the Rebate Fund) held by or deposited with the Trustee under the Indenture, have been pledged to the Trustee. The rights of the Authority under the Loan Agreement have been assigned to the Trustee to secure the payment of the Bonds and the performance and observance of the covenants contained in the Indenture.

Moneys from time to time in the various funds of the Indenture (other than the Rebate Fund) shall be held by the Trustee, in trust, for the benefit of the Registered Owners of Bonds, except: (a) each sinking fund account created for a particular series of Bonds shall be applied and held solely for the particular specified Bonds; (b) accrued interest held in the 2015 Bonds Account of the Bond Fund shall be held and applied solely for the 2015 Bonds; and (c) moneys and investments in any fund or account representing amounts payable on any Bonds previously matured or called for redemption shall be held for the benefit of the former Registered Owners thereof only.

Additional Bonds

The Authority may issue Additional Bonds under the Indenture on a parity with the Bonds upon execution of a supplemental indenture setting forth the terms of the Additional Bonds and upon execution by the University of a supplement to the loan agreement covenanting to pay the debt service on all Outstanding Bonds.

Bond Fund

There is established with the Trustee pursuant to the Indenture a Bond Fund. The Trustee shall deposit in the Bond Fund a sum equal to the accrued interest on the 2015 Bonds, plus Loan Payments made by the University from time to time, as received pursuant to the Loan Agreement. The Trustee shall establish within the Bond Fund a 2015 Bonds Account which the Trustee shall use to pay the principal or Redemption Price of the 2015 Bonds as they mature or become due and the interest on the 2015 Bonds as it becomes payable.

Investment of Funds

All moneys received by the Trustee under the Indenture for deposit in any funds established thereunder shall be considered trust funds, shall not be subject to lien or attachment and shall, except as therein provided, be deposited in the commercial department of the Trustee and shall, to the extent not insured, be fully secured as to principal by Government Obligations or as may be permitted by law in connection with the deposit of public funds. Under certain conditions the Trustee may deposit such moneys in other authorized depositories, where to the extent not insured, they shall be secured as to principal by Government Obligations or as may be permitted by law in connection with the deposit of public funds. Such security shall be deposited with a Federal Reserve bank, with the trust department of the Trustee as authorized by law with respect to trust funds in the Commonwealth or with a bank or trust company having a combined net capital and surplus of not less than $50,000,000.

The Trustee shall invest moneys held in the Bond Fund in Investment Securities maturing, or being subject to redemption by the Trustee, at the time when funds will foreseeably be needed for purposes of the Indenture. The Trustee shall make such investments at the direction of the University. The interest and income received upon such deposits and investments and any profit or loss resulting from the sale of securities shall be added or charged to the appropriate Fund or Account. The Trustee shall not knowingly make any investments of moneys held in any fund inconsistent with the provisions of the Indenture relating to "arbitrage bonds" but may rely on investment instructions of the University as being in compliance with the requirements of the Code, as amended. Neither the Trustee nor the Authority shall be accountable for any depreciation in the value of any security or any loss resulting from the sale thereof.

Covenants of the Authority

The Authority shall, among other things, promptly pay the interest on and the principal of the Bonds according to the terms thereof, but only out of the Pledged Revenues of the Authority and funds held under the Indenture. The Authority shall cause the University to comply with insurance provisions of the Loan Agreement.

The Authority covenants that it will make no investment or other use of the proceeds of the Bonds that would cause the Bonds to be "arbitrage bonds" as the term is defined in Section 148 of the Code, as amended.

Defaults and Remedies

Events of Default, as defined in the Indenture, include, among other things, the following:

(a) if payment of any installment of interest on the Bonds is not made when it becomes due and payable;

(b) if payment of the principal or Redemption Price of any Bond is not made when it becomes due and payable at maturity or unconditional call for redemption;

(c) if there is a default in the payment of amounts due under the Loan Agreement or any other event of default shall occur thereunder;

(d) if the Authority fails to comply with any provisions of the Act relating to or affecting the Project undertaken by the Authority for the University or for any reason is rendered incapable of fulfilling its obligations under said Act or the Indenture relating to or affecting the Project undertaken by the Authority for the University;

(e) if the University makes an assignment for the benefit of creditors or a composition agreement with all or a material part or its creditors, or a trustee, receiver, executor, conservator, liquidator, sequestrator or other judicial representative, similar or dissimilar, is appointed for the University or any of its assets or revenues, or there is commenced any proceeding in liquidation, bankruptcy, reorganization, arrangement of debts, debtor rehabilitation, creditor adjustment or insolvency, local, state or federal, by or against the University and if such is not vacated, dismissed or stayed on appeal within 60 days; or

(f) if the Authority defaults in the due and punctual performance of any other covenants in the Bonds or in the Indenture, and such default continues for 60 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority and the University by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Registered Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding; provided, however, that if such performance requires work to be done, actions to be taken or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such 60-day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, the Authority or the University shall commence such performance within such 60-day period and diligently and continuously prosecute the same to completion.

If any Event of Default has occurred and is continuing, the Trustee may, and upon written request of the Registered Owners of 25% in principal amount of the Bonds then Outstanding shall, by notice in writing to the Authority, declare the principal of all Bonds then Outstanding to be immediately due and payable. Upon such declaration the said principal, together with interest accrued thereon, shall become due and payable immediately at the place of payment provided therein, anything in the Indenture or in the Bonds to the contrary notwithstanding, unless the University cures such Event of Default prior to the declaration. If all arrears of interest upon the Bonds (and interest on overdue installments of interest) are paid and all other things in respect to which the Authority may have been in default are performed and the reasonable charges of the Trustees are paid, such declaration and its consequences may be annulled by the Registered Owners of a majority in aggregate principal amount of the Bonds then Outstanding and declared to be due and payable in the manner provided for in the Indenture.

For a more complete statement of rights and remedies of the Registered Owners of Bonds and of the limitations thereon, reference is made to the Indenture.

Limitations on Actions by Registered Owners of Bonds

No Registered Owner of the Bonds shall have any right to pursue any remedy under the Indenture unless (a) the Trustee shall have been given written notice of an Event of Default, (b) the Registered Owners of at least 25% in principal amount of the Bonds then Outstanding shall have requested the Trustee, in writing, to exercise the powers granted under the Indenture or to pursue such remedy, (c) the Trustee shall have been offered indemnity satisfactory to it against costs, expenses and liabilities, and (d) the Trustee shall have failed to comply with such request within a reasonable time.

Amendments and Supplements

The Indenture may be amended or supplemented, without the consent of the Registered Owners of the Bonds, by a Supplemental Indenture, for one or more of the following purposes: (a) to add additional covenants of the Authority or to surrender any right or power in the Indenture conferred upon the Authority, (b) to cure any ambiguity or to cure, correct or supplement any defective provision of the Indenture in such manner as shall not be inconsistent with the Indenture and shall not impair the security thereof or adversely affect the Registered Owners of the Bonds; or (c) to reflect changes in applicable law. The Indenture may be amended by a Supplemental Indenture approved by the Registered Owners of at least 66-2/3% in aggregate principal amount of the Bonds then Outstanding and affected by such amendment except with respect to (a) interest payable on the Bonds, (b) the dates of maturity or redemption provisions of the Bonds, (c) the amendment provisions of the Indenture, and (d) the Pledged Revenues and the covenants in the Indenture to pay over, maintain or restore the same, including the Funds and Accounts.

Defeasance

When interest on, and the principal or Redemption Price (as the case may be), of all Bonds issued under the Indenture have been paid, or there shall have been deposited with the Trustee an amount, evidenced by moneys and Defeasance Investments, which, together with the interest thereon, when due, will provide sufficient moneys to fully pay all Bonds issued under the Indenture, as well as all other sums payable thereunder by the Authority, all right, title and interest of the Trustee shall thereupon cease, and the Trustee, on demand of the Authority shall release the Indenture and shall execute such documents to evidence such release as may be reasonably required by the Authority and shall turn over to the Authority or to such person, body or authority as may be entitled to receive the same, all balances remaining in any funds thereunder.

THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement by and between the Authority and the University pursuant to which the Authority has agreed to loan to the University the proceeds of the 2015 Bonds and the University has agreed, among other things, to make payments in amounts sufficient to pay the Debt Service Requirements on and other amounts due with respect to the 2015 Bonds. This summary should not be regarded as a full statement of the document itself or the portions summarized. For complete statements of the provisions thereof, reference is made to the document in its entirety, a copy of which will be available for inspection at the corporate trust office of the Trustee in Philadelphia, Pennsylvania.

Loan Payments

The University shall pay for deposit in the Bond Fund created under the Indenture on or before the respective due dates thereof, an amount which, together with other available funds in the Bond Fund, is sufficient to pay the interest on and principal of the 2015 Bonds due and payable on such date.

The University shall also pay directly to the Authority amounts due and payable with respect to the initial and annual Authority fees plus the Authority's Administrative Expenses.

The obligations of the University under the Loan Agreement, including the obligation to make the payments required under the Loan Agreement sufficient to cover the payment of principal or Redemption Price of and interest on the 2015 Bonds, are absolute and unconditional.

Nature of Obligations of the University

The Authority has assigned all of its rights, title and interest in and to the Loan Agreement and all payments payable or which may become payable thereunder and all security therefor (except for certain amounts representing the Annual Administrative Fee and the reimbursement of the Authority's Administrative Expenses and those amounts representing the Authority's rights to indemnification) to be held in trust and applied by the Trustee for the benefit and security of the Registered Owners of the Bonds. The Loan Agreement is an unsecured obligation of the University and the full faith and credit of the University is pledged to secure the payments thereunder.

Insurance

The University covenants to provide and maintain the following:

(a) Insurance against loss and/or damage to its facilities under a policy or policies in form and amount covering such risks as are ordinarily insured against by similar institutions.

(b) Public liability and property damage insurance, automobile liability insurance and, if applicable, special hazard insurance in certain specified amounts.

(c) Workmen's compensation and employer's liability insurance meeting the University's statutory obligations.

(d) Boiler and machinery coverage when deemed advisable by the Insurance Consultant or when required by ordinance or law.

(e) Excess liability coverage covering the excess of amounts insured against pursuant to subsection (b) as it relates to public liability insurance to be maintained in force so that the total coverage available equals certain specified amounts.

(f) Fidelity bonds on all officers and employees of the University who collect or have custody of or access to revenues, receipts or other funds of the University, such bonds to be in such amounts as are customarily carried by like organizations engaged in like activities of comparable size and having comparable income.

The University shall employ each year during the term of the Loan Agreement an Insurance Consultant. In the event that any insurance required by the Loan Agreement is commercially unavailable at a reasonable cost, or has been otherwise provided, the University with the approval of the Authority may accept such substitute coverage as is recommended by the Insurance Consultant's certificate setting forth amounts and types of insurance then in force, stating whether, in the opinion of such Insurance Consultant, such insurance then in force is in compliance with the requirements of the Loan Agreement, and stating the amounts and types of insurance to be maintained during the next ensuing Fiscal Year.

Additional Covenants of the University

The University covenants that it will abide by covenants made by it under the Loan Agreement. The University further covenants that it will preserve and maintain its existence as an organization organized and operated exclusively for educational purposes and that it will maintain the necessary accreditation to enable it to maintain its authority to operate the University as an institution of higher education in the Commonwealth and that it will operate its facilities as an institution of higher education within the meaning of the Act.

The University covenants that during the term of the Loan Agreement it will not initiate any proceedings or take any action to dissolve, liquidate or terminate its existence as a corporation or otherwise dispose of all or substantially all of its assets, except to consolidate or merge with or sell or otherwise transfer all or substantially all of its assets to another corporation and provided that (a) the successor corporation formed by such consolidation or merger shall be a corporation organized under the laws of the United States or any state, district or territory thereof and shall be an institution of higher learning as required by the Act, (b) the successor corporation expressly assumes in writing the full and faithful performance of the University's duties and obligations under the Loan Agreement and, in the opinion of a Consultant, such successor corporation is financially capable of fulfilling such duties and obligations and the transaction will not adversely affect the security for the Bonds, (c) immediately after such consolidation or merger, the University or such successor corporation shall not be in default in the performance or observance of any duties, obligations or covenants of the Loan Agreement, and (d) the Authority and the Trustee shall have received an opinion of Counsel satisfactory to them that the exemption from federal income tax of the interest on the Bonds will not be affected by the merger, transfer or consolidation.

The University covenants that it will maintain its facilities in good order, repair and operating condition and that all actions taken by the University have been and will be in full compliance with all pertinent laws, ordinances, rules, regulations and orders applicable to the University.

The University covenants to keep accurate records and books of account and to annually have an examination of its financial statements made by a Certified Public Accountant, a copy of which shall be available for inspection at reasonable times by the Registered Owners of the Bonds at the office of the Authority.

The University covenants that it will not take any action or permit any action to be taken on its behalf, or cause or permit any circumstances within its control to arise or continue, if such action or circumstances would cause the interest paid on the Bonds to be subject to federal income tax.

Events of Default and Remedies

The following are "Events of Default" under the Loan Agreement:

(a) if the University fails to make any payment required by the Loan Agreement with respect to interest and principal due on the Bonds when the same shall become due and payable;

(b) if an event of default shall have occurred and be continuing with respect to any outstanding indebtedness of the University other than the Bonds;

(c) if the University fails to perform any of its other covenants and such failure continues for 60 days after the Authority gives notice thereof; provided, however, that if such performance requires work to be done, actions to be taken or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such 60-day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, the University shall commence such performance within such 60-day period and diligently and continuously prosecute the same to completion;

(d) if the University shall file a voluntary petition in bankruptcy or shall be adjudicated a bankrupt or insolvent, or in any action or proceeding shall file any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future applicable federal, state or other statute or law, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of the University or of all or substantially all of its properties;

(e) if within 60 days after commencement of any proceeding against the University seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any federal, state or other statute or law, such proceeding shall not have been dismissed, or, within 60 days after the appointment, without the consent or acquiescence of the University, of any Trustee, receiver or liquidator of the University or of all or substantially all of its properties, such appointment shall not have been vacated or stayed on appeal or otherwise, or, within 60 days after the expiration of any such date, such appointment shall not have been vacated; or

(f) if an Event of Default shall have occurred and be continuing under the Indenture.

Upon the occurrence and continuation of any Event of Default, the Trustee may take one of any combination of the following remedial steps:

(a) declare an amount equal to all amounts then due and payable on the Bonds to be immediately due and payable;

(b) have access to and inspect, examine and make copies of the books and records and accounts, data and income tax and other tax returns of the University;

(c) take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter become due, or to enforce performance and observance of any obligation, agreement or covenant of the University under the Loan Agreement;

(d) by action or submit in equity require the University to account as if it were the trustee of an express trust for the Bondholders; and

(e) withhold any and all further performance under the Loan Agreement.

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

PROPOSED FORM OF OPINION OF BOND COUNSEL

April 16, 2015

Pennsylvania Higher Educational
Facilities Authority
1035 Mumma Road
Wormleysburg, PA 17043

The Bank of New York Mellon
Trust Company, N.A., as Trustee
Global Corporate Trust
1735 Market Street
Philadelphia, PA 19103

Morgan Stanley & Co. LLC,
as Representative of the Underwriters
1585 Broadway, 16th Floor
New York, NY 10036

Re: $205,670,000 Pennsylvania Higher Educational Facilities Authority, The Trustees of the University of Pennsylvania Refunding Revenue Bonds, Series A of 2015; $165,150,000 Pennsylvania Higher Educational Facilities Authority, The Trustees of the University of Pennsylvania Refunding Revenue Bonds, Series B of 2015; $8,020,000 Pennsylvania Higher Educational Facilities Authority, The Trustees of the University of Pennsylvania Refunding Revenue Bonds, Series C of 2015 (Federally Taxable)

Ladies and Gentlemen:

We have acted as bond counsel to the Pennsylvania Higher Educational Facilities Authority (the "Authority") in connection with the issuance of $205,670,000 aggregate principal amount of its The Trustees of the University of Pennsylvania Refunding Revenue Bonds, Series A of 2015 (the "2015A Bonds"), $165,150,000 aggregate principal amount of its The Trustees of the University of Pennsylvania Refunding Revenue Bonds, Series B of 2015 (the "2015B Bonds" and, together with the 2015A Bonds, the "Tax-Exempt Bonds") and $8,020,000 aggregate principal amount of its The Trustees of the University of Pennsylvania Refunding Revenue Bonds, Series C of 2015 (Federally Taxable) (the "2015C Bonds" and, together with the 2015A Bonds and the 2015B Bonds, the "Bonds").

The Bonds are issued under and pursuant to the laws of the Commonwealth of Pennsylvania (the "Commonwealth"), including the Pennsylvania Higher Educational Facilities Authority Act of 1967, the Act of December 6, 1967, P.L. 678, as amended and supplemented (the "Act"), and an Indenture of Trust dated as of January 15, 1987, as supplemented by a First Supplemental Indenture of Trust dated as of March 15, 1995, a Second Supplemental Indenture of Trust dated as of January 15, 1998, a Third Supplemental Indenture of Trust dated as of February 1, 2002, a Fourth Supplemental Indenture of Trust dated as of January 1, 2005, a Fifth Supplemental Indenture of Trust dated as of August 1, 2005, a Sixth Supplemental Indenture of Trust dated as of April 1, 2008, a Seventh Supplemental Indenture of Trust dated as of March 1, 2009, an Eighth Supplemental Indenture of Trust dated as of October 1, 2010, a Ninth Supplemental Indenture of Trust dated as of February 1, 2011 and a Tenth Supplemental Indenture of Trust dated as of April 1, 2015 (collectively, the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee").

The Bonds are being issued at the request of The Trustees of the University of Pennsylvania (the "University") to provide funds which will be used to finance the costs of a project (the "Project") consisting of: (i) the refinancing of certain outstanding bonds issued by the Authority for the benefit of the University; and (ii) payment of costs of issuing the Bonds.

The proceeds of the Bonds are being loaned to the University pursuant to a Loan Agreement dated as of January 15, 1987, as supplemented by a First Supplemental Loan Agreement dated as of March 15, 1995, a Second Supplemental Loan Agreement dated as of January 15, 1998, a Third Supplemental Loan Agreement dated as of February 1, 2002, a Fourth Supplemental Loan Agreement dated as of January 1, 2005, a Fifth Supplemental Loan Agreement dated as of August 1, 2005, a Sixth Supplemental Loan Agreement dated as of April 1, 2008, a Seventh Supplemental Loan Agreement dated as of March 1, 2009, an Eighth Supplemental Loan Agreement dated as of October 1, 2010, a Ninth Supplemental Loan Agreement dated as of February 1, 2011 and a Tenth Supplemental Loan Agreement dated as of April 1, 2015 (collectively, the "Loan Agreement") between the Authority and the University. Under the Loan Agreement, the University is obligated to make payments in amounts sufficient to pay, among other things, the principal or redemption price of and interest on the Bonds.

The Bonds are secured by the Indenture and by an assignment to the Trustee of all of the Authority's right, title and interest in and to the Loan Agreement (except for the Authority's rights thereunder to receive payments of administrative fees and expenses and indemnification against liability).

The University has represented in the Loan Agreement that it is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The University has covenanted that, throughout the term of the Loan Agreement, it will not carry on or permit to be carried on in the University Facilities (as defined in the Loan Agreement) any trade or business, nor will it take any action or permit any action to be taken on its behalf or cause or permit any circumstance within its control to arise or continue if the conduct of such trade or business or such other action or circumstance would cause the interest paid by the Authority on the Tax-Exempt Bonds to be subject to federal income tax in the hands of the holders thereof. The University has further covenanted that it will neither make nor instruct the Trustee to make any investment or other use of the proceeds of the Tax-Exempt Bonds, nor take or omit to take any other action which would cause the Tax-Exempt Bonds to be arbitrage bonds under Section 148(a) of the Code.

Under the Indenture and the Loan Agreement, respectively, the Authority and the University have covenanted that they will comply with the requirements of Section 148 of the Code pertaining to arbitrage bonds. In addition, an officer of the Authority responsible for issuing the Bonds and a representative of the University have executed a certificate stating the reasonable expectations of the Authority and the University on the date of issue of the Bonds as to future events that are material for the purposes of such requirements of the Code.

In our capacity as bond counsel, we have examined such documents, records of the Authority and other instruments as we deemed necessary to enable us to express the opinions set forth below, including original counterparts or certified copies of the Indenture, the Loan Agreement and the other documents listed in the closing memorandum in respect of the Bonds filed with the Trustee. We have assumed that the Authority and the University will comply with their respective covenants in the Indenture and the Loan Agreement relating to the tax-exempt status of the Tax-Exempt Bonds. We have also examined an executed Bond of each series, authenticated by the Trustee, and have assumed that all other Bonds of such series have been similarly executed and authenticated. We have also assumed that the Indenture has been duly authorized, executed and delivered by the Trustee, and that the Loan Agreement has been duly authorized, executed and delivered by the University.

Based on the foregoing, it is our opinion that:

1. The Authority is a body corporate and politic validly existing under the laws of the Commonwealth, with full power and authority to undertake the Project, to execute and deliver the Indenture and the Loan Agreement and to issue and sell the Bonds.

2. The Indenture and the Loan Agreement have been duly authorized, executed and delivered by the Authority and the covenants of the Authority therein are valid and binding obligations of the Authority enforceable in accordance with their terms, except as the rights created thereunder and the enforcement thereof may be limited by bankruptcy, insolvency or other similar laws or equitable principles affecting the enforcement of creditors' rights generally.

3. The issuance and sale of the Bonds have been duly authorized by the Authority. Based on the assumption as to execution and authentication set forth above, the Bonds have been duly executed and delivered by the Authority and authenticated by the Trustee, are valid and binding obligations of the Authority and are entitled to the benefit and security of the Indenture, except as the rights created thereunder and the enforcement thereof may be limited as indicated in paragraph 2.

4. Under the laws of the Commonwealth as presently enacted and construed, the Bonds are exempt from personal property taxes in Pennsylvania, and interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

5. Interest on the Tax-Exempt Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Tax-Exempt Bonds, assuming the accuracy of the certifications of the Authority and the University and continuing compliance by the Authority and the University with the requirements of the Code. Interest on the Tax-Exempt Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax ("AMT"); however, interest on the Tax-Exempt Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal AMT because of its inclusion in the adjusted current earnings of a corporate holder. We express no opinion regarding other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Tax-Exempt Bonds.

We express no opinion herein with respect to the adequacy of the security or sources of payment for the Bonds or the accuracy or completeness of any offering document used in connection with the sale of the Bonds.

We call your attention to the fact that the Bonds are limited obligations of the Authority, payable only out of certain revenues of the Authority and certain other moneys available therefor as provided in the Indenture, and that the Bonds do not pledge the credit or taxing power of the Commonwealth or any political subdivision, agency or instrumentality thereof. The Authority has no taxing power.

Very truly yours,

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Penn

UNIVERSITY of PENNSYLVANIA