

*In the opinion of Co-Bond Counsel, interest on the 2020A Bonds (defined herein) is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, subject to the condition described in "TAX MATTERS—2020A BONDS" herein. Interest on the 2020A Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the federal alternative minimum tax. Interest on the 2020B Bonds is fully subject to federal income tax. Under the laws of the Commonwealth of Pennsylvania, the interest on the 2020 Bonds is exempt from Pennsylvania personal income tax and the Pennsylvania corporate net income tax. For a more complete discussion, see "TAX MATTERS—2020A BONDS" and "TAX MATTERS—2020B BONDS" herein.*



**\$152,495,000**  
**PENNSYLVANIA HIGHER EDUCATIONAL**  
**FACILITIES AUTHORITY**  
**(Commonwealth of Pennsylvania)**  
**\$134,735,000 Drexel University Revenue Bonds, Series of 2020A**  
**and**  
**\$17,760,000 Drexel University Revenue Bonds, Series of 2020B (Federally Taxable)**

Dated: Date of Delivery

Due: May 1, as shown on inside cover

Interest on the Drexel University Revenue Bonds, Series of 2020A (the "2020A Bonds") and the Drexel University Revenue Bonds, Series of 2020B (Federally Taxable) (the "2020B Bonds" and together with the 2020A Bonds, the "2020 Bonds") is payable on May 1 and November 1 in each year until maturity or earlier redemption, commencing November 1, 2020. The 2020 Bonds are payable by The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee") pursuant to an Amended and Restated Trust Indenture dated as of August 1, 2020, which amends and restates the Trust Indenture dated as of March 1, 1985, as previously amended and supplemented, and a First Supplemental Trust Indenture dated as of August 1, 2020 (the "First Supplemental Indenture" and, together with the Amended and Restated Trust Indenture, the "Indenture") between the Pennsylvania Higher Educational Facilities Authority (the "Authority") and the Trustee. The 2020 Bonds are issuable only in fully registered form without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. Purchases of beneficial ownership interests in the 2020 Bonds will be made in book-entry only form in denominations of \$5,000 or any integral multiple thereof. So long as Cede & Co., as nominee of DTC is the registered owner, principal or redemption price of and interest on the 2020 Bonds is payable directly to DTC for redistribution to DTC Participants and in turn to the Beneficial Owners as described herein. Purchasers of the 2020 Bonds will not receive physical delivery of certificates representing their ownership interests in the 2020 Bonds purchased. See "THE 2020 BONDS – Book-Entry Only System" herein.

The 2020 Bonds are subject to redemption prior to maturity as more fully described herein.

The 2020 Bonds are being issued for the benefit of Drexel University (the "University") to provide funds, together with other available funds, for a project consisting of: (i) the reimbursement of a loan made by the University's endowment that was used to finance capital renovations to and an expansion of Calhoun/Bentley Hall; (ii) the financing of certain capital expenditures identified within the University's current capital budget; (iii) the refunding of all or a portion of (a) the Authority's Drexel University Revenue Bonds, Series A of 2011, and (b) the Authority's Drexel University Revenue Refunding Bonds, Series of 2012, (iv) the refunding of all of the Authority's outstanding (a) Drexel University Variable Rate Revenue Bonds, Second Series of 2000, (b) Drexel University Multi-Modal Revenue Bonds, Series B of 2002, (c) Drexel University Multi-Modal Revenue Bonds, Series B of 2005 (the "2005B Bonds"), and (d) Drexel University Multi-Modal Revenue Bonds, Series B of 2007, (v) the payment of the costs of terminating a variable-to-fixed interest rate hedging transaction relating to the 2005B Bonds; and (vi) the payment of certain costs of issuing the 2020 Bonds (collectively, the "2020 Project"). See "PLAN OF FINANCE" herein.

**THE 2020 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY. NEITHER THE GENERAL CREDIT OF THE AUTHORITY NOR THE CREDIT OR TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE 2020 BONDS, NOR SHALL THE 2020 BONDS 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, PREMIUM, IF ANY, OR INTEREST ON, THE 2020 BONDS. THE AUTHORITY HAS NO TAXING POWER.**

See "BONDHOLDERS' RISKS" for certain risks associated with an investment in the 2020 Bonds.

The scheduled payment of principal and interest on the 2020A Bonds and the 2020B Bonds when due will be guaranteed under separate insurance policies to be issued concurrently with the delivery of the 2020 Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**



This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision regarding the 2020 Bonds.

The 2020 Bonds are offered for delivery when, as and if issued by the Authority, and received by the Underwriters and subject to the approving legal opinion of Saul Ewing Arnstein & Lehr LLP and Turner Law, P.C., both of Philadelphia, Pennsylvania, Co-Bond Counsel. Certain legal matters will be passed upon for the Authority by its counsel, Barley Snyder LLP, Lancaster, Pennsylvania; for the University by its counsel, Ballard Spahr LLP, Philadelphia, Pennsylvania; and for the Underwriters by their counsel Dilworth Paxson LLP, Philadelphia, Pennsylvania. It is expected that the 2020 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about August 3, 2020.

**Wells Fargo Securities**

**PNC Capital Markets LLC**

**Ramirez & Co., Inc.**

**PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY**  
(Commonwealth of Pennsylvania)

**\$134,735,000 Drexel University Revenue Bonds, Series of 2020A**

**MATURITIES, AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIPS†**

<b>\$92,025,000 Serial Bonds</b>					
<b>Maturity Date</b> <b>(May 1)</b>	<b>Principal</b> <b>Amount</b>	<b>Interest</b> <b>Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP‡</b> <b>(70917S)</b>
2021	\$1,090,000	5.000%	0.460%	103.369	TAA9
2022	1,385,000	5.000%	0.520%	107.768	TAB7
2023	2,500,000	5.000%	0.550%	112.103	TAC5
2024	1,930,000	5.000%	0.620%	116.186	TAD3
2025	2,035,000	5.000%	0.730%	119.875	TAE1
2026	2,145,000	5.000%	0.900%	122.902	TAF8
2027	2,280,000	5.000%	1.030%	125.800	TAG6
2028	2,405,000	5.000%	1.150%	128.447	TAH4
2029	4,115,000	5.000%	1.250%	130.969	TAJ0
2030	6,295,000	5.000%	1.350%	133.220	TAK7
2031	2,975,000	5.000%	1.430%	132.362†	TAL5
2032	2,880,000	5.000%	1.510%	131.511†	TAM3
2038	13,900,000	5.000%	1.850%	127.966†	TAN1
2039	14,590,000	5.000%	1.890%	127.556†	TAP6
2040	15,325,000	4.000%	2.070%	116.949†	TAQ4
2041	16,175,000	4.000%	2.110%	116.565†	TAR2

**\$21,565,000 Term Bonds due May 1, 2046; Interest Rate: 5.000%; Yield: 2.060%; Price: 125.833‡;**  
**CUSIP‡ No. 70917STAS0**

**\$21,145,000 Term Bonds due May 1, 2050; Interest Rate: 4.000%; Yield: 2.260%; Price: 115.139‡;**  
**CUSIP‡ No. 70917STAT8**

---

‡ CUSIP is a registered trademark of the American Bankers Association (the "ABA"). CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a part of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of the holders of 2020 Bonds only at the time of issuance of the 2020 Bonds and the Authority, the University, the Trustee and the Underwriters do not make any representation with respect to such CUSIP numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP numbers are subject to being changed after the issuance of the 2020 Bonds as a result of various subsequent actions including, but not limited to, the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of the 2020 Bonds.

† Priced to first optional redemption date of May 1, 2030.

**PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY**  
(Commonwealth of Pennsylvania)

**\$17,760,000 Drexel University Revenue Bonds, Series of 2020B (Federally Taxable)**

**MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS<sup>‡</sup>**

**\$15,255,000 Serial Bonds**

<b>Maturity Date</b> <b><u>(May 1)</u></b>	<b>Principal</b> <b><u>Amount</u></b>	<b>Interest</b> <b><u>Rate</u></b>	<b><u>Yield</u></b>	<b>CUSIP<sup>‡</sup></b> <b><u>(70917S)</u></b>
2021	\$390,000	1.105%	1.105%	TAU5
2022	480,000	1.155%	1.155%	TAV3
2023	620,000	1.277%	1.277%	TAW1
2024	555,000	1.534%	1.534%	TAX9
2025	565,000	1.684%	1.684%	TAY7
2026	575,000	1.970%	1.970%	TAZ4
2027	1,940,000	2.120%	2.120%	TBA8
2028	2,010,000	2.277%	2.277%	TBB6
2029	1,895,000	2.377%	2.377%	TBC4
2030	2,105,000	2.477%	2.477%	TBD2
2031	2,080,000	2.577%	2.577%	TBE0
2032	2,040,000	2.677%	2.677%	TBF7

**\$2,505,000 Term Bonds due May 1, 2041; Interest Rate: 3.265%; Yield: 3.265%;**  
**CUSIP<sup>‡</sup> No. 70917STBG5**

---

<sup>‡</sup> CUSIP is a registered trademark of the American Bankers Association (the “ABA”). CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a part of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of the holders of 2020 Bonds only at the time of issuance of the 2020 Bonds and the Authority, the University, the Trustee and the Underwriters do not make any representation with respect to such CUSIP numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP numbers are subject to being changed after the issuance of the 2020 Bonds as a result of various subsequent actions including, but not limited to, the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of the 2020 Bonds.

**PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY**

(Commonwealth of Pennsylvania)

1035 Mumma Road  
Wormleysburg, PA 17043

**BOARD MEMBERS**

Honorable Thomas W. Wolf Governor of the Commonwealth of Pennsylvania	President
Honorable Wayne Langerhold Jr. Designated by the President Pro Tempore of the Senate	Vice President
Honorable Andrew E. Dinniman Designated by the Minority Leader of the Senate	Vice President
Honorable Curtis G. Sonney Designated by the Speaker of the House of Representatives	Vice President
Honorable Joseph Torsella State Treasurer	Treasurer
Honorable Curtis M. Topper Secretary of General Services	Secretary
Honorable Anthony M. DeLuca Designated by the Minority Leader of the House of Representatives	Board Member
Honorable Eugene A. DePasquale Auditor General	Board Member
Honorable Pedro A. Rivera Secretary of Education	Board Member

**EXECUTIVE DIRECTOR**

Eric Gutshall

**AUTHORITY COUNSEL**

(Appointed by the Office of General Counsel)

Barley Snyder LLP  
Lancaster, Pennsylvania

**TRUSTEE**

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

**CO-BOND COUNSEL**

(Appointed by the Office of General Counsel)

Saul Ewing Arnstein & Lehr LLP  
Philadelphia, Pennsylvania  
Turner Law, P.C.  
Philadelphia, Pennsylvania

**UNIVERSITY COUNSEL**

Ballard Spahr LLP  
Philadelphia, Pennsylvania

**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 2020 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.**

Except as provided in the following paragraphs, the information set forth herein has been obtained from Drexel University (the "University"), and other sources which are believed to be reliable, but the information provided by sources other than the University is not guaranteed as to accuracy or completeness by the University. 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 Pennsylvania Higher Educational Facilities Authority (the "Authority") has not prepared or assisted in the preparation of this Official Statement except for the statements under the sections "THE AUTHORITY" and "LITIGATION-The Authority." The Authority has only reviewed the information contained herein under the sections "THE AUTHORITY" and "LITIGATION-The Authority" and approved such information for use within the Official Statement.

The Underwriters 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, its responsibilities to investors under 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.

**IN CONNECTION WITH THIS OFFERING THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2020 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

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 2020 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 2020 Bonds in any jurisdiction in which it is unlawful to make such an offer, solicitation, or sale.

The 2020 Bonds have not and will not be registered under the Securities Act of 1933, 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.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES 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.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the 2020 Bonds or the advisability of investing in the 2020 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "APPENDIX F - SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

## Table of Contents

INTRODUCTION.....	1	Tax Exemption-Opinion of Co-Bond	
PLAN OF FINANCE .....	4	Counsel .....	26
ESTIMATED SOURCES AND		Deduction for Interest Paid by Financial	
USES OF FUNDS .....	5	Institutions to Purchase or Carry Tax-Exempt	
THE AUTHORITY .....	5	Obligations .....	27
THE 2020 BONDS.....	7	Property or Casualty Insurance Company .....	27
Description of the 2020 Bonds .....	7	Reportable Payments and Backup	
Payments of Principal of, and Interest on		Withholding.....	27
the 2020 Bonds .....	8	Accounting Treatment of Amortizable Bond	
Book-Entry Only System .....	8	Premium .....	28
Transfer and Exchange .....	10	Continuing Compliance of the	
Redemption Provisions.....	11	University .....	28
PRINCIPAL AND INTEREST		TAX MATTERS—2020B BONDS .....	28
REQUIREMENTS FOR THE 2020 BONDS,		Federal Income Taxes.....	28
THE PRIOR BONDS AND OTHER		United States Tax Consequences.....	29
INDEBTEDNESS .....	14	United States Holders .....	29
SECURITY AND SOURCES OF		Information Reporting.....	30
PAYMENT.....	15	PENNSYLVANIA TAX OPINION.....	31
Sources of Payment .....	15	CHANGES IN FEDERAL AND	
Pledges of Revenues and other Collateral .....	15	STATE TAX LAW .....	31
Intercreditor Agreement .....	16	VERIFICATION .....	32
Actions by the State Treasurer for Nonpayment		CERTAIN LEGAL MATTERS .....	32
of Loan Repayments.....	16	INDEPENDENT ACCOUNTANTS.....	32
Additional Bonds and Indebtedness .....	17	RATINGS.....	32
Springing Provisions .....	17	UNDERWRITING.....	33
BOND INSURANCE .....	17	FINANCIAL ADVISOR.....	34
Bond Insurance Policy.....	17	CONTINUING DISCLOSURE .....	34
Assured Guaranty Municipal Corp.....	17	LITIGATION .....	34
BONDHOLDERS' RISKS .....	19	The Authority .....	34
General .....	19	The University .....	34
Recent Events Relating to COVID-19.....	20	CERTAIN RELATIONSHIPS .....	35
Tuition Revenues.....	21	MISCELLANEOUS.....	35
Faculty .....	21		
Fund Raising.....	22	APPENDIX A: CERTAIN INFORMATION	
Additional Borrowings .....	22	CONCERNING DREXEL UNIVERSITY	
Additional Covenants .....	22	APPENDIX B: FINANCIAL STATEMENTS OF	
Security Interest in Unrestricted Gross		DREXEL UNIVERSITY AND ITS SUBSIDIARIES	
Revenues .....	23	FOR THE YEARS ENDED JUNE 30, 2019 AND 2018	
Potential Effects of Bankruptcy.....	23	APPENDIX C: SUMMARY OF LEGAL	
Enforceability of Remedies .....	23	DOCUMENTS	
Covenant to Maintain Tax-Exempt Status of the		APPENDIX D: PROPOSED FORM OF CO-BOND	
2020A Bonds.....	23	COUNSEL OPINION	
Property Tax Assessments.....	24	APPENDIX E: FORM OF CONTINUING	
State and Federal Legislation .....	24	DISCLOSURE AGREEMENT	
Competition .....	24	APPENDIX F: SPECIMEN MUNICIPAL BOND	
Fluctuations in Market Value of Investments..	24	INSURANCE POLICY	
Maintenance of the University's 501(c)(3)			
Status .....	25		
Cybersecurity Risks.....	25		
Other Risk Factors.....	25		
TAX MATTERS—2020A BONDS.....	26		

**\$152,495,000**  
**PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY**  
**(Commonwealth of Pennsylvania)**

**\$134,735,000 Drexel University Revenue Bonds, Series of 2020A**

**and**

**\$17,760,000 Drexel University Revenue Bonds, Series of 2020B (Federally Taxable)**

## **INTRODUCTION**

This Official Statement, which includes the cover page and the Appendices, provides certain information with respect to the Pennsylvania Higher Educational Facilities Authority (the “Authority”), Drexel University (the “University” or “Drexel”), and the Authority’s \$134,735,000 Drexel University Revenue Bonds, Series of 2020A (the “2020A Bonds”) and its \$17,760,000 Drexel University Revenue Bonds, Series of 2020B (Federally Taxable) (the “2020B Bonds” and, together with the 2020A Bonds, the “2020 Bonds”), to be issued under an Amended and Restated Trust Indenture dated as of August 1, 2020 (the “Amended and Restated Indenture”), which amends and restates the Trust Indenture dated as of March 1, 1985, as previously amended and supplemented (collectively, the “Prior Indenture”), as supplemented by a First Supplemental Trust Indenture dated as of August 1, 2020 (the “First Supplemental Trust Indenture” and together with the Amended and Restated Indenture, the “Indenture”) by and between the Authority and The Bank of New York Mellon Trust Company, N.A., Pittsburgh, Pennsylvania, as successor trustee (the “Trustee”). Certain capitalized terms used herein and not otherwise defined herein shall have the same meanings as ascribed to such terms in the Indenture. Certain capitalized terms used but not defined herein are defined in “**APPENDIX C: SUMMARY OF LEGAL DOCUMENTS - DEFINITIONS.**”

See “**THE AUTHORITY**” herein for certain information concerning the Authority and “**APPENDIX A: CERTAIN INFORMATION CONCERNING DREXEL UNIVERSITY**” for certain information concerning the University. **APPENDIX B** contains the consolidated financial statements of the University. The University’s consolidated financial statements include financial information with respect to various subsidiaries of the University. None of such subsidiaries is obligated to make any payments with respect to debt service on the 2020 Bonds. See “**APPENDIX A: CERTAIN INFORMATION CONCERNING DREXEL UNIVERSITY – University Subsidiaries.**”

**Availability of Documents.** The general descriptions of various legal documents set forth in this Official Statement do not purport to be comprehensive or definitive and reference should be made to each document for complete details of all terms and conditions thereof. Copies of all documents referred to herein are available for inspection during normal business hours at the designated corporate trust office of the Trustee, in Philadelphia, Pennsylvania. All statements herein are qualified in their entirety by the terms of each such document.

**Plan of Finance.** The Authority, pursuant to an Amended and Restated Loan and Security Agreement dated as of August 1, 2020 (the “Amended and Restated Loan Agreement”), which amends and restates the Loan and Security Agreement dated as of March 1, 1985, as previously amended and supplemented, as supplemented by a First Supplemental Loan and Security Agreement dated as of August 1, 2020 (the “First Supplemental Loan Agreement,” and together with the Amended and Restated Loan Agreement, the “Loan Agreement”), will lend the proceeds of the 2020 Bonds to the University, which will apply such proceeds to the 2020 Project (as described below and under “**PLAN OF FINANCE**”

herein). The Authority will deposit the proceeds of the 2020 Bonds with the Trustee, and the Loan Agreement will provide for the University to repay the loan by paying directly to the Trustee amounts which, together with any other moneys available to the Trustee therefor, are designed to be sufficient, if timely paid in full, to pay the principal or redemption price of, and interest on, the 2020 Bonds and certain administrative costs of the Authority. Additionally, the Treasurer of the Commonwealth of Pennsylvania (the "State Treasurer"), the Authority and the University have entered into a Collateral Agreement dated as of March 1, 1985, as previously supplemented and as further supplemented by a Twenty-Second Supplemental Collateral Agreement dated as of August 1, 2020, pursuant to which the State Treasurer agrees, in the event of a default by the University in the payment of loan repayments under the Loan Agreement, to withhold out of any appropriations from the Commonwealth of Pennsylvania payable to the University, if any, and to the extent the State Treasurer is permitted by law to intercept such amounts, an amount equal to any unpaid amount due under the Loan Agreement and to pay the same to the Authority, which has assigned its rights to receive such amounts to the Trustee. See **"SECURITY AND SOURCES OF PAYMENT – Actions by the State Treasurer for Nonpayment of Loan Repayments"** herein. For a description of the principal documents underlying the 2020 Bonds, see **"APPENDIX C: SUMMARY OF LEGAL DOCUMENTS."**

The 2020A Bonds are being issued to provide funds, together with other available funds, to finance a project consisting of: (i) the reimbursement of a loan made by the University's endowment that was used to finance capital renovations to and an expansion of Calhoun/Bentley Hall; (ii) the financing of certain capital expenditures identified within the University's current capital budget; and (iii) the refunding of all of the Authority's outstanding (a) Drexel University Variable Rate Revenue Bonds, Second Series of 2000 (the "2000-2 Bonds"), (b) Drexel University Multi-Modal Revenue Bonds, Series B of 2002 (the "2002B Bonds"), (c) Drexel University Multi-Modal Revenue Bonds, Series B of 2005 (the "2005B Bonds"), and (d) Drexel University Multi-Modal Revenue Bonds, Series B of 2007 (the "2007B Bonds"), (iv) the payment of the costs of terminating a variable-to-fixed interest rate hedging transaction relating to the 2005B Bonds; and (v) the payment of certain costs of issuing the 2020A Bonds (collectively, the "2020A Project").

The 2020B Bonds are being issued to provide funds for a project consisting of: (i) the refunding of all or a portion of the Authority's Drexel University Revenue Bonds, Series A of 2011 (the "2011 Bonds"), and (b) the Authority's Drexel University Revenue Refunding Bonds, Series of 2012 (the "2012 Bonds"), and (ii) the payment of certain costs of issuing the 2020B Bonds (collectively, the "2020B Project" and together with the 2020A Project, the "2020 Project").

A portion of the proceeds of the 2020A Bonds will be used to refund the 2005B Bonds and the 2007B Bonds. Wells Fargo Bank, N.A. provides the letter of credit that currently supports payment of the 2007B Bonds. Wells Fargo Bank, N.A. is also the swap counterparty for the variable-to-fixed interest rate hedging transaction relating to the 2005B Bonds referred to above, pursuant to a swap agreement dated February 16, 2005 between Drexel University and Wells Fargo Bank, N.A., successor by merger to Wachovia Bank, N.A. (the "2005B Swap Agreement"). In connection with the refunding of the 2005B Bonds, the 2005B Swap Agreement will be terminated and Wells Fargo Bank, N.A. will receive a termination payment payable from proceeds of the 2020A Bonds. Wells Fargo Securities serves as remarketing agent for the 2005B Bonds and the 2007B Bonds. Wells Fargo Securities may, in the ordinary course of business, purchase, sell, or hold the 2005B Bonds and the 2007B Bonds for its own account and/or for the accounts of customers.

The 2020 Bonds are being issued on a parity basis with the Prior Bonds (as defined herein) and any Additional Bonds (as defined below) which may be issued hereafter. See **"SECURITY AND SOURCES OF PAYMENT"** herein.

On June 30, 2020, there were \$18,210,000 principal amount of the 2000-2 Bonds, \$39,990,000 principal amount of the 2002B Bonds, \$26,650,000 principal amount of the 2005B Bonds, \$22,440,000 principal amount of the 2007B Bonds, \$7,025,000 principal amount of the 2011 Bonds, \$9,775,000 principal amount of the 2012 Bonds, \$117,130,000 principal amount of the Authority's Drexel University Revenue Refunding Bonds, Series of 2016 (the "2016 Bonds"), and \$114,415,000 principal amount of the Authority's Drexel University Revenue Refunding Bonds, Series of 2017 (the "2017 Bonds") Outstanding. As described herein under **"PLAN OF FINANCE,"** a portion of the 2020 Bonds will be applied to (i) the advance refunding of \$6,420,000 of the 2011 Bonds (such portion of the 2011 Bonds being referred to herein as the "Refunded 2011 Bonds"), (ii) the advance refunding of \$9,390,000 of the 2012 Bonds (such portion of the 2012 Bonds being referred to herein as the "Refunded 2012 Bonds"). \$605,000 of the 2011 Bonds and \$385,000 of the 2012 Bonds will remain Outstanding (the 2011 Bonds that will be Outstanding following the refunding of the Refunded 2011 Bonds, are referred to herein as the "Remaining 2011 Bonds" and the 2012 Bonds that will be Outstanding following the refunding of the Refunded 2012 Bonds, are referred to herein as the "Remaining 2012 Bonds"), and (iii) the current refunding of all of the outstanding 2000-2 Bonds, the 2002B Bonds, the 2005B Bonds and the 2007B Bonds. See **"PRINCIPAL AND INTEREST REQUIREMENTS FOR THE 2020 BONDS, THE PRIOR BONDS AND OTHER INDEBTEDNESS"** herein.

*"Additional Bonds"* shall mean any Bonds other than the Remaining 2011 Bonds, the Remaining 2012 Bonds, the 2016 Bonds and the 2017 Bonds (the Remaining 2011 Bonds, the Remaining 2012 Bonds, the 2016 Bonds and the 2017 Bonds are referred to herein as, the "Prior Bonds") and the 2020 Bonds.

**Additional Bonds and Additional Debt.** The University intends to issue bonds in the principal amount of approximately \$104 million (the **"University 2020 Bonds"**) to reimburse the University for the costs of acquisition, through certain affiliates, of its undivided interest in the operations of, and a leasehold interest in the buildings, structures, real estate and appurtenant facilities and fixtures constituting, St. Christopher's Hospital for Children located in Philadelphia and used by the University in connection with its academic medical education program in pediatric medicine. The University 2020 Bonds will be secured by a lien on the University's Unrestricted Gross Revenues on a parity with the Prior Bonds and the 2020 Bonds. The University expects that the University 2020 Bonds will be issued prior to the issuance of the 2020 Bonds.

Upon compliance with the terms and conditions of the Loan Agreement, the University may incur additional debt secured on a parity with the 2020 Bonds, the Prior Bonds, and the University 2020 Bonds with respect to the lien on the University's Unrestricted Gross Revenues. See **"SECURITY AND SOURCES OF PAYMENT - Additional Bonds and Indebtedness"**.

**Amended and Restated Indenture and Amended and Restated Loan Agreement.** In order to provide the University with, among other things, greater flexibility in efficiently conducting its operations and in financing capital needs and to better reflect intercreditor relationships and provide more flexible financial covenants, including provisions for the incurrence of indebtedness, the Indenture and the Loan Agreement contain provisions (the "Springing Provisions") to modernize the Indenture and the Loan Agreement. These modifications will become effective at a future date when the requisite consent of holders of not less than a majority in aggregate principal amount of bonds then outstanding under the Indenture has been obtained or deemed obtained. **By purchase of the 2020 Bonds, all of the 2020 Bondholders will be deemed to have consented to the Springing Provisions of the Indenture and the Loan Agreement.** See **"APPENDIX C: SUMMARY OF LEGAL DOCUMENTS – SPRINGING AMENDMENTS"** for a description of the Springing Provisions.

**Bondholders' Risks.** Certain risks associated with the purchase of the 2020 Bonds are set forth in the Section entitled "**BONDHOLDERS' RISKS.**"

**Forward-Looking Statements.** This Official Statement includes "forward-looking statements." The words "believe," "expect," "anticipate," "plan," "intend," "foresee," "should," "would," "could," "attempt," "appears," "forecast," "outlook," "estimate," "project," "potential," "may," "will," "are likely" or other similar expressions are intended to identify forward-looking statements, which are generally not historical in nature. These forward-looking statements are based on the University's current expectations and beliefs concerning future developments and their potential effects on the University. All statements herein about the University's forecasted financial, operating and other results for any period constitute forward-looking statements. While the University's administration believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting the University, including without limitation future developments triggered directly or indirectly by the COVID-19 pandemic, will be those that the University currently anticipates, and any and all forward-looking statements in Official Statement may turn out to be inaccurate and deviate in a material way from actual results. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE OF THE 2020 BONDS MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

Events that could cause future results to differ materially from those expressed or implied by Forward-Looking Statements or historical experience include the impact or outcome of many factors that are described throughout this Official Statement (including without limitation the factors summarized in "**BONDHOLDERS' RISKS**" herein). Although the ultimate impact of such factors is uncertain, they may cause future actual performance to differ materially from results or outcomes that are currently sought or expected by the University.

## **PLAN OF FINANCE**

The 2020A Bonds are being issued to provide funds, together with other available funds, for a project consisting of: (i) the reimbursement of a loan made by the University's endowment that was used to finance capital renovations to and an expansion of Calhoun/Bentley Hall; (ii) the financing of certain capital expenditures identified within the University's current capital budget; (iii) the refunding of all of the outstanding 2000-2 Bonds, 2002B Bonds, 2005B Bonds, and the 2007B Bonds, (iv) the payment of the costs of terminating a variable-to-fixed interest rate hedging transaction relating to the 2005B Bonds; and (v) the payment of certain costs of issuing the 2020A Bonds.

The 2020B Bonds are being issued to provide funds for a project consisting of: (i) the refunding of all or a portion of the 2011 Bonds and the 2012 Bonds, and (ii) the payment of certain costs of issuing the 2020B Bonds.

A portion of the proceeds of the 2020A Bonds will be used to refund the 2005B Bonds and the 2007B Bonds. Wells Fargo Bank, N.A. provides the letter of credit that currently supports payment of the 2007B Bonds. Wells Fargo Bank, N.A. is also the swap counterparty for the variable-to-fixed interest rate hedging transaction relating to the 2005B Bonds referred to above, pursuant to the 2005B Swap Agreement. In connection with the refunding of the 2005B Bonds, the 2005B Swap Agreement will be terminated and Wells Fargo Bank, N.A. will receive a termination payment payable from proceeds of the 2020A Bonds. Wells Fargo Securities serves as remarketing agent for the 2005B Bonds and the 2007B Bonds. Wells Fargo Securities may, in the ordinary course of business, purchase, sell, or hold the 2005B Bonds and the 2007B Bonds for its own account and/or for the accounts of customers.

A portion of the proceeds of the 2020A Bonds will be applied to the redemption of the 2000-2 Bonds, the 2002B Bonds, the 2005B Bonds and the 2007B Bonds on August 3, 2020.

A portion of the proceeds of the 2020B Bonds will be (a) deposited in an escrow fund established under a Pledge and Escrow Agreement dated as of August 1, 2020 (the "Escrow Agreement"), among the Authority, the University and The Bank of New York Mellon Trust Company, N.A., as escrow agent, (b) invested in Government Obligations (as defined in the Indenture), and (c) applied to the payment of the principal of and interest on (i) the Refunded 2011 Bonds to May 1, 2021, and the principal due, or redemption price of, the Refunded 2011 Bonds on May 1, 2021, and (ii) the Refunded 2012 Bonds to November 1, 2022, and the principal due, or redemption price of, the Refunded 2012 Bonds on May 1, 2022. See "VERIFICATION" herein.

### ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth estimated sources and uses of funds, with respect to the 2020 Bonds, in connection with the 2020 Project:

<b>Sources of Funds:</b>	<b>2020A Bonds</b>	<b>2020B Bonds</b>	<b>Total</b>
Par Amount of the 2020 Bonds	\$134,735,000.00	\$17,760,000.00	\$152,495,000.00
Original Issue Premium	30,119,773.25		30,119,773.25
Other Available Funds	<u>985,000.00</u>		<u>985,000.00</u>
<b>TOTAL SOURCES</b>	<b><u>\$165,839,773.25</u></b>	<b><u>\$17,760,000.00</u></b>	<b><u>\$183,599,773.25</u></b>
<b>Uses of Funds</b>			
Refunding of Refunded 2011 Bonds and Refunded 2012 Bonds		\$17,273,540.00	\$17,273,540.00
Refunding of 2000-2 Bonds, 2002B Bonds, 2005B Bonds and 2007B Bonds	\$107,290,000.00		\$107,290,000.00
Termination of the 2005B Swap Agreement	4,472,500.00		4,472,500.00
Reimbursement to University	35,000,000.00		35,000,000.00
Deposit to Project Fund	15,000,000.00		15,000,000.00
Costs of Issuance for 2020 Bonds*	<u>4,077,273.25</u>	<u>486,460.00</u>	<u>4,563,733.25</u>
<b>TOTAL USES</b>	<b><u>\$165,839,773.25</u></b>	<b><u>\$17,760,000.00</u></b>	<b><u>\$183,599,773.25</u></b>

\*Includes Underwriters' discount, the initial administrative fee of the Authority, the initial and first annual Trustee fee, fees and expenses of Co-Bond Counsel, University Counsel, and Underwriters' Counsel, verification agent, fee of the University's financial advisor, bond insurance premium, printing, rating agency and miscellaneous expenses.

### THE AUTHORITY

The Authority is a body corporate and politic, constituting a public corporation and a public instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth"), created by the Pennsylvania Higher Educational Facilities Act of 1967 (the Act of December 6, 1967, P.L. 678 24 P.S. §§5501-5517, as amended (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 education 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.

The Authority has issued from time to time other series of revenues bonds and notes for the purpose of financing projects for other higher educational institutions in the Commonwealth. 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 may issue in the future 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 2020 Bonds.

The Act provides that the Authority is to obtain from the Pennsylvania State Public School Building Authority (“SPSBA” and, together with the Authority, the “Authorities”), 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 SPSBA share an executive, fiscal and administrative staff, which currently numbers nine 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 financing and projects:

**Eric Gutshall**  
**Executive Director**

Mr. Gutshall was appointed by Governor Wolf as Executive Director of the Authority and SPSBA on December 9, 2019. He previously served as Governor Wolf’s Secretary of Intergovernmental Affairs and as Director of Constituent Services. He obtained his Bachelor of Science degree in Business

Administration from Central Pennsylvania College and his Master of Public Administration from the University of Pennsylvania.

**Beverly M. Nawa**  
**Director of Operations**

Ms. Nawa serves as the Director of Operations of both the Authority and SPSBA. She has been with the Authorities since 2004. She served as Acting Executive Director from October 2018 to December 2019. Ms. Nawa is a graduate of Alvernia University with a bachelor's degree in business administration.

**David Player**  
**Comptroller & Director of Financial Management**

Mr. Player serves as the Comptroller & Director of Financial Management of both the Authority and SPSBA. He has been with the Authorities since 1999. Mr. Player is a graduate of the Pennsylvania State University and a Certified Public Accountant.

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 2020 BONDS.

**THE 2020 BONDS**

**Description of the 2020 Bonds**

The 2020 Bonds shall be dated the date of their delivery. The 2020 Bonds will mature on the dates and in the amounts set forth on the inside cover page hereof, and shall bear interest, payable on May 1 and November 1 of each year, commencing November 1, 2020, at the rates per annum set forth on the inside cover page hereof. The 2020 Bonds shall be subject to redemption prior to maturity as described below.

The 2020 Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. Purchases of the 2020 Bonds will be made in book-entry only form, in denominations of \$5,000 or any integral multiple thereof. Beneficial Owners will not receive certificates representing their interest in the 2020 Bonds. So long as Cede & Co. is the registered owner, as nominee of DTC, references herein to the registered owners shall mean Cede & Co., and shall not mean the Beneficial Owners of the 2020 Bonds. See “**Book-Entry Only System**” below.

Principal of and interest on the 2020 Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as Trustee. So long as DTC or its nominee, Cede & Co., is the registered owner of the 2020 Bonds, such payments will be made directly to it as registered owner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

## **Payments of Principal of, and Interest on, the 2020 Bonds**

The Authority, the Trustee and the University will treat the registered owner of any 2020 Bond as the absolute owner of such 2020 Bond, whether such 2020 Bond shall be overdue or not, for the purpose of receiving payment of or on account of, the principal or redemption price, of, and interest on, such 2020 Bonds and for other purposes, and the Authority, the Trustee and the University shall not be affected by any notice to the contrary. All such payments so made to any such holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon such 2020 Bond to the extent of the sum or sums to be so paid.

Whenever the due date for payment of interest on or principal of the 2020 Bonds or the date fixed for redemption of any 2020 Bond shall be a Saturday, a Sunday, a legal holiday, or a day on which banking institutions in the Commonwealth or the city where the Trustee's payment office is then located are authorized or required by law to close, then payment of such interest, principal or redemption price need not be made on such date, but may be made on the next succeeding day which is not a Saturday, Sunday, legal holiday, or a day upon which banks in the Commonwealth or the city where the Trustee payment office is then located are authorized or required by law to close, with the same force and effect as if made on the due date for payment of principal, interest, or redemption price, and no interest shall accrue thereon for any period after such due date.

## **Book-Entry Only System**

The following information concerning DTC and DTC's book-entry only system has been obtained from DTC. The Authority, the Underwriters, the University and the Trustee make no representation as to the accuracy of such information.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2020 Bonds. The 2020 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each series of the 2020 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. 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 a Standard & Poor's

rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each security ("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 2020 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 2020 Bonds, except in the event that use of the book-entry system for the 2020 Bonds is discontinued.

To facilitate subsequent transfers, all 2020 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 2020 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 2020 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2020 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2020 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the 2020 Bonds may wish to ascertain that the nominee holding the 2020 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2020 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2020 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2020 Bonds and payment of proceeds of redemption of the 2020 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 payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with

securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal and interest and redemption proceeds with respect to the 2020 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority 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 2020 Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2020 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, 2020 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 believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

THE AUTHORITY, THE TRUSTEE, THE UNDERWRITERS, AND THE UNIVERSITY CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE 2020 BONDS: (i) PAYMENTS OF PRINCIPAL, REDEMPTION PRICE OF OR INTEREST ON THE 2020 BONDS; (ii) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN 2020 BONDS; OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE 2020 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DIRECT PARTICIPANTS ARE ON FILE WITH DTC.

NONE OF THE AUTHORITY, THE UNDERWRITERS, THE UNIVERSITY OR THE TRUSTEE SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A BONDHOLDER WITH RESPECT TO EITHER: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 2020 BONDS; (3) THE DELIVERY OR THE TIMELINESS OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO THE OWNER OF THE 2020 BONDS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

### **Transfer and Exchange**

The 2020 Bonds may be transferred or exchanged upon the registration books maintained by the Trustee only upon delivery thereof to the Trustee, accompanied by a written instrument of transfer in form and with signature guarantee satisfactory to the Trustee, duly executed by the owner thereof or his

attorney-in-fact or legal representative, and subject to such additional requirements as may be established by the Trustee. No transfer or exchange of any 2020 Bonds shall be effective until entered on the registration books maintained by the Trustee. The Trustee will not be required to issue, exchange or transfer any 2020 Bonds during a period beginning at the opening of business fifteen (15) days before the date of mailing of a notice of redemption of 2020 Bonds selected for redemption, or to transfer or exchange any 2020 Bonds which have been selected or called for redemption in whole or in part, or to issue any 2020 Bonds which have been selected or called for redemption in whole or in part.

No service charge will be made to the owners of 2020 Bonds for any exchange or transfer, except for the payment of taxes or other governmental charges that may be imposed in relation thereto. In the event any 2020 Bond is mutilated, lost, stolen or destroyed, the Authority may execute and the Trustee may authenticate a new 2020 Bond of like tenor and denomination in accordance with the provisions of the Indenture and the Authority and the Trustee may charge the registered owner of such 2020 Bond with their reasonable fees and expenses and may require reasonable indemnity in connection therewith.

### **Redemption Provisions**

***Optional Redemption.*** The 2020A Bonds maturing on or after May 1, 2031 are subject to redemption prior to maturity at the option of the Authority as directed in writing by the University in whole or in part on any date on or after May 1, 2030. Such redemption may be in any order of maturity and in any principal amount within a maturity as selected by the Authority (as directed by the University) but within a maturity as chosen by the Trustee by lot and shall be at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to the date of redemption.

The 2020B Bonds maturing on or after May 1, 2031 are subject to redemption prior to maturity at the option of the Authority as directed in writing by the University in whole or in part on any date on or after May 1, 2030. Such redemption may be in any order of maturity and in any principal amount within a maturity as selected by the Authority (as directed by the University) but within a maturity as chosen by the Trustee by lot and shall be at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to the date of redemption.

***Mandatory Sinking Fund Redemption.*** The 2020A Bonds stated to mature on May 1, 2046 are subject to mandatory redemption at a redemption price equal to 100% of such 2020A Bonds to be redeemed, plus accrued interest to the redemption date, from sinking fund installments on May 1 in each of the years indicated below in the amounts indicated below:

<b>Redemption Date</b>	<b>Principal Amount</b>
<b><u>(May 1)</u></b>	
2042	\$3,905,000
2043	4,100,000
2044	4,300,000
2045	4,515,000
2046 <sup>†</sup>	4,745,000

<sup>†</sup>Maturity Date

The 2020A Bonds stated to mature on May 1, 2050 are subject to mandatory redemption at a redemption price equal to 100% of such 2020A Bonds to be redeemed, plus accrued interest to the redemption date, from sinking fund installments on May 1 in each of the years indicated below in the amounts indicated below:

<b>Redemption Date</b>	<b>Principal Amount</b>
<b><u>(May 1)</u></b>	
2047	\$4,980,000
2048	5,180,000
2049	5,385,000
2050 <sup>†</sup>	5,600,000

<sup>†</sup> Maturity Date

The 2020B Bonds stated to mature on May 1, 2041 are subject to mandatory redemption at a redemption price equal to 100% of such 2020B Bonds to be redeemed, plus accrued interest to the redemption date, from sinking fund installments on May 1 in each of the years indicated below in the amounts indicated below:

<b>Redemption Date</b>	<b>Principal Amount</b>
<b><u>(May 1)</u></b>	
2033	\$300,000
2034	250,000
2035	255,000
2036	265,000
2037	270,000
2038	280,000
2039	290,000
2040	300,000
2041 <sup>†</sup>	295,000

<sup>†</sup> Maturity Date

Prior to each sinking fund redemption date referred to above for the 2020A Bonds or the 2020B Bonds (each, a “Sinking Fund Date”), the Trustee, at the written direction of the University, may enter into agreements to purchase, from moneys deposited by the University for such purpose in the 2020A Bonds Sinking Fund or 2020B Bonds Sinking Fund, as applicable, established under the Indenture, as many 2020A Bonds or 2020B Bonds, as applicable, as can be purchased at the lowest prices offered at the time by the registered owners, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the 2020A Bonds Account or the 2020B Bonds Account of the Debt Service Fund, as applicable, or if not so available therein from moneys deposited by the University). Prior to each Sinking Fund Date, so long as any 2020A Bonds or 2020B Bonds shall remain Outstanding, or at such other time as shall suit the convenience of the Trustee and allow sufficient time to mail the notice of redemption, the Trustee shall draw by lot, for redemption on such dates, a principal amount of such 2020A Bonds or 2020B Bonds as shall represent the difference between the principal amount of the 2020A Bonds or 2020B Bonds fixed for redemption on such Sinking Fund Date, as shown above, and the principal amount thereof which the Trustee shall have purchased or agreed to purchase during the immediately preceding period, as described above.

Notice of any redemption, identifying the 2020 Bonds or portions thereof to be redeemed, will be given not more than 90 nor less than 30 days prior to the date fixed for redemption, by first class mail to the registered owners of the 2020 Bonds to be redeemed. Any defect in the notice or the mailing thereof

with respect to any 2020 Bond will not affect the validity of the redemption as to any other 2020 Bonds. No further interest will accrue on the principal of any 2020 Bonds called for redemption after the redemption date if payment of the redemption price thereof has been duly provided for, and the registered owners of such 2020 Bonds will have no rights with respect to such 2020 Bonds except to receive payment of the redemption price thereof and unpaid interest accrued to the date fixed for redemption. If the notice so specifies, a call for redemption may be conditioned on the deposit of funds for redemption by the date fixed for redemption, in the absence of which deposit the call for redemption would be of no effect.

*Remainder of page left intentionally blank*

**PRINCIPAL AND INTEREST REQUIREMENTS FOR THE 2020 BONDS,  
THE PRIOR BONDS AND OTHER INDEBTEDNESS**

<b>Period Ending</b>	<b>2020 Bonds</b>	<b>Debt Service on Prior Bonds*</b>	<b>Debt Service on University 2020 Bonds†</b>	<b>Total Debt Service*</b>
2021	\$6,416,789	\$17,665,205	\$2,593,782	\$26,675,776
2022	8,437,699	18,379,450	3,346,815	30,163,964
2023	9,617,905	16,692,550	3,346,815	29,657,270
2024	8,849,987	17,385,800	3,346,815	29,582,602
2025	8,859,973	17,378,300	3,346,815	29,585,088
2026	8,868,709	17,367,550	3,346,815	29,583,074
2027	10,250,131	17,342,800	3,346,815	30,939,746
2028	10,290,003	17,328,800	3,346,815	30,965,618
2029	11,718,986	15,739,050	3,346,815	30,804,851
2030	13,858,192	13,766,300	3,346,815	30,971,307
2031	10,146,301	17,402,550	3,346,815	30,895,666
2032	9,808,949	17,646,300	3,346,815	30,802,064
2033	4,990,338	26,387,300	3,346,815	34,724,453
2034	4,930,543	26,423,800	3,346,815	34,701,158
2035	4,927,381	26,434,550	3,346,815	34,708,746
2036	4,929,055	26,427,050	3,346,815	34,702,920
2037	4,925,403	26,423,650	3,346,815	34,695,868
2038	18,826,587	6,770,500	3,346,815	28,943,902
2039	18,822,445	6,771,500	3,346,815	28,940,760
2040	18,828,477	6,768,500	3,346,815	28,943,792
2041	19,050,682	6,531,000	3,346,815	28,928,497
2042	5,829,050		13,501,815	19,330,865
2043	5,828,800		13,505,332	19,334,132
2044	5,823,800		13,503,239	19,327,039
2045	5,823,800		13,505,376	19,329,176
2046	5,828,050		13,506,261	19,334,311
2047	5,825,800		13,505,571	19,331,371
2048	5,826,600		13,502,986	19,329,586
2049	5,824,400		13,503,184	19,327,584
2050	5,824,000		13,505,683	19,329,683
	<b>\$269,788,835</b>	<b>\$363,032,505</b>	<b>\$191,069,528</b>	<b>\$823,890,867</b>

\* Excludes debt service on the 2000-2 Bonds, the 2002B Bonds, the 2005B Bonds, the 2007B Bonds, the Refunded 2011 Bonds and the Refunded 2012 Bonds which will be refunded with proceeds of the 2020 Bonds.

† The University intends to issue the University 2020 Bonds prior to the issuance of the 2020 Bonds. Debt service on the University 2020 Bonds will be included in "Debt Service on Other Indebtedness".

## SECURITY AND SOURCES OF PAYMENT

### Sources of Payment

The 2020 Bonds are limited obligations of the Authority, equally and ratably secured under the Indenture with the Outstanding Prior Bonds and any Additional Bonds that may hereafter be issued under the Indenture, except with respect to moneys on deposit in any debt service reserve fund established for any series of Prior Bonds, which are pledged solely for the benefit of such series of Prior Bonds and moneys on deposit in any reserve fund or separate fund which are pledged solely for the benefit of any series of Additional Bonds and except with respect to any sinking funds established for the payment or redemption of any particular Bonds issued under the Indenture. The 2020 Bonds are payable solely from: (i) the Pledged Revenues, including payments received from the University under the Loan Agreement and under the Collateral Agreement, and (ii) monies held by the Trustee in funds established under the Indenture with the exception of funds and accounts held solely for a specific series of Bonds issued under the Indenture.

**Neither the general credit of the Authority nor the credit or taxing power of the Commonwealth of Pennsylvania or any political subdivision thereof is pledged for the payment of the principal of, premium, if any, or interest on the 2020 Bonds, nor shall the 2020 Bonds 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, premium, if any, or interest on, the 2020 Bonds. The Authority has no taxing power.**

### Pledges of Revenues and other Collateral

The University's obligation to make payments under the Loan Agreement constitutes a general obligation of the University and the full faith and credit of the University is pledged to the payment of all sums due thereunder. The 2020 Bonds are equally and ratably secured on a parity with the Prior Bonds, and any Additional Bonds which may hereafter be issued under the Indenture (except as otherwise provided in the Indenture and described above) by an assignment to the Trustee of all the right, title and interest of the Authority in and to the Loan Agreement, which includes the right to receive loan repayments from the University. The University's obligations under the Loan Agreement are secured by a security interest in the University's Unrestricted Gross Revenues as defined in the Loan Agreement. The University's pledge of Unrestricted Gross Revenues is subject to a prior pledge of certain revenues to secure existing indebtedness of the University. See **"APPENDIX A: CERTAIN INFORMATION CONCERNING DREXEL UNIVERSITY - Indebtedness"** for information concerning such indebtedness and the revenues pledged therefor, including a pledge of Unrestricted Gross Revenues to secure Alternative Debt, such as the University 2020 Bonds. Furthermore, the pledge of Unrestricted Gross Revenues by the University pursuant to the Loan Agreement may in the future be subordinated with respect to revenue from specific facilities pledged to others to obtain and secure obligations bearing interest at below market rates by reason of governmental subsidies or grants. Pursuant to the Loan Agreement, the University may incur additional short-term and long-term debt with a lien on and security interest in the Unrestricted Gross Revenues on a parity with the 2020 Bonds and create liens and mortgages on other University Facilities. For a description of the terms and conditions under which such debt may be incurred see **"APPENDIX C: SUMMARY OF LEGAL DOCUMENTS - THE LOAN AGREEMENT."**

Under the Loan Agreement, the University pledges and agrees that whenever an Event of Default, as defined in the Loan Agreement, shall have occurred and is continuing, the University shall deliver daily to the Trustee, or permit the Trustee to collect directly, so far as practicable, all of the Unrestricted Gross Revenues and other sums pledged pursuant to the Loan Agreement, until the total amount of such

moneys so delivered or collected shall equal the total amount due and payable under the Loan Agreement and no event of default shall be continuing. Such pledge and agreement to pay shall not inhibit the right of the University to collect and apply Unrestricted Gross Revenues and other sums pledged in such manner and to such purposes as it deems appropriate so long as it is not in default under the terms of the Loan Agreement.

### **Intercreditor Agreement**

In connection with the issuance of the University 2020 Bonds the University will enter into an intercreditor agreement (the “Intercreditor Agreement”) with the Authority, the Trustee, the trustee for the University 2020 Bonds and other lenders who have made loans to the University secured by a lien on the University’s Unrestricted Gross Revenues. Each of such lenders agrees in the Intercreditor Agreement that upon an event of default it will distribute all Unrestricted Gross Revenues received by it according to the pro rata formula described in the Intercreditor Agreement. The University will covenant in the Intercreditor Agreement that it will not incur additional debt secured by a parity lien on Unrestricted Gross Revenues unless the holder of such debt executes an addendum to the Intercreditor Agreement or a new intercreditor agreement which provides for a distribution of Unrestricted Gross Revenues on substantially the same basis as provided in the Intercreditor Agreement.

### **Actions by the State Treasurer for Nonpayment of Loan Repayments**

Drexel University is one of eight institutions of higher education in the Commonwealth of Pennsylvania classified as “state-aided colleges and universities.” Such institutions have in the past benefited from specific legislative appropriations from the Commonwealth each year. See “**APPENDIX A: CERTAIN INFORMATION CONCERNING DREXEL UNIVERSITY – Commonwealth Appropriations to the University**” for a description of the Commonwealth’s appropriations to the University.

Although the University has no formal relationship with the Commonwealth of Pennsylvania, it has, pursuant to specific legislative appropriations, received sums from the Commonwealth for support of instruction and financial aid each year since 1959. Drexel received appropriations from the Commonwealth of \$8.1 million in fiscal year 2015, \$8.1 million in fiscal year 2016, \$8.1 million in fiscal year 2017, \$8.2 million in fiscal year 2018, and \$9.2 million in fiscal year 2019. The Commonwealth’s budget for fiscal year 2020 includes funding of \$8.2 million. How the Commonwealth’s budget and this specific funding might be affected by the COVID-19 response, has not yet been determined.

The Act includes a provision which permits the State Treasurer, after giving written notice to the University, to withhold from Commonwealth appropriations payable to the University, if any, an amount equal to the unpaid sums owed by the University to the Authority for any Bonds issued under the Indenture. Although the Act provides that the exercise of this power by the State Treasurer is not mandatory, the State Treasurer has entered into the Collateral Agreement with the Authority and the University which irrevocably binds the State Treasurer to withhold out of State appropriations payable to the University, if any, an amount equal to the unpaid sums owed by the University to the Authority under the Loan Agreement and to pay over such amount withheld to the Authority. Under the Indenture, the Authority has assigned to the Trustee its right to receive any such payments. Commonwealth appropriations do not secure Alternative Debt.

**Annual appropriations for aid to state-aided institutions in the Commonwealth are subject to the discretion of the General Assembly of the Commonwealth and after an appropriation is made it may be reduced. The General Assembly is not legally obligated to budget, appropriate or pay such funds and there can be no assurance that it will do so in the future.**

## **Additional Bonds and Indebtedness**

The Authority may issue additional series of bonds under the Indenture on a parity with, and the University may incur certain additional indebtedness, such as the University 2020 Bonds, on a parity with or subordinate to, the 2020 Bonds and the Prior Bonds, including certain types of short-term indebtedness. In order for such bonds to be issued or such other indebtedness to be incurred, the University must satisfy certain conditions as set forth in the Indenture and the Loan Agreement and certain credit facilities. For a further description of the conditions under which such bonds may be issued or such other indebtedness may be incurred, see **“APPENDIX C: SUMMARY OF LEGAL DOCUMENTS -THE INDENTURE - Additional Bonds; THE LOAN AGREEMENT - Limitations on Additional Indebtedness.”**

## **Springing Provisions**

The Springing Provisions provide more flexible financial covenants, including provisions for the incurrence of indebtedness. These modifications will become effective at a future date when consent of holders of not less than a majority in aggregate principal amount of bonds then outstanding under the Indenture has been obtained or deemed obtained. See **“APPENDIX C: SUMMARY OF LEGAL DOCUMENTS – SPRINGING AMENDMENTS”** for a description of the Springing Provisions. By purchase of the 2020 Bonds, all of the 2020 Bondholders are deemed to have consented to the Springing Provisions. Based upon \$385,030,000 principal amount of Bonds Outstanding following the issuance of the 2020 Bonds, the holders of the 2020 Bonds have provided their written consent with respect to \$152,485,000 of principal amount of Bonds Outstanding. This portion represents 39.6% of Outstanding Bonds under the Prior Indenture.

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the 2020 Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue separate Municipal Bond Insurance Policies (the "Policies") for the 2020A Bonds and the 2020B Bonds. The respective Policies guarantee the scheduled payment of principal of and interest on the 2020 Bonds when due as set forth in the form of the Policies included as an appendix to this Official Statement.

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

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings

may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

#### *Current Financial Strength Ratings*

On December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On November 7, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

#### *Capitalization of AGM*

At March 31, 2020:

- The policyholders' surplus of AGM was approximately \$2,573 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$997 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,997 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

### *Incorporation of Certain Documents by Reference*

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

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the 2020 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

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

### *Miscellaneous Matters*

AGM makes no representation regarding the 2020 Bonds or the advisability of investing in the 2020 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “**BOND INSURANCE**”.

## **BONDHOLDERS' RISKS**

### **General**

There are risks in purchasing the 2020 Bonds, only some of which are outlined in this section of this Official Statement. The 2020 Bonds are special, limited obligations of the Authority and are payable solely from payments made pursuant to the Loan Agreement. In addition, the 2020 Bonds are payable from certain funds held by the Trustee pursuant to the Indenture.

The ability of the Authority to make timely payments of principal and interest on the 2020 Bonds depends on the ability of the University to make timely loan payments pursuant to the Loan Agreement.

The University expects that revenues derived from its ongoing operations, when taken together with other funds available to the University for such purposes, will at all times be sufficient to make debt service payments, and the University has covenanted under the Loan Agreement to charge such fees and rates for its services, together with other available funds, to provide necessary net revenues to pay debt service as and when due. A number of factors, however, may adversely affect the University's ability to make timely debt service payments.

**NO REPRESENTATION OR ASSURANCE CAN BE GIVEN THAT THE UNIVERSITY WILL GENERATE SUFFICIENT REVENUES TO MEET THE UNIVERSITY'S PAYMENT OBLIGATIONS UNDER THE LOAN AGREEMENT.**

Future legislation, regulatory actions, economic conditions, changes in private philanthropy, competition with other institutions of higher education, changes in the number of students in attendance at the University, changes in operating resources available from its endowment, or other factors could adversely affect the University's ability to generate revenues sufficient to pay debt service on the 2020 Bonds and other parity indebtedness. Neither the Underwriters nor the Authority have made any independent investigation of the extent to which any of these factors could have an adverse impact on the future revenues of the University.

**Recent Events Relating to COVID-19**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally, in the United States and in the Commonwealth. Governor Wolf declared a state of emergency in the Commonwealth on March 6, 2020. The continued spread of COVID-19 and impact on social interaction, travel, economies and financial markets will adversely affect the University's operations and financial condition.

Potential impacts include the following:

- The University's business depends on significant numbers of undergraduate and graduate students, and the inability to recruit and retain a material number of students may have a material adverse impact on the University's results of operations and financial condition.
- The relative geographic concentration of the University's applicant pool could expose the University to risks associated with regional demographics, local and regional economies, and other local and regional adverse conditions.
- The ability of admitted international students to (i) travel to the University's campus or (ii) obtain necessary student visas may continue to be limited by governmental limitations on travel from other countries or to the United States.
- The University's operations face operating hazards and potential interruptions from the COVID-19 pandemic and other health emergencies, including related governmental-imposed limitations on operations, which could limit the matriculation of students and result in unplanned losses of revenue and/or higher than anticipated operating expenses. The University could face materially adverse effects on its net operating income to the extent COVID-19 and governmental responses thereto cause a material decline in its results of operations.
- Reductions in Commonwealth financial support for the University due to changes in available financial resources of the Commonwealth to maintain current and anticipated

future levels of appropriation support could have a material adverse effect on its results of operations and financial condition.

- Governmental and nongovernmental funding and sponsored research and philanthropic grants and gifts could be reduced.
- The University's ability to comply with governmental mandates may limit its ability to operate its business as currently anticipated.
- Costs of maintaining the current in-person and online curriculum in the future, compliance with new governmental mandates, laws and regulations, as well as potential liabilities arising from re-opening on-campus instruction and capital expenditures required to fulfill its mission may each materially adversely affect future financial performance and results of operations. See **"APPENDIX A: CERTAIN INFORMATION CONCERNING DREXEL UNIVERSITY—Litigation."**
- The University's ability to forecast future financial conditions or results of operation and future revenues and expenses may be limited due to current facts and circumstances and historical performance, which may or may not be applicable to future performance and results of operations.
- Adverse effects on financial markets and consequently the returns on and value of the University's investments and endowment performance and market values.

The University is monitoring developments and the directives of federal, state and local officials to determine what additional precautions and procedures may need to be implemented by the University in connection with the continuing spread of COVID-19 and the return to on-campus instruction. The full impact of COVID-19 and the scope of any adverse impact on University finances and operations cannot be fully determined at this time due to the dynamic nature of the outbreak, including uncertainties relating to its duration and severity, as well as what actions may be taken by governmental authorities and other institutions to contain or mitigate its impact. See **"APPENDIX A: CERTAIN INFORMATION CONCERNING DREXEL UNIVERSITY – COVID-19 Response."**

### **Tuition Revenues**

Tuition revenue is the principal revenue source for the University. While the University has been able to demonstrate a satisfactory level of student demand for its academic programs at current tuition levels, there is no assurance that it will be able to continue to do so throughout the term of the 2020 Bonds. Demand for attendance at the University may be subject to factors beyond its control, such as general economic conditions and demographic trends, especially declining birthrates and high school graduation rates in the regions in which the University recruits new students, tuition discounting by competing institutions, funding levels at competing state-supported and private institutions, and public and private funding of financial aid programs. The University currently subsidizes a majority of its students with scholarship and loan programs, which are subject to reduction and limitation. In addition, the academic reputation of the University is a critical factor in continued demand for attendance.

### **Faculty**

The ability of the University to attract and retain faculty members with outstanding credentials is an important factor contributing to the University's academic reputation. The availability of convenient, affordable housing, as well as other quality-of-life factors, may affect the University's ability to be competitive with other comparable institutions in its ability to attract faculty members and students.

## **Fund Raising**

The University has demonstrated an ability to raise funds from a variety of benefactors to fund a portion of finance its operations and capital development programs and to increase its endowment. The University plans to continue those efforts in the future. There can be no assurance, however, that those efforts will be successful. Such efforts may be adversely affected by a number of factors, including general economic conditions and tax law changes affecting the deductibility of charitable contributions.

## **Additional Borrowings**

The Loan Agreement limits the amount of additional Long-Term Debt and Short-Term Debt of the University and the circumstances under which it may be incurred and secured. Although the University expects that any such additional debt may be readily serviced by net revenues of the University, the incurrence of any such debt may have the effect of diluting resources available to make loan payments under the Loan Agreement. The University secured its obligations in connection with the Prior Bonds, and is securing the 2020 Bonds with a pledge of its Unrestricted Gross Revenues, as described in "**SECURITY AND SOURCES OF PAYMENT**," however, the University has also secured other debt with a pledge of Unrestricted Gross Revenues.

The University intends to issue the University 2020 Bonds in the principal amount of approximately \$100 million to provide funds to reimburse the University for the costs of acquisition, through certain affiliates, of its undivided interest in the operations of, and a leasehold interest in the buildings, structures, real estate and appurtenant facilities and fixtures constituting, St. Christopher's Hospital for Children located in Philadelphia and used by the University in connection with its academic medical education program in pediatric medicine. The University 2020 Bonds will be secured by a lien on the University's Unrestricted Gross Revenues on a parity with the Prior Bonds and the 2020 Bonds. The University expects to issue the University 2020 Bonds prior to the issuance of the 2020 Bonds.

Certain other indebtedness of the University is also secured and may, in the future, be secured by a pledge of its Unrestricted Gross Revenues. The University may incur additional debt, including both Long-Term Debt and Short-Term Debt, on a parity with the 2020 Bonds with respect to the lien on the University's Unrestricted Gross Revenues, or it may incur debt secured by a security interest in or lien on other University property, upon compliance with the terms and conditions of the Loan Agreement and the other documents governing its indebtedness. Certain of the documents governing existing indebtedness may contain provisions that are different from, and may be more restrictive than, the Loan Agreement.

To the extent permitted under the Loan Agreement, additional debt incurred by the University may be secured by a pledge of Unrestricted Gross Revenues of the University or by a security interest in or lien on other University property. The existence and incurrence of any such additional secured debt may adversely affect the position of the holders of the 2020 Bonds in the event of any bankruptcy or insolvency proceedings involving the University. The incurrence of any such additional secured debt in the future may have an adverse effect on the market price of the 2020 Bonds.

## **Additional Covenants**

The University is entering into an indenture with respect to the University 2020 Bonds and has entered into loan agreements with certain financial institutions which contain additional operating covenants and restrictions, including but not limited to a requirement to maintain certain levels of liquidity, specified debt service coverage ratios and minimum ratings, for the sole and exclusive benefit of such financial institutions. Such additional covenants and agreements may be more restrictive than those in the Loan Agreement and compliance by the University with the terms thereof may be enforced or waived at the sole discretion of the parties thereto.

### **Security Interest in Unrestricted Gross Revenues**

The effectiveness of the pledge of Unrestricted Gross Revenues of the University is limited since a security interest in money generally cannot be perfected by the filing of financing statements under the Pennsylvania Uniform Commercial Code ("UCC"). Rather, such a security interest is perfected by taking possession of the subject funds. The monies constituting Unrestricted Gross Revenues received by the University from time to time are not required to be transferred to or held by the Trustee, and may be spent by the University. Under the circumstances, the pledge of Unrestricted Gross Revenues might not be perfected under the UCC.

### **Potential Effects of Bankruptcy**

If the University were to file a petition for relief under the Federal Bankruptcy Code, its Unrestricted Gross Revenues and certain of its accounts receivable and other property acquired after the filing (and under certain conditions, some or all thereof acquired within 120 days prior to the filing) would not be subject to the security interests granted under the Loan Agreement. The filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the University and its property. If the bankruptcy court so ordered, the University's property, including its Unrestricted Gross Revenues, could be used for the benefit of the University despite the claims of its creditors (including the Trustee acting on behalf of the holders of the 2020 Bonds).

In a bankruptcy proceeding, the University could file a plan for the adjustment of its debts that modifies the rights of creditors generally or the rights of any class of creditors, secured or unsecured. The plan, when confirmed by the court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the debtor provided for in the plan. No plan may be confirmed unless, among other conditions, the plan is in the best interest of creditors, is feasible and has been accepted by each class of claims impaired thereunder.

Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly. Such an approved plan could limit recoveries by the holders of the 2020 Bonds and/or reduce the collateral pledged as security therefor.

### **Enforceability of Remedies**

The remedies available to Bondholders upon an Event of Default under the Indenture or the Loan Agreement are in many respects dependent upon judicial action that is subject to discretion or delay. Under existing law and judicial decisions, including specifically the Bankruptcy Code, the remedies specified in the Indenture and the Loan Agreement may not be readily available or may be limited. A court may decide not to order specific performance.

The various legal opinions to be delivered concurrently with the original delivery of the 2020 Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws or legal or equitable principles affecting creditors' rights.

### **Covenant to Maintain Tax-Exempt Status of the 2020A Bonds**

The tax-exempt status of the 2020A Bonds is based on the continued compliance by the Authority and the University with certain covenants contained in the Indenture, the Loan

Agreement and certain other documents entered into by the Authority and the University. These covenants relate generally to restrictions on the use of facilities refinanced with proceeds of the 2020A Bonds, arbitrage limitations, rebate of certain excess investment earnings to the federal government and restrictions on the amount of issuance costs which may be financed with proceeds of the 2020A Bonds. Failure by the Authority or the University to comply with such covenants could cause interest on the 2020A Bonds to become subject to federal income taxation retroactive to the date of issuance of the 2020A Bonds.

### **Property Tax Assessments**

In recent years, some local taxing authorities have sought to subject facilities of certain nonprofit organizations, including some private nonprofit colleges and universities, such as the University, to local real estate taxes, primarily by challenging their status as "purely public charities" as described in the Pennsylvania Constitution, notwithstanding the fact that the facilities of such organizations historically have been viewed as exempt from such taxes. Pennsylvania court decisions have produced differing results and have failed to provide clear guidance on the question.

Since judicial decisions in this area are highly fact-specific, local taxing bodies may continue to assert claims for taxes against nonprofit institutions, including colleges and universities, or negotiate payments in lieu of taxes. No assurance can be given that such claims will not be made in the future against the University.

### **State and Federal Legislation**

In recent years, the activities of nonprofit tax-exempt corporations have been subjected to increasing scrutiny by federal, state and local legislative and administrative agencies (including the United States Congress, the Internal Revenue Service, the Pennsylvania General Assembly and local taxing authorities). Various proposals either have been considered previously or are presently being considered at the federal, state and local level which would restrict the definition of tax-exempt or nonprofit status, impose new restrictions on the activities of tax-exempt nonprofit corporations, and/or tax or otherwise burden the activities of such corporations (including proposals to broaden or strengthen federal and local tax law provisions respecting unrelated business income of nonprofit corporations).

There can be no assurance that future changes in the laws, rules, regulations, interpretations and policies relating to the definition, activities and/or taxation of nonprofit tax-exempt corporations will not have material adverse effects on the future operations of the University.

### **Competition**

Competition among institutions of higher education is intense nationally and within the region from which the University recruits and draws the majority of its students. Universities and colleges compete principally based on location, net tuition rates, degree offerings, and academic reputation. To the extent that competitors have or achieve an advantage with respect to any of these factors, the University could be adversely affected. In addition, competitive pressures could result in tuition reductions or the inability to raise tuition, which could adversely affect the University's operating revenue and unrestricted net assets.

### **Fluctuations in Market Value of Investments**

Earnings on investments have historically provided the University an important source of cash flow and capital appreciation to support its programs and services, to finance capital expenditure investments and to build cash reserves. Historically the value of both debt and equity securities as well as

alternative investments has fluctuated and, in some instances, the fluctuations have been quite significant. Diversification of securities holdings may diminish the impact of these fluctuations, however, no assurances can be given that the market value of the investments of the University will grow, or even remain at current levels and there is no assurance that such market value will not decline.

### **Maintenance of the University's 501(c)(3) Status**

The tax-exempt status of the 2020A Bonds presently depends upon the University's maintenance of its status as an organization described in Section 501(c)(3) of the Code.

The University has been determined by the Internal Revenue Service (the "IRS") to be a tax-exempt organization described in Section 501(c)(3) of the Code. To maintain such status, the University must conduct its operations in a manner consistent with representations previously made to the IRS and with current and future IRS regulations and rulings governing tax-exempt education facilities.

### **Cybersecurity Risks**

The University is focused on the importance of protecting the confidentiality of individuals' personal information, including certain student and employee information. The unauthorized release of such information, inappropriate access thereof, and failure to comply with certain required security safeguards with respect thereto, could result in materially adverse reputational and business operations consequences, including possible legal actions and economic liability. Educational institutions are highly dependent upon electronic record and other information technology systems for purposes of student and employee recordkeeping and student financial aid administration. These systems may be targets for cyberattacks that could result in system breaches, system damage, unauthorized access and dissemination of personal information and disruption of online instruction. Cyberattacks and other cyber incidents are occurring more frequently, are constantly evolving in nature, are becoming more sophisticated and are being made by individuals and groups (including criminal hackers, hacktivists, state-sponsored institutions, terrorist organizations and individuals or groups participating in organized crime) with a wide range of expertise and motives.

### **Other Risk Factors**

In the future, the following factors, among many others, may adversely affect the operations of the University to an extent that cannot be determined at this time:

- (1) Lack of demand for on-campus housing at the University;
- (2) Changes in the demand for higher education in general or for programs offered by the University in particular;
- (3) A decline in the demographic pool of candidates who may elect to attend the University;
- (4) A decrease in student loan funds or other financial aid that permits many students the opportunity to pursue higher education;
- (5) Changes in management, personnel or the administration of the University, or in the University's strategic focus;
- (6) Increased costs and decreased availability of public liability insurance;

(7) Employee strikes and other adverse labor actions that could result in a substantial reduction in revenues without corresponding decreases in costs;

(8) Cost and availability of energy;

(9) An increase in the costs of health care benefits, retirement plans or other benefit packages offered by the University to its employees;

(10) A decrease in the market value of the University's investments or unrestricted net assets;

(11) Reduced future University net tuition revenues as a result of a need to increase tuition discounting to attract and retain students;

(12) Reduced ability to attract future annual or capital campaign contributions, that may limit future projects or the ability of the University to address deferred maintenance and/or the support of expenses related to faculty salaries and tuition discounting;

(13) Reduced availability of qualified faculty to teach the programs offered by the University;

(14) A downgrade in the University's bond rating to a level which prevents the University from being able to borrow at affordable rates in the future;

(15) A rating change of the University's credit or liquidity providers which may adversely affect the interest costs on the University's variable rate debt or which may render such variable rate debt unmarketable;

(16) Higher interest rates, which could prevent borrowing for needed capital expenditures;

(17) Increasing costs of compliance with governmental regulations, including accommodations for handicapped or special needs students, and costs of compliance with the changes in such regulations;

(18) The occurrence of natural disasters, including floods and hurricanes, fires, pandemics and epidemics, and similar events, which might damage the facilities of the University, reduce enrollment or limit on-campus activities and associated revenue, interrupt service to or operation of its such facilities or otherwise impair the operation and ability of such facilities to produce revenue;

(19) Counterparty risk related to swaps used by the University; and

(20) An inability to retain students, resulting in enrollment losses and reduced revenues.

## **TAX MATTERS—2020A BONDS**

### **Tax Exemption-Opinion of Co-Bond Counsel**

The Internal Revenue Code of 1986, as amended (the "Code") contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the 2020A Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the 2020A Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the Authority and the University subsequent to the issuance and delivery of the 2020A Bonds in order for interest thereon to be and remain excludable from gross income for purposes of

federal income taxation. The Authority and the University have made covenants to comply with such requirements.

In the opinion of Co-Bond Counsel, interest on the 2020A Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion of Co-Bond Counsel is subject to the condition that the Authority and the University comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2020A Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the 2020A Bonds to be so includable in gross income retroactive to the date of issuance of the 2020A Bonds. The Authority and the University have covenanted to comply with all such requirements. Interest on the 2020A Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes.

In addition to the matters addressed below, prospective purchasers of the 2020A Bonds should be aware that ownership of the 2020A Bonds may result in collateral tax consequences to certain taxpayers, including but not limited to, foreign corporations, certain S corporations, financial institutions, recipients of social security and railroad retirement benefits and property or casualty insurance companies. Co-Bond Counsel expresses no opinion regarding any other federal tax consequences relating to the 2020A Bonds or the receipt of interest thereon.

**Prospective purchasers of the 2020A Bonds should be aware that the ownership of tax-exempt obligations, such as the 2020A Bonds, may result in collateral federal income tax consequences. Such prospective purchasers should consult their own tax advisors as to the consequences of investing in the 2020A Bonds.**

Co-Bond Counsel's opinion will be based on existing law, which is subject to change. Such opinion is further based on factual representations made to Co-Bond Counsel as of the date of delivery of the 2020A Bonds. Co-Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Co-Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective.

#### **Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations**

The Code, subject to limited exceptions not applicable to the 2020A Bonds, denies the interest deduction for indebtedness incurred or continued to purchase or carry tax-exempt obligations, such as the 2020A Bonds. With respect to banks, thrift institutions and other financial institutions, the denial to such institutions is one hundred percent (100%) for interest paid on funds allocable to the 2020A Bonds and any other tax-exempt obligations acquired after August 7, 1986.

#### **Property or Casualty Insurance Company**

The Code also provides that a property or casualty insurance company may also incur a reduction, by a specified portion of its tax-exempt interest income, of its deduction for losses incurred.

#### **Reportable Payments and Backup Withholding**

The payments of interest on the 2020A Bonds will be reported to the Internal Revenue Service by the payor on Form 1099 unless the holder is an "exempt person" under Section 6049 of the Code. A holder who is not an exempt person may be subject to "backup withholding" at a specified rate prescribed in the Code if the holder does not file Form W 9 with the payor advising the payor of the holder's taxpayer identification number. Holders should consult with their brokers regarding this matter.

The payor will report to the holders and to the Internal Revenue Service for each calendar year the amount of any “reportable payments” during such year and the amount of tax, if any, with respect to payments made on the 2020A Bonds.

### **Accounting Treatment of Amortizable Bond Premium**

An amount equal to the excess of the initial public offering price of a 2020A Bond set forth on the inside cover page over its stated redemption price at maturity constitutes premium on such 2020A Bond. A purchaser of a 2020A Bond must amortize any premium over such 2020A Bond’s term using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the purchaser’s basis in such 2020A Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such 2020A Bond prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed.

Purchasers of any 2020A Bonds, whether at the time of initial issuance or subsequent thereto, should consult their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning 2020A Bonds.

### **Continuing Compliance of the University**

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2020A Bonds. Ongoing requirements include, among other things, the provisions of Section 148 of the Code which prescribe yield and other limits within which the proceeds of the 2020A Bonds are to be invested and which may require that certain excess earnings on investments made with the proceeds of the 2020A Bonds be rebated on a periodic basis to the United States. The University will make certain representations and undertake certain agreements and covenants in the Loan Agreement, and in one or more tax compliance agreements to be delivered concurrently with the original issuance of the 2020A Bonds, designed to ensure compliance with the applicable provisions of the Code. The inaccuracy of these representations or the failure on the part of the University to comply with such covenants and agreements could result in the interest on the 2020A Bonds being included in the gross income of the Beneficial Owners for federal income tax purposes, in certain cases retroactive to the date of original issue of the 2020A Bonds.

The opinion of Co-Bond Counsel assumes the accuracy of these representations and the future compliance by the Authority with their respective covenants and agreements. Moreover, Co-Bond Counsel has not undertaken to evaluate, determine or inform any person, including any Beneficial Owner of the 2020A Bonds, whether any actions taken or not taken, events occurring or not occurring, or other matters that might come to the attention of Co-Bond Counsel, would adversely affect the value of, or tax status of the interest on, the 2020A Bonds.

## **TAX MATTERS—2020B BONDS**

### **Federal Income Taxes**

Interest on the 2020B Bonds is fully subject to federal income tax.

## United States Tax Consequences

The following is a summary of certain United States federal income tax consequences resulting from the beneficial ownership of the 2020B Bonds by certain persons. This summary does not consider all possible federal income tax consequences of the purchase, ownership, or disposition of the 2020B Bonds and is not intended to reflect the individual tax position of any beneficial owner. Moreover, except as expressly indicated, this summary is limited to those persons who purchase a 2020B Bond at its issue price, which is the first price at which a substantial amount of the 2020B Bonds is sold to the public, and who hold 2020B Bonds as “capital assets” within the meaning of the Code (generally, property held for investment). This summary does not address beneficial owners that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, purchasers that hold 2020B Bonds as a hedge against currency risks or as part of a straddle with other investments or as part of a “synthetic security” or other integrated investment (including a “conversion transaction”) comprising a note and one or more other investments, or United States Holders (as defined below) that have a “functional currency” other than the United States dollar (Special Taxpayers). This summary is applicable only to a person (“United States Holder”) who or which is the beneficial owner of 2020B Bonds and is (a) an individual citizen or resident of the United States, (b) a corporation or partnership or other entity created or organized under the laws of the United States or any State (including the District of Columbia), or (c) a person otherwise subject to federal income taxation on its worldwide income. This summary is based on the United States tax laws and regulations currently in effect and as currently interpreted and does not take into account possible changes in the tax laws or interpretations thereof any of which may be applied retroactively. Except as provided below, it does not discuss the tax laws of any state, local, or foreign governments.

### United States Holders

***Payments of Stated Interest.*** In general, for a beneficial owner who or which is a United States Holder, interest on a 2020B Bond will be taxable as ordinary income at the time it is received or accrued, depending on the beneficial owner’s method of accounting for tax purposes.

***Acquisition Premium.*** The purchaser of a 2020B Bond will be treated as having amortizable bond premium to the extent (if any) by which the purchaser’s initial basis in the 2020B Bond exceeds the outstanding principal amount of the 2020B Bond. Provided that the purchaser makes an election under Section 171(c) of the Code, the amount of any amortizable bond premium may be amortized over the term of the 2020B Bond and treated as a reduction of the Bondholder’s taxable interest income from the 2020B Bond each year. The election under Section 171(c) of the Code to amortize bond premium applies to all taxable debt obligations then owned and thereafter acquired by a holder of a 2020B Bond, and may be revoked only with the consent of the Internal Revenue Service (“IRS”).

OWNERS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE ADVISABILITY OF MAKING AN ELECTION TO DEDUCT AMORTIZABLE BOND PREMIUM AND THE APPROPRIATE METHOD OF MAKING SUCH AN ELECTION.

***Purchase, Sale, Exchange, and Retirement of Bonds.*** A United States Holder’s tax basis in a 2020B Bond generally will equal its cost, increased by any market discount and original issue discount included in the United States Holder’s income with respect to the 2020B Bond, and reduced by the amount of any amortizable bond premium applied to reduce interest on the 2020B Bond. A United States Holder generally will recognize gain or loss on the sale, exchange, or retirement of a 2020B Bond equal to the difference between the amount realized on the sale or retirement (not including any amount attributable to accrued but unpaid interest) and the United States Holder’s tax adjusted basis in the 2020B Bond. Except to the extent described above under “Bonds Purchased at a Market Discount”, gain or loss

recognized on the sale, exchange or retirement of a 2020B Bond will be capital gain or loss and will be long-term capital gain or loss if the 2020B Bond was held for more than one year.

***Backup Withholding.*** United States Holders may be subject to backup withholding on payments of interest and, in some cases, disposition proceeds of the 2020B Bonds, if they fail to provide an accurate Form W 9, "Request for Taxpayer Identification Number and Certification," or a valid substitute form, or have been notified by the IRS of a failure to report all interest and dividends, or otherwise fail to comply with the applicable requirements of backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a credit against the United States Holder's United States federal income tax liability (or refund) provided the required information is timely furnished to the IRS. Prospective United States Holders should consult their tax advisors concerning the application of backup withholding rules.

### **Information Reporting**

In general, information reporting requirements will apply with respect to payments to a United States Holder of principal and interest (and with respect to annual accruals of original issue discount) on the 2020B Bonds, and with respect to payments to a United States Holder of any proceeds from a disposition of the 2020B Bonds. This information reporting obligation, however, does not apply with respect to certain United States Holders including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts. In the event that a United States Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or is notified by the IRS that it has failed to properly report payments of interest and dividends, a backup withholding tax generally will be imposed on the amount of any interest and principal and the amount of any sales proceeds received by the United States Holder on or with respect to the 2020B Bonds.

Any payments of interest and original issue discount on the 2020B Bonds to a Non-United States Holder generally will be reported to the IRS and to the Non-United States Holder, whether or not such interest or original issue discount is exempt from United States withholding tax pursuant to a tax treaty or the portfolio interest exemption. Copies of these information returns also may be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the payee resides.

Information reporting requirements will apply to a payment of the proceeds of the disposition of a 2020B Bond by or through (a) a foreign office of a custodian, nominee, other agent, or broker that is a United States person, (b) a foreign custodian, nominee, other agent, or broker that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States, (c) a foreign custodian, nominee, other agent, or broker that is a controlled foreign corporation for United States federal income tax purposes, or (d) a foreign partnership if at any time during its tax year one or more of its partners are United States persons who, in the aggregate, hold more than 50% of the income or capital interest of the partnership or if, at any time during its taxable year, the partnership is engaged in the conduct of a trade or business within the United States, unless the custodian, nominee, other agent, broker, or foreign partnership has documentary evidence in its records that the beneficial owner is not a United States person and certain other conditions are met, or the beneficial owner otherwise establishes an exemption.

The federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a beneficial owner's particular situation. Beneficial owners should consult their tax advisors with respect to the tax consequences to them of the purchase, ownership, and disposition of the 2020B Bonds, including the tax consequences under state, local, foreign, and other tax laws and the possible effects of changes in federal or other tax laws.

INVESTORS WHO ARE NONRESIDENTS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE SPECIFIC TAX CONSEQUENCES TO THEM OF OWNING 2020B BONDS.

THE FOREGOING SUMMARY AS TO 2020B BONDS IS NOT INTENDED AS AN EXHAUSTIVE RECITAL OF THE POTENTIAL TAX CONSEQUENCES OF HOLDING THE 2020B BONDS. PROSPECTIVE PURCHASERS OF THE 2020B BONDS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF THE OWNERSHIP OF THE 2020B BONDS. CO-BOND COUNSEL WILL NOT RENDER ANY OPINION WITH RESPECT TO ANY FEDERAL TAX CONSEQUENCES OF OWNERSHIP OF THE 2020B BONDS

### **PENNSYLVANIA TAX OPINION**

In the opinion of Co-Bond Counsel, under the laws of the Commonwealth as enacted and construed on the date hereof, the 2020 Bonds, and the interest thereon are free from taxation for state and local purposes within the Commonwealth, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2020 Bonds or the interest thereon. Profits, gains or income derived from the sale, exchange, or other disposition of the 2020 Bonds are subject to state and local taxation within the Commonwealth of Pennsylvania. Specifically, the interest on the 2020 Bonds is exempt from the Pennsylvania personal income tax and the Pennsylvania corporate net income tax.

Co-Bond Counsel's opinion will be based on existing law, which is subject to change. Such opinion is further based on factual representations made to Co-Bond Counsel as of the date of delivery of the 2020 Bonds. Co-Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Co-Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective.

### **CHANGES IN FEDERAL AND STATE TAX LAW**

Legislative or administrative actions and court decisions, at either the federal or state level, could have an impact on the treatment of interest on the 2020 Bonds for federal or state income tax purposes, and thus on the value or marketability of the 2020 Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or otherwise. It cannot be predicted whether or in what form any such proposals may be enacted or whether if enacted such proposals would apply to bonds issued prior to enactment. In addition, regulatory or other actions are from time to time announced or proposed which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the 2020 Bonds. It cannot be predicted whether any such regulatory or other actions will be implemented or whether the 2020 Bonds would be impacted thereby.

Purchasers of the 2020 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Co-Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the 2020 Bonds, and Co-Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

**Prospective purchasers of the 2020 Bonds should be aware that the ownership of tax-exempt obligations, such as the 2020 Bonds, may result in collateral federal income tax consequences. Such prospective purchasers should consult their own tax advisors as to the consequences of investing in the 2020 Bonds.**

## VERIFICATION

Samuel Klein and Company (the “Verification Agent”) will deliver to the Authority, on or before the date of the delivery of the 2020 Bonds, its report (the “Verification Report”) indicating that it has verified the mathematical accuracy of the information provided to the Authority and its representatives by the Underwriters with respect to the refunding requirements of the 2011 Refunded Bonds and the 2012 Refunded Bonds. Included within the scope of its engagement will be a verification of (a) the mathematical accuracy of the computations of the adequacy of the cash and maturing principal of the securities to be placed in an escrow account to meet the scheduled payment of principal of and interest on the Refunded 2011 Bonds and the Refunded 2012 Bonds until redemption and the payment of the redemption price of the 2011 Refunded Bonds on May 1, 2021 and the 2012 Refunded Bonds on November 1, 2022, as described in “**PLAN OF FINANCE**” above, and (b) certain yield calculations relating to the Refunded 2011 Bonds and the Refunded 2012 Bonds.

The verification performed by the Verification Agent will be based solely upon data, information and documents provided to the Verification Agent. The Verification Report will state that the Verification Agent has no obligation to update the Verification Report for events occurring, or data or information coming to their attention, subsequent to the date of the Verification Report.

## CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the 2020 Bonds are subject to the approval of Saul Ewing Arnstein & Lehr LLP and Turner Law, P.C., both of Philadelphia, Pennsylvania, Co-Bond Counsel, whose opinion will be delivered to the Underwriters at the time of the delivery of the 2020 Bonds. Certain legal matters will be passed upon for the Authority by its counsel, Barley Snyder LLP, Lancaster, Pennsylvania; for the University by its counsel, Ballard Spahr LLP, Philadelphia, Pennsylvania; and for the Underwriters by their counsel, Dilworth Paxson LLP, Philadelphia, Pennsylvania.

## INDEPENDENT ACCOUNTANTS

The consolidated financial statements of the University and its subsidiaries as of June 30, 2019 and June 30, 2018 and for each of the two years in the period ended June 30, 2019, included in this Official Statement as **APPENDIX B**, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report herein.

## RATINGS

Moody’s Investor’s Services (“Moody’s”) has assigned an underlying rating of “A3” (negative outlook) to the 2020 Bonds, and S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) has assigned an underlying rating of “A-” (stable outlook) to the 2020 Bonds. Such ratings reflect only the view of Moody’s and S&P at the time the ratings were given, and neither the Authority, nor the University nor the Underwriters makes any representation as to the appropriateness of such ratings.

S&P is expected to assign a rating of “AA” (Stable Outlook) and Moody’s is expected to assign a rating of “A2” (Stable Outlook) to the 2020 Bonds, as a result of municipal bond insurance policies issued by AGM at the time of delivery of the 2020 Bonds.

There is no assurance that any rating will continue for any given period of time or that it may not be raised, lowered or withdrawn entirely if, in the rating agency’s judgment, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the price at which

the 2020 Bonds may be resold. Neither the Authority, nor the University nor the Underwriters have assumed any responsibility to advise the holders of the 2020 Bonds of any change in any rating on the 2020 Bonds or to maintain any particular rating on the 2020 Bonds.

An explanation of the significance of the rating given by Moody's may be obtained from Moody's at 7 World Trade Center, New York, New York 10007 (212-553-0300) and an explanation of the significance of the rating given by S&P may be obtained from S&P at 55 Water Street, New York, New York 10041 (212-438-2000).

## **UNDERWRITING**

Wells Fargo Securities, PNC Capital Markets LLC and Ramirez & Co., Inc. (collectively the "Underwriters") have agreed to purchase (a) the 2020A Bonds from the Authority at an aggregate purchase price equal to \$164,577,726.29 (representing the par amount, less the Underwriters' discount of \$277,046.96, plus original issue premium of \$30,119,773.25 and (b) the 2020B Bonds at an aggregate purchase price of \$17,722,949.83 representing the par amount, less the Underwriters' discount of \$37,050.17).

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, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group ("WFBNA"), one of the underwriters of the 2020 Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the 2020 Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2020 Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the 2020 Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

PNC Bank, National Association currently has and from time to time may have banking or other relationships with the University. PNC Capital Markets LLC is acting as an Underwriter of the 2020 Bonds. PNC Capital Markets LLC and PNC Bank, National Association are both wholly-owned subsidiaries of The PNC Financial Services Group, Inc.

The obligation of the Underwriters to purchase the 2020 Bonds is subject to certain terms and conditions set forth in the contract for purchase of the 2020 Bonds, the approval of certain legal matters by Co-Bond Counsel and certain other conditions. The terms of sale provide that the Underwriters will purchase all the 2020 Bonds, if any are purchased.

The Underwriters may offer and sell the 2020 Bonds to certain dealers (including dealers depositing the 2020 Bonds into investment trusts and others) at prices lower than such initial public offering prices as are stated inside the cover page hereof. The public offering prices may be changed from time to time by the Underwriters.

## FINANCIAL ADVISOR

The University has retained PFM Financial Advisors LLC of Philadelphia, Pennsylvania, as Financial Advisor in connection with the issuance and sale of the 2020 Bonds. PFM Financial Advisors LLC is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. PFM Financial Advisors LLC is an independent advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal securities or other public securities.

## CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the University will enter into a Continuing Disclosure Agreement with The Bank of New York Mellon Trust Company, N.A., as dissemination agent for the benefit of the Registered Owners (as defined in such agreement) of the 2020 Bonds, to be dated the date of original delivery and payment for the 2020 Bonds, the form of which is annexed hereto as **APPENDIX E**.

The University entered into continuing disclosure agreements in connection with the issuance of bonds issued on behalf of the University pursuant to which it agreed to file with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system certain annual financial information and notice of certain events. During the past five years, certain annual financial information which was timely filed on EMMA was not electronically linked to every CUSIP number associated with the outstanding bonds issued on behalf of the University. On December 6, 2017, the University updated its EMMA filings to electronically link its annual financial information to the CUSIP numbers for such outstanding bonds. The University also filed related failure to file notices on EMMA. The University has reviewed and updated its policies and procedures to help ensure future compliance with its continuing disclosure obligations.

The Authority is not a party to, and has no responsibility under, the Continuing Disclosure Agreement.

## 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 2020 Bonds, or in any way contesting or affecting the validity of the 2020 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 2020 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. **Certain litigation is described in further detail in "APPENDIX A: CERTAIN INFORMATION CONCERNING DREXEL UNIVERSITY – Litigation".**

## **CERTAIN RELATIONSHIPS**

Saul Ewing Arnstein & Lehr LLP, which is serving as Co-Bond Counsel, from time to time provides, and may in the future provide, legal services to the University. Joseph H. Jacovini, a partner at Dilworth Paxson LLP, counsel to the Underwriters, is on the Board of Trustees of the University and serves on its Executive Committee. Mr. Jacovini did not vote on the University's resolution relating to the 2020 Bonds.

## **MISCELLANEOUS**

The references herein to the Indenture, the Loan Agreement, the Collateral Agreement, the Escrow Agreement, statutes and other materials are only brief outlines of certain provisions thereof and do not purport to summarize or describe all the provisions thereof, copies of which will be available at the Office of the Trustee.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained in this Official Statement, including the appendices hereto, are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC rule 15c2-12.

The information contained in this Official Statement has been compiled or prepared from official and other sources deemed to be reliable and, although not guaranteed as to completeness or accuracy, is believed to be correct as of this date. Statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The information contained in this Official Statement should not be construed as representing all of the conditions affecting the Authority, the University, or the 2020 Bonds.

*Remainder of page left intentionally blank*

The Authority and the University have authorized the execution and distribution of this Official Statement. 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 2020 Bonds, the Authority assumes no responsibility for the disclosures set forth in this Official Statement.

PENNSYLVANIA HIGHER EDUCATIONAL  
FACILITIES AUTHORITY

By: /s/ Eric Gutshall  
Title: Executive Director

Approved:

DREXEL UNIVERSITY

By: /s/ Helen Y. Bowman  
Title: Executive Vice President, Treasurer and  
Chief Operating Officer

**APPENDIX A**

**CERTAIN INFORMATION CONCERNING DREXEL UNIVERSITY**

[ THIS PAGE INTENTIONALLY LEFT BLANK ]

## CERTAIN INFORMATION CONCERNING DREXEL UNIVERSITY<sup>1</sup>

### History and Philosophy of the University

Drexel University (the “University” or “Drexel”) is an independent, nonsectarian educational and research institution situated on approximately 88 acres in the University City section of Philadelphia. The University also owns an 18-acre athletic field complex located approximately 10 blocks west of the main campus, and a 12-acre educational complex located in the East Falls/Queen Lane section of Philadelphia (the “Queen Lane Facilities”). The University is incorporated in the Commonwealth of Pennsylvania (the “Commonwealth”) as a non-profit corporation and is qualified under section 501(c)(3) of the Internal Revenue Code as a tax-exempt charitable organization. The University is accredited by the Middle States Commission on Higher Education.

Philadelphia financier and philanthropist Anthony J. Drexel founded the Drexel Institute of Art, Science and Industry in 1891 to prepare young men and women for a rapidly growing industrial society. It became a degree-granting institution in 1914 and has undergone two changes in name: becoming Drexel Institute of Technology in 1936 and Drexel University in 1970.

Drexel’s academic enterprise has historically been guided by the concept that the best learning is experiential. Since 1919, Drexel has advanced the concept of experiential learning through its acclaimed Co-operative Education Program (“Drexel Co-op” or “co-op”), one of the oldest and largest of its kind in the nation. Through Drexel Co-op, undergraduates alternate periods of on-campus classroom study with periods of professional experience related to their academic interests. These experiences have created strong ties between Drexel and many business and governmental entities and organizations, extending from the Greater Philadelphia area to national and international locations. On average, one-third of Drexel students are hired for full-time positions by their co-op employers upon graduation.

Over the past fifteen years, Drexel has witnessed remarkable growth in the size and quality of its student body, research, scholarship, and faculty. It has seen the development of innovative, academic programs—on campus and online—including expansion into medical, nursing, public health, and legal education. It has also seen significant improvements to existing programs and colleges, and enhancements to its campus have produced a comprehensive research university that benefits from its diversity and distinctive fundamental commitment to experiential education and interdisciplinary practice. The Drexel University College of Medicine (“DUCOM”) came into existence in 2002 after a merger of institutions and is one of the largest private medical schools in the nation. On July 1, 2014, it was merged into Drexel University. The Thomas R. Kline School of Law opened in the fall of 2006. It was the first law school to open in 30 years at a nationally ranked private doctoral university, and it has been integrated into the Drexel community from its inception. In September 2011, the University established an affiliation with one of Philadelphia’s most storied institutions, the Academy of Natural Sciences

---

<sup>1</sup> For the purpose of this Appendix A, data relating to “Drexel University” or the “University” does not include data related to the University Subsidiaries, except as otherwise noted. However, these entities are included in the consolidated financial statements of the University in Appendix B.

(the “Academy”), pursuant to which the University became the sole member of the Academy. Please see the “University Subsidiaries” section in this Appendix A for more information.

In December 2019, the University acquired an undivided 50% interest in St. Christopher’s Hospital for Children and certain pediatric medicine physician practices (“St. Christopher’s”) from the bankruptcy estate of the American Academic Health System (“AAHS”) in a joint venture with Tower Health. Prior to its bankruptcy, St. Christopher’s was a venerable institution and national leader in pediatric care. The hospital was founded in 1875 and was one of only three Level I Pediatric Trauma Centers in Pennsylvania and the only Pediatric Burn Center in the Philadelphia area. The acquisition of St. Christopher’s ensured the continued operation of the hospital and an essential academic medical education training site for DUCOM and Drexel’s health science professions.

In addition to serving as a critical resource for the care of children in underserved neighborhoods, St. Christopher’s is also an essential part of medical student education for DUCOM. It has served as an important training site for more than 20 years for Drexel’s third- and fourth-year medical students and their hospital-based clinical rotations in pediatrics.

STC Healthcare Partners, LLC (“STCHP”) is a Pennsylvania limited liability company owned by two members, Drexel University and Tower Health, equally. STCHP is the sole member of two affiliated limited liability companies, STC OpCo, LLC (“STC OpCo”) and STC Pediatrics, LLC (STC Physicians”). STCHP is managed by a board of eight members; the University and Tower Health each appoints its CEO and 3 other members to the board of STCHP.

- STC OpCo does business as St. Christopher’s Hospital for Children (“SCHC”), owns the operating assets (other than the real estate) of St. Christopher’s, and leases the real estate and hospital buildings, appurtenances and fixtures under a 29 year lease, which includes an option to purchase fee title to the leased assets during and at the end of the lease term. SCHC is governed by a hospital board of six to ten members, consisting of three *ex officio* members (the CEO and CMO of SCHC and the Dean of DUCOM) and the remaining board members appointed by the STCHP board. Tower Health is responsible for the operational management of SCHC under a management agreement, and consolidates STC OpCo’s financial results in Tower Health’s financial statements. Drexel has a long-term Academic Affiliation Agreement and a Research Management Services Agreement with STCHP.
- STC Physicians owns the operating assets of the group physician practice at SCHC and several outpatient facilities where those physicians also practice medicine. It employs certain physicians on the medical staff of SCHC and their support staff. STC Physicians is governed by its sole member, the STCHP board.

Under the STCHP Operating Agreement, each member made an equal initial capital contribution to acquire an undivided interest in the operating assets and capitalize the STC OpCo for start-up operations.

No member is required, or permitted, to make additional capital contributions to STCHP, except as (1) recommended by its board and (2) with the unanimous consent of both Drexel and Tower Health.

No member is required to lend any funds to STCHP and no member shall have any personal liability for the payment or repayment of any capital contribution by any other member.

A member is not entitled to the return of any part of its capital contribution or to be paid interest on it.

Distributions of cash or property shall be made to each member in proportion to such member's percentage interest (50% for Drexel) after working capital reserves are established for the reasonable needs of the business.

A member may not sell, assign, pledge, encumber, dispose or transfer its membership interest and a member may not withdraw or resign from its membership for the first seven years of STCHP's existence, without the consent of the other member.

No member is personally liable for any debt or other liability of STCHP or its affiliates, unless such member has independently guaranteed or otherwise agreed to be responsible for a debt of STCHP or its affiliates. The University and Tower Health have agreed to guarantee certain lease obligations and contract agreements for which either could be obligated to pay if STCHP defaults.

The parties agreed that Tower Health could consolidate its interest in STCHP in its financial statements. To facilitate this agreement and satisfy the applicable accounting standards relating to consolidation of affiliated entities, the parties agreed to certain tie-breaker and deadlock provisions in the event a majority of the directors is unable to reach agreement.

The unique partnership arrangement between Drexel and Tower Health enables St. Christopher's to move from for-profit to non-profit control. The partnership ensures an essential ongoing training site for Drexel's medical school and health science students and others to conduct their clinical rotations in pediatrics, while furthering the University's growing relationship with Tower Health.

Drexel will oversee undergraduate medical education and research at St. Christopher's. The hospital's pediatrician-in-chief, who is also chair of pediatrics for DUCOM, will continue to supervise academic standards.

Ownership of the hospital operations, coupled with Drexel's recently executed 20-year academic affiliation with Tower Health and a long-term lease of and purchase option on the real estate, structures, appurtenances and fixtures, secures on a long-term basis DUCOM's ability to provide high-quality, accredited pediatric training to its medical students.

St. Christopher's will continue to operate residency and fellowship programs, under the sponsorship of Tower Health's residency programs, as well as serve as a pediatric training facility for other regional medical schools. Lewis Katz School of Medicine at Temple University, Albert Einstein College of Medicine and Sidney Kimmel Medical College – Thomas Jefferson

University, among others, all have graduate medical education programs that have rotations at St. Christopher's, and those will continue for the current academic year. Over time, the size and scope of the programs will be reviewed and right-sized to the hospital's capacity. Those changes will be made slowly and without disruption to current programs.

DUCOM currently educates more than 2,000 future physicians, biomedical scientists and health professionals. It offers some of the most innovative and rigorous academic programs available, incorporating the Drexel's expertise in engineering and technology into patient-centered medical training. DUCOM is home to one of the nation's leading centers for spinal cord research; one of the foremost centers for malaria study; and a highly regarded HIV/AIDS program with extensive NIH-funded research in prevention and therapeutic interventions.

At Tower Health's West Reading location, construction is underway on an additional, state-of-the-art College of Medicine facility, slated to open in fall 2021. When fully operational, the West Reading location is expected to educate and train at least 200 additional Drexel medical students.

### **Governance of the University**

The University is governed by the Trustees of Drexel University (the "Board of Trustees" or the "Board"). The Board is divided into two categories: Term Trustees and Emeritus Trustees.

**Term Trustees.** Term Trustees consists of not less than 20 or more than 49 persons, exclusive of any Commonwealth Trustees who may be appointed pursuant to the provisions of the Bylaws. The Term Trustees are entrusted with the conduct and supervision of the affairs of the University, and have the power to make all needful and lawful rules and regulations for the administration of the University. The Term Trustees are divided into three classes each designated by the year in which its term expires. The term of office of each class continue for three years and expire upon the adjournment of the Annual Meeting of the Board held in May in successive years. At the expiration of the respective terms, the vacancies are filled by the remaining Term Trustees. A vacancy occurring from death, resignation or any other cause may be filled by election by the Term Trustees for the unexpired term. Ordinarily, elections take place at the Annual Meeting of the Board.

No person who is a full-time student or a full-time employee of the University is eligible to serve as Term Trustee, including in an *ex officio* capacity (except for the President, as described herein). The President of the University, the Chair of the Board of Governors of the Drexel University General Alumni Association, the Chair of the law school advisory board (the "Law School Board Chair"), and the Chair of the Board of the Academy of Natural Sciences of Philadelphia are be *ex officio* Term Trustees with power to vote at Board and Committee meetings; and their presence at meetings of the Board or Board Committees are counted as part of a quorum determination. The appointment of the Law School Board Chair by the law school advisory board shall be subject to the approval of the University Board Chair and President.

**Emeritus Trustees.** Emeritus Trustees consists only of such persons who have served with distinction as Term Trustees for at least two terms, have been nominated for such distinction by the Nominating and Governance Committee, and last served as a Trustee at least

one year (or one annual meeting cycle) prior to election. They are elected by the Term Trustees and hold office for life or until resignation. They are invited to attend the Annual Meeting in May. They receive all mailings and be invited to all events to which Term Trustees are invited.

Emeritus Trustees are eligible to serve on Committees at the request of the Chair and are entitled to vote at Committee meetings. They are not entitled to vote at a meeting of the Board of Trustees and shall not be considered in constituting a quorum, or for any other purpose for which a certain number or proportion of Trustees is required at a meeting of the Board.

The Trustees and officers of the University are listed below.

### Term Trustees

<u>Name</u>	<u>Affiliation</u>
Ms. Chris McKendry Andrade <sup>1</sup>	Sportscaster, ESPN
Mr. Jeffrey A. Beachell <sup>1</sup>	Portfolio Manager, Veritable, LP
Mr. James Bean <sup>1,2</sup>	Entrepreneur, Early Stage Investor & Wine Proprietor
Ms. Sally J. Bellet, Esquire	President, Stein/Bellet Foundation
Mr. Gregory S. Bentley	Chief Executive Officer, Bentley Systems, Incorporated
Mr. Thomas E. "Rick" Berk <sup>1</sup>	Partner, Brown Brothers Harriman & Co
Ms. Karen Dougherty Buchholz <sup>3</sup>	Senior Vice President of Administration, Comcast Corporation
Mrs. Elinor H. Buck <sup>1</sup>	Consultant
Mr. Randall S. Burkert <sup>1</sup>	Managing Partner, Mercer + BondCapital, a Quadrant Company
Mr. Thomas A. Caramanico <sup>3</sup>	President, McCormick Taylor, Inc.
Mr. R. John Chapel, Jr. <sup>1</sup>	President and CEO, White Hall Capital, LLC
The Honorable Ida K. Chen	Judge, Philadelphia Court of Common Pleas
Mrs. Kathleen P. Chimicles <sup>1</sup>	President & CEO, GlenDevon Group, Inc.
Mrs. Abbie Dean <sup>1,2</sup>	President, ColdWaterFlat
Mr. Nicholas DeBenedictis <sup>1,2,3</sup>	Chairman Emeritus, Aqua America, Inc.
Mr. Amish Desai <sup>1</sup>	Founder and Portfolio Manager, Red Spruce Capital
Mrs. Gerianne T. DiPiano <sup>2</sup>	President, CEO & Founder, FemmePharma Global Healthcare, Inc.
Mr. Domenic M. DiPiero III	President, Newport Capital Group
Mr. Thomas O. Fitzpatrick, Esq <sup>3</sup>	Partner, Mincey Fitzpatrick Ross, LLC
Mr. Brian R. Ford <sup>2</sup>	CEO, Persil Mangeur, LLC
Mr. Michael C. Forman	Chairman & CEO, FS Investments
Mr. Kenneth Fulmer <sup>1,3</sup>	President & CEO, Urban Engineers
Mr. John A. Fry <sup>2</sup>	President, Drexel University
Mr. Sean J. Gallagher <sup>1</sup>	Retired Partner, Goldman Sachs & Company
Mr. David R. Geltzer <sup>1</sup>	Chairman, CEO and Founder, Geltzer Family Foundation
Mr. Richard A. Greenawalt <sup>1,2</sup>	Retired CEO, Arcadia Financial, Ltd
Mr. Richard A. Hayne <sup>2</sup>	CEO and Chairman, Urban Outfitters Inc
Mr. David Griffith <sup>2</sup>	Executive Director, Episcopal Community Services
Mr. Mauricio Gutierrez	President & CEO, NRG Energy Inc.
Ms. Mary R. (Nina) Henderson <sup>1,2</sup>	Former Corporate Vice President Bestfoods & President Bestfoods Grocery, Director, CNO Financial Group, IWG PLC and Hikma Pharmaceuticals PLC
Mr. Richard C. Ill <sup>1</sup>	Founder and Former Chairman & CEO, The Triumph Group, Inc.
Mrs. Patricia H. Imbesi <sup>1,2</sup>	Partner, Patriarch Management
Mr. Joseph H. Jacovini, Esquire <sup>2</sup>	Chair of Strategic & Financial Planning, Dilworth Paxson LLP

### **Term Trustees**

<b><u>Name</u></b>	<b><u>Affiliation</u></b>
Mr. Thomas R. Kline, Esquire <sup>2</sup>	Founding Partner, Kline & Specter P.C.
Mr. J. Michael Lawrie <sup>1,2</sup>	President & CEO, TLG Holdings, LLC
Dr. Raphael C. Lee <sup>1</sup>	Paul S. and Allene T. Russell Professor University of Chicago Medical Center
Mr. Patrick McGonigal	Retired CFO and a Co-Founder of iHealth Technologies
Mr. Matthew S. Naylor <sup>1</sup>	Chairman & CEO, Crumdale Partners
Mr. Denis P. O'Brien <sup>1,2</sup>	Retired CEO, Exelon Utilities and Sr. Executive Vice President, Exelon Corporation
Mr. Kevin J. O'Hara <sup>1</sup>	Executive Chairman, Congruex, LLC
Ms. Richelle Parham <sup>1,2</sup>	General Partner, Camden Partners
Mr. Charles P. Pizzi	Retired President & CEO, Tasty Baking Company
Mr. Thomas M. Rampulla <sup>1</sup>	Managing Director, Vanguard
Mrs. Virginia S. Rose	President & CEO, Lewith & Freeman Real Estate, Inc.
Mr. Stanley W. Silverman <sup>1,2</sup>	Retired, President & CEO, The PQ Corporation
	Founder & CEO, Silverman Leadership
Mr. Joseph P. Ujobai <sup>1</sup>	CEO, Alternative Investment Exchange
Mr. Charles K. Valutas <sup>1,2</sup>	Retired Sr. V.P & Chief Administrative Officer, Sunoco, Inc.
Mr. Michael J. Williams <sup>1</sup>	Chairman of the Board, Realogy Holdings Corp.

<sup>1</sup> Graduate of Drexel University

<sup>2</sup> Serves on Executive Committee

<sup>3</sup> Commonwealth Appointee

### **Emeritus Trustees**

Mr. Paul "Mel" Baiada	Mr. Robert McClements, Jr.
Mrs. Sylvia Merkel Brasler	Mr. John A. Nyheim
Mr. Robert R. Buckley	Mr. C.R. "Chuck" Pennoni
Mr. Barry C. Burkholder	Mr. D. Howard Piece
Mr. Robert L. Byers, Sr.	Mr. John J. Roberts
Mr. Robert J. Drummond	Mr. William T. Schleyer
Mr. John G. Johnson, Jr.	Mr. Stephen Sheller, Esq.
Mr. George F. Krall, Jr.	Mr. Ray Westphal
Mr. James E. Marks	Dr. E. Frederick Wheelock

### **Corporate Officers of the University**

Mr. Richard A. Greenawalt	Chairman
Mr. Richard A. Hayne	Vice Chair of the Board of Trustees
Ms. Mary R. (Nina) Henderson	Vice Chair of the Board of Trustees
Mr. Stanley W. Silverman	Vice Chair of the Board of Trustees
Mr. John A. Fry	President
Mrs. Helen Y. Bowman	Treasurer
Mr. Darin Pfeifer	Secretary

## Principal Administrative Officers of the University

The University is administered on a day-to-day basis by the President and the senior administrative officers. The Provost and Executive Vice President of Academic Affairs is the senior academic officer of the University and is responsible for overseeing all academic areas of the University, including its colleges and schools, libraries, and research enterprise. The Executive Vice President, Treasurer and Chief Operating Officer is responsible for all financial matters of the University including the Comptroller's Office, Investment Office, Office of Budget and Financial Planning, Human Resources, Program Management & Organizational Effectiveness, Compliance and Privacy, Internal Audit, Equality and Diversity, Public Safety, Business Services, Real Estate and Facilities, and Information Resources. The Senior Vice President of Institutional Advancement is responsible for all institutional fundraising and alumni affairs. The Senior Vice President for Enrollment Management and Senior Vice President of Student Success are jointly responsible for the overall student experience at Drexel, which includes enrollment management, student financial and registration services, academic advising, retention and diversity, the Steinbright Career Development Center, and student life. All of these senior officers have responsibilities of various kinds for all of the University's affiliate organizations for which they and their offices provide administrative support.

The President, who is an *ex officio* member of the Board of Trustees, directs the general affairs of the University and reports to the Board of Trustees as the chief executive officer of the University. The President and all officers of the Board of Trustees are elected annually by the Board. The President and all senior administrative officers of the University have their job performances evaluated and their compensation reviewed, annually, by the Executive Compensation Committee of the Board of Trustees. The individuals described below are the primary members of the University's senior administrative officers.

**John A. Fry, President.** Mr. Fry, Drexel University's President, was named the 14th president in 2010, and has served in higher education for his entire professional life. Through his roles as a consultant, board member, chief operating officer and chief executive, he has acquired a deep and broad understanding of the challenges of leading a major educational institution.

Mr. Fry has transformed Drexel into a private research university with a strong public purpose — an institution that harnesses both its long-established and still-emerging strengths to serve its students, its neighborhood, its city and the nation. Under Mr. Fry's leadership, Drexel set a national example for the successful execution of public-private partnerships, and became a powerful force for economic development in the Greater Philadelphia region. He has championed major neighborhood revitalization initiatives, including the creation of a multi-faceted University extension center in Mantua — the Dornsife Center for Neighborhood Partnerships — extensive economic development efforts, and significant partnerships to support local neighborhood schools.

Mr. Fry negotiated a groundbreaking merger in 2011 with the Academy of Natural Sciences of Philadelphia, America's oldest major natural history museum and a world leader in natural sciences research. Drexel launched the Charles D. Close School of Entrepreneurship in 2013 to integrate entrepreneurial learning into the curriculum and support campus innovators.

Mr. Fry has also forged a series of academic and research partnerships to enhance Drexel's global connections in China, Turkey, Israel, Brazil, Chile, India and South Korea.

Fulfilling a commitment made to Drexel's neighbors in his first address as Drexel President, Fry has championed major neighborhood initiatives including the PECO-Drexel Education Collaborative supporting local public schools, the Lindy Institute for Urban Innovation and the Dornsife Center for Neighborhood Partnerships. He also attracted corporate partners to invest in Drexel's campus development. For example, American Campus Communities has invested more than \$300 million in residential/retail projects, which will reduce the destabilizing effect of student housing on all surrounding neighborhoods, while Drexel's enhanced Employee Home Purchase Assistance Program encourages increased owner occupancy by faculty and staff in the neighborhood.

A focal point of Drexel's strategic plan is to become an even greater economic engine for Greater Philadelphia. Mr. Fry announced the creation of Drexel Ventures, a subsidiary enterprise to help faculty and students partner with the private sector to build businesses around their inventions. Those relationships will be at the heart of Schuylkill Yards, a \$3.5 billion mixed-use development on University real estate adjacent to Philadelphia's Amtrak 30th Street Station.

Under Mr. Fry, Drexel also has seen a significant increase in fundraising and a growing number of philanthropic partners. Landmark gifts in recent years include \$50 million from Thomas R. Kline to support the Kline School of Law and \$45 million from Dana and David Dornsife to support the Dornsife School of Public Health. A \$400 million campaign reached its goal ahead of schedule in 2013 and brought in more than 16,000 new donors, including raising faculty and staff participation from 12 to 62 percent. In November 2017, Drexel publicly launched a \$750 million campaign, of which more than \$622 million has been secured. Signature accomplishments include the establishment of nearly 150 endowed scholarships, a dozen endowed professorships, and more than \$7 million raised to support unpaid, international or cultural co-op placements. More than 40,000 donors have supported the campaign thus far.

Mr. Fry came to Drexel from Franklin & Marshall College, where he served as president from 2002 and was instrumental in the college's academic growth, campus and neighborhood development and improved finances. He raised the college's national profile and brought renewed confidence to the institution.

From 1995 to 2002, Mr. Fry served as executive vice president of the University of Pennsylvania. He was a major force in developing and implementing Penn's "Agenda for Excellence," a comprehensive plan that guided strategic initiatives from 1996 to 2001. He also built a coalition of nonprofit, business, neighborhood and governmental organizations in support of a multi-pronged strategy to address the key challenges facing the University City neighborhood in West Philadelphia.

Mr. Fry served a three-year term ending in March 2017 as a member of the board of directors of the American Council on Education, representing fellow U.S. university presidents in the nation's most influential higher education association. Most recently, he was appointed to the board of Tower Health, as well as the Kresge Foundation, which invests more than \$160

million annually to foster economic and social change. Previously, Mr. Fry was named to the board of the Wistar Institute, which conducts biomedical research in the fields of cancer, immunology and infectious diseases, and to the board of the Advanced Functional Fabrics of America (AFFOA), part of the White House's National Network for Manufacturing Innovation. He also serves on the board of Lafayette College. He was the founding chairman of the University City District and served in that capacity for five years. He served for two years as chairman of the Chamber of Commerce for Greater Philadelphia, concluding his tenure in October 2018.

Mr. Fry formerly served as chair of the NCAA Division III Presidents Council and chair of U.S. Squash, the national governing body for the sport. He was appointed by President George W. Bush to the Benjamin Franklin Tercentenary Commission and co-chaired the transition team of Governor-Elect Edward Rendell of Pennsylvania. In 2014, Fry chaired the transition team of then Pennsylvania Governor-Elect Tom Wolf. In 2020 he was appointed as a Class B director to the Federal Reserve Bank of Philadelphia.

Mr. Fry was named to the Fulbright Specialist Program by the U.S. Department of State's Bureau of Educational and Cultural Affairs and World Learning in 2019. He received an award to serve as Fulbright Specialist to Italy in 2020 at the Politecnico di Milano with specific focus on leading collaborative efforts to strengthen institutional capacity as a comprehensive university focused on innovation and economic development.

***Paul E. Jensen, PhD, Interim Provost and Executive Vice President of Academic Affairs.*** Dr. Jensen was appointed as the University's highest-ranking academic officer in November 2019. He previously served as dean and R. John Chapel, Jr., Dean's Chair of the LeBow College of Business ("LeBow College" or "LeBow"), a post he assumed in April 2018 following a national search. Early in his tenure, Jensen developed and won support for a new strategic plan that leverages faculty research strengths and strong industry relationships. The plan marked a transitional moment for the LeBow College, heightening its focus on developing interdisciplinary, market-driven curricula to better prepare students for success in the rapidly changing economy.

As dean, Dr. Jensen also led two of the LeBow's most successful fundraising years and launched what is now the Drexel Solutions Institute — a University-level initiative that builds on the University's rich history of industry partnerships. The Institute serves as the primary gateway for organizations to connect with the University's student and faculty talent, intellectual expertise and R1 research capabilities — empowering organizations with full-scale, measurable solutions while expanding interdisciplinary research and experiential learning opportunities across the University.

Prior to his appointment as dean, Dr. Jensen served as interim dean of LeBow and in a variety of leadership and administrative roles within and outside of the LeBow College. For eight years as associate dean, he promoted and supported substantial improvements in both undergraduate and graduate programs, as well as in executive education and experiential learning. As director of the doctoral program for six years, he successfully increased both enrollment and PhD program support. He also led efforts that resulted in the creation of the

Dornsife Office for Experiential Learning and, for over seven years, guided the expansion of student projects focused on solving real-world business problems.

Dr. Jensen has had a broad impact on academic programs across the University, leading two other academic units. At the Goodwin College of Professional Studies, he led the creation of Drexel's First-Year Exploratory Studies Program, which allows students to explore their academic options before declaring a major. The program now enrolls more than 100 students each year. While serving as interim director of the Center for Hospitality and Sports Management, Dr. Jensen led the Center's restructuring, merging components with the College of Nursing and Health Professions and the LeBow College to better support students and faculty in all three units.

Joining the Drexel economics faculty in 1997, Dr. Jensen brought research expertise in the areas of international trade and industrial organization, with a specific focus on the determinants of bilateral trade patterns and the welfare implications of various trade and industrial policies. He has been recognized for his teaching with awards from both the University and Pennsylvania State University.

Prior to his academic career, Dr. Jensen worked as an engineer in the power generation division of General Electric. He received undergraduate degrees in economics and mechanical engineering from Syracuse University, and holds a doctorate in economics from Pennsylvania State University.

***Helen Y. Bowman, Executive Vice President, Treasurer & Chief Operating Officer.***

Ms. Bowman was promoted to Executive Vice President ("EVP"), Treasurer and Chief Operating Officer of the University in September 2015. Previously, Ms. Bowman had been the Senior Vice President, Treasurer & Chief Financial Officer ("CFO") since April 2011 and the EVP, Treasurer & CFO since November 2014. She oversees, manages and reports on over \$1.0 billion in revenue, \$2.2 billion in assets and an endowment of over \$823 million, and plays a vital role in providing strategic leadership and direction to all Drexel campuses. She directs all financial and investment planning and accounting practices for the University and, all of its subsidiaries and related entities; manages resources; sets strategy regarding cash management, capital planning, investments, bonds and other treasury issues; and oversees critical administrative functions including human resources, compliance and privacy, internal audit, information technology, business services, facilities and real estate, equality and diversity, and public safety. She also serves as the primary liaison for all University banking and rating agency relationships and collaborates with key stakeholders within and outside of the University. Ms. Bowman serves as the Vice Chair and President/Chief Operating Officer of Academic Properties, Inc., Director on the Board of Trustees of Drexel University Online, and Trustee on the Board of St. Christopher's Hospital for Children.

Ms. Bowman currently serves on Drexel's Executive Planning Committee, which is developing the University's next strategic plan. Previously, Ms. Bowman led Drexel University's Strategic Transformation of Administrative Resources efficiency review, which resulted in three main initiatives: Student Lifecycle Management ("SLM"), Responsibility-Center Management (RCM) and Procurement to Payment ("P2P"). Under SLM, Ms. Bowman led the initial effort to improve the University's retention and graduation rates, improve the student experience and

ensure increased access and affordability to the University. Under RCM, Ms. Bowman is co-leading the charge to increase accountability and transparency of the budget process with the schools/colleges and administrative units. Under P2P, Ms. Bowman oversaw the implementation of an eProcurement system and improved policies and processes to ensure strategic versus practical spend. In addition, Ms. Bowman created an Office of Organizational Effectiveness to ensure that continuous improvement remains part of the culture the University. For her leadership of these initiatives at Drexel, Ms. Bowman was named 2017 CFO of the Year by the *Philadelphia Business Journal*.

Ms. Bowman came to Drexel with nearly two decades of corporate and higher education financial experience. She worked as a Business Reengineering Consultant for PricewaterhouseCoopers, served six years with CIGNA Corporation in Philadelphia becoming Director of Finance/Controller for Strategic Initiatives and Quality Management within the Group Insurance division, and then in 2006 was named Associate Vice President for Finance at Franklin & Marshall College and then Vice President for Finance and Treasurer through March 2011.

Under her leadership at Franklin & Marshall, diligent expense management and budgeting enabled the college to achieve its highest financial margins in its history. She championed and implemented its Shared Services Consortium Group Health Plan, the only private group exemption received by the Pennsylvania Insurance Department, allowing institutions to share risks and obtain improved service and reduced health care costs. Ms. Bowman graduated summa cum laude with a bachelor's degree in business and economics from the University of Pittsburgh and earned her master's in business administration from the Katz Graduate School of Business at the University of Pittsburgh.

***David L. Unruh, Senior Vice President for Institutional Advancement.*** Mr. Unruh was named as Drexel's Senior Vice President for Institutional Advancement in November 2014. Mr. Unruh is responsible for leading the University's institutional advancement efforts and developing a collaborative, transparent, and inclusive culture of philanthropy. Working closely with the President, Provost, and deans, he and his team assess the fundraising potential of the University and craft multi-year fundraising strategies for sustainable long-term growth in unrestricted, restricted and endowment funds, including planning and executing comprehensive fundraising campaigns. Mr. Unruh also leads efforts to broaden the reach of Drexel's alumni relations' activities to expand and deepen alumni engagement and support.

Mr. Unruh came to Drexel with over two decades of higher education leadership experience and more than fifteen years leading donor development and alumni relations initiatives. Mr. Unruh's professional experiences at institutions of higher learning have included serving as director of major gifts for Carnegie Mellon University, director of regional major gifts for The University of Pennsylvania, associate vice president of alumni relations and development at The University of Chicago and senior vice president for institutional advancement at Temple University.

Following his experience at Temple, Mr. Unruh became a senior member of leading philanthropic firm Grenzebach Glier and Associates (GG+A), where he served as co-lead of their

education practice area and led the training practice. Focusing on higher education and health care, he managed a portfolio of active clients including Brandeis University, George Washington University, University of Maryland, Ohio State University, Penn State University, Wichita State University, and Nova Southeastern University.

Mr. Unruh holds a master's degree in college student personnel from Bowling Green State University and a bachelor's degree in history from Colby College.

***Michael J. Exler, Esq., Senior Vice President and General Counsel.*** Mr. Exler has been with Drexel's Office of the General Counsel since May 2000. With a career spent in both private practice and in the nonprofit education and healthcare sector, including two large academic medical centers, he has a wide range of experience in the business and legal affairs of universities and academic health centers. As Senior Vice President and General Counsel of the University, he is responsible for advising the President, the Board of Trustees, faculty and staff on a variety of matters in support of the University's mission, goals and objectives. Prior to assuming the role of General Counsel in January 2008, Mr. Exler served as Deputy General Counsel and Chief Counsel for DUCOM. He also served as Secretary of the DUCOM Board of Trustees from 2001-2008 and as Secretary of the University's Board of Trustees from 2008-2018. Prior to joining Drexel, Mr. Exler served as Senior Counsel for the Johns Hopkins Health System, where he also served as Board Secretary for four Hopkins-affiliated entities: Johns Hopkins HealthCare, LLC, The Johns Hopkins Medical Services Corporation, Johns Hopkins Employer Health Programs, Inc. and Priority Partners Health Plan. Prior to that, he served as Associate General Counsel for the Allegheny Health, Education and Research Foundation based in Philadelphia and Pittsburgh. Prior to his career in the nonprofit sector, Mr. Exler was in the private practice of law with the Pittsburgh law firm of Kabala & Geeseman (now Fox Rothschild). He received his Bachelor of Arts degree from Dickinson College (1983) and his Juris Doctorate from Duquesne University School of Law (1987), where he served on the editorial board of the Duquesne Law Review. Mr. Exler is a member of the National Association of College and University Attorneys, the American Health Lawyers Association, and the Philadelphia Bar Association.

***Evelyn K. Thimba, Senior Vice President of Enrollment Management.*** Ms. Thimba has almost twenty years of experience in college admissions and enrollment management and being successful in enrolling right-fit students to private research universities. Ms. Thimba was promoted to Senior Vice President of Enrollment Management in July 2019. Previously, Ms. Thimba had been Vice President and Dean of Enrollment since December 2015. Ms. Thimba oversees a dynamic team of professionals who are charged with enrolling undergraduate and graduate students and collaborating in the student success of over 24,000 students. Ms. Thimba currently serves as the Co-Chair of the Retention Committee working to develop Drexel University's strategic plan.

Ms. Thimba has committed her career to creating access and promoting opportunity in higher education to students who have historically been disadvantaged and hence under-represented in higher education. Ms. Thimba has worked with students and families to demystify college admissions both nationally and internationally. Ms. Thimba is the founder of the College Access Leadership Institute at NYU, a residential college application program that works with students in the New York metropolitan region to develop and empower the next generation of

college access ambassadors. A similar program, College Access Academy, has launched at the University. Ms. Thimba has been determined to ensure that enrolling a more diverse and inclusive class is a top priority.

Starting in November 2020, after serving as a Board member on the Test of English as a Foreign Language (“TOEFL”) Board at Educational Testing Services (“ETS”), Ms. Thimba will assume responsibilities as the Chair on the TOEFL Board at ETS. Since 2016, she has served on the Advisory Board at West Catholic High School working to advise West Catholic on enrollment and student success initiatives. She also serves on the Board of Trustees for the Delaware Valley Science Fair Organization. Other memberships include the College Board, NACAC, NJACAC, founding member and Co-Chair of the Multicultural Resource Group at NYU and serving on the NYU Deans Council on Diversity Initiatives.

Prior to her tenure at Drexel University, Ms. Thimba worked at New York University for sixteen years where she served as Associate Dean and Director of Admissions and was responsible for the recruitment and enrollment operation for the largest private university in the country. During her tenure at NYU as Director for Diversity Initiatives and later Associate Dean and Director for Admissions, NYU was recognized in a report by the *Chronicle of Higher Education* as the leading research university in the Association of American Universities (AAU) with regard to making the most significant progress towards racial diversity between 1992-2012. The article entitled “Diversity at Research Universities, 1992-2012” (The Chronicle of Higher Education, October 28, 2013) analyzed U.S. Department of Education data to develop a diversity index for universities in the AAU. The initiatives and efforts to diversify the University propelled NYU to top the list with an index of 69.41. A similar project is underway at the University. Ms. Thimba earned her Bachelor of Science degree in Business Management concentrating in Organizational Leadership from New York University and has pursued graduate studies in Education and Social Policy also at NYU.

***Elisabeth Van Bockstaele, PhD. Founding Dean, Graduate School of Biomedical Sciences & Professional Studies; Senior Vice President, Graduate and Online Education; Professor of Pharmacology & Physiology; President Drexel University Online.*** Dr. Van Bockstaele is Senior Vice President for Graduate and Online Education and Dean of the Graduate College at Drexel University. She was elected President of Drexel University Online (“DUO”) by the DUO board September 2019. She is responsible for fueling the continued growth and development of high-quality, innovative graduate programs. As Senior Vice President and Dean of the Graduate College, Dr. Van Bockstaele works closely with Academic Deans, other administrators, and members of the faculty. While the managerial functions related to curriculum and instruction rest with the Deans, the Senior Vice President and Dean of the Graduate College serves as a leader in strategic planning of educational graduate programs, enrollment growth opportunities for graduate programs, assuring quality of graduate instruction, and advancing the strategic plan for graduate education, and the goals and objectives of the University. In addition to her position as Senior Vice President and Dean of the Graduate College, Ms. Van Bockstaele is a neuroscientist who holds the appointment of tenured professor in the Department of Pharmacology and Physiology in the DUCOM. A leading expert on neural adaptations to drugs of abuse and the intersection with stress, she currently holds two R01 regular research grants as principal investigator and two other R01 grants as co-investigator with scientists at other academic health centers (CHOP, UMASS). Dr. Van Bockstaele has published

more than 200 peer-reviewed publications, reviews, and book chapters, and more than 300 symposium proceedings. She has received numerous awards, including the Dr. Charlotte Pann Award for Excellence in Research, New York University; the Daniel Freedman Award for Best Basic Science Research, National Association for Research on Schizophrenia and Depression; the A.E. Bennett Award, Society for Biological Psychiatry; the Dean's Citation for Advancement of Graduate Education as well as the Fredric Rieders Award for Graduate Education, Thomas Jefferson University; and the Educator Award from the Philadelphia Chapter of the Society for Neuroscience, among others.

Prior to her arrival at the University in 2013, Dr. Van Bockstaele served as professor and founding director of the Graduate Program in Neuroscience as well as vice chair of research in the Department of Neurological Surgery at Thomas Jefferson University. There she oversaw the development of a curriculum that bridged basic and clinical neuroscience and engaged clinicians in didactic coursework and as mentors of graduate students. She has consistently demonstrated commitment to providing a mentoring infrastructure that supports graduate students and postdoctoral fellows in their pursuit of research excellence as well as diverse career paths in science.

Throughout her career, Dr. Van Bockstaele has held a variety of leadership positions in grant review panels and national societies. She chaired the Neuroscience Training Committee ("NTC") and Membership and Chapters Committee of the global organization the Society for Neuroscience ("SfN") where she oversaw the development of a five-year strategic plan to enhance member benefits and growth. As Chair of the NTC at SfN, she promoted strategies to address education and training needs of neuroscientists at multiple career stages. She has been a member of, or chaired, several fellowship, center grant and program project study sections for the National Institutes of Health (NIH), and recently completed service as chair of the standing NIH study section, Neuroimmunology, Neuroendocrinology, and Regulatory Rhythms.

Dr. Van Bockstaele received her Ph.D. in neuroscience from New York University, and completed a post-doctoral fellowship at Cornell University Medical College where she also held a faculty appointment. She is a 2010 graduate of DUCOM's Executive Leadership in Academic Medicine® program for women.

### **Executive Planning Committee/Strategic Planning**

The goal of the Executive Planning Committee (the "EPC") is to increase the University's capacity for collaborative leadership; deliberation, and debate on alignment of strategic priorities and resource allocation, with the twin functions of:

1. Expressing the institutional vision
2. Ensuring progress of the vision

The EPC will prioritize from among the recommendations emerging from the committee, as well as from other planning efforts underway or recently completed at the University, and develop a coherent, achievable, and above all positively differentiating long term vision for the University. In doing so, the EPC will assess challenges facing higher education and the

University to effectively deliberate on its strategic priorities and resource allocation for developing this vision and associated recommendations. A complementary task for the EPC will then be to operationalize the vision through implementation. In some cases, this will mean better aligning our current efforts and infrastructure with the vision, while in others, this work may entail charging new task forces to explore initiatives and strategic investments. As such, the EPC will consider administrative and academic structures and potential reorganizations to best achieve progress and implementation toward the vision.

**Mission:** The University is an urban research university that unites academics, industry and community to address society's most pressing challenges through immersive experiential learning, interdisciplinary research and creative activity. We prepare graduates to become purpose-driven professionals and agents for positive change in a dynamic and complex world.

**Vision:** To create, disseminate and leverage knowledge with our partners, providing solutions for our world.

**Strategic goals:**

- Grow basic and applied research that generates new knowledge and impactful solutions.
- Deliver agile curricula responsive to rapidly changing societal needs.
- Provide an array of engaging, immersive learning experiences that prepare students to lead purposeful and positive lives.
- Leverage Drexel's unique academic design to serve as a national model for reshaping the relationship of universities to external partners.
- Engage community partners to contribute responsible, sustainable solutions that improve the quality of life in the region and beyond.

The EPC will explore how to achieve these goals by identifying specific measures for success and accountability, with special attention given to how enabling factors like multiple learning platforms, enrollment, talent attraction and retention, funding strategy, organizational processes and culture, can help make our aspirations a reality.

Originally expected to be completed by September 2019, the strategic plan is now targeted to be released by the end of 2020 in order to give the EPC additional time to adjust to the evolving circumstances associated with the COVID19 pandemic, build more community feedback and incorporate in real time what is learned about the evolving higher education landscape.

**Academic Units of the University**

The University, as a comprehensive urban research university, offers degrees at the bachelor's, master's, and doctoral levels. The University is comprised of fourteen degree-granting academic units (colleges, schools and a center), the Graduate College, and several

institutes. Multi-disciplinary teaching and research programs take advantage of expertise across academic units to provide market-driven, career-oriented educational programs, engage in high-impact research and development, and translate discoveries to commercial products. The keystone of the University's undergraduate offerings is its co-operative education program, and this pedagogical approach is growing in graduate programs. Drexel has one of the oldest and largest co-operative education programs in the country; approximately 92% of the Drexel eligible undergraduates spend six-month periods (up to 18 months total) working in major-related positions in business, industry, non-profit organizations, and government, enabling students to balance classroom theory with practical experience prior to graduation. Drexel students participate in other experiential learning activities, including civic engagement, research, entrepreneurship, and study abroad. More than 1,550 business, industrial, governmental and other institutions "cooperate" with the University in offering over 5,400 students annually the opportunity to acquire practical experience in employment related to their undergraduate studies. Co-op employers are located in 22 states (plus Washington, D.C. and Puerto Rico) and 45 countries. Many organizations eagerly embrace and nurture the fresh perspective, drive and dedication that are typical of a Drexel student and utilize the Co-op program as a future talent pipeline for full-time hiring upon graduation. The chart provides the location distribution of last year's students and a list of top Co-op employers:

<b>Geographic Location of Co-op</b>	<b>Number of Students</b>	<b><u>Selection of Top Co-op Employers</u></b>	
Pennsylvania	4,266	Children's Hospital of Philadelphia	Philadelphia Water Department
New Jersey	495	Comcast Corporation	PJM Interconnection LLC
New York	220	Exelon Corporation	SAP America
Delaware	100	Goldman Sachs & Co.	Susquehanna International Group
California	88	GlaxoSmithKline	Thomas Jefferson University Hospital
Maryland	50	Independence Blue Cross	TJX Companies
Other States	107	Johnson & Johnson	
Other Countries	181		

Students alternate their co-operative education program with six months of classroom study. Most co-operative education programs offer paid positions for which students obtain academic credit. Co-operative education is a degree requirement for most undergraduate majors, and students can choose between five-year programs or four-year programs. On average, one-third of Drexel students are hired for full-time positions by their co-op employers upon graduation. Brief descriptions of each of Drexel's academic units are provided below.

**Antoinette Westphal College of Media Arts & Design.** The Antoinette Westphal College of Media Arts & Design, (the "Westphal College"), teaches design, media and performing arts by empowering undergraduate and graduate students with knowledge, skill, and confidence to succeed in highly competitive creative fields. The Westphal College's programs in Gaming, Fashion, Interiors and Design enjoy top national rankings. Most programs are studio-based with small classes and hands-on learning guiding faculty members who are practicing artists and scholars, many with years of industry experience and highly visible awards and

honors. The educational experience of undergraduates includes co-op and encourages community-based and global experience, providing them with key advantages in achieving successful employment outcomes in highly competitive fields. Many of the programs reside in the URBN Center, which opened in 2012; this state-of-the-art design building inspires student and faculty research, scholarships, and creative work, and encourages collaboration and accomplishment. The Westphal College's stewardship of the Mandell Theater, the Pearlstein Gallery, DUTV (Drexel University television), WKDU (Drexel University Radio Station), and over 20 performing arts ensembles significantly enhances the University's cultural life and connects it to the artistic worlds of Philadelphia and beyond.

**College of Arts and Sciences.** The College of Arts and Sciences ("Arts and Sciences") offers programs at the bachelor's, master's, and doctoral levels in disciplines that span the sciences, social sciences, and humanities. Academic programs are designed to truly integrate arts and sciences, emphasizing understanding technology, opportunities for experiential learning and developing global awareness. The College is also the primary provider of educational foundation courses for all undergraduate students at Drexel. The successful move of the Department of Biology to the Constantine N. Papadakis Integrated Sciences Building in 2012 was followed by moves of the Department of Psychology to renovated space in Stratton Hall and of the Department of Biodiversity, Earth, and Environmental Sciences, created from the affiliation with the Academy of Natural Sciences of Drexel University, to 3201 Arch Street. Arts and Sciences recently created new departments in the humanities and social sciences, as its research and teaching agendas have developed especially in interdisciplinary areas and in community-based learning. Arts and Sciences still maintains a small college atmosphere as it maximizes the resources of the large University. The recruitment and retention of high caliber faculty and department heads continues to substantively increase extramural research support, scholarly output, and the broad impact of Arts and Sciences within the University and in academia.

**School of Biomedical Engineering, Science and Health Systems.** The School of Biomedical Engineering, Science and Health Systems (formerly the Biomedical Engineering and Science Institute founded in 1961) offers undergraduate degrees in biomedical engineering and graduate degrees in biomedical engineering and biomedical sciences. With a mission to "promote health and quality of life through education, research and innovation that integrates engineering and life sciences in a global context", the School transcends disciplinary boundaries, bridging the traditional organizational structures in the sciences, medicine, engineering and entrepreneurship. The value of the School lies in its broad research portfolio, innovative academic programs, and interdisciplinary collaborations with partners within the University, in the region, and around the world. The School enjoys a strong entrepreneurship program in biomedical technologies with a proven record of translational research and technology commercialization. Its alliance with regional economic development agencies, corporations and alumni together with its advisors from business development, legal, and investment communities sustains the growth of this School. The Wallace H. Coulter Foundation endowment of the Coulter Translational Research Partnership program funds projects that bring life-saving solutions to clinical practice by moving promising new biomedical discoveries to commercialization.

**Goodwin College of Professional Studies.** The Goodwin College of Professional Studies evolved from Drexel Evening College and more recently was moved under the umbrella

of the LeBow College of Business. The College continues to fulfill its mission to provide access for non-traditional students and working professionals. The College focuses on engaging freshmen in the new First-Year Exploratory Studies program, enrolling undergraduate degree-completing students in the General Studies major and graduate students in the MS in Professional Studies, overseeing non-matriculated student options and offering several non-credit continuing professional education programs.

**School of Education.** The School of Education is a community of educators, leaders, scholars, students and researchers. They are committed to transforming and enhancing all stages of education and preparing the next generation of leaders. With an early history of strong teacher training, the School of Education offers bachelor's, master's and doctoral degrees and a wide variety of certificate, certification and professional programs to meet the needs of educators and educational administrators. Students graduate with the knowledge and skills to enter education, government, corporations, and non-profit organizations. Placed within a premier technology university, the School of Education provides technologically based curricula with strong orientation in sciences, technology, and mathematics with experiential education as a foundation. The School's mission drives strong community and global outreach and partnerships, for example through the University-Assisted-Schools program in which School of Education students tutor and work with local elementary school students to help them reach their goals.

**College of Engineering.** Since its founding, the College of Engineering ("CoE") has served as both the flagship college and as a main identifier for the University. With the University's world-class co-op program, the CoE has been producing not only a well-prepared and talented-technical workforce, but also broadly educated leaders to meet the high-technology needs of industry, government and academia. Building on a traditional strength in engineering education, in recent years, CoE has undergone a rapid transformation towards becoming a major research college that is increasingly being recognized as one of the leaders and developers of new technologies, especially in critical emerging areas, such as Machine Learning Engineering. This has been accomplished by attracting talented new faculty, graduate and undergraduate students, as well as by continuing to develop state-of-the-art laboratory and teaching infrastructures. The College offers a strong hands-on, design-oriented undergraduate program beginning from the freshman year.

**College of Computing and Informatics.** Through its Program Alignment and Review Process in 2014, the University combined the College of Information Science and Technology (the *iSchool*), Computer Science (from the College of Engineering) and Computing and Security Technology (from the Goodwin College of Professional Studies) to create the College of Computing and Informatics. The College serves as a central hub for multi-disciplinary computing, information research and education. Its research activities address both opportunities and challenges of the information age and include work in the fields of computer science, computer security, human-centered computing, informatics and data science, library and information science, and systems and software engineering. The College delivers undergraduate, graduate and professional certificates in areas that include computer science, data science, library and information science and cybersecurity. Four centers and institutes are housed in the College, and the College is closely connected with the University's newly named Isaac L. Auerbach Cybersecurity Institute.

**Bennett S. LeBow College of Business.** The Bennett S. LeBow College of Business has gained a positive international reputation for its Executive MBA program, as well as its other graduate and undergraduate programs. Its professional graduate programs continue to be emphasized along with an equally strong commitment to achieving a nationally recognized research agenda. Comprised of six departments and the School of Economics, faculty in the College are leaders in scholarship and in educating students across a broad array of academic programs at the undergraduate and graduate levels. In 2013, the LeBow College celebrated its move to Gerri C. LeBow Hall, which provides interactive, state-of-the-art space for faculty, professional staff and students. The LeBow College is leading Drexel's efforts in corporate and executive education, economics, corporate governance based in the Raj & Kamla Gupta Governance Institute, technology management, business analytics, and business development, as discovery and innovation in engineering, the sciences, law, and medicine become more integrated and advance.

**Charles D. Close School of Entrepreneurship.** The Close School was created in 2014 and is the nation's first freestanding school of entrepreneurship to offer degrees. Building on an outstanding foundation of curriculum, programming and thought leadership at the University, the Close School is an engine driving the expanded culture of entrepreneurship envisioned by the University's strategic plan. With guiding values of integrity, adaptability, and commitment, the School focuses on developing a set of personal and professional skills that foster the pursuit of innovation in business, personal and career context. Students from every college and school at Drexel are able to connect through the Close School to curricular, extracurricular and experimental programs that support entrepreneurial efforts. The School's faculty include clinical faculty of practicing entrepreneurs whose involvement will deepen Drexel's connection to the corporate and entrepreneurship communities and jointly appointed Drexel professors from departments across the University whose work incorporates entrepreneurship and innovation. The School is also home to the Laurence A. Baiada Institute for Entrepreneurship, an established catalyst and incubator for student-based ideas. The School serves the regional entrepreneurial and business community through thought leadership in entrepreneurship research.

**College of Nursing and Health Professions.** The College of Nursing and Health Professions continues to increase in enrollment and research and continues its tradition of offering nationally accredited and highly regarded undergraduate and graduate programs in Nursing, Health Sciences, Health Administration, Physical Therapy and Rehabilitation Sciences, Physician Assistant, Behavioral Health, Nutrition Sciences, Couple and Family Therapy and Creative Arts Therapies. Undergraduate programs, including Nursing, follow the University's co-op education model. The College is known for its technology infused clinical education, including the use of mobile computing devices at the point of care and state-of-the-art simulation experiences for clinical skills learning. The College's interdisciplinary research initiatives have resulted in strong funding from the NIH. Embodying the University's mission of community engagement, the College of Nursing and Health Professions operates the federally-qualified Stephen and Sandra Sheller 11<sup>th</sup> Street Family Health Services Center, which is a national model serving medically underserved, urban residents with primary care, dentistry, and behavioral health services.

**Thomas R. Kline School of Law.** The Thomas R. Kline School of Law (the "Kline School of Law") offers a comprehensive curriculum that trains students to practice and excel in

any area of the law, building on and contributing to the University's traditional strengths in technology, experiential education, community engagement and interdisciplinary research, scholarship, and service, while uniquely integrating knowledge, skill development, and professionalism beginning with the student's first year of study. From its inception in 2006, the Kline School of Law has offered an exceptional and accomplished faculty, a challenging curriculum, and a variety of experiential learning opportunities in a vast range of practical settings. Drexel's law students have a unique opportunity to gain valuable experience in law practice through co-op and to develop a deep understanding of the importance of public service as a component of ethical legal practice. In addition, every student is required to provide pro bono legal services prior to graduation. Besides being exceptional educators and mentors, the Kline School of Law faculty have a strong record of scholarly activity, publishing in top law reviews and journals as well as producing several books. Recently the Kline School of Law launched offerings that include an accelerated two-year JD option, an LLM degree program and a Masters of Legal Studies program that will serve those interested in developing a knowledge base in the rapidly growing compliance arena.

**Dornsife School of Public Health.** The Dornsife School of Public Health, one of only two accredited public health schools in the Commonwealth of Pennsylvania, focuses on disease prevention and health promotion through education, practice, and research. The School was founded on the principle of health as a human right and the recognition of the importance of social justice as a means to achieve health for all. Here, health is defined broadly to encompass physical, mental, and social well-being and not merely as the absence of disease or infirmity. With a focus on population health in urban and global settings, the School's activities consider not only the characteristics of individuals but also the broader social, economic, and policy contexts of health. Faculty of high distinction have added considerable research and teaching expertise, and the School has assumed a major leadership role in public health in the region and beyond. The faculty has grown in size and stature over the last few years, and these highly interdisciplinary faculty enjoy national and international recognition in scholarship and service. Strong doctoral and master's programs have recently been complemented with a new BS in Public Health. In addition, MD/MPH and JD/MPH joint degrees are offered to students in medicine and law.

Over the past three months, as members of the City of Philadelphia's Board of Health, Marla Gold, MD, professor and dean emerita, Department of Health Management and Policy, John Rich, MD, MPH, professor, department of Health Management and Policy, and Ana Diez Roux, MD, PhD, MPH, have been weighing in and sharing their expertise with the Philadelphia Department of Public Health ("PDPH") and Health Commissioner Thomas Farley, MD, MPH. Dean Diez-Roux is in touch with Commissioner Farley periodically to share expertise. The Dean is also part of this panel at the Association of Schools & Programs of Public Health ("ASPPH") virtual annual meeting with deans from other leading public health schools and NIH Director Dr. Anthony Fauci.

**Pennoni Honors College.** The Pennoni Honors College (the "Honors College") attracts the brightest undergraduate students in the University by offering them dual enrollment in a disciplinary college as well as in the Honors College engaging students across the University in research, academic, community, and social activities. The Honors College distinguishes itself from other honors colleges in the nation in the breadth of its programs, many serving pre-college

as well as the entire undergraduate body including overseeing undergraduate research. The Honors College is home to the Custom-Designed Major, which enables highly motivated students whose interdisciplinary curiosity and career ambitions cannot be satisfied by a traditional major to pursue an individual course of study with high levels of mentorship.

**College of Medicine.** DUCOM excels and innovates in education, research, and delivery of compassionate care in our culture of diversity, spirited inquiry, collaboration, and opportunity. DUCOM represents the legacies of two historic medical schools: Hahnemann Medical College (founded in 1848) and the Woman's Medical College of Pennsylvania (1850), the first medical school in the world for women. As their proud successor, DUCOM upholds enduring values: commitment to educational opportunity; excellence in basic science and clinical preparation; dedicated mentorship; and the innovative spirit of revolutionary institutions. Today, with more than 1,000 medical students, DUCOM is educating one in every 83 medical students in the nation. Its more than 850 graduate students are enrolled in over 40 doctoral, master's and professional programs. DUCOM offers some of the most innovative and rigorous academic programs available, incorporating the University's expertise in engineering and technology. DUCOM is home to one of the nation's leading centers for spinal cord research; one of the foremost centers for malaria study; and a highly regarded HIV/AIDS program with extensive NIH-funded research in prevention and therapeutic interventions. DUCOM's emphasis on translational research, integrating the clinical and basic sciences, aims to significantly strengthen DUCOM's and the University's collective contribution to meeting the health care needs of society.

### **Accreditations and Memberships**

The University is accredited by the Middle States Commission on Higher Education (MSCHE). The Thomas R. Kline School of Law is accredited by the American Bar Association and is a member of the Association of American Law Schools. DUCOM is accredited by the Liaison Committee on Medical Education.

MSCHE Evaluation team will be on our campus to review our decennial self-study in 2022. The University launched MSCHE 2022 in April 2019 to begin work on the accreditation standards and affiliation compliance.

### **Faculty of the University**

As of March 1, 2020, Drexel University had 1,426 full-time faculty comprised of 667 tenured or tenure-track faculty and 759 faculty in teaching faculty positions. Approximately 88% of the full-time faculty hold terminal degrees in their respective fields of study. The University provides a competitive compensation program for its faculty and has a strong record of attracting individuals with outstanding qualifications

### **Application and Admission Credentials**

The following table sets forth applications received by the University from prospective freshmen, transfers and graduate students, acceptances and actual enrollment for the fall term of the academic years indicated.

**New Students: Applications, Acceptances, Enrollment**

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
<b>Complete Applications:</b>					
Undergraduate					
Full Time Freshmen	28,757	28,532	28,456	30,242	31,824
Full Time Transfers	<u>3,574</u>	<u>3,285</u>	<u>3,197</u>	<u>3,155</u>	<u>2,773</u>
Total Full Time	32,331	31,817	31,653	33,397	34,597
Part Time	<u>2,812</u>	<u>2,505</u>	<u>2,568</u>	<u>2,673</u>	<u>2,245</u>
Total Undergraduates	35,143	34,322	34,221	30,070	36,842
Graduates					
College of Medicine	11,003	11,533	13,833	13,530	14,067
Other	<u>12,656</u>	<u>12,033</u>	<u>12,271</u>	<u>12,570</u>	<u>11,914</u>
Total Graduate	<u>23,659</u>	<u>23,566</u>	<u>26,104</u>	<u>26,100</u>	<u>25,981</u>
Total Students	<u>58,802</u>	<u>57,888</u>	<u>60,325</u>	<u>62,170</u>	<u>62,823</u>
<b>Acceptance:</b>					
Undergraduates					
Full Time Freshmen	21,494	21,298	22,492	23,267	23,771
Full Time Transfers	<u>1,815</u>	<u>1,848</u>	<u>1,718</u>	<u>1,559</u>	<u>1,463</u>
Total Full Time	23,309	23,146	24,210	24,826	25,234
Part Time	<u>1,432</u>	<u>1,335</u>	<u>1,176</u>	<u>1,055</u>	<u>1,035</u>
Total Undergraduates	24,741	24,481	25,386	25,881	26,269
Graduates					
College of Medicine	531	653	707	718	812
Other	<u>6,171</u>	<u>5,578</u>	<u>5,856</u>	<u>6,298</u>	<u>5,780</u>
Total Graduate	<u>6,702</u>	<u>6,231</u>	<u>6,563</u>	<u>7,016</u>	<u>6,592</u>
Total Students	<u>31,443</u>	<u>30,712</u>	<u>31,407</u>	<u>32,897</u>	<u>32,861</u>
Ratio of Undergraduate Acceptances to Applications	70%	71%	74%	72%	71%
Ratio of Graduate Acceptances to Applications	28%	26%	25%	27%	25%
<b>Enrolled:</b>					
Undergraduate					
Full Time Freshmen	2,720	2,324	3,280	3,353	3,161
Full Time Transfers	<u>845</u>	<u>767</u>	<u>758</u>	<u>595</u>	<u>529</u>
Total Full Time	3,565	3,091	4,038	3,948	3,690
Part Time	<u>444</u>	<u>529</u>	<u>469</u>	<u>484</u>	<u>429</u>
Total Undergraduates	4,009	3,620	4,507	4,432	4,119
Graduates					
College of Medicine	234	257	260	259	254
Other	<u>2,363</u>	<u>2,309</u>	<u>2,528</u>	<u>2,828</u>	<u>2,734</u>
Total Graduate	<u>2,597</u>	<u>2,566</u>	<u>2,788</u>	<u>3,087</u>	<u>2,988</u>
Total Students	<u>6,606</u>	<u>6,186</u>	<u>7,295</u>	<u>7,519</u>	<u>7,107</u>
Ratio of Undergraduate Matriculants to Acceptances	16%	15%	18%	17%	16%
Ratio of Graduate Matriculants to Acceptances	39%	41%	42%	44%	45%
Mean SAT Scores (re-centered)	1210	1196	1249*	1274	1289
*New SAT scores not comparable to prior year average					

## Enrollment

Approximately 71% of the University's undergraduates are from the Mid-Atlantic states (Pennsylvania, New Jersey, New York, Maryland, Delaware and the District of Columbia), 15% from all other states and 14% from foreign countries. The following table indicates the actual student enrollment by headcount and full-time equivalents for both undergraduate and graduate students for the fall term of the academic years indicated.

University Enrollment – Fall Term					
	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
<b>Head Count</b>					
Full Time Undergraduate	14,101	13,296	13,569	13,938	13,878
Part Time Undergraduate	<u>2,363</u>	<u>2,203</u>	<u>1,929</u>	<u>1,729</u>	<u>1,468</u>
Total Undergraduate	16,464	15,499	15,498	15,667	15,346
Graduate	<u>9,131</u>	<u>8,733</u>	<u>8,692</u>	<u>8,967</u>	<u>8,859</u>
Total Enrollment	<u>25,595</u>	<u>24,232</u>	<u>24,190</u>	<u>24,634</u>	<u>24,205</u>
<b>Full Time Equivalent</b>					
Undergraduate	15,308	14,433	14,583	14,855	14,696
Graduate	<u>6,970</u>	<u>6,691</u>	<u>6,658</u>	<u>6,813</u>	<u>6,779</u>
Total Full Time Equivalent	<u>22,278</u>	<u>21,124</u>	<u>21,241</u>	<u>21,668</u>	<u>21,475</u>

## Student Tuition, Fees and Competition

The following table lists the average full-time undergraduate tuition and fees and average room and board charges at the University for the years indicated.

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Tuition & Fees	\$48,756	\$51,030	\$52,002	\$53,244	\$54,516
Room & Board	<u>14,367</u>	<u>14,367</u>	<u>13,890</u>	<u>14,079</u>	<u>14,241</u>
<b>Total</b>	<u>\$63,123</u>	<u>\$65,397</u>	<u>\$65,892</u>	<u>\$67,323</u>	<u>\$68,757</u>

The University competes with many other colleges and universities for qualified applicants. The University believes that the student's decision to apply and enroll at the University is based primarily on the high quality of education, the co-operative education approach, and the University's urban location. On the basis of its enrollment and applicant information, the University believes that its most significant private university competitors are the institutions listed in the following table.

[Remainder of Page Intentionally Left Blank]

<u>Institution</u>	<b>Undergraduate Tuition, Fees and Room &amp; Board 2019-20 Academic Year</b>
Fordham University	\$ 70,383
University of Rochester	\$ 70,031
New York University	\$ 69,984
Boston University	\$ 69,668
Rensselaer Polytechnic Institute	\$ 69,140
George Washington University	\$ 69,080
<b>Drexel University</b>	<b>\$ 68,757</b>
Northeastern University	\$ 67,792
Syracuse University	\$ 67,403
Villanova University	\$ 67,328
Lehigh University	\$ 66,530

### **Student Financial Aid**

During 2019-20, the last complete academic year, approximately 97% of the 13,867 full-time degree-seeking undergraduate students received some form of student financial aid. Sources of aid include University-funded assistance, primarily in the form of grants (both need and merit based), state and federal grants, and loans and funding from private organizations. As the Table below shows, the University has transitioned away from providing loans to providing more grants. The following table indicates the amounts received by University students, by type of grant or loan, during the academic years shown.

	<b>Student Financial Aid</b>				
	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20<sup>1</sup></u>
	(Dollars in thousands)				
<b>Grants:</b>					
University & Other	\$238,388	\$239,949	\$272,012	\$306,265	\$314,601
State	6,437	6,049	6,975	6,080	6,456
Federal	15,794	14,904	17,553	19,565	19,522
Private & Industrial	1,244	1,040	911	4,985	6,363
<b>Total Grants</b>	<u>\$261,863</u>	<u>\$261,942</u>	<u>\$297,451</u>	<u>\$330,895</u>	<u>\$346,942</u>
<b>Loans:</b>					
University & Other	\$ 146	\$ 0	\$ 0	\$ 0	\$ 0
Federal	58,463	57,342	55,799	53,017	50,919
State	3,225	2,781	2,316	1,799	2,197
Other	46,704	40,857	42,987	34,115	39,123
<b>Total Loans</b>	<u>\$108,537</u>	<u>\$100,981</u>	<u>\$101,102</u>	<u>\$ 88,931</u>	<u>\$93,239</u>

<sup>1</sup>Preliminary. Represents preliminary financial data that has been prepared by and is the responsibility of Drexel's management. PricewaterhouseCoopers LLP has not audited, reviewed, compiled or performed any procedures with respect to the such preliminary financial data. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto.

The University is proactively monitoring undergraduate and graduate enrollment during the spring and summer terms, as well as enrollments for the fall.

- Undergraduate Summer 2020: As of June 22, the first day of class for summer 2020, the University has 373 new undergraduate students, an increase of 10% over point-in-time for summer 2019. We are monitoring a variety of matrices to determine trends that would flag unusual activity, such as deposits, registration, leave of absence requests, withdrawals, and incomplete grades received in the previous quarter. There is no evidence that summer quarter enrollments will experience higher than usual attrition due to the unprecedented pandemic, but Enrollment Management is paying close attention to enrollment trends for returning and new undergraduate students and will report any unusual activity.

- Graduate Summer and Fall 2020: As of June 22, the first day of class for summer 2020, summer term graduate deposits/active confirms are up, with 312 confirms/deposits compared to 279 in 2019 and 211 in 2018 (including both face-to-face and online programs). We are closely monitoring matriculation, registration and potential deferrals. At current point in time, fall term graduate deposits/active confirms are down, with 1,939 confirms/deposits compared to 2,122 in 2019 and 2,120 in 2018, including face-to-face and online. Most of the difference in deposit activity comes from international students. At current point in time, fall term international graduate deposits/active confirms are down, with 309 deposits compared to 459 in 2019.

- Undergraduate Fall 2020: With all admissions offers extended to the incoming class of 2020, we continue to deploy all available approaches using a multi-channel digital strategy to yield our fall 2020 class. In the weeks leading to May 1, we connected with admitted students using every available virtual platform after suspending all on-campus activity in mid-March. Telling our complex and unique story in these formats has been challenging but has given us the opportunity to develop marketing assets for future use. At this unprecedented time of the COVID-19 pandemic, when many families are facing financial uncertainty, coupled by the continued skepticism in the value of higher education, our incoming class is currently smaller than originally budgeted. The University admitted over 24,000 students and has received enrollment confirmations from 2,714 students. We have extended the confirmation deadline and continue to accept applications for fall enrollment. Since April 1, 2020, we have received over 120 new applications, more than two dozen coming in after May 1, and will continue to engage admitted students through the summer. The University has admitted 100 additional students from the waitlist and from late applications and continues to accept applications for fall 2020. Enrollment Management is deploying a robust set of anti-melt plans for incoming and continuing students. We are also focusing efforts on transfer admissions, instituting a free application for all students seeking transfer, holding Transfer Instant Decision Days, broadening the use of paid search and search engine optimization, and increasing scholarship awards. In addition to these aggressive efforts for the Fall 2020, we are also establishing a Winter entry program. All of these efforts will assist the University in achieving a larger first-year class. In addition, the University is mounting an effort for graduating 2020 seniors to enroll in select Drexel graduate programs.

- **Student Life:** Our counseling center is providing tele-therapy using a HIPAA-compliant, confidential Zoom platform to preserve students' privacy. The counseling center staff will also be offering virtual workshops and other self-help modules. Athletics and recreational programming is online, with a variety of large and small group exercise and training classes offered through Drexel's Virtual Recreation Center. In addition, our over 300 student organizations can continue to be involved through the online support of our Campus Engagement team and through the DragonLink online portal. Student support and engagement will continue remotely in multiple ways throughout the spring quarter, ensuring that our student body remains active in and out of the classroom.

## **Student Housing**

The University has ten residence halls with a total bed capacity of 3,864 beds. The University developed a 2-Year Residency Program to provide a living environment that complements the student's educational experience; completes the transformation from a primarily commuter to a primarily residential campus; modernizes Drexel's student housing options; and encourages upperclassmen to move closer to campus as part of neighborhood revitalization initiatives.

First-year (freshman) full-time students must live in a Drexel Residence Hall or may commute from their permanent or guardian's address, provided the address is within 10 miles of the University. Second-year (sophomore) full-time students must live in a Drexel Residence Hall, fraternity or sorority house or University-Affiliated Property (described below). Pre-juniors, juniors, seniors, transfers and graduate students are not bound by any residency requirement and may choose to reside in the location or accommodation of their choosing.

Drexel's partnership with University-Affiliated Housing/American Campus Communities (ACC) was crafted to align with the University's strategic enrollment goals and to offer students state-of-the-art housing, dining, and retail options. The partnership is governed by a ground lease and a joint Advisory Committee. The ACC housing consists of three properties with a capacity of 3,193 beds. Drexel students have priority over students from other universities. The University does not collect revenue or manage the lease terms, applications, assignments, or billing.

## **Student Life Cycle Management**

From approximately 2005 to 2014, the University's first-year recruitment strategy was focused on increasing the number of applications to Drexel, and the University implemented the VIP Application, an application designed to make applying to Drexel as simple as possible. With use of the VIP Application, the University experienced a 300%+ increase in applications to the University (from approximately 12,093 to over 50,000 applications) from 2005 to 2014. However, many of those applications came from students with little knowledge of Drexel. As a result of this strategy and a recruitment model based on volume and not relationship building, the University also experienced a precipitous decline in yield. From a high of 25% in 2006, Drexel's freshman yield rate declined by approximately seventeen percentage points to 8.1% in 2014.

The introduction of the Student Lifecycle Management process required the University to shift strategies to focus on recruiting and enrolling future alumni/ae. This shift necessitated a

complete overhaul of our admissions, evaluation and selection processes. In order to conduct holistic review of applicants, the University needed to require supporting documents to the application that the University did not have when using the VIP application (fast-app). These requirements include a full application using the Common Application or the Coalition Application, a personal statement, letters of recommendation from school officials and teachers. The University wanted to ensure that prospective students were taking time to learn about the University before they applied and articulating their interest and fit for the University through the application. By design, this resulted in fewer, but much stronger, applications to the University. For the class beginning in fall 2015, the University experienced a 48% decline in applications, from approximately 50,000 to 29,000. It was the University's expectation that these changes would result in a concomitant increase in yield.

In the years that followed this shift, the University has now seen a 10% increase in the number of applications received by the University. In addition to this increase in applications, the University has also experienced an increase in the academic quality and diversity of the applicants to Drexel. The past three years have seen the University enroll our largest class of first-year students in the history of the University. In addition, the academic quality of the incoming class has progressively improved with the fall 2019 class having the strongest academic quality in recent history. Between Fall 2016 incoming class and Fall 2019 incoming class, admit rates fell by 5 percentage points.

The commitment to student success is significant at all levels of the University, and the University is beginning to see real change in the development of a culture of student success. Over the next few years, the University is confident the efforts will result in enrolling right-fit students, a more strategic investment of financial aid, increased student satisfaction, reduced acceptance rate, increased yield, and increased retention and graduation rates. The University is already seeing improved outcomes as a result of these efforts.

### **Student Retention**

The University is continuing to implement a comprehensive approach to support student success through Student Life Cycle Management, a model developed to consider the student experience from our first interaction through graduation. Please see "Student Life Cycle Management" and "Management Discussion" section in this Appendix A for more information.

The University retention rate over the past four cohorts have remained at all-time highs, ranging between 88.6% and 89.4%.

### **Management Discussion**

#### **FY2019 Financial Results**

The audited, consolidated financial statements of Drexel University and its subsidiaries for fiscal year 2019 show a decrease in the University's net assets of \$53.0 million. The change in net assets from operating activities decreased \$81.5 million over prior year, offset by a positive increase in net assets from non-operating activities of \$28.5 million.

Of the \$81.5 million operating loss, approximately \$65 million is attributable to one-time events. The most significant impact was the unprecedented bankruptcy of AAHS, the entity that operated Hahnemann Hospital and the abrupt closing of Hahnemann Hospital, which directly impacted Drexel's Physician Practice Plan. Approximately \$40 million of the FY2019 operating results are the result of the AAHS bankruptcy and Hahnemann Hospital closing and include:

- Impact due to the AAHS Bankruptcy:
  - Over \$10 million increase in uncollectible reserve to fully reserve for payments due the University from AAHS;
  - Over \$18 million in costs associated with the closing of segments of the Drexel Physician Practice Plan and increased costs in specialty medications and malpractice premiums; and
  - \$10 million accrual for severance for terminated physician practices, to be distributed in FY2020.
    - The remaining Drexel Physician Practice Plans will be fully transitioned to Tower Health in 2020 or discontinued.
- Other one-time adjustments included:
  - A one-time adjustment of \$9.5 million to reverse an FY2018 contribution associated with the US Squash project that was ultimately determined to be a pass-through agency transaction;
  - A \$10 million one-time adjustment to fully reserve for student receivable accounts older than 3 years to respond to industry best practices; and
  - \$5 million of legal fees and settlements, largely associated with the AAHS matter.

The remaining shortfall of \$16.5 million resulted from the University's operating performance for FY2019 and included a graduate revenue shortfall of \$12 million due to reduced international enrollment and somewhat aggressive growth goals. Graduate net tuition revenue increased over the prior year, but not to the level the University projected in its growth plans. In addition, the University had increased lease expense, with the primary contributor being the new lease for the College for Computing and Informatics. The University also experienced an increase in adjunct expense, primarily in the College of Arts and Sciences.

Excluding the \$65<sup>1</sup> million in one-time events, the University's net assets would have increased in FY2019. The University responded to the FY2019 operating challenges by restructuring its operations to remove expenses of approximately \$40 million for FY2020. The restructuring included a strategic combination of Online and Graduate programs to improve recruiting and revenue opportunities, particularly at the graduate level.

---

<sup>1</sup> The \$65 million one-time events are described starting in the second paragraph under Management Discussion – FY2019 Financial Results. Net assets less the one-time events is a non-GAAP measure. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto.

## **Accounting Guidance and Analysis**

The University will report the net activity of the Drexel Physician Practice Plans as discontinued operations on its statement of activities for the year ended June 30, 2020. For comparative purposes, the net activity of the Drexel Physicians Practice Plan for the year ended June 30, 2019 will also be reported as discontinued operations.

In accordance with ASC 205-30-45-10, current and prior periods should report the results of operations of the component in discontinued operations when comparative income statements are presented. In the period that a discontinued operation meets the criteria to be classified as held for sale, and all prior periods presented, the assets and liabilities of the discontinued operation should be presented separately in the statement of financial position.

## **COVID-19 Response**

The COVID-19 global pandemic and the subsequent isolation/shelter in place response impacted all businesses and industries. The University's extensive background and experience in online learning uniquely positioned the University to quickly pivot and convert the Spring 2020 quarter to 100% online. The March 20, 2020, closing of campus reduced room revenues and parking income. Meal plan revenues were also erased, however the offsetting expense reduction for dining service mitigated the loss. The University is prepared to continue in total online mode for as long as conditions warrant such a response.

The University's research staff are also working remotely and are fully able to support the University's research enterprise. The pandemic has had an impact on research expenditures since researchers are not expending funds for on-campus research activities. Importantly though, federal sponsors of research have directed awardees to continue to charge grants for salary of research personnel during this time of disruption. As a result, on-campus research activities are considerably curtailed, but remote research activities continue. One anticipated positive outcome is the potential for an increased number of research proposal submissions, which in turn, could lead to increased research revenue. Over 50 researchers are actively working on medical devices, personal protective equipment, vaccines and therapeutics, diagnostics, public health responses, and mental health efforts associated with COVID-19.

• CARES Act: The \$2 trillion federal Coronavirus Aid, Relief, and Economic Security (CARES) Act allocates \$13.9 billion to higher education. Based on the parameters outlined in the legislation, the National Association of Independent Colleges and Universities estimates that Drexel University will receive approximately \$13.2<sup>1</sup> million in aid from this package, the largest estimated award to a private college in the Commonwealth.

## **FY2020 Operations**

The FY20 March consolidated financial performance has the University outperformed the year-to-date operating budget after adjusting for discontinued operations (Drexel Physician Practice Plan closing). The University's March Forecast captures the loss of room and board revenues for the Spring and Summer quarters resulting from the pandemic response. It also includes the \$13.2 million CARES Act stimulus identified for the University. The University is

forecasting the FY20 consolidated operating results will provide an increase in net assets from operations of approximately \$9.3<sup>1</sup> million. The loss associated with the discontinued operations is forecasted to be \$36.2<sup>1</sup> million, yielding a net decrease in net assets of \$26.9<sup>1</sup> million when combined with current operating results.

### **FY2021 Budget**

The University engages in multi-year planning and budgeting for its operating and capital structures. The process for FY21 has been impacted by the pandemic and the uncertainty on the timing of reopening the economy and the eventual return to campus. The University is moving its FY2021 budget presentation to September from the traditional May review and approval by the Board of Trustees. This will allow management time to assess the changing landscape as the governor moves to reopen the Commonwealth.

The Enrollment Management group continues to aggressively recruit for the Fall quarter. The University has extended the enrollment confirmation deadline and will continue to engage admitted students through the summer of 2020. The University has admitted 100 additional students from the waitlist and from late applications and continues to accept applications for fall 2020. Enrollment Management is deploying a robust set of anti-melt plans for incoming and continuing students, focusing efforts on transfer admissions, and establishing a Winter entry program.

Early indications are favorable; however, the unprecedented disruption in the lives of our recruits and returning students and their families and how this will impact their education decisions is uncharted territory.

The University has already completed the initial phase of the FY21 budget process and will be prepared to adjust accordingly as the enrollment and retention results are confirmed. The University has developed a plan that contains a material contingency in case the effects of the pandemic are greater and/or last longer than anticipated. The University is using both revenue generating and expense reduction strategies to offset the potential impact. These strategies include reducing operating budgets, including reviewing of existing leases, reopening contract negotiations for reduced vendor spend, continuing reduction of non-essential spend and travel, and increased purchasing oversight to reduce spending, including supplies, dues and memberships, printing and mailing, etc. In addition to these non-personnel initiatives, the University has implemented a hiring freeze and initiated a process to review all vacant positions, which will provide significant savings. The University has also identified material savings from reorganization and consolidation opportunities and other personnel-related initiatives that are expected to mitigate the projected impact of COVID-19, as well as provide the University additional contingency should the pandemic have a larger impact than projected.

Although the timing has had to change in response to the pandemic, the annual review of programs and priorities remains core to the process. Throughout this process, the University's

---

<sup>1</sup> Represents preliminary financial data that has been prepared by, and is the responsibility of, the University's management. PricewaterhouseCoopers LLP has not audited, reviewed, compiled, or performed any procedures with respect to such preliminary financial data. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto.

facilities requirements are reviewed and incorporated into a multi-year capital budget. The University's Board of Trustees, through its various committees, is consulted throughout the annual planning and budgeting process. Operating and capital budgets are formally presented and recommended to the Board's Finance Committee for its review prior to presentation to the Board of Trustees for consideration and approval. This year the presentation will take place at the September meeting.

The University's Board of Trustees and executive management team recognize this is an unprecedented time, and its agility during this time has served it well, as the financial pressures on the sector continue to rise. The University's proactive focus on key issues of access, affordability, outcomes, efficiency and overall value is expected to allow it to successfully navigate the pandemic and thrive in the years ahead.

### **Schuylkill Yards**

Over the past 25 years, Drexel University has assembled ten acres of contiguous real estate between 30th Street Station and 32nd Street on Market Street and JFK Boulevard. The assemblage is adjacent to Amtrak's 30<sup>th</sup> Street Station, the nation's third busiest passenger rail facility, and serves as the gateway to Drexel's campus and to University City. Located in West Philadelphia, University City is the home for one of the nation's largest concentrations of institutions of higher education, medical facilities and research activities.

The University is transforming this assemblage into Schuylkill Yards – a next-generation innovation community, intentionally designed and holistically created from the ground up through a partnership with Brandywine Realty Trust, the master developer for the project. As part of the larger Philadelphia innovation ecosystem expanding on both sides of the Schuylkill River, the location is unmatched because of its connection between the city's economic and education centers, while sitting at the region's major transportation hub. This nexus will drive economic activity and growth for the city and will be enhanced by access to talent and capital. Spark Therapeutics Inc. a commercial gene therapy company, is the first to move into the Schuylkill Yards development in University City in an expansion of its research and development operations.

On October 13, 2017, the University completed the initial conveyances for Schuylkill Yards project involving the transfers of 3001 and 3025 Market Street to Brandywine Realty Trust, sole general partner of Brandywine Operating Partnerships LP. On March 23, 2018, the University conveyed 3001-3003 JFK Boulevard and, on June 29, 2018, conveyed 3025 JFK Boulevard to Brandywine Realty Trust.

### **Endowment and Similar Funds**

The University's Endowment and Similar Funds' fair market value as of June 30, 2019, was \$727 million excluding the Academy of Natural Sciences endowment. The University's Endowment Fund is comprised of investments in marketable assets, which include domestic and global equities and bonds, marketable alternatives, and non-marketable assets, which include private equity and real assets. The Endowment Fund is overseen by the University's investment subcommittee of the Board of Trustees. The largest fund is its pooled endowment fund, which

was managed by 53 external investment managers as of June 30, 2019. Its non-pooled funds are unitrusts, life income contracts and separately invested endowment funds pursuant to the expressed wishes of the donors. For the fiscal year ended June 30, 2019, the University's pooled fund had a positive return of 5.97%. Indicated in the table below is the market value of the University's total Endowment and Similar Funds.

	<b>Fiscal Year Ended June 30</b>				
	(Dollars in thousands)				
	<u><b>2015</b></u>	<u><b>2016</b></u>	<u><b>2017</b></u>	<u><b>2018</b></u>	<u><b>2019</b></u>
Endowment and Similar Funds					
Pooled Endowment	\$435,223	\$415,903	\$463,205	\$581,187	\$603,066
Internally Held Real Estate	124,524	126,229	132,324	90,284	101,238
Non-pooled Endowment	<u>28,353</u>	<u>25,438</u>	<u>24,594</u>	<u>22,811</u>	<u>22,694</u>
Total Endowment & Similar Funds	<u>\$588,100</u>	<u>\$567,570</u>	<u>\$620,123</u>	<u>\$694,282</u>	<u>\$726,998</u>

The preliminary market value<sup>1</sup> of the endowment fund at March 31, 2020, excluding the Academy of Natural Sciences, was \$567.8 million, which represents \$545.7 million in the pooled endowment and \$22.1 million in the non-pooled endowment. Invested pooled assets were distributed across the following asset classes: Global Equity (36.3%), Fixed Income (9.8%), Marketable Alternatives (15.0%), Total Real Assets (16.7%), Private Equity (12.8%) and Cash (9.4%).

### **Labor Unions**

There are 70 employees of the University that are represented by Local 115 - Maintenance Employees of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen, and Helpers of America. The University currently has a contract with this union that expires on June 30, 2021.

There are 182 full-time and 22 part-time employees of the University that are represented by Local 115 - Custodial, Grounds and Transportation Employees of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen, and Helpers of America. The University currently has a contract with this union that expires on February 7, 2022.

There are 48 employees of the University that are represented by Local 835 of the International Union of Operating Engineers. The University currently has a contract with this union that expires on September 30, 2023.

There are 34 employees that are represented by the Drexel Police Association - 32 Police Officers and 2 Police Investigators. The University currently has a contract with this union that expires on June 30, 2022.

---

<sup>1</sup> Represents preliminary financial data that has been prepared by, and is the responsibility of, the University's management. PricewaterhouseCoopers LLP has not audited, reviewed, compiled, or performed any procedures with respect to such preliminary financial data. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto.

## **Retirement Plans**

The University maintains a voluntary 403(b) retirement plan administered by Teachers Insurance Annuity Association, the Vanguard Group, and Fidelity Investments, that provides for the purchase of annuity contracts and mutual funds for all full-time faculty and professional staff. Employees are eligible to participate immediately, are immediately vested and there are no age requirements for participation. The University matches participant deferrals up to the first 6% and then contributes an additional 3% if the participant is under the age of 50 or an additional 5% if the participant is 50 or older. Benefits are determined on an individual basis at the time of retirement, depending upon the accumulated value of the investment in the participant's account.

The University also pays into other retirement plans that provide benefits for certain union employees in accordance with their union contracts. The University's policy is to fund pension costs accrued for these plans. The total retirement plan expense for all plans was \$42.7 million and \$41.51 million in fiscal years 2019 and 2018, respectively.

The Academy of Natural Sciences (the "Academy") has both a defined benefit pension plan and a defined contribution pension plan, which were frozen to new members as of December 31, 2009. The Academy's policy is to contribute annually an amount as required by the Employee Retirement Income Security Act of 1974. At June 30, 2019, the Projected Benefit Obligation was \$21.0 million. During 2010 a new Defined Contribution 403(b) Retirement Plan was established that does not provide for a predefined employer contribution. Effective January 2016, the Academy's 403(b) plan was merged into Drexel University Defined Contribution 403(b) plan where the University matches participant deferrals up to the first 6% and then contributes an additional 3% if the participant is under the age of 50 or an additional 5% if the participant is 50 or older. Benefits are determined on an individual basis at the time of retirement, depending upon the accumulated value of the investment in the participant's account.

The University is proposing to reduce its match percentage to zero for the University and the Academy for the fiscal year 2021 as part of the COVID-19 expense management.

## **Post-Retirement Benefit Costs**

In addition to retirement plan benefits, the University provides post-retirement benefits to retirees in the form of group life insurance, major medical insurance, and tuition remission. Substantially all of the employees of the University could become eligible when they reach retirement age while working at the University. The post-retirement healthcare plan is contributory, and the life insurance plan is non-contributory. Effective July 1, 2017 (or September 1, 2017, for faculty with nine-month contracts), eligible retirees are able to purchase the group Medical and/or RX coverage the University has negotiated but will pay 100% of the cost. Retirees are not eligible for group life insurance.

In 1994, the University implemented the provisions of the Statement of Financial Accounting Standards ("SFAS") No. 106, Employers' Accounting for Post-Retirement Benefits other than Pensions, which requires recognition of the related expense over the service life of an employee. In accordance with provisions of Financial Accounting Standards Board ("FASB")

Accounting Standards Codification (“ASC”) 715, the University elected to recognize the transition obligation of \$7.9 million over the estimated service life of the then current employees (21 years). As of June 30, 2019, the recorded accrued post-retirement benefit liability totaled \$36.2 million, which is equal to the total accumulated post-retirement benefit obligation.

### **Institutional Advancement**

The Office of Institutional Advancement is responsible for all activities pertaining to philanthropic activity including planning, implementing and coordinating all efforts involving fundraising, alumni relations, corporate and foundation relations for the University. The University is now in the public phase of its next campaign “- **The Future Is a Place We Make: The Campaign for Drexel**”, with a goal of raising \$750 million over a seven-year period. As of March 2, 2020, more than \$615<sup>1</sup> million has been raised against the goal thus far.

The campaign’s priorities will emphasize strengthening the endowment including initiatives to ensure student success, supporting faculty efforts, enhancing research capabilities and providing funding for select capital projects.

Listed below are the amounts of gifts received (receipts) by the University for the past five fiscal years by type and source. These represent cash collections and do not include unconditional promises to give, which have been included in the financial statements pursuant to FASB ASC 958.

[Remainder of Page Intentionally Left Blank]

<b>Private Gifts and Grants</b>					
	<u><b>2014-15</b></u>	<u><b>2015-16</b></u>	<u><b>2016-17</b></u>	<u><b>2017-18</b></u>	<u><b>2018-19</b></u>
	(Dollars in thousands)				
<b>Type of Gift</b>					
Unrestricted	\$ 2,450	\$ 1,681	\$ 3,768	\$ 4,097	\$ 4,131
Restricted	<u>75,449</u>	<u>61,163</u>	<u>63,282</u>	<u>82,422</u>	<u>56,514</u>
Total	<u>\$77,899</u>	<u>\$62,844</u>	<u>\$67,050</u>	<u>\$86,519</u>	<u>\$60,645</u>
<b>Source of Gift</b>					
Alumni	\$41,802	\$16,581	\$13,650	\$29,767	\$20,064
Parents & Other Individuals	15,912	23,832	21,182	36,028	19,108
Corporations	8,032	8,381	8,390	10,292	10,563
Foundations & Other Organizations	<u>12,154</u>	<u>14,050</u>	<u>23,828</u>	<u>10,432</u>	<u>10,910</u>
Total	<u>\$77,900</u>	<u>\$62,844</u>	<u>\$67,050</u>	<u>\$86,519</u>	<u>\$60,645</u>

<sup>1</sup> Represents preliminary financial data that has been prepared by and is the responsibility of the University’s management. PricewaterhouseCoopers LLP has not audited, reviewed, compiled or performed any procedures with respect to such preliminary financial data. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto.

## **Sponsored Research**

The University is strongly committed to faculty research in support of faculty scholarship and its educational programs. Expenditures from externally funded grants and contracts for fiscal year 2019 are \$119.6 million. The University has seen an approximately 23% increase in externally sponsored research funding experienced since 2015. This increase is due in large part to the growth of research activities in our Dornsife School of Public Health, Westphal College of Media Arts & Design, AJ Drexel Autism Institute, and University and Community Partnerships. These increases are driven, in part, by some high profile research award that include: (i) the Department of Defense sponsored Advanced Functional Fabrics of American (AFFOA) where Drexel hosts a regional Fabric Discovery Center hub that leverages \$75 million of DoD funding; (ii) a \$30 million Promise Neighborhood award from the U.S. Department of Education to improve public schooling efforts; (iii) a \$12 million Our Planet, Our Health award from Wellcome Trust to study how governance, design, organization and environmental conditions of Latin American cities affect population health, as well as health inequities within cities; and (iv) an \$11M Autism Center of Excellence award from the NIH. Simultaneously, the University's efforts to partner with the private sector to perform applied research have ramped up with the formation of Drexel Solutions Institute that is acting as the University's facilitator and conduit for collaboration with for-profit sector. This collaboration especially strong in the areas of electronic materials and a number of products based on Drexel intellectual property are expected to reach commercial markets in the next 24 months.

Indicated below is a summary of the funding received by the University for research according to funding source for the fiscal years listed. Also indicated are the numbers of proposals submitted and the number of awards.

[Remainder of Page Intentionally Left Blank]

### Sponsored Research Activity

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
	(Dollars in thousands)				
Federal	\$ 77,534	\$ 74,770	\$ 77,708	\$ 89,357	\$ 93,259
State & Local Gov.	4,823	5,906	6,434	5,636	5,487
Foundations	10,024	14,096	14,560	15,513	11,573
Other Industry	<u>5,526</u>	<u>5,730</u>	<u>5,442</u>	<u>5,144</u>	<u>9,241</u>
Total	<u>\$ 97,000</u>	<u>\$100,502</u>	<u>\$104,111</u>	<u>\$115,560</u>	<u>\$119,560</u>
No. Projects Submitted	1,066	1,146	1,059	1,009	849
No. Projects Awarded	718	627	633	728	633

### Commonwealth Appropriations to the University

Although the University has no formal relationship with the Commonwealth of Pennsylvania, it has, pursuant to specific legislative appropriations, received sums from the Commonwealth for support of instruction and financial aid each year since 1959. Drexel received appropriations from the Commonwealth of \$8.1 million in fiscal year 2015, \$8.1 million in fiscal year 2016, \$8.1 million in fiscal year 2017, \$8.2 million in fiscal year 2018, and \$9.2 million in fiscal year 2019. The Commonwealth's budget for fiscal year 2020 includes funding of \$8.2 million.

### Insurance Program

The University procures and maintains commercial insurance covering four key types of risk to which it is exposed: 1) liability for bodily injury and property damage (*i.e.*, general liability, professional liability, international liability, automobile liability and excess liability); 2) liability for financial loss (*i.e.*, educators legal liability (including trustees and officers liability, employment practice liability, failure to educate), cyber liability and fiduciary liability); 3) loss of or damage to University property (*i.e.*, property, crime, fine arts); and 4) workers' compensation and employer's liability. This insurance is either required by law or considered by the University to be prudent and customary for an institution of higher education of its size and character. The University reviews its exposures, loss experience, insurance limit adequacy by line of coverage as well as emerging insurance market conditions several times a year. In consultation with its Insurance Consultant and Broker, the University stays informed of emerging trends and litigation that could impact the institution. Benchmark reports are also reviewed as a broad market guidance comprised of input from peers so as not to rely solely its own experience. The University self-insures its medical malpractice through a self-insurance trust, and maintains fully insured layers of coverage in excess of the self-insured retention limits through Dragon Risk Limited, Co.

### Cybersecurity

The University, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity

threats including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, “Systems Technology”). In the past several years, a number of entities have sought to gain unauthorized access to electronic systems of large organizations for the purposes of misappropriating assets or personal, operational, financial or other sensitive information, or causing operational disruption. These attempts, which are increasing, include highly sophisticated efforts to electronically circumvent security measures as well as more traditional intelligence gathering aimed at obtaining information necessary to gain access.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the University’s System Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyberattacks, the University invests in multiple forms of cybersecurity and operational safeguards under the leadership of the Chief Information Security Officer team.

While the University’s cybersecurity and operational safeguards are periodically tested, no assurances can be given by the University that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could cause material disruption to the University’s finances or operations. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the University to material litigation and other legal risks, which could cause the University to incur material costs related to such legal claims or proceedings.

## **Indebtedness of University and Subsidiaries**

### **Long-term Bonds and Notes Payable as of June 30, 2018 and 2019** (Dollars in thousands)

	<u>2018</u>	<u>2019</u>
<b>Fixed-Rate Long-Term Bonds</b>		
Pennsylvania Higher Educational Facilities Authority Revenue Bonds		
Series A of 2011 <sup>A</sup>	7,710	7,375
Series of 2012 <sup>A</sup>	11,480	11,280
Series of 2016	117,130	117,130
Series of 2017	<u>117,800</u>	<u>116,150</u>
Total Fixed-Rate Long-Term Bonds	<u>\$254,120</u>	<u>\$251,935</u>

<sup>A</sup> To be refunded by the proposed Drexel University Revenue Bond 2020B (Federally Taxable)

[Remainder of Page Intentionally Left Blank]

### Variable-Rate Long-Term Bonds

#### Pennsylvania Higher Educational Facilities Authority Revenue Bonds

Second Series of 2000 <sup>B</sup>	\$ 22,010	\$ 19,510
Series B of 2002 <sup>B</sup>	40,680	40,340
Series B of 2005 <sup>B</sup>	29,625	28,150
Series B of 2007 <sup>B</sup>	<u>24,110</u>	<u>23,295</u>

#### Total Variable-Rate Long-Term Bonds

\$116,425    \$111,295

<sup>B</sup> To be refunded by the proposed Drexel University Revenue Bond 2020A

### New Market and Historical Tax Credit Program

#### 11<sup>th</sup> Street Family Health Services Inc.

The Reinvestment Fund, Inc.

\$ 9,500    \$ 9,500

#### 3509 Spring Garden, LP

Philadelphia Industrial Development Corp.

6,790    6,790

U.S. Bank Corp Community Development Entity

3,250    3,250

#### Total New Market Tax Credit Program

\$ 19,540    \$ 19,540

#### Total outstanding bonds

\$390,085    \$382,770

### Short-term Notes Payable as of June 30, 2018 and 2019

(Dollars in thousands)

2018    2019

### Variable-Rate Short-Term Notes

Term Note - Line of Credit Amounts Outstanding

0    \$30,000

TOTAL

0    \$30,000

### Existing Letters of Credit

<u>Series</u>	<u>Par Amount Outstanding</u>	<u>Final Maturity of the Bonds</u>	<u>LOC Provider</u>	<u>LOC Provider Ratings</u>	<u>LOC Expiration Date</u>
Second Series of 2000	\$18,210,000	11/01/2025	JP Morgan Chase Bank, N.A.	Aa3/A+/AA-	06/01/2021
Series B of 2002	\$39,990,000	05/01/2032	JP Morgan Chase Bank, N.A.	Aa3/A+/AA-	06/01/2021
Series B of 2005	\$26,650,000	05/01/2030	TD Bank, N.A.	A2/AA-/AA-	09/30/2024
Series B of 2007	\$22,440,000	05/01/2037	Wells Fargo Bank, N.A.	Aa2/AA-/AA-	10/01/2020

### Derivative Instruments and Hedging Activities

The University entered into a variable-to-fixed swap agreement with Wells Fargo Bank, N.A. that converts the Series B of 2005 bonds to a fixed interest rate of 3.414% through the maturity of such bonds. The fair value of the interest rate swap agreement was a liability of

\$3,423,000 and \$2,616,000, respectively, at June 30, 2019, and 2018. The University intends to terminate the swap with the proceeds from the 2020 financing.

## **Litigation**

Except as described below, there is no litigation, individually or in the aggregate, currently pending or to the knowledge of the University threatened against it, which, if determined adversely to the University, would have a material adverse effect on its financial condition or would affect the validity or enforceability of the Loan Agreement, or which in any way contests the existence or powers of the University.

Capital Health System, November 24, 2015, United States District Court for the District of New Jersey, Claim: Capital Health System, Inc. has sued Erol Veznedaroglu, M.D. (in his individual capacity), Global Neuroscience Institute and the University. The Plaintiff alleges that the defendants misappropriated a toll-free 24/7 transfer hotline number to divert patients from Capital's hospitals and that they improperly solicited five neurologist to leave Capital for the University. The Plaintiff alleges the following counts against all of the defendants: (i) False Advertising in violation of federal Lenham Act, (ii) Unfair Competition, (iii) Tortious Interference with Prospective Economic Advantage and Contract, (iv) Conversion, (v) Tortious Interference with Contract, (vi) Conspiracy to Commit Tort, and (vii) Unjust Enrichment. The Plaintiff also pleads the following additional counts solely against Dr. Veznedaroglu; (i) Breached a 2011 Employment Agreement with Capital, (ii) Breached an On-Call Agreement with Capital, (iii) Breach of Implied Covenants of Good Faith and Fair Dealing, and (iv) Disloyalty. On April 11, 2016, the Court held a settlement conference and the case did not settle. On July 8, 2016, the University filed a Motion to Dismiss the amended complaint. The parties have filed responsive briefs and are waiting for the Court to rule on the University's Motion to Dismiss. On February 27, 2017, the Court dismissed the Conversion claim against the University. On March 27, 2017, the University filed an answer to the second amended complaint. A mediation was held on April 23, 2018. The case did not settle at mediation. On February 7, 2020, the University filed Motion for Summary Judgment to dismiss the case. On February 19, 2020, Plaintiff filed a response to the Motion for Summary Judgment. The parties are currently awaiting the Court's decision on the Motion for Summary Judgment.

Sodexo, September 27, 2016 United States District Court for the Eastern District of Pennsylvania, Claim: Fraudulent Inducement, Breach of Contract, Unjust Enrichment and Punitive Damages. SodexoMAGIC, LLC ("Sodexo") claims the University fraudulently induced its long-time food service partner, into providing an up-front \$9.3 million investment as part of a ten-year contract based on knowingly false representations about the University's plans for future student enrollment, and further refused to honor the contract's requirement to engage in good faith negotiations to find a mutually agreeable solution to remedy the enrollment inaccuracy once discovered, causing Sodexo to lose millions of dollars. On November 9, 2016, the University filed a Motion to Dismiss the complaint and, in the alternative, a Motion for Partial Summary Judgment. On January 13, 2017, the Judge denied the University's motion, with leave to refile at a later date if discovery shows that Sodexo cannot, in fact support, its claims. On January 27, 2016, the University filed an Answer and Affirmative Defenses to the Complaint. The University filed a Counterclaim against Sodexo for breach of contract due to Sodexo's failure to fill two key management vacancies for an extended period of time, contribute to a number of the University

programs as required by the Agreement, and meet several key performance indicators. On April 13, 2018, the University filed its undisputed facts for its Motion for Summary Judgment. On May 25, 2018, the University filed a Motion for Summary Judgment. Oral Argument on the Motion for Summary Judgment was held July 9, 2018. On August 2, 2018, the Court granted in part and denied in part the University's Motion for Summary Judgment and dismissed the bulk of Sodexo's claims (Counts 1 through 4). On November 16, 2018, the parties mediated the case and agreed to arbitrate the remaining claims after Sodexo's appeal of the Motion for Summary Judgment has been decided by the Third Circuit. On January 2, 2019, Sodexo filed a notice of appeal. On January 14, 2019, the University filed its notice of cross-appeal. On May 30, 2019, Sodexo filed its appellate brief. On July 10, 2019, the University filed its appellate brief. The Court held oral arguments on March 16, 2020, and the parties are awaiting the Third Circuit's decision on the appeal.

Cho, Sung-Hae, et al. v. Drexel University College of Medicine. December 6, 2019 Philadelphia Court of Common Pleas Claim: Breach of Contract, Promissory Estoppel, Unjust Enrichment, Intentional Interference with Business Relations and Violations of Pennsylvania Wage Payment Collection Law. Plaintiffs are seven former physicians who were employed by the University that had clinical practices at Hahnemann Hospital. On July 18, 2019, the University gave the Plaintiffs notice of Hahnemann's closure (a hospital owned by AAHS and closed by its bankruptcy estate) and gave them six months written notice of termination of their employment, effective January 14, 2020, consistent with the University's by-laws. Plaintiffs claim that the University agreed to provide them with twelve months' notice of termination of their employment. On December 26, 2019, the University filed Preliminary Objections to dismiss the case. On January 15, 2020, Plaintiffs filed an Amended Complaint. On February 4, 2020, the University filed Preliminary Objections to the Amended Complaint. On April 20, 2020, the Court denied the University's Preliminary Objections. The University will file an answer to the amended complaint.

Doe 1-7, 10-12, Jane v. Cruciani, et al., Hernandez, Desiree v. Cruciani, et al., Hicks, Sara v. Cruciani, et al., Johnson, Tanisha v. Cruciani, et al., Rosell, Kim v. Cruciani, et al., Tuchol, Monica v. Cruciani, et al., Tullin, Hillary v. Cruciani, et al., Vostry, Stephanie v. Drexel, et al. December 18, 2018 Philadelphia Court of Common Pleas Claim: Personal Injury. In December 2018, these cases were filed by seventeen patients against the University arising out of Dr. Ricardo Cruciani's alleged sexual contact with patients while he was employed by the University as a neurologist. All seventeen plaintiffs are represented by the same law firm, Soloff and Zervanos. Plaintiffs have also sued Beth Israel (NY) and Capital Health System, Inc. (NJ) because they allege that Dr. Cruciani's misconduct also occurred at these institutions, prior to Dr. Cruciani coming to the University. Plaintiffs have additionally sued Global Neurosciences Institute (GNI) because GNI staff supervised Dr. Cruciani through GNI's affiliation agreement with the University. Of the seventeen cases, three plaintiffs allege sexual intercourse with Dr. Cruciani. For five plaintiffs, the most serious allegation is oral sex. The remaining ten cases include allegations that Dr. Cruciani forcibly kissed and groped patients, and some patients additionally allege that Dr. Cruciani forced patients to touch his penis. Each complaint contains eight causes of action against the University: Negligence, Recklessness, Willful Conduct, Wanton Conduct, Gross Negligence (Count I); False Imprisonment (Count III); Medical Malpractice (Count IV); Corporate Negligence (Count VI); Intentional Infliction of Emotional Distress (Count VII); Negligent Infliction of Emotional Distress (Count VIII); Intentional and

Negligent Misrepresentation (Count IX); and Punitive Damages (Count X). On March 13, 2019, the University filed Preliminary Objections to the complaints. On April 10, 2019, Plaintiffs filed amended complaints. On May 17, 2019, the University filed Preliminary Objections to the amended complaints. On June 21, 2019, Plaintiffs filed a second amended complaints. On July 9, 2019, the University filed Preliminary Objections to the second amended complaints. On October 30, 2019, the Court denied Drexel's Preliminary Objections. On November 18, 2019, the University filed an answer to the complaint and cross-claims against the other defendants. The case is currently in discovery.

Rickenbaker, Grainger. On April 8, 2020 a breach of contract and unjust enrichment claim was filed. This putative class action lawsuit was filed by an undergraduate student seeking a refund of certain tuition, fees and other costs paid to the University. In accordance with the orders arising out of the COVID-19 pandemic, the University suspended all campus activities and decided to switch to full remote learning for the spring 2020 academic quarter. Plaintiff claims that he and his proposed class members are deprived of the benefits of on-campus learning. Plaintiff claims the University should refund certain tuition, fees and other expenses collected by the University.

Friedman, Elizabeth. On April 28, 2020 a breach of contract and unjust enrichment claim was filed. This putative class action lawsuit was filed by an undergraduate student seeking a refund of certain tuition, fees and other costs paid to the University. In accordance with the orders arising out of the COVID-19 pandemic, the University suspended all campus activities and decided to switch to full remote learning for the spring 2020 academic quarter. Plaintiff claims that she and her proposed class members are deprived of the benefits of on campus learning. Plaintiff claims the University should refund certain tuition, fees and other expenses collected by the University.

### **University Subsidiaries**

**THE FOLLOWING SUBSIDIARIES OF THE UNIVERSITY ARE NOT OBLIGATED TO MAKE PAYMENTS UNDER THE LOAN AGREEMENT OR OTHERWISE WITH RESPECT TO DEBT SERVICE ON THE 2020 BONDS.** For the fiscal year ended June 30, 2019, the impact of the University's Subsidiaries, on a combined basis, on the total change of net assets was increase of \$3.5 million. The impact of the University's Subsidiaries, on a combined basis, on the total change of net assets was reduction of \$1.3 million for the 12 months ended June 30, 2018. For additional information, please see "Selected University Annual Financial Data" herein and Appendix B "Financial Statements of the University".

**Academic Properties, Inc.** Drexel owns through another wholly-owned subsidiary, Academic Assets, Inc., 100% of Academic Properties, Inc. ("API"), a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code. The purpose of API is to acquire and manage properties of strategic importance for the University. Currently, API owns over 137 individual student apartments and one commercial building. Included in the latter is One Drexel Plaza, a 535,302 rentable square foot commercial facility located adjacent to the Drexel campus. The apartments owned by API are 80% leased as of May 6, 2020.

**Drexel University Online, LLC.** On July 1, 2015, Drexel e-Learning, Inc., a for-profit wholly owned subsidiary of the University specializing in innovative, internet-based distance education programs, merged with and into Drexel University Online, LLC (“DUO”), a non-profit organization. DUO markets and recruits working professionals for 150 online academic programs and certificates. Over 1,000 companies have signed letters of understanding paving the way for their employees to use company tuition dollars toward a Drexel degree. DUO’s purpose is to help working adults pursue their higher education dreams and gain skills to advance in their profession. DUO also assists corporations by offering cost-effective education programs that attract and retain good employees and enhance job satisfaction and employee performance. Over 7,000 online students, in 50 states and 20 countries, are enrolled.

DOU offers accredited degree programs and certificates in Nursing, Business, Information Sciences, Engineering and Education.

**Dragon Risk Limited, Co.** (“DRLC”) is a single member, limited liability company formed and domiciled in the State of Vermont, of which the University is the sole member. DRLC received its Articles of Organization on May 23, 2014, from the Vermont Secretary of State. On June 11, 2014, DRLC received its Certificate of Authority from the Vermont Department of Financial Regulation and commenced business on July 1, 2014. Dragon Risk Limited, Co. provides excess liability self-insurance coverage to the University.

**11th Street Family Health Services Inc.** (“11th Street”), a Pennsylvania non-profit corporation, was formed on December 12, 2013. 11th Street is a non-profit real estate holding company of the University, organized to operate in furtherance of the activities of the University and to facilitate the use of new market tax credits in rehabilitating and expanding certain real estate improvements located at 850 North 11th Street, Philadelphia. On December 23, 2013, 11th Street received a donation of certain real estate property known as 850 North 11th Street, Philadelphia Pennsylvania (the “Property”) from the University. The Property is located in a qualified census tract that meets certain income, unemployment and poverty level requirements and qualifies under the New Market Tax Credit Program as a qualified active low-income community business (a “QALICB”) as defined by Section 45D of the Internal Revenue Code of 1986, as amended, and Section 1.45D-1(d)(4) of the Code of Federal Regulations. The project is funded by a qualified low-income community investment loan.

**1200 Chestnut Street I, Limited Partnership** 1200 Chestnut Street I, Limited Partnership (the “Partnership”) a Pennsylvania limited partnership, was formed on November 28, 2016 to acquire, own, rehabilitate and lease, manage and operate Partnership property in a manner that will qualify such rehabilitation for federal historic rehabilitation tax credits allowable pursuant to Section 47 of the Internal Revenue Code of 1986, as amended. The Partnership property is comprised of the land and historic building located at 1200-1202 Chestnut Street, Philadelphia, Pennsylvania 19107. The general partner is 1200 Chestnut Street General Partner Inc., a Pennsylvania corporation (General Partner). The University is the 100% shareholder of the General Partner. 1200 Chestnut I LP follows a calendar-based fiscal year.

**1200 Chestnut Street General Partner, Inc.** 1200 Chestnut Street General Partner, Inc. (“1200 Chestnut GP”) is the sole general partner in 1200 Chestnut Street I, Limited Partnership. 1200 Chestnut GP is a wholly owned subsidiary of the University. The officers of 1200 Chestnut

GP are also the officers and senior leadership of the University. As part of the Historic Tax Credit transactions, the Partnership was established to own the 1200-1202 Chestnut Street property with 1200 Chestnut GP holding a 1% interest. 1200 Chestnut GP follows a calendar-based fiscal year.

**3509 Spring Garden, Limited Partnership**, a Pennsylvania limited partnership, was formed on February 25, 2013 to acquire, own, rehabilitate and lease, manage and operate the facility housing the Dornsife Center for Neighborhood Partnerships located 3509 Spring Garden Street in Philadelphia in a manner that will qualify such rehabilitation for federal historic rehabilitation tax credits allowable pursuant to Section 47 of the Internal Revenue Code of 1986, as amended. The facility is also located in a qualified census tract that meets certain income, unemployment and poverty level requirements and qualifies under the New Market Tax Credit Program as a QALICB.

**3509 Spring Garden, General Partner, Inc.**, ("3509 GP") a Pennsylvania corporation, is the sole general partner in 3509 Spring Garden, Limited Partnership. The University owns 10% of the outstanding stock of 3509 GP, the remaining 90% is owned by 3509 GP. The officers of 3509 GP are also the officers and senior leadership of the University. As part of the New Market Tax Credit and Historic Tax Credit transactions, a for-profit single purpose entity was needed to own the property and the QALICB. The QALICB was established as a limited partnership, with 3509 GP acting as the general partner and holding a 90% interest.

**3509 Spring Garden, Master Tenant, Limited Partnership ("3509 MTLP")** a Pennsylvania limited partnership, was formed on August 21, 2013 to lease, manage and operate property owned by 3509 Spring Garden Limited Partnership, a QALICB as defined by Section 45D of the Internal Revenue code of 1986, as amended, and Section 1.45D-1(d) (4) of the Regulations. 3509 MTLP has made an equity investment in the QALICB and is also a partner with a 10% interest. 3509 MTLP consists of a general partner with 0.01% interest and a limited partner with a 99.99% interest. 3509 MTLP and the QALICB have executed a HTC (Historic Tax Credit) Pass-Through Agreement pursuant to which the QALICB will elect under Section 50 of the Internal Revenue Code to pass through to the Partnership the Federal Tax Credits to which the QALICB is entitled as a result of the historic buildings rehabilitation project.

**3509 Spring Garden, Master Tenant Manager, Inc.**, ("3509 MTM") a Pennsylvania corporation, is the sole general partner in 3509 Spring Garden, Master Tenant, Limited Partnership. The University owns 10% of the outstanding stock of 3509 MTM, the remaining 90% is owned by 3509 MTM. The officers of 3509 MTM are also the officers and senior leadership of the University. As part of the New Market Tax Credit and Historic Tax Credit transactions, a separate for-profit single purpose entity was established to operate the sublease of the Spring Garden property to meet the QALICB requirements. An additional for-profit subsidiary of the University, 3509 Spring Garden Master Tenant, Limited Partnership was established to act as the non-member manager of the property. The Master Tenant entity was established as a limited partnership with 3509 MTM acting as the general partner and holding a 0.01% interest.

**Academy of Natural Sciences.** The Academy is America's oldest natural history museum and a world leader in biodiversity and environmental research. For 200 years, the

Academy has explored the remarkable diversity of our natural world, sharing these discoveries with the public through extraordinary collections, innovative exhibits, educational programming, and publications. The University and the Academy of Natural Sciences signed an affiliation agreement with the effective date of September 30, 2011, pursuant to which the University became the sole member of the Academy. The Academy is now a non-profit affiliate of the University known as the Academy of Natural Sciences of Drexel University. This unique academic affiliation unites two of Philadelphia's most respected research institutions and promotes discovery, learning, and civic engagement in the natural and environmental sciences. Benefits of the affiliation include the enhancement of exhibits, the opportunity to work with Drexel educators to improve programming for students of all ages, access to additional resources, and innovative, new ways to access the Academy's rich collections and science. Another product of the affiliation is the addition of a new department named Biodiversity, Earth and Environmental Sciences (BEES), which accepted its first students in September 2012. The department brings Academy and Drexel scientists together with a focus on the natural and environmental sciences.

### **Selected University Annual Financial Data**

The following Condensed Consolidated Balance Sheets as of June 30, 2015 through 2019, and Condensed Consolidated Statement of Activities for the fiscal years ended June 30, 2015 through 2019, were derived from the financial statements of the University. The Condensed Consolidated Balance Sheets and Condensed Consolidated Statement of Activities are summaries only and should be read in conjunction with the audited financial statements of the University for the fiscal years ended June 30, 2019 and 2018, and related notes to such statements and accompanying information, which financial statements and accompanying information are included as Appendix B to this Official Statement (the "Financial Statements").

<b>Condensed Consolidated Balance Sheet</b>					
<b>Fiscal Year ended June 30</b>					
<b>(Dollars in Thousands)</b>					
	<b><u>2015<sup>1</sup></u></b>	<b><u>2016<sup>1</sup></u></b>	<b><u>2017<sup>1</sup></u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
Total assets	\$2,077,548	\$2,107,075	\$2,105,604	\$2,179,942	\$2,159,844
Total liabilities	\$ 866,919	\$ 886,589	\$ 850,273	\$ 841,853	\$ 874,752
Total net assets	\$1,210,629	\$1,220,486	\$1,255,331	\$1,338,089	\$1,285,092
Total net assets consist of:					
Without donor restrictions	\$631,177	\$623,656	\$635,729	\$655,993	\$590,213
With donor restrictions	\$579,452	\$596,830	\$619,602	\$682,096	\$694,879

<sup>1</sup> For fiscal years 2015, 2016 and 2017, the net assets were reclassified under the new accounting standard ASU 2016-14.

[Remainder of Page Intentionally Left Blank]

**Condensed Consolidated Statement of Activities**  
**Fiscal Year ended June 30**  
**(Dollars in Thousands)**

	<u>2015</u> <sup>1</sup>	<u>2016</u> <sup>1</sup>	<u>2017</u> <sup>1</sup>	<u>2018</u>	<u>2019</u>
<b>Without donor restrictions net assets activity</b>					
Operating revenues and other support:					
Tuition and Fees (net of institutional financial aid)	\$ 627,933	\$ 618,981	\$ 599,917	\$ 664,324	\$ 665,764
Patient care activities	103,199	99,789	99,102	92,034	90,682
State appropriations	8,064	8,074	8,113	8,217	9,165
Grants, contracts, and similar agreements	104,259	118,184	117,574	126,377	111,794
Contributions	6,658	2,155	4,580	4,265	4,566
Endowment payout	11,076	10,570	8,754	11,503	9,893
Auxiliary enterprises	89,841	86,872	78,059	20,054	20,792
Other income	29,203	33,917	32,559	34,988	30,613
Net assets released from restrictions	<u>71,095</u>	<u>55,214</u>	<u>46,984</u>	<u>52,420</u>	<u>52,734</u>
Total operating revenue and support	1,051,328	1,033,756	995,642	1,014,182	996,003
Total operating expense	<u>978,899</u>	<u>1,006,804</u>	<u>1,018,927</u>	<u>1,004,919</u>	<u>1,066,333</u>
Change in net assets from operating activities	72,429	26,952	(23,285)	9,263	(70,330)
Change in net assets from non-operating activities	<u>(16,997)</u>	<u>(34,473)</u>	<u>35,358</u>	<u>11,001</u>	<u>4,550</u>
<b>Increase (decrease) in net assets – without donor restrictions</b>	55,432	(7,521)	12,073	20,264	(65,780)
<b>Increase in net assets – with donor restrictions</b>	<u>7,807</u>	<u>17,378</u>	<u>22,772</u>	<u>62,494</u>	<u>12,783</u>
<b>Total change in net assets</b>	<u>\$ 63,239</u>	<u>\$ 9,857</u>	<u>\$ 34,845</u>	<u>\$ 82,758</u>	<u>\$ (52,997)</u>

<sup>1</sup> For fiscal years 2015, 2016 and 2017, the net assets were reclassified under the new accounting standard ASU 2016-14.

[Remainder of Page Intentionally Left Blank]

[ THIS PAGE INTENTIONALLY LEFT BLANK ]

**APPENDIX B**

**FINANCIAL STATEMENTS OF DREXEL UNIVERSITY AND  
ITS SUBSIDIARIES FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

[ THIS PAGE INTENTIONALLY LEFT BLANK ]

**Drexel University and  
Subsidiaries**  
**Consolidated Financial Statements**  
**For the Years Ended June 30, 2019 and 2018**

**Drexel University and Subsidiaries**  
**Index**  
**June 30, 2019 and 2018**

---

	<b>Page(s)</b>
<b>Report of Independent Auditors .....</b>	<b>1-2</b>
<b>Consolidated Financial Statements</b>	
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities .....	4-5
Consolidated Statements of Cash Flows .....	6
Notes to Consolidated Financial Statements.....	7-59



## **Report of Independent Auditors**

To the Board of Trustees  
Drexel University

We have audited the accompanying consolidated financial statements of Drexel University and its subsidiaries (the "University"), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, 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.

### ***Auditors' 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 Drexel University and its subsidiaries as of June 30, 2019 and 2018, and their changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*PricewaterhouseCoopers LLP*

Philadelphia, Pennsylvania  
October 24, 2019

**Drexel University and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**June 30, 2019 and 2018 (\$'s in thousands)**

	2019	2018
<b>Assets:</b>		
Cash, cash equivalents, and restricted cash		
Operating	\$ 45,087	\$ 45,666
Restricted	12,668	12,611
Accounts receivable	118,332	173,419
Contributions receivable, net	87,393	100,653
Loans receivable	23,402	28,714
Prepaid expenses and other assets	32,000	33,529
Malpractice insurance trust	13,208	8,972
Beneficial interests in trusts	43,595	45,473
Investments	812,120	778,369
Land, buildings and equipment, net	972,039	952,536
<b>Total assets</b>	<b>\$ 2,159,844</b>	<b>\$ 2,179,942</b>
<b>Liabilities:</b>		
Accounts payable	\$ 69,253	\$ 60,660
Accrued liabilities	124,082	105,437
Deposits and deferred revenue	153,897	170,958
Capital lease obligations	6,846	2,613
Government advances for student loans	29,199	29,096
Accrued retirement obligations	45,948	48,568
Bonds and notes payable	445,527	424,521
<b>Total liabilities</b>	<b>874,752</b>	<b>841,853</b>
<b>Net Assets:</b>		
Without donor restrictions	590,213	655,993
With donor restrictions	694,879	682,096
<b>Total net assets</b>	<b>1,285,092</b>	<b>1,338,089</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,159,844</b>	<b>\$ 2,179,942</b>

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

**Drexel University and Subsidiaries**  
**Consolidated Statement of Activities**  
**For the Year Ended June 30, 2019 (\$'s in thousands)**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating</b>			
<b>Revenues and releases:</b>			
Tuition and fees, room and board	\$ 665,764	\$ -	\$ 665,764
Grants and contracts	111,794	14,009	125,803
Physician services	90,682		90,682
Auxiliary enterprises	20,792		20,792
Commonwealth appropriations	9,165		9,165
Contributions	4,566	7,072	11,638
Allocation of endowment spending from financial capital	9,893	19,676	29,569
Investment income, net	2,594	414	3,008
Other income	28,019	393	28,412
<b>Total revenues</b>	<b>943,269</b>	<b>41,564</b>	<b>984,833</b>
Net assets released from restrictions	52,734	(52,734)	-
<b>Total revenues and releases</b>	<b>996,003</b>	<b>(11,170)</b>	<b>984,833</b>
<b>Expenses:</b>			
Salaries and wages	497,645		497,645
Employee benefits	129,076		129,076
Depreciation and amortization	50,396		50,396
Interest	15,402		15,402
Other operating expenses	373,814		373,814
<b>Total expenses</b>	<b>1,066,333</b>	<b>-</b>	<b>1,066,333</b>
<b>(Decrease) in net assets from operating activities</b>	<b>(70,330)</b>	<b>(11,170)</b>	<b>(81,500)</b>
<b>Non-operating</b>			
Contributions - Endowment and other gifts	1,362	14,922	16,284
Realized / unrealized net gain on investments, net of endowment payout and expenses	3,819	9,031	12,850
Change in funding status of post-retirement and defined benefit plans	(1,697)		(1,697)
Other increases	1,066		1,066
<b>Increase in net assets from non-operating activities</b>	<b>4,550</b>	<b>23,953</b>	<b>28,503</b>
<b>Total (decrease) / increase in net assets</b>	<b>(65,780)</b>	<b>12,783</b>	<b>(52,997)</b>
<b>Net assets, beginning of year</b>	<b>655,993</b>	<b>682,096</b>	<b>1,338,089</b>
<b>Net assets, end of year</b>	<b>\$ 590,213</b>	<b>\$ 694,879</b>	<b>\$ 1,285,092</b>

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

**Drexel University and Subsidiaries**  
**Consolidated Statement of Activities**  
**For the Year Ended June 30, 2018 (\$'s in thousands)**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating</b>			
<b>Revenues and releases:</b>			
Tuition and fees, room and board	\$ 664,324	\$ -	\$ 664,324
Grants and contracts	126,377	2,917	129,294
Physician services	92,034		92,034
Auxiliary enterprises	20,054		20,054
Commonwealth appropriations	8,217		8,217
Contributions	4,265	38,632	42,897
Allocation of endowment spending from financial capital	11,503	18,524	30,027
Investment income, net	2,909	1,737	4,646
Other income	32,079	718	32,797
<b>Total revenues</b>	<b>961,762</b>	<b>62,528</b>	<b>1,024,290</b>
Net assets released from restrictions	52,420	(52,420)	-
<b>Total revenues and releases</b>	<b>1,014,182</b>	<b>10,108</b>	<b>1,024,290</b>
<b>Expenses:</b>			
Salaries and wages	475,034		475,034
Employee benefits	124,723		124,723
Depreciation and amortization	52,108		52,108
Interest	14,859		14,859
Other operating expenses	338,195		338,195
<b>Total expenses</b>	<b>1,004,919</b>	<b>-</b>	<b>1,004,919</b>
<b>Increase in net assets from operating activities</b>	<b>9,263</b>	<b>10,108</b>	<b>19,371</b>
<b>Non-operating</b>			
Contributions - Endowment and other gifts		17,965	17,965
Realized/unrealized net gain on investments, net of endowment payout and expenses	16,963	25,544	42,507
Gain on conveyance of Schuylkill Yards parcels	4,508	8,877	13,385
Loss on extinguishment of debt	(10,663)		(10,663)
Change in funding status of post-retirement and defined benefit plans	1,207		1,207
Other (decreases)	(1,014)		(1,014)
<b>Increase in net assets from non-operating activities</b>	<b>11,001</b>	<b>52,386</b>	<b>63,387</b>
<b>Total increase in net assets</b>	<b>20,264</b>	<b>62,494</b>	<b>82,758</b>
<b>Net assets, beginning of year</b>	<b>635,729</b>	<b>619,602</b>	<b>1,255,331</b>
<b>Net assets, end of year</b>	<b>\$ 655,993</b>	<b>\$ 682,096</b>	<b>\$ 1,338,089</b>

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

**Drexel University and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended June 30, 2019 and 2018 (\$'s in thousands)**

	2019	2018
<b>Operating activities:</b>		
(Decrease) / increase in net assets	\$ (52,997)	\$ 82,758
Adjustments to reconcile change in net assets to net cash (used in) / provided by operating activities:		
Depreciation and amortization	48,469	50,899
Loss on extinguishment of debt	-	10,663
Loss on disposal of equipment	1,904	3,682
Change in market value in beneficial interests in trusts	1,878	3,254
Contributions restricted for long-term investment	(15,793)	(16,840)
Non-cash contributions received	(1,076)	(3,718)
Proceeds from the sale of donated securities	906	3,557
Actuarial change on annuity liabilities	(543)	(627)
Realized/unrealized (gain) on investments	(50,229)	(87,160)
Changes in assets and liabilities that provide / (use) cash:		
Accounts receivable	34,542	(7,186)
Contributions receivable	10,913	(1,864)
Other assets	1,529	(3,195)
Accounts payable and accrued liabilities	32,193	(15,445)
Accrued retirement obligations	(2,620)	(4,896)
Deposits and deferred revenue	(17,061)	13,985
<b>Net cash (used in) / provided by operating activities</b>	<b>(7,985)</b>	<b>27,867</b>
<b>Investing activities:</b>		
Purchase of investments	(69,090)	(140,657)
Proceeds from sales and maturities of investments	106,202	155,204
Change in malpractice insurance trust	(4,236)	19
Student loans repaid	5,608	5,790
Student loans issued	(296)	(4,311)
Purchases of land, buildings and equipment	(70,953)	(53,842)
<b>Net cash (used in) investment activities</b>	<b>(32,765)</b>	<b>(37,797)</b>
<b>Financing activities:</b>		
Proceeds from restricted contributions	15,793	16,840
Proceeds from sale of contributed securities restricted for endowment	2,266	1,027
Payments on annuity obligations	(619)	(551)
Proceeds/(repayment) of federal student loan funds	103	(529)
Proceeds from short-term debt	30,000	-
Repayments of long-term debt	(7,315)	(12,615)
<b>Net cash provided by financing activities</b>	<b>40,228</b>	<b>4,172</b>
Net (decrease) in cash and cash equivalents, and restricted cash	(522)	(5,758)
Cash and cash equivalents, and restricted cash, beginning of year	58,277	64,035
<b>Cash and cash equivalents, and restricted cash, end of year</b>	<b>\$ 57,755</b>	<b>\$ 58,277</b>
<b>Supplemental information</b>		
Gifts-in-kind	\$ 81	\$ 181
Cash paid for interest	16,600	16,147
Amounts accrued for purchase of land, buildings and equipment	11,820	8,027
Donated securities	3,261	4,570

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

## **Drexel University and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **June 30, 2019 and 2018**

---

#### **1. Nature of Organization and Operations**

Drexel University (the “University”) is one of the largest private universities in the United States of America. The University has the distinction of having one of the nation’s oldest, largest and best-known cooperative education programs. Founded in 1891 by founder and philanthropist Anthony Joseph Drexel, the University is a private comprehensive global research university with three campuses located in Philadelphia, Pennsylvania, as well as other regional sites. With over 24,000 enrolled undergraduate, graduate and professional students, the University is dedicated to advancing knowledge and society and to providing every student with a valuable, rigorous, experiential, technology-infused education. The University offers over 200-degree programs in its 15 colleges and schools in arts and sciences, biomedical engineering and sciences, business, computing and informatics, economics, education, engineering, entrepreneurship, food and hospitality management, law, media arts and design, medicine, nursing and health professions, and public health.

#### **Academy of Natural Sciences of Philadelphia**

Pursuant to an affiliation agreement dated September 30, 2011, the University owns 100% of the Academy of Natural Sciences of Philadelphia, doing business as the Academy of Natural Sciences of Drexel University (“ANS”). ANS, founded in 1812, is a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. ANS is dedicated to encouraging and cultivating the sciences and advancing learning. ANS operates a public museum in Philadelphia and conducts systematic research and research in aquatic ecosystems, including integrating such research with education regarding biodiversity and environmental science in collaboration with the University and its students.

#### **Academic Properties, Inc.**

The University owns 100% of Academic Properties, Inc. (“API”), an exempt organization under Section 501 (c)(3) of the Internal Revenue Code. API manages properties used by the University, as well as other strategically located properties contiguous to its campus.

#### **Drexel University Online, LLC**

Drexel University Online, LLC (“DUO”) is a non-profit, Delaware, single-member, limited liability company, wholly owned subsidiary of the University that specializes in marketing, recruiting, instructional design, and supporting innovative internet-based distance education programs for working professionals and corporations in the U.S. and abroad. DUO also provides training, performs industry comparison research, and support for grants. DUO was created on July 1, 2015 as the successor entity to the former for-profit operations of Drexel eLearning, Inc., which was merged with and into DUO on that date.

#### **Dragon Risk Limited, Co.**

Dragon Risk Limited, Co. (“DRLC”) is a single member, limited liability company, formed and domiciled in the State of Vermont, of which the University is the sole member. DRLC received its Articles of Organization on May 23, 2014 from the Vermont Secretary of State, its Certificate of Authority from the Vermont Department of Financial Regulation on June 11, 2014 and commenced business on July 1, 2014. DRLC provides excess liability coverage to the University.

## **Drexel University and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **June 30, 2019 and 2018**

---

#### **Drexel Global Initiatives, LLC**

Drexel Global Initiatives, LLC (“Drexel Global”) is a Pennsylvania, single member limited liability company established February 1, 2014, of which the University is the sole member. Drexel Global’s purpose is to operate exclusively for educational purposes within the meaning of Section 501 (c)(3) of the Internal Revenue Code, and it has been established to assist the University in its international operations. The business and affairs of Drexel Global are managed by a board of managers established by the University.

#### **11th Street Family Health Services, Inc.**

11th Street Family Health Services, Inc. (“11th Street”), a Pennsylvania non-profit corporation, was formed on December 12, 2013. 11th Street is a non-profit real estate holding company, wholly owned by the University, organized to operate in furtherance of the activities of the University and to facilitate the use of new market tax credits in rehabilitating and expanding the structures located at 850 North 11th Street, Philadelphia (the “Property”) which was donated from the University on December 23, 2013. The Property is in a qualified census tract that meets certain income, unemployment and poverty level requirements and qualifies under the New Market Tax Credit Program as a qualified active low-income community business (a “QALICB”), as defined by Section 45D of the Internal Revenue Code of 1986, as amended, and Section 1.45D-1(d)(4) of the Code of Federal Regulations. The project is funded by a qualified low-income community investment loan.

#### **1200 Chestnut Street General Partner, Inc.**

1200 Chestnut Street General Partner, Inc. (“1200 Chestnut GP”), Pennsylvania corporation, is the sole general partner in 1200 Chestnut Street I, Limited Partnership (“1200 Chestnut LP”). 1200 Chestnut GP is a wholly owned subsidiary of the University. The officers of 1200 Chestnut GP are also the officers and senior leadership of the University. As part of the historic tax credit transactions, a separate, for-profit, single purpose entity was established to own the 1200-1202 Chestnut Street property with 1200 Chestnut GP holding a 1% interest. 1200 Chestnut GP follows a calendar based fiscal year.

#### **1200 Chestnut Street I, Limited Partnership**

1200 Chestnut LP, a Pennsylvania limited partnership, was formed on November 28, 2016 to acquire, own, rehabilitate and lease, manage and operate Partnership property in a manner that will qualify such rehabilitation for historic rehabilitation tax credits allowable pursuant to Section 47 of the Internal Revenue Code of 1986, as amended. 1200 Chestnut LP property is comprised of the land and historic building located at 1200-1202 Chestnut Street, Philadelphia, Pennsylvania 19107. The general partner is 1200 Chestnut Street GP, which holds a 1% interest in 1200 Chestnut LP. The University meets the requirements for consolidation of 1200 Chestnut LP through its ownership of 1200 Chestnut GP and control of 1200 Chestnut LP. 1200 Chestnut LP follows a calendar based fiscal year.

## **Drexel University and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **June 30, 2019 and 2018**

---

#### **3509 Spring Garden, General Partner, Inc.**

3509 Spring Garden, General Partner, Inc., ("3509 GP") a Pennsylvania corporation, is the sole general partner in 3509 Spring Garden, Limited Partnership ("3509 LP"). 3509 GP is a wholly owned subsidiary of the University. The officers of 3509 GP are also the officers and senior leadership of the University. As part of the new market tax credit and historic tax credit transactions, a for-profit, single purpose entity was needed to own the property and to own the 3509 Spring Garden, Limited Partnership Qualified Active Low-Income Community Business ("QALICB"). The 3509 LP QALICB was established, with 3509 GP acting as the general partner and holding a 90% interest. 3509 GP follows a calendar based fiscal year.

#### **3509 Spring Garden, Limited Partnership**

3509 LP, a Pennsylvania limited partnership, was formed on February 25, 2013 to acquire, own, rehabilitate, lease, manage and operate the 3509 Spring Garden property (the "Dornsife Center") in a manner that will qualify such rehabilitation for historic rehabilitation tax credits allowable pursuant to Section 47 of the Internal Revenue Code of 1986, as amended. The Dornsife Center is also located in a qualified census tract that meets certain income, unemployment and poverty level requirements and qualifies under the New Market Tax Credit Program as a QALICB. Through its ownership of 3509 GP, Drexel University holds a 90% interest in 3509 LP. 3509 LP follows a calendar based fiscal year.

#### **3509 Spring Garden, Master Tenant Manager, Inc.**

3509 Spring Garden, Master Tenant Manager, Inc., ("3509 MTM") a Pennsylvania corporation, is the sole general partner in 3509 Spring Garden, Master Tenant, Limited Partnership ("3509 MTLP"). 3509 MTM is a wholly owned subsidiary of the University. The officers of 3509 MTM are also the officers and senior leadership of the University. As part of the new market tax credit and historic tax credit transactions, a separate, for-profit, single purpose entity was established to operate the sublease of the Dornsife Center to meet the QALICB requirements. 3509 MTM is the non-member manager of the property and the general partner, holding a 0.01% interest in 3509 MTLP. 3509 MTM follows a calendar based fiscal year.

#### **3509 Spring Garden, Master Tenant, Limited Partnership**

3509 MTLP, a Pennsylvania limited partnership, was formed on August 21, 2013 to lease, manage and operate property owned by 3509 LP. 3509 MTLP has made an equity investment in 3509 LP and is also a partner with a 10% interest. 3509 MTLP consists of a general partner with 0.01% interest and a limited partner with a 99.99% interest. 3509 MTLP and 3509 LP have executed a historic tax credit pass-through agreement pursuant to which 3509 LP will elect under Section 50 of the Internal Revenue Code to pass through to the Partnership the federal tax credits to which it is entitled because of the historic building's rehabilitation project. The University meets the requirements for consolidation of the 3509 MTLP through its ownership of the general partner (3509 MTM) and control of 3509 MTLP. 3509 MTLP follows a calendar based fiscal year.

# **Drexel University and Subsidiaries**

## **Notes to Consolidated Financial Statements**

### **June 30, 2019 and 2018**

---

## **2. Summary of Significant Accounting Policies**

### **General**

The University is a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. The consolidated financial statements include the University, the Academy of Natural Sciences of Philadelphia, Drexel University Online, LLC, Academic Properties, Inc., and the University's other subsidiaries which are described in detail in these notes. All University subsidiaries have a fiscal year ending June 30, unless otherwise indicated in Note 1. All subsidiary financial information included within the financial statements has been consolidated utilizing the University's fiscal year.

### **Basis of Presentation**

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and with the provision of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities*, which requires the university to classify its net assets into two categories according to donor-imposed restrictions; net assets without donor imposed restrictions and net assets with donor imposed restrictions. All material transactions between the University and its subsidiaries have been eliminated.

*Net Assets without Donor Restrictions* – Net assets derived from tuition and other University resources that are not subject to explicit donor-imposed restrictions. Net assets without donor restrictions include board designated funds functioning as endowment funds.

*Net Assets with Donor Restrictions* - Net assets which are subject to explicit donor-imposed restrictions on the expenditure of contributions or income and gains on contributed assets, net assets from endowments not yet appropriated for spending by the University and student loan funds. In some cases, donor restrictions can be fulfilled by actions of the University in accordance with those stipulations or by the passage of time. In other cases, some restrictions, such as endowed funds, are permanent, and typically, the donors of these assets permit the University to use all or part of the income earned on these assets for operations. Restrictions include support of specific schools, colleges and departments of the University, professorships, research, faculty support, scholarships and fellowships, building construction and other purposes. When time and purpose restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions.

### **Measure of Operations**

The University's measure of operations as presented in the Consolidated Statements of Activities includes revenue from tuition and fees, room and board, grants and contracts, physician services, contributions for operating programs, the allocation of endowment spending for operations and other revenues. Operating expenses are reported on the Consolidated Statements of Activities by natural classification.

## Drexel University and Subsidiaries

### Notes to Consolidated Financial Statements

#### June 30, 2019 and 2018

---

#### Liquidity and Availability

The University's financial assets available within one year of the balance sheet date for general expenditure as of June 30, 2019 and 2018 are as follows:

<i>(in thousands)</i>	2019	2018
<b>Total assets at year-end</b>	\$ 2,159,844	\$ 2,179,942
Less: non-financial and financial assets not available within one year		
Restricted cash	(12,668)	(12,611)
Tuition receivable due in more than one year	(7,776)	(11,642)
Contributions receivable with donor restrictions	(87,393)	(100,653)
Loans receivable due in more than one year	(21,241)	(26,270)
Prepaid expenses and other assets	(32,000)	(33,529)
Malpractice insurance trust	(13,208)	(8,972)
Beneficial Interests in trusts	(43,595)	(45,473)
Investments	(812,120)	(778,369)
Land, buildings and equipment, net	(972,039)	(952,536)
<b>Financial assets available at year-end for current use</b>	\$ 157,804	\$ 209,887

As of June 30, 2019, the University has \$157,804,000 of financial assets that are available within one year of the balance sheet date to meet cash needs for general expenditure. In addition to these available financial assets, a significant portion of the University's annual expenditures will be funded by current year operating revenues including tuition and fees, room and board, grant and contract income and auxiliary enterprise income. The University structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

The University's endowment funds consist of donor-restricted and board-designated endowment funds. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 7, for fiscal year 2019 and 2018 the Board of Trustees approved a current distribution to the range of 4.75% to 6.00% of the average fair value of the pooled endowment portfolio for the prior seven fiscal years, except for ANS in which the Board of Trustees approved a distribution to 5.50% of the fair market value of the pooled endowment assets for the prior seven years. Under the approved spending rules, the University received an allocation of \$29,569,000 and \$30,027,000 in fiscal years 2019 and 2018, respectively. The endowment portfolio structures cash to be available for the endowment spend and to fulfill capital calls for alternative investments.

To help manage unanticipated liquidity needs, the University has committed lines of credit in the amount of \$70 million, which it could draw upon. Additionally, the University has a board-designated endowment of \$252,558,000 as of June 30, 2019. Although the University does not intend to spend from its board-designated endowment funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary. However, the board-designated endowment funds contain investments with lock-up provisions that reduce the total investments that could be made available.

## **Drexel University and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **June 30, 2019 and 2018**

---

#### **Cash, Cash Equivalents, and Restricted Cash**

Cash and cash equivalents represent demand deposits and other investments with an initial maturity date not exceeding 90 days. At June 30, 2019 and 2018, the University had cash balances in financial institutions, which exceed federal depository insurance limits. Management believes the credit risks related to these deposits to be minimal. Cash and cash equivalents are carried at cost, which approximates fair value. Restricted cash includes funds related to the Perkins Loan program. All money market funds that are held in endowment are considered investments by the University.

#### **Contributions Receivable**

Contributions and unconditional pledges are recorded at the present value of their expected future cash flows. Unconditional pledges that are expected to be collected within one year are recorded at their estimated net realizable value. Conditional pledges are not included as revenue until the conditions, which represent barriers that must be overcome before the University is entitled to the assets transferred, are fulfilled. Contributions are reported as an increase in the appropriate net asset category.

#### **Beneficial Interests in Trusts and Split-Interest Agreements**

The University is the beneficiary of the income of certain trusts but has neither possession nor control of the investments. Beneficial interests in trusts are classified as Level 3. (See Note 6 for investment level definitions). The trusts are recorded at fair value based on the interest in the trust as determined by the trustee based on the value of underlying securities held by the trusts and are primarily composed of equity and fixed income securities that have readily determinable values. The primary unobservable inputs used in the fair value measurement of the trusts are the present value of expected future cash flows. Significant fluctuation in the securities held in the trusts could result in a material change in fair value. The University is also party to certain split-interest agreements. The related liabilities to these arrangements are revalued annually based on the current interest rate tables from the Society of Actuaries and are categorized as Level 3.

#### **Fair Value of Financial Instruments**

The University applies fair value measurements in the year of receipt to contributions receivable, beneficial interests in trusts, investments, self-insurance escrow funds, internally held real estate of the endowment, funds held by trustees, interest rate swaps, and annuities on an annual basis. A reasonable estimate of the fair value of student loans receivable under government loan programs and refundable federal student loans cannot be made because the loans cannot be sold and can only be assigned to the U.S. Government or its designees. These loans are recorded at cost, less an allowance for doubtful accounts and the carrying value of the loan receivable from students under Drexel's loan programs approximate fair value. (Notes 5, 6, 7, and 10 for additional fair value disclosures).

## **Drexel University and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **June 30, 2019 and 2018**

---

#### **Patient Care Activities**

Faculty physicians participate in several physician practice plans that are managed by the University. Revenue and expenses related to these practice plans are recorded by the University as patient care activities. Patient care activities include patient service revenue and other physician service activities.

Patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payers, and others for services rendered. The University provides care to patients under various reimbursement arrangements, including Medicare and Medicaid. These arrangements provide payment for covered services at agreed-upon rates under certain fee schedules and various discounts. Price concessions to estimate the difference between gross rates and contracted rates with payers have been included in the determination of net revenue.

#### **Contributions**

All contributions received are available for unrestricted use unless specifically restricted by the donor. Amounts to be received in the future or that are designated for future periods or restricted by the donor for specific purposes are classified as such. Contributions having restrictions that are general purpose in nature are released in the year of the donation.

Contributed property and equipment are recorded at fair value as of the date of the donation. If the donor restricts how long the asset must be used or how the asset is used, the contributions are recorded as restricted. In the absence of stipulations, these contributions are recorded as without restrictions.

#### **Non-operating Activities**

Non-operating activities include contributions to the University's endowment, investment returns and other activities related to endowment, post-retirement benefit plan and defined benefit pension plan adjustments, restructuring costs, and losses on extinguishment of debt.

#### **Use of Estimates**

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

## **Drexel University and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **June 30, 2019 and 2018**

---

#### **Income Taxes**

The University has been granted tax-exempt status as a non-profit organization under Section 501 (c)(3) of the Internal Revenue Code and, accordingly, files Federal Tax Form 990 (*Return of Organization Exempt from Income Tax*), annually. The University files U.S. federal, state and local informational returns. The statute of limitations on the University's U.S. federal information returns remains open for three years following the year they are filed.

The University and its affiliates engage in activities that are subject to unrelated business income taxes for which appropriate income tax returns are filed (Note 17).

The FASB issued ASC No. 740-10, *Accounting for Uncertainty in Income Taxes*, which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. The University does not believe there are any uncertain tax positions that require recognition in the financial statements.

#### **Accounting for Derivative Instruments and Hedging Activities**

The University entered into a variable-to-fixed swap agreement with Wells Fargo Bank, N.A. that converts the Series B of 2005 bonds to a fixed interest rate of 3.414% through the maturity of the bonds. The changes in fair value of the agreement resulted in a loss of \$807,000 and a gain of \$1,380,000 in 2019 and 2018, respectively. The fair value of the interest rate swap agreement was a liability of \$3,423,000 and \$2,616,000, respectively, at June 30, 2019 and 2018.

The swap agreement is used by the University to reduce exposure to the volatility in variable interest rates on long-term debt (Note 12). There were no other swap agreements in effect as of June 30, 2019 or 2018. The fair value of the swap agreements is reported within accrued expenses in the Consolidated Statements of Financial Position. The change in the estimated fair value of terminating the interest rate swap agreement is included in realized and unrealized net (loss) / gain on investments in the non-operating section of the Consolidated Statements of Activities.

#### **Recently Adopted Accounting Pronouncements**

Beginning in May 2014, the FASB issued several Accounting Standard Updates which established a new framework for *Revenue from Contracts with Customers (Topic 606)*. The core principle is that revenue is recognized in manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be compensated in exchange for those goods or services. The guidance is effective for annual fiscal periods beginning after December 15, 2017. The University has adopted the standard by applying the retrospective transition method, and the impact is reflected in the Consolidated Statements of Activities and Note 14 for both periods presented.

## **Drexel University and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **June 30, 2019 and 2018**

---

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, which revises the not-for-profit financial reporting model. ASU No. 2016-14 is meant to reduce the complexity of and add clarity to net asset reporting, add additional disclosure regarding nature of self-imposed limits on net assets without donor restrictions and net assets with donor restrictions, and add reporting requirements related to nature of expenses. ASU No. 2016-14 is effective for fiscal years beginning after December 15, 2017. The University has adopted this new guidance retrospectively, and grouped the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the University has included expanded disclosures relating to: (1) the liquidity of financial assets, (2) expenses by both their natural and functional classification in the financial statements, and (3) disclosing a single net measure of investment return. As a result of adopting this standard, the underwater endowment deficiencies of \$2,355,000 were adjusted in the beginning net asset fund balances for the period ending June 30, 2018. Also, certain prior year amounts were reclassified to conform to the presentation requirements (Notes 2, 7, 13 and 15).

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU No. 2016-15 aims to reduce the diversity in practice that has resulted from the lack of consistent principles on this topic. ASU No. 2016-15 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. Entities must apply the guidance retrospectively to all periods presented but may apply it prospectively from the earliest date practicable if the retrospective application would be impracticable. The University has adopted ASU No. 2016-15 by applying the retrospective transition method which is reflected in the Consolidated Statements of Cash Flow for both periods presented. The adoption of this guidance did not have a material impact on the consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715)*: ASU No. 2017-07 requires the service cost component of net periodic pension cost and net periodic postretirement benefit cost to be presented as part of fringe benefit expense in the Consolidated Statements of Activities. The other components of net periodic benefit cost will be reported as non-operating activity in the Consolidated Statements of Activities. ASU No. 2017-07 is effective for annual periods beginning after December 15, 2017, with early adoption permitted. Entities must apply the guidance retrospectively to all periods presented. The University has adopted ASU No. 2017-07 and the impacts of these changes are reflected in the Consolidated Statements of Activities for both periods presented.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 is meant to provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. ASU No. 2018-08 is effective for annual periods beginning after June 15, 2018,

## **Drexel University and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **June 30, 2019 and 2018**

---

with early adoption permitted. Entities can apply the guidance on a modified prospective basis or retrospective basis. The University has adopted ASU No. 2018-08 by applying the modified prospective transition method in its consolidated financial statements and the relevant footnotes (Note 14). The adoption did not have a material impact on the consolidated financial statements.

#### **Recently Issued Accounting Pronouncements**

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is meant to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The guidance is effective for annual fiscal periods beginning after December 15, 2018. In July 2018, FASB issued ASU No. 2018-11 which amends the transition methods contained in ASU No. 2016-02. The University is currently evaluating the standard to determine the impact it will have on its consolidated financial statements.

In June 2016, FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. This ASU represents a significant change in the allowance for credit losses accounting model by requiring immediate recognition of management's estimates of current expected credit losses. Under the current model, losses are recognized only as they are incurred, which FASB has noted delayed recognition of expected losses that might not yet have met the threshold of being probable. ASU No. 2016-13 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The University is currently evaluating the standard to determine the impact it will have on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which aims to improve the usefulness of the disclosures to financial statement users and reduce unnecessary costs to companies when preparing the disclosures. ASU No. 2018-013 is effective for annual periods beginning after December 15, 2019, with early adoption permitted. Changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively. All other amendments should be applied retrospectively to all periods presented. The University is currently evaluating the standard to determine the impact it will have on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20) – Disclosure Framework – Changes to Disclosure Requirements for Defined Benefit Plans* which aims to improve the overall usefulness of disclosures to financial statement users and reduce unnecessary costs to companies when preparing the disclosures. ASU No. 2018-014 is effective for public business entities for annual periods beginning after December 15, 2021, with early adoption permitted on a retrospective basis to all periods presented. The University is currently evaluating the standard to determine the impact it will have on its consolidated financial statements.

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

---

In August 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. The ASU aligns the accounting for costs incurred to implement a cloud computing arrangement that is a service arrangement with the guidance on capitalizing costs associated with developing or obtaining internal-use software. ASU No. 2018-15 is effective for annual periods beginning after December 15, 2020, with early adoption permitted. Entities can apply the guidance prospectively or retrospectively. The University is currently evaluating the standard to determine the impact it will have on its consolidated financial statements.

In November 2018, the FASB issued ASU No. 2018-18, *Collaborative Arrangements (Topic 808) – Clarifying the Interaction between Topic 808 and Topic 606*, which seeks to clarify that certain transaction between collaborative arrangement participants should be accounted for as revenue and apply all relevant guidance under Topic 606 to these revenues. In addition this ASU provides more comparability in the presentation of revenue for certain transaction between collaborative arrangement participants. ASU No. 2018-18 is effective for annual periods beginning after December 15, 2020. The University is currently evaluating the standard to determine the impact it will have on its consolidated financial statements.

In March 2019, the FASB issued ASU No. 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*, which seeks to align the definition of collections as defined in the American Alliance of Museums' (AAM) Code of Ethics for Museums with its definition of collections in the Master Glossary. The FASB is also making a technical correction in *Topic 360 – Property, Plant and Equipment*, to clarify the accounting and disclosure guidance for collections in *Subtopic 958-360, Not-for Profit Entities – Property, Plant and Equipment*. ASU No. 2019-03 is effective for fiscal years beginning after December 15, 2019. The University is currently evaluating the standard to determine the impact it will have on its consolidated financial statements.

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

---

**3. Accounts Receivable**

Accounts receivable are reported less estimates for uncollectable amounts and contractually based discounts. American Academic Health Systems' receivables have been fully reserved due to their filing for bankruptcy on June 30, 2019.

Accounts receivable as of June 30, 2019 and 2018 were as follows:

<i>(in thousands)</i>	<b>2019</b>	<b>2018</b>
Tuition	\$ 56,329	\$ 93,319
Grants, contracts, and other	67,356	91,767
Patient, net of contractual allowance	8,923	9,082
American Academic Health Systems	10,174	3,669
Accounts receivable, gross	142,782	197,837
Allowance for doubtful accounts:		
Tuition	(6,662)	(17,610)
Grants, contracts, and other	(4,919)	(3,664)
Patient	(2,695)	(3,144)
American Academic Health Systems	(10,174)	-
Accounts receivable	\$ 118,332	\$ 173,419

Student loans are disbursed based on financial need and include loans granted by the University from institutional resources and under Federal government loan programs. Students have a grace period until repayment is required based upon the earlier of graduation or no longer maintaining full-time status. The grace period varies depending on the type of loan. Loans accrue interest after the grace period and are repaid directly to the University. Student loans are uncollateralized and carry default risk.

The availability of funds for loans under Federal government revolving loan programs is dependent on reimbursements to the pool from repayments of outstanding loans. Funds advanced by the federal government of \$29,199,000 and \$29,096,000 at June 30, 2019 and 2018, respectively, are ultimately refundable to the government and are classified as liabilities in the Statements of Financial Position. Outstanding loans cancelled under the program result in a reduction of the funds available to loan and a decrease in the liability to the government. As of October 1, 2017, the Federal Perkins Loan Program expired, and new loans are no longer awarded and disbursed.

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

At June 30, 2019 and 2018, student loans consisted of the following:

<i>(in thousands)</i>	<b>2019</b>	<b>2018</b>
Federal government loan programs		
Perkins loan program	\$ 17,458	\$ 21,247
Health professions student loans and loans for disadvantaged students	2,058	2,522
Nursing student loans	-	20
Federal government loan programs	19,516	23,789
Institutional loan programs	7,206	8,113
Student loans receivable, gross	26,722	31,902
Less: Allowance for doubtful accounts	(3,320)	(3,188)
Student loans receivable	\$ 23,402	\$ 28,714

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts according to the terms of the loan. Student loans are considered past due when payment is not received within 30 days of the due date, and interest continues to accrue until the loan is paid in full or written off. When a student loan receivable is deemed uncollectible, an allowance for doubtful accounts is established.

**4. Contributions Receivable**

Unconditional pledges are reported as contributions receivable and revenue in the appropriate net asset category. Contributions receivable with a payment due more than a year from the pledge date are recorded net of a discount using rates as of June 30, 2019 and June 30, 2018 that range between 1.75% to 2.00% and 2.52% to 2.85%, respectively. The University considers these discount rates to be a Level 3 input in the context of ASC No. 820-10 (Note 6).

Net contributions receivable at June 30 were as follows:

<i>(in thousands)</i>	<b>2019</b>	<b>2018</b>
Amounts due in		
Less than one year	\$ 22,571	\$ 13,599
One to five years	29,918	56,865
Greater than five years	51,235	51,012
Contributions receivable, gross	103,724	121,476
Less:		
Allowance for uncollectibles	(506)	(336)
Discounts to present value	(15,825)	(20,487)
Contributions receivable, net	\$ 87,393	\$ 100,653

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

As of June 30, 2019, the University has outstanding unrecorded conditional promises to give, including non-legally binding bequests, of \$110,300,000. When the conditional barriers are overcome and the donor's right of return has expired, the revenue is recorded and is generally restricted for operations, endowment and capital projects as stipulated by the donors.

As of June 30, 2019, the University, acting as an agent for U.S. Squash Racquets Association, has outstanding conditional pass-through pledges of \$11,233,000. As of June 30, 2019, the University has accrued a liability of \$270,000 payable to U.S. Squash Racquets Association.

**5. Investments and Investment Return**

At June 30, 2019 and 2018, the fair value of the malpractice insurance trust and investments included the following:

<i>(in thousands)</i>	<b>Fair value</b>	
	<b>2019</b>	<b>2018</b>
Money market funds	\$ 25,973	\$ 36,072
U.S. equity	167,506	157,942
Global equity	131,027	117,250
Fixed income securities and bond funds	112,632	109,356
Real estate and real assets funds	98,258	99,578
Hedge funds	27,421	24,102
Private equity	104,907	96,453
Directly-held real estate	99,469	88,515
Total endowment investments	767,193	729,268
Self-insurance escrow funds	44,204	48,422
Other investments	723	679
Total investments	812,120	778,369
Malpractice insurance trust	13,208	8,972
Total investments and malpractice insurance trust	\$ 825,328	\$ 787,341

Self-insurance escrow funds are comprised of mutual funds that trade on active markets with readily observable prices. Malpractice insurance trust funds are comprised of fixed income securities with readily observable prices.

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

---

The following summarizes the University's total investment return and its classification in the financial statements for the years ended June 30, 2019 and 2018:

<i>(in thousands)</i>	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Investment income, net of expenses	\$ 2,907	\$ 6,784	\$ 9,691
Realized/unrealized gains	10,805	21,923	32,728
Endowment payout under spending formula	(9,893)	(19,676)	(29,569)
Realized/unrealized gain on investments, net of endowment payout and expenses	3,819	9,031	12,850
Operating investment income, net	2,594	414	3,008
Total return on investments	\$ 6,413	\$ 9,445	\$ 15,858

<i>(in thousands)</i>	<b>2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Investment income, net of expenses	\$ 2,056	\$ 4,256	\$ 6,312
Realized/unrealized gains	30,918	48,689	79,607
Endowment payout under spending formula	(11,503)	(18,524)	(30,027)
Realized/unrealized gain on investments, net of endowment payout and expenses	21,471	34,421	55,892
Operating investment income, net	2,909	1,737	4,646
Total return on investments	\$ 24,380	\$ 36,158	\$ 60,538

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

---

**6. Fair Value of Financial Instruments**

The three-level hierarchy for fair value measurements is based on observable and unobservable inputs to the valuation of an asset or liability at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). 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 (“exit price”) at the measurement date.

The University maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. When available, fair value is based on actively quoted market prices. In the absence of actively quoted market prices, price information from external sources, including broker quotes and industry publications, is used. If pricing information from external sources is not available, or if observable pricing is not indicative of fair value, judgment is required to develop the estimates of fair value. In those cases, prices are estimated based on available historical financial data or comparable investment vehicles that reflect widely accepted market valuation practices. In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. In those cases, the lowest level input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset. Fair value measurements are categorized as Level 3 when a significant number of price or other inputs, considered to be unobservable, are used in their valuations. The fair value hierarchy and inputs to valuation techniques are as follows:

- Level 1    Quoted prices (unadjusted) in active markets for identical assets and liabilities at the measurement date. Instruments categorized in Level 1 primarily consist of a broadly traded range of equity and debt securities.
- Level 2    Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived from observable market data by correlation or other means. Instruments categorized in Level 2 primarily include nonexchange traded fixed income securities and interest rate swaps.
- Level 3    Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability. Instruments categorized in Level 3 consist of trusts and annuities, directly held real estate, and interest in real estate.

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

---

As a practical expedient, the University estimates the fair value of an investment in an investment company fund at the measurement date using the reported net asset value (NAV). The fair values of alternative investments represent the University's ownership interest in the net asset value (NAV) of the respective fund. Investments held by the funds consist of marketable securities, as well as, securities that do not have readily determinable fair values. The fair values of the securities held by these funds that do not have readily determinable fair values are based on historical cost, appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issue, and subsequent developments concerning the companies to which the securities relate.

The significant unobservable inputs used in the fair value measurements of the University's investments in real estate are the selection of certain investment rates (discount rate, terminal capitalization rate, and overall capitalization rate). Significant increases or decreases in any of those inputs in isolation would result in a significantly lower or higher fair value measurement, respectively.

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

As of June 30, 2019, and 2018, assets and liabilities at fair value were as follows:

	2019					
(in thousands)	Level 1	Level 2	Level 3	Investments at NAV	Total	
<b>Assets</b>						
Beneficial interest in trusts	\$ -	\$ -	\$ 43,595	\$ -	\$ 43,595	
Malpractice insurance trust	13,208	-	-	-	13,208	
<b>Investments</b>						
Money market funds	25,973	-	-	-	25,973	
U.S. Equity	155,617	-	-	11,889	167,506	
Global Equity	92,196	-	-	38,831	131,027	
Fixed Income securities and bond funds	76,828	1,242	-	34,562	112,632	
Real estate and real assets funds	-	-	4,790	93,468	98,258	
Hedge funds	-	-	-	27,421	27,421	
Private Equity	-	-	-	104,907	104,907	
Directly-held real estate	-	-	99,469	-	99,469	
Investments held in endowment	350,614	1,242	104,259	311,078	767,193	
Self-insurance escrow funds	44,204	-	-	-	44,204	
Other investments	521	-	-	202	723	
Total investments	395,339	1,242	104,259	311,280	812,120	
Total assets measured at fair value	\$ 408,547	\$ 1,242	\$ 147,854	\$ 311,280	\$ 868,923	
<b>Liabilities</b>						
Interest rate swaps (Note 1)	\$ -	\$ 3,423	\$ -	\$ -	\$ 3,423	
Split-interest agreements	-	-	1,647	-	1,647	
Annuities	-	-	5,404	-	5,404	
Total liabilities measured at fair value	\$ -	\$ 3,423	\$ 7,051	\$ -	\$ 10,474	
	2018					
(in thousands)	Level 1	Level 2	Level 3	Investments at NAV	Total	
<b>Assets</b>						
Beneficial interest in trusts	\$ -	\$ -	\$ 45,473	\$ -	\$ 45,473	
Malpractice insurance trust	8,972	-	-	-	8,972	
<b>Investments</b>						
Money market funds	36,072	-	-	-	36,072	
U.S. Equity	157,942	-	-	-	157,942	
Global Equity	101,591	-	-	15,659	117,250	
Fixed Income securities and bond funds	76,367	1,182	-	31,807	109,356	
Real estate and real assets funds	-	-	4,761	94,817	99,578	
Hedge funds	-	-	-	24,102	24,102	
Private Equity	-	-	-	96,453	96,453	
Directly-held real estate	-	-	88,515	-	88,515	
Investments held in endowment	371,972	1,182	93,276	262,838	729,268	
Self-insurance escrow funds	48,422	-	-	-	48,422	
Other investments	554	-	-	125	679	
Total investments	420,948	1,182	93,276	262,963	778,369	
Total assets measured at fair value	\$ 429,920	\$ 1,182	\$ 138,749	\$ 262,963	\$ 832,814	
<b>Liabilities</b>						
Interest rate swaps (Note 1)	\$ -	\$ 2,616	\$ -	\$ -	\$ 2,616	
Split-interest agreements	-	-	2,087	-	2,087	
Annuities	-	-	5,508	-	5,508	
Total liabilities measured at fair value	\$ -	\$ 2,616	\$ 7,595	\$ -	\$ 10,211	

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

Details related to the fair value of investments that have been estimated using a net asset value practical expedient (e.g. ownership interest in partners' capital to which a proportionate share of net assets is attributable) were as follows:

(in thousands)	Fair Value	Unfunded Commitments	2019	
			Redemption Terms (If Currently Eligible)	Redemption Notice Period (If Applicable)
Hedge funds:				
Multi-Strategy Hedge Funds (a)	\$ 112	\$ -		
Distressed Debt Hedge Funds (b)	2,460	-		
Fixed Income and Related Hedge Funds (c)	17,698	-	Quarterly	45 days
Real Estate Hedge Funds (d)	7,151	-	Quarterly	60 days
Subtotal Hedge funds	27,421	-		
Private Equity:				
Private Capital Funds-Secondaries (e)	8,516	3,024		
Private Capital Funds-Venture Capital (f)	1,504	198		
Private Capital Funds-Buy-out (g)	45,489	38,505		
Private Capital Funds-Debt (h)	8,860	11,212		
Private Capital Funds-Real Asset Funds (i)	27,859	41,338		
Private Capital Funds-Real Estate Funds (j)	9,775	20,049		
Private Capital Funds-Hedge Fund Seeder (k)	2,904	222		
Subtotal Private Equity	104,907	114,548	Close-ended funds not available for redemption	
US Equity (l)	11,889	-		
Global Equity (l)	38,831	-		
Fixed Income Securities and Bond Funds (l)	34,562	-		
Real Estate and Real Assets Funds (l)	93,468	-		
Other investments (l)	202	-		
	\$ 311,280	\$ 114,548		

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

---

- a. This category invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. As of June 30, 2019, the composite portfolio includes 100% in private equity investments which can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets in the portfolio. If these investments were held, it is estimated that the underlying assets would be liquidated over the next 1 to 3 years. The fair values of the investments have been estimated using the reported net asset value per share of the hedge fund.
- b. This category includes investments in hedge funds that invest in debt of companies in or facing bankruptcy. As of June 30, 2019, the composite portfolio includes 100% in private equity investments which can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets in the portfolio. If these investments were held, it is estimated that the underlying assets would be liquidated over the next 1 to 3 years. The fair values of the investments have been estimated using the reported net asset value per share of the hedge fund.
- c. This category includes investment in hedge funds that invest in U.S. mortgage backed securities. The fair values of the investments have been estimated using the reported net asset value per share of the hedge fund.
- d. This category includes investment in hedge funds that invest in diversified U.S. real estate properties. The fair values of the investments have been estimated using the reported net asset value per share of the hedge fund.
- e. This category includes investments in private equity funds that invest in the secondary market. The private equity secondary market refers to the buying and selling of pre-existing investor commitments to private equity and other alternative investment funds. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2019, it is estimated that the underlying assets of the fund would be liquidated over the following periods: 100% in 1 to 4 years. At June 30, 2018, the liquidation periods were expected to be: 39% in 1 to 4 years; and 61% in 5 to 7 years. The fair value has been estimated using the reported net asset value per share of the private capital fund.
- f. This category includes investments in private equity funds that invest primarily in technology and healthcare companies in the U.S. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2019, it is estimated that the underlying assets of the fund would be liquidated over the following periods: 100% in 1 to 4 years. At June 30, 2018, the liquidation periods were expected to be: 10% in 1 to 4 years; and 90% in 5 to 7 years. The fair value has been estimated using the reported net asset value per share of the private capital fund.

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

---

- g. This category includes investments in private equity funds that invest in buy-outs. A buy-out is a purchase of a company or a controlling interest of a corporation's shares or product line or some business. These investments are diversified across industries and primarily in the U.S. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2019, it is estimated that the underlying assets of the fund would be liquidated over the following periods: 0% over 1 to 4 years; 65% in 5 to 7 years; and 35% over 8 to 10 years. At June 30, 2018, the liquidation periods were expected to be: 2% in 1 to 4 years; 53% in 5 to 7 years; and 45% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the private capital fund.
- h. This category includes investments in private equity funds that provide debt financing to middle market firms. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. At June 30, 2019, it is estimated that the fund's underlying assets would be liquidated over the following time frames: 60% in 1 to 4 years; and 40% in 8 to 10 years. At June 30, 2018, the liquidation periods were expected to be: 100% in 1 to 4 years. The fair value has been estimated using the reported net asset value per share of the private capital fund.
- i. This category includes investments in private equity funds that invest primarily in real assets (e.g. investments with intrinsic value, such as real estate or commodities). These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2019, it is estimated that the underlying assets of the fund would be liquidated over the following periods: 45% in 1 to 4 years; 21% in 5 to 7 years; and 34% in 8 to 10 years. At June 30, 2018, the liquidation periods were expected to be: 73% in 1 to 4 years; and 12% in 5 to 7 years; and 15% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the real asset fund.
- j. This category includes investments in private equity funds that invest in U.S. commercial real estate. These investments can never be redeemed. Instead, distributions are received through the liquidation of the underlying assets of the fund. At June 30, 2019, it is estimated that the fund's underlying assets would be liquidated over the following time frames: 21% in 1 to 4 years; 47% in 5 to 7 years; and 32% in 8 to 10 years. At June 30, 2018, the liquidation periods were expected to be: 54% in 1 to 4 years; 28% in 5 to 7 years; and 18% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the real estate fund.

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

---

- k. This category includes investments in private equity funds that invest in newly started hedge funds that pursue multiple strategies. The fund provides start-up funding to hedge funds of various strategies with the potential to share in the appreciation of the investment, as well as to share in the management fees gathered by the underlying start-up hedge funds. As of June 30, 2019, and 2018, respectively, the fund's underlying investments were: 37% and 77% global equity; 0% and 1% in commodities; and 63% and 22% in diversified credit. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. It is estimated that the underlying assets would be liquidated in 1 to 4 years at June 30, 2019. The fair value has been estimated using the reported net asset value per share of the private capital fund.
- l. This category includes investments in US equity, global equity, fixed income securities and bond funds, real estate and real assets funds, and other investments. Investments in this category reflect the fair value of the specific assets or the underlying ventures' net assets. The valuations of these investments are the net asset values prepared by fund managers. Majority of these investments are commingled funds.

The University owns partnership interests in a real estate portfolio classified real estate and real estate funds as a Level 3 asset. The interests have a fair market value of \$4,790,000 net of \$2,620,000 in outstanding debt. The valuation of these investment properties is prepared annually by an independent appraiser.

The change in the University's Level 3 assets and liabilities as of June 30 included the following:

<i>(in thousands)</i>	<b>2019</b>	<b>2018</b>
Assets, at beginning of year	\$ 138,749	\$ 186,461
Net realized/unrealized gain	13,671	40,070
Sales and distributions of investments	(4,566)	(7,597)
Transfers out - Schuylkill Yards	-	(80,185)
Assets, at end of year	\$ 147,854	\$ 138,749

<i>(in thousands)</i>	<b>2019</b>	<b>2018</b>
Liabilities, at beginning of year	\$ 7,595	\$ 8,222
Changes in annuities and split-interest agreements	(544)	(627)
Liabilities, at end of year	\$ 7,051	\$ 7,595

## **Drexel University and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **June 30, 2019 and 2018**

---

#### **7. Endowment Funds**

The University has an investment policy for endowment assets designed to maximize the total return within an acceptable level of risk consistent with long-term preservation of the real value of the funds. The goal is to manage the portfolio for risk as well as total return, consistent with fiduciary standards of the prudent investor rule.

To satisfy its rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Endowment assets are invested in several asset classes and subclasses thereof to moderate the volatility of the returns for the entire portfolio.

For the years ended June 30, 2019 and 2018, the University had an endowment spending rule that limited the spending of endowment resources to a range of 4.75% to 6.00% of the average fair value of the pooled endowment portfolio for the prior seven fiscal years, except for ANS. The actual endowment spend rate for the University was 4.75% for fiscal years ended June 30, 2019 and 2018. For the fiscal years ended June 30, 2019 and 2018, ANS had an endowment spending rule that limited the spending of endowment resources to 5.50% of the fair market value of the pooled endowment assets for the prior seven fiscal years. This rule was applied except in cases where the spending rate had been stipulated by the donor agreement (typically 5.0%).

The University's endowment funds include both donor-restricted funds and funds designated by the Board of Trustees to function as endowments (quasi endowments). Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The earnings on these funds are utilized by the University in a manner consistent with specific donor restrictions on the original contributions.

#### **Interpretation of Relevant Law**

The Board of Trustees has interpreted Pennsylvania Act 141 ("PA Act 141") as requiring the preservation of the fair value of the original gift as specified in the individual trust instruments. Because of this interpretation, the University internally classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) earnings of the endowment made in accordance with the direction of the applicable donor designation. 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 organization in a manner consistent with the standard of prudence prescribed by PA Act 141. Both permanently restricted and temporarily restricted net assets are considered net assets with donor restrictions as per the applicable accounting standards. The University's policy is to not allocate spend from underwater endowment funds.

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

---

**Endowment Funds with Deficiencies**

From time to time, the fair value of some assets associated with individual donor-restricted endowment funds may fall below the level that donors require to be retained as a perpetual fund. The aggregate amount of funds with deficiencies is reported in net assets with donor restrictions in the Consolidated Statements of Activities. Subsequent investment gains are used to restore the balance to the fair market value of the original amount of the gift. Aggregate deficiencies were \$2,245,000 and \$2,297,000 as of June 30, 2019 and 2018, respectively. The original gift amount and the fair value of underwater endowment funds in the aggregate were \$30,793,000 and \$28,549,000 and as of June 30, 2019 and \$31,302,000 and \$29,005,000 as of June 30, 2018, respectively.

The net asset balances for the endowment composition by fund as of June 30, 2019 and 2018 were as follows:

<i>(in thousands)</i>	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 537,242	\$ 537,242
Board-designated endowment funds	277,042	-	277,042
Total assets	\$ 277,042	\$ 537,242	\$ 814,284

<i>(in thousands)</i>	<b>2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 509,481	\$ 509,481
Board-designated endowment funds	270,713	-	270,713
Total assets	\$ 270,713	\$ 509,481	\$ 780,194

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

Changes in the University's endowment assets (excluding annuities and trusts) and for the years ended June 30, 2019 and 2018 were as follows:

<i>(in thousands)</i>	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Endowment, at beginning of year</b>	\$ 270,713	\$ 509,481	\$ 780,194
Endowment return:			
Investment income, net of fees	2,907	6,784	9,691
Net realized/unrealized gain	10,614	24,180	34,794
Total endowment return	13,521	30,964	44,485
Contributions	1,363	15,246	16,609
Use of endowment assets:			
Endowment payout used in operations	(8,525)	(21,044)	(29,569)
Other	(30)	2,595	2,565
Total uses of endowment assets	(8,555)	(18,449)	(27,004)
<b>Endowment, at end of year</b>	\$ 277,042	\$ 537,242	\$ 814,284

<i>(in thousands)</i>	<b>2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Endowment, at beginning of year</b>	\$ 239,034	\$ 460,532	\$ 699,566
Endowment return:			
Investment income, net of fees	2,056	4,256	6,312
Net realized/unrealized gain	25,101	52,753	77,854
Total endowment return	27,157	57,009	84,166
Contributions	133	17,597	17,730
Use of endowment assets:			
Endowment payout used in operations	(9,171)	(20,857)	(30,028)
Other	13,560	(4,800)	8,760
Total uses of endowment assets	4,389	(25,657)	(21,268)
<b>Endowment, at end of year</b>	\$ 270,713	\$ 509,481	\$ 780,194

## **Drexel University and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **June 30, 2019 and 2018**

---

#### **Endowment Loan**

On December 5, 2018, the University's Board of Trustee's authorized management to fund the capital expenditures associated with the renovation and expansion of Bentley Hall (formerly Calhoun Hall) with a loan investment from the University's endowment portfolio, not to exceed \$35,000,000 million. On February 19, 2019, the University received a \$5,000,000 gift from Greg S. and Caroline Bentley for which the dormitory has been renamed. The dormitory will house a living/learning community for the Pennoni Honors College students and include a new, two-story glass stone addition of 10,800 square feet that will house the Pennoni Honors College offices and seminar rooms.

The loan investment (Note 5) is consistent with the asset allocation provisions of the University's endowment Investment Policy Statement. Furthermore, the interest rate associated with this loan investment is comparable to investments of similar risk that are available to the endowment for investment.

The loan investment will be interest-only over the five-year term, with a balloon payment of principal due no later the last day of the 60th month following the initial/first Anniversary Date. The interest rate will be fixed for the first four years at 5% per annum ("Base Rate"). Effective as of the fifth anniversary date (the first day of the 49th month following the initial/first Anniversary Date), the Base Rate will increase to the greater of (a) 5% plus 100 basis points (bps) or (b) the 10-year U.S. Treasury note plus 200 bps (based on the 30-day average prior to the fifth anniversary date), not to exceed a rate of 8%. If the University is unable to obtain financing for the outstanding amount of the loan investment by the end of year 5, the University will consult with the Investment Committee and the Board of Trustees and receive approval of an extension for one year and thereafter secure approval for each year that the loan investment is unable to be financed. If the loan investment is not repaid by the sixth Anniversary Date, the Base Rate on the loan investment will continue to increase as of each Anniversary Date to the greater of (a) the then current Base Rate plus 100 bps, or (b) the 10-year U.S. Treasury note plus 200 bps (based on the 30-day average prior to the anniversary date) not to exceed a rate of 8%.

Interest is payable quarterly, with the first interest payment due three months after the first Anniversary Date. The University will fund the loan investment interest payments from current capital funds dedicated within the University's sources and uses and upon completion and occupancy of Bentley Hall, interest payments will then be funded from Bentley Hall's operating revenues, less the facility's associated expenses. Remaining Bentley Hall net revenue, if applicable, could be applied to the principal balance, as well as other University capital resources, until third-party financing is secured to replace the loan investment from the endowment portfolio. While the loan investment is outstanding, any donor funds received in support of this project, in supporting or naming the building, or associated activities concerning the property, will be directly applied to the outstanding principal balance of the loan investment. The University will incur zero fees, and the entire loan investment can be prepaid, at any time, without penalty at the discretion of the University.

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

---

In accordance with Treasury Regulation § 1.150-2, the University may temporarily finance from its own funds, all or a portion of the costs of the renovation and expansion of Bentley Hall up to an amount equal to the total costs of the renovation and expansion of Bentley Hall, which shall not exceed \$35,000,000, and may then use all or a portion of the proceeds of tax-exempt obligations to reimburse itself for expenditures originally paid prior to the date of issuance of the tax-exempt obligations, and all original expenditures which may be reimbursed will be capital expenditures (as defined in Treasury Regulation § 1.150-1(b)) and other permissible amounts under Treasury Regulation § 1.150-2(d)(3).

**8. Land, Buildings and Equipment**

Land, buildings and equipment are stated at cost or, if acquired by gift, at the appraised value on the date of acquisition. Amortization and depreciation are computed on a straight-line basis over the lesser of the estimated useful lives of the assets ranging from 3 to 30 years for equipment, 3 to 5 years for software, and 5 to 60 years for buildings and improvements or the shorter of the term of the lease.

The University determined that there were legal obligations to retire certain facilities and equipment. The total asset retirement cost and obligation was \$1,278,000 and \$3,628,000 at June 30, 2019 and \$1,419,000 and \$3,772,000 at June 30, 2018, respectively, and is included in buildings and improvements and accrued expenses, respectively, on the Consolidated Statements of Financial Position. The demolition of the University City High School and removal of its hazardous substances significantly reduced the University's asset retirement obligation resulting in a significant credit to the depreciation expenses to recognize the elimination of this obligation.

The University maintains ownership of a parcel of property located at 1200 Chestnut Street, Philadelphia, PA. The use of the building is restricted for use by the Thomas R. Kline School of Law's Trial Advocacy Program.

Land, buildings and equipment at June 30 included the following:

<i>(in thousands)</i>	<b>2019</b>	<b>2018</b>
Works of art	\$ 10,583	\$ 10,511
Land and improvements	148,234	147,300
Buildings and improvements	1,118,603	1,083,648
Equipment, software and library books	226,104	219,641
Construction in progress	61,698	39,939
Land, buildings, and equipment, gross	1,565,222	1,501,039
Less: Accumulated depreciation	(593,183)	(548,503)
Land, buildings and equipment, net	\$ 972,039	\$ 952,536

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

---

**9. Leases**

Future minimum payments by year and in the aggregate under non-cancelable operating leases, with initial or remaining terms of one year or more, are as follows:

*(in thousands)*

June 30,	
2020	\$ 25,077
2021	23,148
2022	21,599
2023	10,969
2024	4,659
Thereafter	50,170
Total minimum lease payments	\$ 135,622

Total rent expense for operating leases amounted to \$24,628,000 and \$19,826,000 for the years ended June 30, 2019 and 2018, respectively.

The University entered into an agreement with the Commonwealth of Pennsylvania (the "Commonwealth") on August 1, 2002 to lease space in the Armory Building (the "Armory") at no cost for an initial period of fifty years during which time the University agreed to complete certain improvements to the Armory at the University's expense. Thereafter, the lease may be renewed for two, additional twenty-year periods at fair value. In the event the Commonwealth should desire to sell the property during the initial or additional lease periods, the University has the option to purchase the Armory for \$1,700,000, adjusted for inflation. In June 2018, the University and the Commonwealth of Pennsylvania entered into an amendment to the original lease agreement to extend the initial term for the "Drill Hall" portion of the lease to sixty-five years. The University remeasured the capital lease asset and liability based on the fair market value of the rent under the arrangement for the revised lease term of 65 years. The capital lease liability amounted to \$6,846,000 and \$2,613,000 at June 30, 2019 and 2018, respectively. These costs have been capitalized and a comparable capital lease liability recorded. In June 2018, the University entered into a sublease agreement for the Drill Hall portion of the Armory, the term of which is coterminous with the Armory lease. The sublease is for the benefit of the U.S. Squash Racquet Association. Rent under the sublease agreement is nominal for the entire lease term.

On January 23, 2012, the University and ACC OP (Chestnut PA), LLC, an affiliate of American Campus Communities ("ACC"), entered a triple net ground lease structure governing the conveyance of the land area located on 3200 Chestnut Street with a base lease term of forty years and three, ten-year option periods. In consideration for the right to develop, own, and operate the proposed project referred to as "Chestnut Square" on the University's campus, ACC pays the University annual ground rent of \$254,000. Chestnut Square includes 360,000 square feet of residential space, housing approximately 863 students. The facility also includes 36,000 square feet of retail and office space along the Chestnut Street frontage. The structures consist of two eight story low-rise buildings and a nineteen-story high-rise residential tower at the corner of 32<sup>nd</sup> and Chestnut Streets. A

## **Drexel University and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **June 30, 2019 and 2018**

---

101,500-square foot parking structure containing 267 spaces is also included for the south side of the existing Creese Student Center. The University bears no cost of the Chestnut Square project. At the end of the lease (40-70 years), the asset reverts to the University.

On August 30, 2013, the University entered into a land purchase agreement with 3175 JFK Associates, LP and L-A 31, LP, both affiliates of ACC, whereby ACC contributed land, air rights and a subsurface parcel it owned contiguous to Drexel's campus (i.e. 3175 JFK Boulevard) to the University as a gift, without any purchase consideration, but retained the ownership of the "University Crossings" building and improvements erected on this land. The University Crossings property consists of 1.15 acres of land and a 17-story, 452,483 square foot building with 261 units and a total bed capacity of 1,016. As a condition of the land purchase agreement, Drexel and ACC also entered into a ground lease agreement whereby Drexel leased the land back to ACC for no consideration other than reimbursement of property tax that Drexel would be required to pay as the landowner. The term of the lease is forty years with an option to renew for three consecutive ten-year terms. Payments to the University from ACC are recorded as a cost recovery of property taxes. Within five years from the effective date, ACC is required to complete no less than \$22,327,000 in capital improvements. The University's financial statements include a ground lease liability for the sub-parcel and air rights at June 30, 2019, and 2018 of \$10,250,000 and \$10,550,000 respectively. The University recognized \$300,000 of ground lease income related to this agreement during fiscal years 2019 and 2018.

The University entered into ground lease agreement with ACC OP (Lancaster PA), LLC ("ACC Lancaster"), an affiliate of ACC, on August 30, 2013 for property located at 3400 Lancaster Avenue to undertake "The Summit" project on the University's campus. The Summit project features a tiered eight story and five story mid-and low-rise building along Lancaster Avenue which includes 19,120 square feet of ground floor retail that faces Lancaster Avenue and 34<sup>th</sup> Street, a 23-story residential tower that sits on a one-story student amenity plinth and a one-story dining venue. The initial term of the lease is forty years, with an option to renew for three consecutive ten-year terms. In consideration for the right to develop, own, and operate The Summit, ACC pays the University annual ground rent of \$725,000.

In tandem with the execution of the ground lease agreement, the University entered into a sublease agreement with ACC Lancaster, for the dining facility at The Summit property at 3400 Lancaster Avenue. The sublease calls for annual rent payments of \$741,395 for the first thirty years of the sublease. The sublease is, in all respects, subject to and subordinate to the ground lease between the University and ACC established on August 30, 2013, to develop the 3400 Lancaster Avenue property. The term of the sublease follows the term of the ground lease, commencing September 2015. The initial term is 40 years with three, ten-year renewal options. At the expiration or sooner termination of the ground lease, title shall vest with the University and belong exclusively to the University without any interest on the part of ACC. The sublease provides a rent prepayment option, which allows the full 30 years of rent for the dining facility to be satisfied with an upfront payment of \$9,200,000. The University executed the option in September 2015. The amount is capitalized and amortized over the term of the lease.

## **Drexel University and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **June 30, 2019 and 2018**

---

In June 2014, the University entered into ground lease agreements with Wexford 3750 Lancaster Avenue, LLC, Wexford 115 North 38<sup>th</sup> Street, LLC, Wexford 225 North 38<sup>th</sup> Street, LLC, and Wexford 3701 Filbert Street, LLC (all to be referred to as “Wexford”) for property located at 3601 Filbert Street. Wexford has prepaid the University \$17,616,000, the full amount of the lease. The prepayment has been recorded as deferred rental income and will be amortized over the 99-year term of the lease. In addition, Drexel is obligated to fund an amount not to exceed \$13,200,000 for the development of the property.

On December 17, 2014, the University entered into a ground lease agreement with Study Philadelphia Holding, LLC (“SPHLLC”) to build an upscale hotel, “The Study”, on University property located at 3301 Chestnut Street and 20-40 South 33<sup>rd</sup> Street. The hotel features a ground floor restaurant and retail space, a conference center, approximately 212 hotel rooms, and accessory hotel amenities, with a main entrance on 33<sup>rd</sup> Street. The hotel includes a ten-story building, totaling 145,000 square feet of space. The base term of the lease is fifty years with two, ten-year renewal options. The annual rent commencement date is December 17, 2016 i.e. twenty-four months from the date of the lease. Upon the expiration of the lease, the leased premises will become the property of the University. The University recognized \$154,000 of ground lease income related to this agreement during fiscal years 2019 and 2018.

On October 2, 2015, the University entered into a ground lease agreement with RPG 32 Race, LP (“RPG”) for University property located at 3201 Race Street. RPG intends to lease the property and develop a 178,00-square foot multi-storied, mixed-use facility, consisting of 164 “Class A” rental apartment units, 13,800 square foot childcare center, ancillary amenities and improvements including a café and rooftop sundeck, 27 on-site parking spaces, accommodation for customer curbside drop-off for use in connection with the childcare center. Nobel Learning Communities, Inc. is the approved childcare operator. The annual rent commencement date is September 13, 2018 defined as twelve months following the substantial completion of the project. The initial term of the lease is seventy-five years with the option to extend the lease for one additional term of twenty-four years. The University recognized ground lease income of \$215,000 related to this agreement during fiscal years 2019 and 2018.

#### **Schuylkill Yards**

On May 9, 2016, the University entered into a master development agreement (the “Development Agreement”) with Brandywine Realty Trust (“BRT”), the sole general partner of Brandywine Operating Partnership, LP. As the master developer, BRT is provided certain rights and obligations, for a multi-phase, multi-component development on approximately 10.11 acres of University owned land (the “Drexel Site”) adjacent to the University’s main campus in the University City section of Philadelphia. The project’s master planned area includes the Drexel Site and up to four additional adjacent acres owned separately by the University and BRT, to be branded as “Schuylkill Yards.”

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

---

Schuylkill Yards is contemplated to be developed in six phases over approximately 20 years, excluding extension options, and will consist of approximately 5.0 million square feet of floor area ratio (FAR) of commercial, office, educational, research, residential, and related facilities, as well as accessory green space uses. Approximately 50% of the total FAR value will consist of office, educational and research space, and the balance in residential, retail, hospitality and parking uses.

BRT intends to fund costs to develop each phase of Schuylkill Yards through a combination of cash on hand, capital raised through one or more joint venture formations, proceeds from the sale of other assets or debt financing, including project-specific leasehold mortgage financing. Terms of the Development Agreement were determined through arm's-length negotiation between the University and BRT.

On October 13, 2017, the University completed the initial conveyance for the Schuylkill Yards project involving the transfer of 3001 and 3025 Market Street to BRT. The total fair value of these properties included in the endowment was \$52,000,000. BRT commenced the construction of a large public realm area on the 3001 Market Street parking lot with completion in the second quarter of fiscal year 2019. The exterior remodeling of the 3025 Market Street building has commenced. The surface rights for 3001 Market Street were conveyed through a ground lease in consideration for \$100, as the University agreed to provide the land for a park to define and significantly enhance the value of the entire project. The 3025 Market Street parcel was conveyed through a 99-year prepaid ground lease combined with the conveyance of the vertical improvements and the subterranean rights of 3001 Market Street for \$35,000,000 resulting in a loss of \$17,000,000. The proceeds from both parcels were invested in the University's endowment portfolio replacing the real estate values for the 3001 and 3025 Market Street parcels. In addition to the conveyance transactions BRT provided \$370,000 for access to the property management staff at Academic Proprieties Inc., a Drexel subsidiary, to assist with the repositioning and re-tenanting of the 3025 Market Street property.

On March 22, 2018, the University completed the conveyance of the second parcel for the Schuylkill Yards project, 3001-3003 John F. Kennedy Boulevard to BRT. The 3001-3003 John F. Kennedy Boulevard parcel was conveyed through a 99-year prepaid ground lease for \$24,640,000 resulting in a gain of \$16,440,000. The proceeds were invested in the University's endowment portfolio replacing the real estate values for the 3001-3003 John F. Kennedy Boulevard.

On June 29, 2018, the University completed the conveyance of the third parcel for the Schuylkill Yards project, 3025 John F. Kennedy Boulevard to BRT. The 3025 John F. Kennedy Boulevard parcel was conveyed through a 99-year prepaid ground lease for \$20,545,000 resulting in a gain of \$13,945,000. The proceeds were received on July 2, 2018 and invested in the University's endowment portfolio replacing the real estate values for the 3025 John F. Kennedy Boulevard. As of June 30, 2018, the receivable of

## **Drexel University and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **June 30, 2019 and 2018**

---

\$20,545,000 was included in the Grants, contracts, and other accounts receivable category on the Consolidated Statements of Financial Position.

At least one structure on the John F. Kennedy Boulevard parcels is expected to begin construction in 2020.

#### **10. Retirement Plans**

##### **Defined Benefit and Defined Contribution Plans**

The University established the Drexel University Defined Contribution Retirement Plan ("DU DC") effective April 1, 1972. Drexel University is the DU DC administrator. The trustees of the DU DC are Teachers Insurance and Annuity Association - College Retirement Equities Fund, as agent for JP Morgan Chase Bank, N.A. ("TIAA-CREF"), Vanguard Fiduciary Trust Company ("Vanguard") and Fidelity Management Trust Company ("Fidelity").

The DU DC is subject to the provisions of the Employee Retirement Income Security Act of 1974. The Institution's Investment Committee determines the appropriateness of the plan's investment offerings, monitors investment performance, and reports to the Institution's Board, who is responsible for the oversight of the Plan.

All eligible employees, defined as a full-time staff or faculty member, or a part-time employee who earns 1,000 hours of service or more during the 12-consecutive calendar month period beginning with his or her date of hire, can contribute their own deferrals on a pre-tax basis. Effective, January 1, 2015, all full-time faculty and professional staff who do not enroll in the DU DC within 31 days of their date of hire will be automatically enrolled at a rate of two percent (2%) to the default vendor, TIAA-CREF, with the next available payroll. Contribution changes, including stopping participation can be done at any time. Provided that an eligible employee contributes at least one percent (1%) of compensation, the University contributes a "Basic Contribution" to the DU DC equal to three percent (3%) for an eligible employee under the age of 50, and five percent (5%) for those 50 or older. The University contributes matching contributions to DU DC that are equal to one hundred percent (100%) of an eligible employee's contributions up to six percent (6%). All basic and matching contributions are subject to certain Internal Revenue Code limitations.

The University also participates in a contributory retirement plan which provides benefits for certain union employees. The policy is to fund pension costs accrued for these plans. Total retirement plan expense for all plans was \$42,680,000 and \$41,465,000 in 2019 and 2018, respectively.

ANS also maintains a defined benefit pension plan. This plan was frozen by the ANS Board of Trustees effective December 31, 2009, prior to the affiliation agreement with Drexel University on September 30, 2011.

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

The assumptions for the pension liabilities, the accumulated benefit obligation, change in projected benefit obligation, and change in plan assets are as follows:

<i>(in thousands)</i>	<b>2019</b>	<b>2018</b>
<b>Weighted average assumptions as of June 30</b>		
Discount rate	3.60 %	4.30 %
Expected return on plan assets	6.25 %	6.25 %
<b>Accumulated benefit obligation</b>		
Accumulated benefit obligation at June 30	\$ 21,096	\$ 19,650
<b>Change projected in benefit obligation</b>		
Net benefit obligation at June 30	\$ 19,650	\$ 20,037
Service costs	230	230
Interest costs	822	762
Actuarial (gain)/loss	1,589	(321)
Gross benefits paid	(1,195)	(1,058)
Net benefit obligation at June 30	\$ 21,096	\$ 19,650
<b>Change in plan assets</b>		
Fair value of plan assets, at beginning of year	\$ 10,670	\$ 10,639
Actual return on plan assets	621	330
Employer contributions	1,283	759
Gross benefits paid	(1,195)	(1,058)
Fair value of plan assets, at June 30	\$ 11,379	\$ 10,670
Fair value of plan assets, at June 30	\$ 11,379	\$ 10,670
Benefit obligation	21,096	19,650
Net amount recognized, at June 30*	\$ (9,717)	\$ (8,980)

\* These amounts are recognized in the financial statements including the Consolidated Statements of Financial Position in the "Accrued retirement obligations" financial statement line item.

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

---

The components of net periodic benefit cost are noted below:

<i>(in thousands)</i>	<b>2019</b>	<b>2018</b>
<b>Weighted average assumptions used to determine net periodic benefit costs</b>		
Discount rate	4.30 %	4.30 %
Expected return on plan assets	6.25 %	6.25 %
<b>Components of net periodic benefit costs</b>		
Service costs	\$ 230	\$ 230
Interest costs	822	762
Expected return on assets	(666)	(661)
Amortization of actuarial loss	1,633	10
Net periodic benefit cost	\$ 2,019	\$ 341

As of June 30, 2019, and 2018, the pension plan had a projected benefit obligation and an accumulated benefit obligation in excess of plan assets. Both the projected and accumulated benefit obligations were \$21,096,000 and \$19,650,000 at June 30, 2019 and 2018, respectively. The fair value of the plan assets was \$11,379,000 and \$10,670,000 as of June 30, 2019 and 2018, respectively.

Information about the expected cash flows for the pension plan is as follows:

<b>Expected benefit payments</b> <i>(in thousands)</i>	
June 30,	
2020	1,125
2021	1,230
2022	1,256
2023	1,275
2024	1,291
2025-2029	6,568

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

---

**Plan Assets**

The ANS pension plan weighted-average asset allocations at June 30, 2019 and 2018 by asset category are as follows:

	2019	2018
<b>Asset category</b>		
Equity securities	46.2 %	49.2 %
Fixed income securities	28.6 %	31.4 %
Hedge fund and alternative investments	22.0 %	12.3 %
Cash	3.2 %	7.1 %
	100.0 %	100.0 %

The ANS investment policy and strategy is to shift investments to the target allocation to control the volatility of investment returns for the portfolio. As the investment horizon is expected to be long-term, the portfolio needs to provide long-term capital growth while also being protected from incurring major losses due to the poor performance of one sector of the market and must be invested to reduce the overall investment risk and volatility of investment returns.

The target composition of the plans assets is characterized as a 34%, 37%, 27%, and 2% allocation between equity, fixed income investments, alternative investments, and cash. The strategy currently utilizes indexed equity funds and fixed income funds, and several alternative investment vehicles. The alternative investments are allocated among various classes, including but not limited to equities, hedge funds, fixed income, natural resources, and real estate. The strategy allows to invest in a diversified manner with a mix of assets that are set not to be highly correlated. The expected rate of return on assets was based on the current interest rate environment and historical market premiums of equity and other asset classes relative to fixed income rates.

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

The following tables present the plan assets at fair value as of June 30, 2019, and 2018 according to the valuation hierarchy (Note 6):

	2019					
(in thousands)	Level 1	Level 2	Level 3	Investments at NAV	Total	
Assets, at fair value						
Cash equivalents	\$ 364	\$ -	\$ -	\$ -	\$ 364	
Mutual funds	8,847	-	-	-	8,847	
Alternative investments	-	-	-	2,168	2,168	
	\$ 9,211	\$ -	\$ -	\$ 2,168	\$ 11,379	

(in thousands)	2018				
	Level 1	Level 2	Level 3	Investments at NAV	Total
Assets, at fair value					
Cash equivalents	\$ 763	\$ -	\$ -	\$ -	\$ 763
Mutual funds	9,093	-	-	-	9,093
Alternative investments	-	-	-	814	814
	\$ 9,856	\$ -	\$ -	\$ 814	\$ 10,670

**11. Other Post-Retirement Benefits**

In addition to retirement plan benefits, the University also provides post-retirement benefits to retirees in the form of group life insurance, major medical insurance and tuition remission. All eligible faculty and professional staff members who have completed ten (10) years of full-time consecutive service with the University and are age 55 or older, if hired before September 1, 2013, or who have completed fifteen years of full-time consecutive service with the University and are age 60 or older if hired on or after September 1, 2013, excluding any professional staff member who is affiliated with a collective bargaining unit. Full-time consecutive service (10 or 15 years) is strictly services with Drexel University and does not include any subsidiaries.

The University shares the cost of coverage for medical plan options under this Plan with eligible retirees who retired prior to July 1, 2017. Retirees must pay the difference between the monthly cost for the health plan in which they are enrolled and the University's retiree allowance. For eligible retirees who retired from employment prior to September 1, 2014, the retiree allowance is \$400 per month for an eligible retiree and up to an additional \$400 per month for his or her spouse or same-sex domestic partner. For eligible retirees who retire from employment on or after September 1, 2014 but before July 1, 2017, the retiree allowance is \$300 per month for an eligible retiree and up to an additional \$300 per month for his or her spouse or same-sex domestic partner. The University reserves the right to change the level of the retiree allowance at any time. For eligible retirees who retire from employment after July 1, 2017, there is no retiree allowance and eligible

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

retirees must pay the entire cost of medical coverage under this Plan. The retirees have a choice of various providers. The post-retirement health care plan is contributory, and the life insurance plan is noncontributory.

The net periodic post-retirement benefit costs and related funded status as of June 30 are shown below. Adjustments to the unfunded status amounted to (\$800,000) and (\$2,636,000) respectively, for the years ended 2019 and 2018 and are reflected in the Consolidated Statements of Activities and included in Accrued retirement obligations in the Consolidated Statements of Financial Position.

The following tables provide information with respect to the other post-retirement plans for the years ended June 30:

**Plans Funded Status**

<i>(in thousands)</i>	<b>2019</b>	<b>2018</b>
<b>Change in benefit obligation</b>		
Benefit obligation, beginning of year	\$ 39,588	\$ 44,066
Service cost	300	303
Interest cost	1,442	1,559
Actuarial (gain)	(1,535)	(2,936)
Plan participant contributions	582	703
Actual benefits paid	(4,147)	(4,107)
Benefit obligation, end of year	36,230	39,588
<b>Change in plan assets</b>		
Fair value of plan assets, beginning of year	-	-
Employer contributions	3,565	3,404
Plan participant contributions	582	703
Actual benefits paid	(4,147)	(4,107)
Fair value of plan assets, end of year	-	-
Unfunded status of the plan*	\$ 36,230	\$ 39,588

\* These amounts are recognized in the financial statements including the Consolidated Statements of Financial Position in the Accrued retirement obligations financial statement line item.

**Weighted average assumptions to determine benefit obligations and net cost as of June 30**

Discount rate - benefit obligations	3.39%	4.22%
Discount rate - benefit cost	4.22%	3.80%
Ultimate retiree health care cost trend	4.50%	4.50%
Year ultimate trend rate is achieved	2027	2027

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

For measurement purposes, an 8.5% and an 7.5% annual rate of increase in the per capita cost of covered health care benefits for those over 65 and under 65, respectively, was assumed for 2019 grading down to ultimate rates of 4.5% in the year 2027 and thereafter.

**Net Periodic Benefit Cost**

*(in thousands)*

	2019	2018
<b>Components of net periodic benefit cost</b>		
Service cost	\$ 300	\$ 303
Interest cost	1,442	1,559
Amortization of:		
Prior service credit	(1,536)	(1,536)
Net loss	801	1,236
Net periodic benefit cost	\$ 1,007	\$ 1,562
<b>Other changes recognized in net assets without restrictions</b>		
Net actuarial gain	\$ (1,535)	\$ (2,936)
Prior service credit	-	-
Amortization of:		
Prior service cost	1,536	1,536
Net (gain)	(801)	(1,236)
Total recognized in net assets without restrictions	\$ (800)	\$ (2,636)
<b>Amounts not yet reflected in net periodic benefit cost and included in net assets without restrictions</b>		
Prior service credit	\$ (18,247)	\$ (19,783)
Actuarial loss	15,484	17,820
Amounts in unrestricted net assets, end of year	\$ (2,763)	\$ (1,963)
<b>Amounts in net assets without restrictions expected to be recognized in net periodic benefit cost</b>		
Prior service credit	\$ (1,536)	
Actuarial loss	\$ 905	

For the fiscal years ended June 30, 2019 and 2018, the effect of a 1% change in the health care cost trend rate is as follows:

<i>(in thousands)</i>	2019		2018	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Effect on net periodic benefit cost	\$ 53	\$ (47)	\$ 53	\$ (47)
Effect on postretirement benefit obligation	297	(272)	288	(268)

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

---

**Contributions**

Expected contributions for the 2019 fiscal year are \$3,320,000.

**Estimated future benefit payments**

The following benefit payments (net of retiree contributions), which reflect the effects of the Medicare Act and expected future service, as appropriate, are expected to be paid in:

*(in thousands)*

**June 30,**

2020	3,322
2021	3,231
2022	3,110
2023	2,994
2024	2,900
Thereafter	12,772

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

**12. Bonds and Notes Payable**

Bonds and notes payable at June 30, 2019 and 2018 are as follows:

<i>(in thousands)</i>	Project	Final Maturity	Effective Interest Rate at June 30, 2019	2019	2018
<b>Fixed rate debt obligations</b>					
<b>Drexel University</b>					
Series A of 2011	Capital improvements and equipment	2014-2041	2.00-5.25%	7,375	7,710
Series of 2012	Refunding	2014-2032	1.00-5.00%	11,280	11,480
Series of 2016	Refunding	2022-2037	2.00-5.00%	117,130	117,130
Series of 2017	Refunding	2018-2041	2.00-5.00%	116,150	117,800
<b>11th Street Family Health Services Inc.</b>					
The Reinvestment Fund, Inc.	New Market Tax Credit Program	2043	1.297%	2,717	2,717
The Reinvestment Fund, Inc.	New Market Tax Credit Program	2043	1.297%	6,783	6,783
<b>3509 Spring Garden, LP</b>					
Philadelphia Industrial Development Corporation	New Market Tax Credit Program	2044	1.517%	1,964	1,964
Philadelphia Industrial Development Corporation	New Market Tax Credit Program	2044	1.517%	4,826	4,826
U.S. Bank Corp Community Development Entity	New Market Tax Credit Program	2044	1.00%	1,045	1,045
U.S. Bank Corp Community Development Entity	New Market Tax Credit Program	2044	1.00%	2,205	2,205
<b>Variable rate debt obligations</b>					
<b>Drexel University</b>					
Second Series of 2000	Capital improvements and equipment	2019-2026	Variable	19,510	22,010
Series B of 2002	Capital improvements and equipment	2015-2032	Variable	40,340	40,680
Series B of 2005	Advance refunding	2019-2030	Variable	28,150	29,625
Series B of 2007	Capital improvements and equipment	2014-2037	Variable	23,295	24,110
Total outstanding bonds and notes payable				382,770	390,085
Line of Credit				30,000	-
Unamortized original issue premiums/discounts and cost of issuance, net				32,757	34,436
Total bonds and notes payable				\$ 445,527	\$ 424,521

# Drexel University and Subsidiaries

## Notes to Consolidated Financial Statements

### June 30, 2019 and 2018

---

The documents pursuant to which the Pennsylvania Higher Educational Facilities Authority ("PHEFA") Revenue Bonds are issued contain restrictive financial covenants which, among other things, require the University to maintain a minimum debt service ratio of not less than 1:1 for the fiscal year. At June 30, 2019, the University failed to meet the requirement. The failure to meet the requirement is not an event of default under the PHEFA loan documents.

The University has Reimbursement, Credit and Security Agreements with several banks in regards to letters of credit supporting the variable rate debt. Those agreements contain certain restrictive financial covenants which, among other things, require the University to maintain expendable resources of at least 50% of outstanding long-term debt and to maintain a minimum debt service ratio of not less than 1.1:1 for the fiscal year. The University was in compliance with these financial covenant requirements at June 30, 2018. As of June 30, 2019, the University was in a violation of debt service coverage ratio covenants, but such violation was waived by the applicable banks.

The variable rates of interest on the PHEFA Revenue Bonds are based on the weekly rate determined by the remarketing or auction agent, not to exceed 16% per annum.

In December 2017, the University issued PHEFA, Drexel University Revenue Refunding Bonds, Series of 2017 in the amount of \$117,800,000. The primary purpose of this issue was the refunding of most of the outstanding Series of 2011A bonds. The 2017 bonds will be maturing between May 1, 2018 and May 1, 2041. The bonds were issued on a parity basis with the University's other outstanding Authority bonds and on a parity basis with the interest rate swap agreement in connection with the Series of 2005B bonds.

The Second Series of 2000, Series B of 2002, Series B of 2005, Series B of 2007, 2011, 2012, 2016 and 2017 bonds are secured by a security interest in unrestricted gross revenues.

Debt maturities for the fiscal years ending are as follows:

<i>(in thousands)</i>	<b>Maturities</b>	<b>Remarketed Debt</b>	<b>Total Debt</b>
2020	5,463	4,005	9,468
2021	8,253	5,730	13,983
2022	9,823	4,720	14,543
2023	8,658	7,190	15,848
2024	9,618	8,660	18,278
Thereafter	265,180	80,990	346,170
	306,995	111,295	\$ 418,290
Cost of issuance			(2,763)
			415,527

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

---

The Second Series of 2000 and Series B of 2002, Series B of 2005 and Series B of 2007 bonds have remarketing terms and related standby letters of credit which could change the maturity dates. These issues have been included in the above table based on the current terms of the loans. If the remarketing efforts were to fail, the maturities would reflect the terms of the letters of credit as follows:

<i>(in thousands)</i>	<b>Remarketed Debt</b>
June 30,	
2020	43,815
2021	25,798
2022	25,847
2023	7,038
2024	7,038
Thereafter	1,759
	<u>\$ 111,295</u>

**Lines of Credit**

The University holds a line of credit which is a term note for a total of \$3,500,000 for equipment purchases that accrues interest based on Libor plus 1.25%. Advances are available with equal payments of principal and interest due sixty months thereafter. The line of credit is secured by a lien and security interest in deposits or other sums held by the lender or its affiliates. There were no amounts outstanding at June 30, 2019 and 2018.

Total unsecured Revolving Credit Facilities ("Facilities") of \$70,000,000 matures on December 31, 2019, and accrues interest based on Intercontinental Exchange Benchmark Administration "ICE" (subject to a floor of 0.75%) for the University. It can be extended annually based upon the agreement of the University and the bank maintaining the Facilities. At June 30, 2019, the interest rate was 2.44% and there was \$30,000,000 outstanding.

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

**13. Net Assets**

Net assets included the following:

(in thousands)

	2019	2018
<b>Without donor restrictions:</b>		
Operating	\$ (364,065)	\$ (279,116)
Physical plant	677,236	664,395
Quasi-endowment funds	277,042	270,713
Total net assets without donor restrictions	590,213	655,992
<b>With donor restrictions:</b>		
<i>Temporarily Restricted</i>		
Funds for programs and capital expenditures	106,210	119,480
Funds for endowments	169,611	159,357
Life income annuities	1,587	1,532
Beneficial interests in trusts	4,858	7,192
<i>Permanently Restricted</i>		
Funds for endowments	367,631	350,124
Life income annuities	2,397	2,450
Beneficial interests in trusts	34,978	34,545
Student loans and others	7,607	7,417
Total net assets with donor restrictions	694,879	682,097
Total net assets	\$ 1,285,092	\$ 1,338,089

**14. Revenue Recognition**

The University adopted *Revenue from Contracts with Customers (Topic 606)* effective July 1, 2018 using the retrospective transition method. The University assessed the various contractual arrangements for material revenue streams, the impact to internal processes, the control environment, and disclosures, and determined that the adoption would not result in a material change to the timing of revenue recognition. For all revenue streams, the impact of the adoption was immaterial and the impact of applying the standard retrospectively had no impact on total revenues or total changes in net assets in the prior year presented. The impact of the retroactive adjustment to the presentation of financial statements for the period ended June 30, 2018 was as follows:

(in thousands)	As reported under ASC 605	As reported under ASC 606	Change
Tuition and fees	\$ 919,982		
Less: Institutional financial aid	(316,167)		
Net tuition revenue	603,815	664,324	60,509
Sales and services of auxiliary enterprises	80,563	20,054	(60,509)
Physician services revenue	91,902	92,034	132
Other operating expenses	338,063	338,195	132

In assessing collectability, the University has elected the portfolio approach as a practical expedient to combine customers with similar characteristics. The University determined that the effect of applying a portfolio approach to a group of contracts would not differ materially from considering each contract separately.

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

For the University's revenue streams, the performance obligations are within contracts with durations of one year or less. Therefore, the optional exemption to not disclose remaining performance obligations was applied.

**Tuition and fees, room and board**

Tuition and related fees are recognized as revenue over time during the academic period in which the related academic services are rendered. The University records tuition revenue at the standalone selling price, which most often reflects the published rates, less price concessions related to institutional financial discounts provided by the University. Payment is due in full by the student before the commencement of the semester or term.

As the performance obligations are met (i.e. classes are instructed), revenue is recognized ratably based upon the allocated transaction price. Ratable recognition depicts the transfer of services as the student obtains the benefit of services throughout the semester or term.

The following table disaggregates tuition and fees, room and board revenue by major portfolios for the years ended June 30, 2019, and 2018:

	2019			
	Tuition and Fees	Room and Board	Institutional Financial Aid	Total
Undergraduate	\$ 685,548	\$ 57,155	\$ (308,947)	\$ 433,756
Graduate	265,358	2,183	(35,533)	232,008
Tuition and fees, room and board	\$ 950,906	\$ 59,338	\$ (344,480)	\$ 665,764

  

	2018			
	Tuition and Fees	Room and Board	Institutional Financial Aid	Total
Undergraduate	\$ 659,988	\$ 58,190	\$ (283,633)	\$ 434,545
Graduate	259,994	2,319	(32,534)	229,779
Tuition and fees, room and board	\$ 919,982	\$ 60,509	\$ (316,167)	\$ 664,324

**Physician Services**

Net patient care activity revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors. Performance obligations are met as Physician Services are administered to patients. The transaction price is allocated to separate performance obligations based upon the relative standalone selling price.

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

In assessing collectability, we have elected the portfolio approach and grouped into portfolios based on services provided (practice plans). The portfolios elected consist of patients with similar characteristics in payment behavior. The following table disaggregates the Physician Services' revenue by major portfolios with similar characteristics for the years ended June 30, 2019 and 2018 respectively:

<i>(in thousands)</i>	<b>2019</b>		<b>2018</b>	
Medicine	\$	57,592	\$	57,047
OB/GYN		9,266		9,604
Pathology		4,417		6,574
Psychiatry		4,015		3,764
Surgery		4,095		3,428
Neurology		2,858		2,406
Dermatology		16		1,959
Ophthalmology		2,099		1,834
Other services		6,324		5,418
Total physician services	\$	90,682	\$	92,034

**Grants and Contracts**

The University receives grant and contract revenue from governmental and private sources, which are considered non-exchange revenue transactions. The University generally recognizes revenue associated with the direct and the applicable indirect costs of sponsored programs as the related costs are incurred in accordance with the related cost principles outlines in the grant agreement. The University negotiates its federal indirect rate with its cognizant federal agency.

The following table disaggregates grants and contracts revenue for the years ended June 30, 2019, and 2018:

<i>(in thousands)</i>	<b>2019</b>			
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>	
Government grants and contracts:				
Federal	\$ 96,738	\$ 1,408	\$	98,146
State	4,260	199		4,459
Local	433	186		619
Private grants and contracts	10,363	12,216		22,579
Total grants and contracts	\$ 111,794	\$ 14,009	\$	125,803

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

(in thousands)

	<b>2018</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Government grants and contracts:			
Federal	\$ 94,499	\$ -	\$ 94,499
State	4,119	-	4,119
Local	2,441	-	2,441
Private grants and contracts	25,318	2,917	28,235
<b>Total grants and contracts</b>	<b>\$ 126,377</b>	<b>\$ 2,917</b>	<b>\$ 129,294</b>

As of June 30, 2019, the University has outstanding unrecorded conditional grants receivable of \$115,547,000. Revenue for these conditional grants will be recognized in future periods when the related barriers are overcome when the conditions have been substantially met.

**15. Functional and Natural Classification of Expenses**

Expenses are presented by functional classification in accordance with the overall service mission of the University. Each functional classification displays all expenses related to the underlying operations by natural classification. Depreciation and interest expenses are allocated based on the square footage occupancy. Plant operations and maintenance represent space related costs which are allocated to the functional categories directly and/or based on the square footage occupancy. Expenses reported as auxiliary enterprises, library, and student services are incurred in support of program services.

Expenses by functional classification for the year ended June 30, 2019 consist of the following:

(in thousands)

	<b>2019</b>			
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 433,563	\$ 54,400	\$ 9,682	\$ 497,645
Employee benefits	112,454	14,115	2,507	129,076
Depreciation and amortization	45,427	4,956	13	50,396
Interest	13,888	1,514	-	15,402
Other operating expenses	320,622	48,401	4,791	373,814
<b>Total expenses</b>	<b>\$ 925,954</b>	<b>\$ 123,386</b>	<b>\$ 16,993</b>	<b>\$ 1,066,333</b>

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

Expenses by functional classification for the year ended June 30, 2018 consist of the following:

(in thousands)

	2018			
	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 415,297	\$ 50,306	\$ 9,431	\$ 475,034
Employee benefits	109,053	13,208	2,462	124,723
Depreciation and amortization	48,874	3,221	13	52,108
Interest	13,919	940	-	14,859
Other operating expenses	295,783	38,052	4,360	338,195
<b>Total expenses</b>	<b>\$ 882,926</b>	<b>\$ 105,727</b>	<b>\$ 16,266</b>	<b>\$ 1,004,919</b>

**16. Professional Liability Insurance**

Starting July 1, 2014, Drexel established a Self-Insurance Trust ("SIT") to provide primary coverage for known claims medical professional liability coverage. The SIT provides primary coverage of \$500,000 for physicians and midwives and up to \$1,000,000 for other health professions and entity coverage. Physicians and midwives also participate in the Pennsylvania Medical Care Availability and Reduction of Error Fund ("Mcare") that covers from \$500,000 to \$1,000,000. In addition, Drexel self-insures a layer of excess of up to \$2,000,000 above the Mcare Fund.

The Dragon Risk Limited, Co. provides excess coverage above the self-insured layer of an additional \$17,000,000.

For self-insured retention amounts for both reported claims and claims incurred but not reported at June 30, 2019 and 2018, the University and its subsidiaries recorded gross combined reserves of \$46,719,000 and \$36,923,000, respectively and related recoveries from third party insurers of \$12,213,000 and \$7,105,000 at June 30, 2019 and 2018, respectively. For fiscal years 2019 and 2018, the reserves were discounted at 2% for the layers retained by the University and excess carriers. Such reserves and reinsurance recoveries are included in accrued expenses and grants, contracts and other receivables, respectively, in the accompanying 2019 and 2018 Consolidated Statements of Financial Position. Under the self-insurance program, the University is required by the Commonwealth of Pennsylvania to maintain a malpractice trust fund. At June 30, 2019 and 2018, self-insurance escrow funds and malpractice insurance trust consisting of mutual funds and fixed income securities amounted to \$57,412,000 and \$57,394,000, respectively, were available to fund incurred but not reported liabilities.

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

---

**17. Commitments and Contingencies**

**Healthcare Legislation and Regulation**

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements and reimbursement for patient services. Federal government activity has continued with respect to investigations and allegations concerning possible violation of billing regulations by healthcare providers. Violations of these regulations could result in the imposition of significant fines and penalties and have a significant effect on reported activities or cash flow.

The University believes it is in compliance with applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

**Litigation**

There is a pending litigation between SodexoMAGIC and the University in relation to the former food services agreement. There is also pending litigation between United Educators' Insurance and the University for breach of contract in relation to the general liability coverage for medical professionals.

The nature of the educational and healthcare industries is such that, from time to time, claims will be presented on account of alleged negligence, acts of discrimination, medical malpractice, breach of contract or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational and healthcare services at a large institution. In the opinion of the University, after consultation with legal counsel, the ultimate disposition of these matters will not have a materially adverse effect on the financial condition or results of operations.

**Other Commitments and Contingencies**

The University maintains a letter of credit in the amount of \$225,000, as required by the Department of Environmental Protection, in connection with the disposal of nuclear medical waste and is renewed annually. There were no amounts outstanding as of June 30, 2019 and 2018.

The University maintains three letters of credit totaling \$4,144,000 associated with workers' compensation insurance. The agreements are renewable annually. There were no amounts outstanding as of June 30, 2019 and 2018.

The University has the following letters of credit for bonds having remarketing terms:

- The Second Series of 2000 bond has a letter of credit in an amount not to exceed \$22,500,000, plus required interest coverage, which will expire June 1, 2021.
- The Series B of 2002 bond has a letter of credit in an amount not to exceed \$42,140,000, plus required interest coverage, which will expire June 1, 2021.

## **Drexel University and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **June 30, 2019 and 2018**

---

- The Series B of 2005 bond has a letter of credit in an amount not to exceed \$30,047,055 which will expire September 30, 2024.
- The Series B of 2007 bond has a letter of credit in an amount not to exceed \$29,879,704, plus required accrued interest, which will expire April 30, 2020.

There were no amounts outstanding on these bond-related letters of credit as of June 30, 2019 and 2018.

The University also maintains a letter of credit in an amount not to exceed \$287,253 as required by the U.S. Department of Education in connection with Federal student loans. It will expire on May 1, 2020 and is automatically renewed annually unless notified by the University of an election not to renew. There was no amount outstanding as of June 30, 2019.

#### **Business Income Taxes**

As referenced in Note 1 - Income Taxes, the University is a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. The University and its non-profit affiliates are not subject to taxation for activities and income related to its exempt purpose. Unrelated business income (UBI) is defined by the Internal Revenue Service (IRS) as income generated in a trade or business that is regularly carried on and is not substantially related to further the exempt purpose of the organization. The University is subject to federal UBI tax related to the net income generated from consulting, conference services and investment income held in the endowment fund for which the investment manager has reported unrelated business income on an IRS Schedule K-1 for which it files an IRS Form 990-T, *Exempt Organization Business Tax Return*, annually. The University makes quarterly estimated tax payments to the IRS and submits any additional tax payment with the final submission of its return in the subsequent fiscal year.

The University is also subject to the City of Philadelphia Business Income and Receipts Tax. The University files an annual Business Income and Receipts Tax return and submits estimated tax payments for the subsequent fiscal year at the time of filing its return to the City of Philadelphia.

For the fiscal years ended June 30, 2019 and 2018, the University recorded \$1,125,000 and \$1,711,000 as income tax expenses and assigned a functional expense category of institutional support for these expenditures.

The Tax Cuts and Jobs Act (the "Act") enacted on December 22, 2017, impacted the University in several ways, including new excise taxes on executive compensation and net investment income, increases to unrelated business taxable income (UBTI) by the amount of certain fringe benefits for which a deduction is not allowed, changes to the net operating loss rules, repeal of the alternative minimum tax (AMT), and the computation of UBTI separately for each unrelated trade or business. Further, the Act reduced the US federal corporate tax rate and federal corporate unrelated business income tax rate from 35% to 21%.

**Drexel University and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

---

**18. Related Party Transactions**

**Tenet Healthcare Corporation and American Academic Health System**

On September 1, 2017, Tenet Healthcare Corporation (“Tenet”) announced that they had signed a definitive agreement to sell its two Philadelphia medical centers — Hahnemann University Hospital, St. Christopher’s Hospital for Children — to American Academic Health System (“AAHS”), a newly formed affiliate of Paladin Healthcare. On January 11, 2018, all operating agreements under Tenet Healthcare Corporation (“Tenet”) were transferred to American Academic Health System (“AAHS”) with the exception of the real estate assets related to the medical office buildings and parking garages, which were sold to Harrison Street and master leased to St. Christopher’s Hospital, LLC. The University in turn subleases from St. Christopher’s Hospital LLC. Under these agreements, the University acts both as a purchaser and provider of services. Total services purchased from AAHS/Tenet for the years ended June 30, 2019 and 2018 were \$12,309,000 and \$12,369,000, respectively. These services include charges for various personnel, administrative and support services related to operating the College of Medicine and rent. Services provided to Tenet/AAHS include administrative, supervisory and teaching services connected with faculty physician and residency programs and services and support provided by physicians to support hospital operations. Total charges to AAHS/Tenet for these services amounted to \$24,386,000 and \$24,063,000 for the years ended June 30, 2019 and 2018, respectively, and are mainly included in patient care activities revenue in the accompanying Consolidated Statements of Activities.

**Bankruptcy Filing of Philadelphia Academic Health System**

On June 30 of 2019, the owners of Hahnemann University Hospital (“HUH”) and St. Christopher’s Hospital for Children (“St. Christopher’s”), Philadelphia Academic Health System (“PAHS”), a subsidiary of the California based American Academic Health System (“AAHS”), filed for chapter 11 bankruptcy. HUH was experiencing unsustainable financial losses and could not continue to operate under these financial conditions. As a result of the announcement, HUH’s facilities and departments released a timeline of planned closure dates with an estimated final shut down date of September 6, 2019. St. Christopher’s will remain open and operated by a joint venture between the University and Tower Health (“Tower”), which acquired certain assets and liabilities of the hospital in a bankruptcy sale. (See Note 18B)

Drexel’s main business relationship with the HUH is an academic affiliation agreement that designates HUH as the medical school’s primary academic partner for its medical student training and provides for Drexel’s faculty to manage the hospital’s residency program through 2022.

University leadership in anticipation of the 2022 conclusion of the Drexel Academic affiliation agreement with HUH had previously begun evaluating potential successor hospitals to replace HUH. As a result, on December 31, 2018, the University announced a 20-year academic affiliation with Tower, a six-hospital system with locations in the Philadelphia area, to open a new branch campus for Drexel medical students at Tower’s flagship hospital, Reading Memorial Health in Reading Pennsylvania. The University and Tower, signed a Letter of Intent on May 10, 2019, to transfer substantially all of the assets of the Drexel University Practice Plan to the Tower Health Medical Group on or before January 1, 2020. Tower, working with the University’s management, are in the process of

## **Drexel University and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **June 30, 2019 and 2018**

---

structuring agreements to finalize the transfer, define research management services, and academic affiliation services.

The University took further steps to minimize potential disruptions within the College of Medicine and the University's financial operations as a result of the HUH bankruptcy and closure. In late June 2019, when PAHS notified the University of its intent to file for bankruptcy, the management team developed a timeline in which various departments would close and which ones would be transitioned to Tower. On July 19, 2019, Drexel announced its plan to eliminate certain healthcare service lines and discontinue positions of affected physicians and clinical staff employed by the practice plan. Tower Health has worked with Drexel to transition some of the affected physicians and clinical staff to the Tower Health Medical Group on an accelerated basis. The initial closures began on August 23, 2019 and are scheduled to end December 31, 2019. The transition departments are scheduled to transfer on January 1, 2020 and at which time the University will have ceased operations of its practice plan.

The University, in the period ending June 30, 2019, has accrued as an operating expenditure for loss related to closure of physician practice plan an accrual for faculty severance of \$5,891,000 and staff severance of \$3,492,000. For faculty, the University is contractually required to provide 6-months' notice of termination and this notice was provided on July 15, 2019. Professional staff severance is determined by length of service and ranges from 2 weeks salary for less than 1 year of service to 5 month's salary for 5 or more years of service. All benefits are discontinued at the end of the month of the effective date of the position elimination. Accrued vacation and sick time, as applicable, will be paid out in accordance with the University's policies.

As part of the practice plan closure, the University has assessed its equipment, furnishings, and software related to the physician practices. Most of these assets will likely be sold or transitioned to Tower. As such, the estimated loss on the disposal of these assets is estimated to be \$896,000 and was recorded for the period ending June 30, 2019. The assets will remain on the University's books until they are disposed of or sold but it is anticipated that the University's equipment and software would be reduced by a net amount of \$896,000 if all assets and corresponding accumulated depreciation are disposed.

#### **Tower Health**

On December 31, 2018, Tower Health ("Tower") and Drexel University signed a 20-year academic affiliation agreement that allows the University to use Tower Health's Reading Hospital campus in Berks County, Pennsylvania as another location for the College of Medicine's four-year undergraduate medical education program. The academic affiliation agreement will allow the Drexel University's College of Medicine to create and maintain high quality medical education and academic programs in an appropriate learning environment and serve the community through the delivery of high quality and cost-effective health care services at Tower Health facilities.

## **Drexel University and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **June 30, 2019 and 2018**

---

##### **Drexel University/Ben Franklin Technology Partners Seed Fund**

On November 15, 2015, the University and Ben Franklin Technology Partners of Southeastern Pennsylvania ("Ben Franklin") signed a ten year agreement ending November 15, 2025, to establish a jointly funded initiative "the Fund", managed by Ben Franklin in conjunction with the University that establishes four program areas: 1) seed investments from a jointly capitalized pool into University spin-outs and other agreed upon Drexel-based ventures, 2) post-investment portfolio management services, 3) appropriate counseling and support for all invested companies and access to all Ben Franklin services and programs, and 4) joint efforts to place Drexel talent with invested enterprises. The University has authorized an amount up to \$5,000,000 to be raised from donors and used for the program elements. Ben Franklin has also authorized up to \$5,000,000 to be allocated over the life of the initiative from available investment resources. All loans and/or investments made by the Fund will be made with equal participation between the University and Ben Franklin. All loans and/or investment administration will be handled by Ben Franklin. The University and Ben Franklin will share equally in the revenue, income and/or other forms of return from each loan/investment. Upon termination of the agreement, any uncommitted University funds, net of costs associated with any outstanding loan or investment will be returned to the University by Ben Franklin within 45 days of termination.

#### **19. Subsequent Events**

The University evaluated events subsequent from June 30, 2019 through October 24, 2019, the date at which financial statements were issued.

##### **A. St. Christopher's Hospital for Children Acquisition**

On September 18, 2019, a joint bid for St. Christopher's Hospital was submitted by the University and Tower. On Friday, September 20, 2019, the University and Tower were awarded the bid and have agreed to pay \$50 million for St. Christopher's and will be equal partners in the ownership of St. Christopher's. Tower Health will manage the day-to-day operations of the hospital and physician practices. The St. Christopher's real estate is owned by separate companies and is not included as part of the transaction. A court hearing held on September 23, 2019 provided final approval of the acquisition and set a closing date of December 15, 2019.

The partnership's mission is to ensure that access to pediatric services continues uninterrupted for the vulnerable, underserved community that depends on St. Christopher's for its care. The partnership will provide outstanding health care and operating expertise, as well as financial security and stability that will complement and augment St. Christopher's nationally recognized programs for children and exceptional care.

##### **B. Powel Elementary and Science Leadership Academy Middle School Project**

On May 8, 2019, the Board of Trustees approved a Resolution authorizing the University to undertake the design and construction of a combined K-8 Powel Elementary School and Science Leadership Academy Middle School ("Powel/SLA-MS") on the northern portion of 60 N. 36th Street in Philadelphia, Pennsylvania, which is a portion of the tract of land that formerly housed University City High School. To fund a portion of the Project costs, the University will be utilizing New Market Tax Credits ("NMTCs"). The Project qualifies for

## **Drexel University and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **June 30, 2019 and 2018**

---

the NMTC program because the Property is in a "highly distressed" low income community. The University has been allocated \$29,000,000 of NMTCs from four separate Community Development Entities, which will result in an equity investment in the Project estimated at \$9,726,600. Upon completion, the University will lease the building to the School District of Philadelphia ("SDP") for nominal annual rent. SDP will be responsible for all operating and maintenance costs. The University has introduced a dormant entity Drexel University City, Inc. ("DUC"), to act as the leveraged loan lender in this transaction.

The University secured a \$15,000,000 gift from the Lenfest Foundation to construct Powel/SLA-MS. The gift is conditional and requires a one-to-one match but has no conditions on where the matching funds must be derived. As such, the University sold Lot 2 (the "Wedge" parcel) to Wexford Science and Technology, LLC on September 26, 2019, for \$9,200,000 and directed the proceeds from this sale to the Lenfest Foundation match. Wexford Science and Technology, LLC will contribute a minimum of \$4,850,000 towards the match.

#### **C. Drexel Academic Tower**

On May 8, 2019, the Board of Trustees approved a resolution authorizing the University to develop a new Academic Tower to house the College of Nursing and Health Professions, relocating the college from Center City to University City. The Academic Tower will be developed by Wexford Development, LLC on the southern portion of 60 N. 36<sup>th</sup> Street, Philadelphia, Pennsylvania which is a portion of the tract of land that formerly housed University City High School. The building size is expected to be between 258,000 and 450,000 square feet. The building development will be aided by a number of financial mechanisms that include a \$9,546,000 prepaid ground lease between the University and Wexford Science and Technology, LLC. and a sale by the University to Wexford Science and Technology, LLC of 142,857 square feet of air rights above the premises of Lot 6 (the PSLAMS premises) for a price of \$5,300,000. The University is entered into a 29 year and 11-month lease with Wexford Science and Technology, LLC and sold the air rights on September 26, 2019.

#### **D. 3675 Market Sublease - DXC Technologies**

In October 2018, Drexel University entered into a 20-year lease with Wexford-SCEC 3675 Market Street, LLC for space on the 9<sup>th</sup>, 10<sup>th</sup>, and 11<sup>th</sup> floors of 3675 Market Street, Philadelphia, PA for the College of Computing and Informatics ("CCI"). The 14-story building, opened in November, is located to the west of University City Campus. The Building offers offices, classrooms, laboratories, co-working and convening spaces. On August 29, 2019, Drexel University entered into a sublease with a strategic partner, DXC Technology Services LLC (DXC), to utilize a portion of the 9<sup>th</sup> floor space to create a "DXC Digital Transformation Center" and to help offset early term lease expenses as CCI continues to grow.

DXC is one of the largest technology companies globally, with over 175,000 employees and clients across 70 countries. DXC's Chairman and CEO, Mike Lawrie, is a Drexel alumnus and Trustee. CCI is building an overarching strategic partnership with DXC to support DXC's technology talent needs, from talent development to recruitment and professional training. This strategic partnership has the potential to substantially increase CCI's total graduate enrollment numbers.

[ THIS PAGE INTENTIONALLY LEFT BLANK ]

## **APPENDIX C**

### **SUMMARY OF LEGAL DOCUMENTS**

[ THIS PAGE INTENTIONALLY LEFT BLANK ]

## APPENDIX C

### SUMMARY OF LEGAL DOCUMENTS

The following are descriptions of the definitions of certain terms used in this Official Statement (including the summaries of documents which follow) and in the Indenture, the Loan Agreement and the Collateral Agreement and summaries of certain provisions of the Loan Agreement, the Indenture, the Springing Amendments and the Collateral Agreement. The summaries should not be regarded as full statements of the documents themselves or of the portions summarized. For complete statements of the provisions thereof, reference is made to the documents in their entireties, copies of which will be available for inspection at the principal corporate trust office of the Trustee and, during the offering period, at the offices of the Underwriter.

### DEFINITIONS

The following definitions apply to the summaries of the Indenture and the Loan Agreement hereinafter set forth, and to the terms not otherwise defined in the Official Statement.

*"Act"* shall mean 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.

*"Administrative Expenses"* shall mean 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.

*"Alternative Debt"* shall mean that Long-Term Debt, other than the Bonds, which the University is permitted to incur to finance University Facilities, and which shall be equally and ratably secured with the Bonds with respect to the Unrestricted Gross Revenues to the extent provided in Section 8.05(a) of the Loan Agreement.

*"Annual Administrative Fee"* shall mean the annual fee for the general administrative services of the Authority with respect to each series of Bonds Outstanding.

*"Architect"* shall mean an architect, engineer, firm thereof, or other Person, appointed by the University and not unsatisfactory to the Authority and Trustee, who shall, in the case of a Project involving construction of a new facility, be Independent, and shall in any case be registered in the Commonwealth, and qualified to pass upon architectural or engineering questions related to the University Facilities, and may include a registered engineer as well as a registered architect.

*"Authority"* shall mean Pennsylvania Higher Educational Facilities Authority, or its successor or successors.

*"Authority Board"* shall mean the governing body of the Authority.

*"Bond"* or *"Bonds"* shall mean any bonds, notes or other obligations issued under the Indenture.

*"Bondholder"* or *"holder of Bonds"* shall mean the Registered Owner of any Bond.

*"Capital Additions"* shall mean real and personal property of any kind, constituting additions and improvements to the University Facilities acquired or constructed by or for the University, or financed in

whole or in part with the proceeds of Bonds issued under the Indenture or with monies held in any funds created under the Indenture or with the proceeds of Alternative Debt which is used or useful in connection with the University Facilities, and the Cost of which is properly chargeable to plant or property accounts under Generally Accepted Accounting Principles, including, without limiting the generality of the foregoing, land, easements, rights of way, leaseholds, other interests in real property, replacements of property retired, permanent additions and Extraordinary Repairs.

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

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

*"Code"* shall mean the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

*"Collateral"* shall mean the Unrestricted Gross Revenues of the University, under and subject, however, to Permitted Encumbrances; provided that such pledge may thereafter be subordinated with respect to future pledges of revenues from specific facilities comprising a portion of the University Facilities made to others on or after the date of the Loan Agreement solely to secure obligations which bear interest at lower than prevailing market interest rates by reason of governmental subsidies and grants and only if such rates, subsidies or grants would not be available without such a specific future pledge.

*"Collateral Agreement"* shall mean the Original Collateral Agreement as amended and supplemented.

*"Commonwealth"* shall mean the Commonwealth of Pennsylvania.

*"Consultant"* shall mean a Person, who shall be Independent, appointed by the University or the Authority, as the case may be, and not unsatisfactory to the other party or the Trustee, who is generally recognized as being expert as to matters as to which his or its Certificate or advice is required or contemplated by the Indenture or the Loan Agreement.

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

- (1) Amounts payable to contractors and costs incident to the award of contracts;
- (2) 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;
- (3) Engineering, legal, accounting and other professional and advisory fees;

- (4) 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;
- (5) Interest during construction;
- (6) The Authority's initial fee and the Annual Administrative Fee and Administrative Expenses;
- (7) Printing, engraving and other expenses of financing, including but not limited to the fees of Bond Counsel, University Counsel 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;
- (8) Costs, fees and expenses in connection with the acquisition of real and personal property or rights therein, including premiums for title insurance;
- (9) Cost of equipment purchased by the University and necessary for the completion and proper operation of any Project or property in question;
- (10) Amounts required to repay temporary loans or advances from other funds of the University made to finance the Costs of any Project;
- (11) 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;
- (12) Moneys necessary to fund the Funds created under the Indenture; and
- (13) Amounts required to purchase the First Mortgage Notes.

In the case of Projects for refunding or redeeming any Bonds or Long-Term Debt, "*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 Long-Term Debt 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*" shall mean 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*," with reference to a specified period, shall mean:

- (1) interest payable on Long-Term Debt during the period, excluding (i) interest funded from the proceeds thereof and (ii) interest on Long-Term Debt to be redeemed during such period through any sinking fund account which would otherwise accrue after the redemption date;
- (2) amounts required to be paid into any mandatory sinking fund account for Long-Term Debt during the period;

(3) amounts required to pay the principal of Long-Term Debt, other than the Non-Amortizing Principal of Non-Amortizing or Partially Amortizing Debt, maturing during the period and not to be redeemed prior to maturity through any mandatory sinking fund account; and

(4) in the case of Long-Term Debt in the form of a lease capitalized under Generally Accepted Accounting Principles, the lease rentals payable during the period;

provided, however, that (i) *"Debt Service Requirements"* shall not include payments of principal of and interest on obligations to the extent that such obligations are paid or to be paid with moneys not constituting revenues for the purposes of determining *"Net Revenues,"* (ii) in the case of interest which carries a variable rate, interest shall be calculated, in any projection of Debt Service Requirements, at the rate which was or would have been in effect on the last day of the calendar month preceding the date of such calculation, and (iii) interest payable shall be reduced by the amount of any interest subsidy which a Federal, state or local government is irrevocably committed to pay for the period in question.

*"Fiscal Year,"* when used with respect to the University, shall mean 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.

*"Generally Accepted Accounting Principles"* shall mean 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"* shall mean direct obligations of, or obligations the timely payment of principal of and interest on which is unconditionally guaranteed by, the United States of America.

*"Independent"* shall mean with respect to the Architect, the Certified Public Accountant, the Insurance Consultant and any other Consultant, a Person who is not a member of the University Board (or other governing body of the University) 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"* shall mean a Person who shall be 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 educational 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.

*"Long-Term Debt"* shall mean all obligations for the payment of money, incurred, assumed or guaranteed by the University, whether due and payable in all events, or upon the performance of work, the possession of property as lessee or the rendering of services by others, except:

(1) Short-Term Debt;

(2) Current obligations payable out of current revenues, including current payments for the funding of pension plans;

(3) Obligations under contracts for supplies, services, and pensions, allocable to current operating expenses of future years in which the supplies are to be furnished, the services rendered, or the pensions paid;

(4) Rentals payable in future years under leases not required to be capitalized under Generally Accepted Accounting Principles;

(5) Debt of the University incurred to finance the construction or acquisition of a facility, provided that such debt is not a general obligation of the University and is secured only by and payable solely from the revenues derived from the operation or sale of such facility or a security interest in the real and personal property comprising such facility; and

(6) Student Loan Guarantees complying with the requirements of Section 8.06 of the Loan Agreement, except to the extent includable as Long-Term Debt under the provisions thereof.

*"Net Revenues"* shall mean for any period the Unrestricted Gross Revenues after deduction of Operating Expenses and exclusion of the effect of any recognized changes in the market value of unrestricted investments, as determined in accordance with Generally Accepted Accounting Principles.

*"Non-Amortizing Debt"* shall mean Long-Term Debt all of the principal of which matures in the final year and which does not have the benefit of a mandatory sinking fund.

*"Non-Amortizing Principal"* shall mean the principal of Non-Amortizing Debt and, with respect to Partially Amortizing Debt, shall mean that portion of such principal or sinking fund payments exceeding that of the immediately preceding year by 25% or more in amount, exclusive of principal projected to be paid from funds held in a debt service reserve fund.

*"Officer's Certificate"* shall mean a certificate signed by a Responsible Officer.

*"Operating Expenses"* shall mean all unrestricted operating expenses and expenses/deductions from unrestricted non-operating activities, exclusive of depreciation, amortization and other non-cash charges, expenditures related to net assets released from restriction and interest on Long-Term Debt, as determined in accordance with Generally Accepted Accounting Principles.

*"Outstanding,"* in connection with Long-Term Debt, shall mean, as of the time in question, all Bonds authenticated and delivered under the Indenture or in the case of other Long-Term Debt, all such Long-Term Debt issued under the particular debt-incurring instrument, except such thereof as:

(1) is cancelled or required to be cancelled under the terms of the debt-incurring instrument;

(2) for the payment, redemption, or purchase of which monies or Government Obligations or certificates of deposit issued by the Trustee or any bank, trust company or savings and loan association (the deposits of which are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation), such certificates being fully secured by a pledge of Government Obligations, the principal of and interest on which Government Obligations or certificates, when due, will provide sufficient money to fully pay such Long-Term Debt or portion thereof in accordance with the debt-incurring instrument, shall have been or shall concurrently be deposited with the Trustee, the obligee or trustee under any debt-incurring instrument or an escrow agent appointed for such purpose; provided that, if such Long-Term Debt is 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 such Long-Term Debt, or any part thereof, is being purchased, there shall be a firm commitment for the purchase and sale thereof; or

(3) in substitution for which other Long-Term Debt has been authenticated and delivered pursuant to the debt-incurring instrument.

*"Partially Amortizing Debt"* shall mean Long-Term Debt which in any one year requires principal or sinking fund payments which exceed such payments in the immediately preceding year by at least 25% (excluding principal to be paid from funds held in a debt service reserve fund and excepting from such calculation the first year in which such payments are required).

*"Permitted Encumbrances"* shall mean, with respect to the Collateral and the Project Facilities as of any particular time, (i) the Indenture and the Loan Agreement; (ii) liens for ad valorem taxes, special assessments and other governmental charges not then delinquent; (iii) utility, access or other easements and rights-of-way, mineral rights, restrictions and exceptions of record, none of which will materially interfere with or impair the ability of the University to meet its payment obligations under the Loan Agreement; (iv) "transfers" and liens permitted under Sections 6.02(i), 8.06, 9.07 and 9.08 of the Loan Agreement; (v) liens or security interests as set forth in the title insurance information certificate issued in connection with the issuance of Bonds or securing presently outstanding indebtedness of the University; (vi) such minor defects, encroachments, irregularities, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the University Facilities and do not in the aggregate, in the opinion of Counsel to the University, materially impair the ability of the University to meet its payment obligations under the Loan Agreement; and (vii) liens and judgments of record against the University Facilities the validity of which is being contested in good faith and by appropriate proceedings, provided that neither the University Facilities nor any rent or income therefrom or interest therein would be in any immediate danger of being sold, forfeited, attached or lost.

*"Person"* shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, an unincorporated organization, a governmental body, any other political subdivision, municipality or municipal authority or any other group or entity.

*"Pledged Revenues"* shall mean all amounts payable by the University to the Authority under the Loan Agreement (except those representing the Annual Administrative Fee and Administrative Expenses of the Authority) and all amounts payable to the Authority pursuant to the Collateral Agreement.

*"Project"* shall mean acquiring, holding, constructing, improving, maintaining and operating, by the University, of grounds, premises, buildings, and other property constituting "educational facilities" as defined in the Act and used or useful in providing instruction, housing, recreation, or other services related to higher education and related activities, including the financing of the Cost thereof by the Authority and the refinancing by the Authority of the cost of educational facilities previously financed, so long as it has been financed or refinanced by the proceeds of Bonds or with moneys held in any funds created under the Indenture, including any replacement or restoration of the Project Facilities to the extent that damage is not covered by insurance. "Project" shall also include refunding or redeeming any Outstanding Bonds or Alternative Debt.

*"Project Facilities"* shall mean the land, buildings, improvements, equipment and other property constituting a part of the University Facilities, the acquisition and/or construction of which is hereafter financed or otherwise provided from funds under the Indenture as part of a Project, as such items may be amended by the University from time to time by addition, deletion or substitution, all Capital Additions (in each case other than those consisting of renovations or Extraordinary Repairs to property).

*"Receipts from Students"* shall mean those monies, not constituting Unrestricted Gross Revenues, which are received by the University in connection with the sale of assets or furnishing of services by the University to its students, the cost of which to the University was financed from the proceeds of Long-Term Debt incurred by the University.

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

*"Registered Owner,"* in connection with a Bond, shall mean 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 Bonds.

*"Regulatory Body"* shall mean and include: (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, such 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 or the Project Facilities, but shall not include the Authority.

*"Responsible Officer"* shall mean (i) when used with respect to the Authority, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer, the Executive Director, Controller or any Assistant Executive Director or Assistant Controller, (ii) when used with respect to the University, the President and the Vice President-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 Board of the Authority or the University 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.

*"Short-Term Debt"* shall mean all obligations of the University for the repayment of borrowed money payable upon demand or having a final maturity of less than two years from the date incurred, excluding the current portion of any Long-Term Debt.

*"Student Loan Guarantee"* shall mean any guarantees by the University of the primary obligations of students enrolled at the University to repay loans made to them, or any guarantee by the University of obligations incurred by other parties to finance loans to or for the benefit of such students.

*"Trustee"* shall mean The Bank of New York Trust Company, N.A., or its successor for the time being in the trust created by the Indenture.

*"University"* shall mean Drexel University, an institution of higher education, organized and existing under the laws of the Commonwealth, or its successors and assigns.

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

*"University Facilities"* shall mean the buildings, structures, real estate and any appurtenant facilities and fixtures acquired or to be acquired by the University and used or useful by the University in connection with or incidental to its functioning as an institution of higher learning and shall include the Project Facilities.

*"Unrestricted Assets"* shall mean all assets of the University, exclusive of net investment in plant and equipment, not restricted as to use and legally available for the payment when due of the principal of, premium, if any, and interest on the Outstanding Bonds. References to the amount or value of

Unrestricted Assets shall mean such amount or value at the market value thereof with respect to marketable securities, and such amount or value at the cost or appraised value thereof with respect to all other assets.

*"Unrestricted Gross Revenues"* shall mean all unrestricted operating revenues and all additions/revenues from unrestricted non-operating activities as determined in accordance with Generally Accepted Accounting Principles exclusive of:

- (1) net assets released from restriction;
- (2) gifts, grants, bequests, donations and contributions designated at the time of making by the donor as being for specific purposes and not otherwise available for payment of Debt Service Requirements on the Bonds;
- (3) revenues from specific facilities comprising a portion of the University Facilities, but only to secure obligations which bear interest at lower than prevailing interest rates by reason of governmental subsidies and grants and without such specific pledge such rates, subsidies or grants would not be available; and
- (4) receipts, revenues, income and other moneys received by the University which, subsequent to the receipt thereof, are so designated or restricted by the University, and income derived therefrom to the extent required by such designation, restriction or by-law, provided that the University shall make no such designation which will cause the University to fail to meet or to otherwise default under its rate covenant set forth in Section 9.01 of the Loan Agreement.

All words importing persons include firms, associations and corporations, and all words importing the singular number include the plural number and vice versa.

*"2020 Bond Insurer"* means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

*"2020 Insurance Policies"* means the insurance policies issued by the 2020 Bond Insurer guaranteeing the scheduled payment of principal of and interest on certain maturities of the 2020A Bonds and certain maturities of the 2020B Bonds when due.

## **THE LOAN AGREEMENT**

The Loan Agreement is between the Authority, as lender, and the University, as borrower, and provides for, among other things, the loan of the proceeds of Bonds by the Authority to the University.

### **The 2020 Project**

The component parts of the 2020 Project for which the 2020 Bonds are being issued are described in this Official Statement under the heading "PLAN OF FINANCE."

### **Acquisition of Project Facilities and Other Projects**

Payment for the costs of any Project shall be made by the Trustee in accordance with the terms of the Indenture. The University shall enforce any construction contracts and purchase orders relating to a Project and cause the Project Facilities to be completed substantially in accordance with any plans and specifications which may have been prepared therefor, subject to such changes as may be made pursuant to the Loan Agreement; provided that such change order issued by the University has the necessary

approvals, verifications and notifications required by the Loan Agreement. The University will not do or refrain from doing any act which would release any surety on any bond from its obligations. The University will use its best efforts to cause the Project Facilities to be completed in accordance with the schedule contained in the Loan Agreement or as soon thereafter as may be practicable, except for delays incident to strikes, riots, acts of God or the public enemy, or other causes beyond the reasonable control of the University. However, if completion of any Project or any component part thereof is delayed beyond said date, there shall be no diminution or postponement of the loan repayments required of the University under the Loan Agreement.

The University may amend the plans and specifications for a Project at any time prior to its completion if, because of presently unanticipated circumstances, in the University's judgment moneys allocated to the Project in the Project Fund will not be sufficient to complete all components of the Project or it would be uneconomical or otherwise undesirable to proceed with any component of a Project. No such changes shall, however, be made if they would result in a failure of the Project Facilities to qualify as educational facilities eligible for assistance by the Authority under the Act. The University is required to notify the Authority and the Trustee of any substantial change in the Project Facilities and to furnish the Authority and the Trustee with such information relating thereto as they may reasonably request. The University may undertake an additional Project with the unused balances in a Project Fund, provided that the University complies with the foregoing requirements with respect to changes in a Project, and the Authority approves of the undertaking as being duly authorized under the Act.

The University is required to maintain builder's risk insurance upon work done or materials furnished (except excavations, foundations and other structures not customarily covered), worker's compensation insurance, employer's liability insurance and public liability, comprehensive automobile liability insurance and property insurance with respect to construction of new facilities.

#### **Pledge of General Credit; Security; Assignment**

The Loan Agreement is a general obligation of the University and the full faith and credit of the University are pledged to the payment of all sums due thereunder.

To secure the payment of amounts payable under the Loan Agreement and the performance of its obligations thereunder, the University has pledged, assigned and granted to the Authority, subject to Permitted Encumbrances, a lien on and a security interest in its Unrestricted Gross Revenues. The University has agreed to pay or to cause the Unrestricted Gross Revenues to be paid directly to the Trustee upon an Event of Default.

The Authority has assigned the Loan Agreement and payments payable thereunder to the Trustee, in trust, to be held and applied pursuant to the Indenture. The University has (a) consented to such assignment and accepted notice thereof, (b) agreed to pay directly to the Trustee all payments payable thereunder, without any defense, set-off or counterclaim arising out of any default of the Authority under the Loan Agreement or any transaction between the University and the Authority, and (c) agreed that the Trustee may exercise all rights granted the Authority thereunder.

#### **Loan Repayments and Additional Sums**

In addition to amounts required to be paid under the Loan Agreement, as supplemented, with respect to the Debt Service Requirements on the Bonds previously issued and outstanding under the Indenture and for so long as the 2020 Bonds are Outstanding, the University agrees to pay the Trustee, for deposit in the Debt Service Fund, on or before April 25 and October 25 of each year, an amount which, together with other available funds under the Indenture, will be sufficient to pay the interest due on the 2020 Bonds on the next succeeding May 1 and November 1, and to pay to the Trustee, for deposit in the

Debt Service Fund, on or before April 25 of each year, an amount which, together with other available funds on deposit with the Trustee, will be sufficient to pay the principal of the 2020 Bonds becoming due (at stated maturity or through sinking fund redemption) on the next succeeding May 1.

The University has agreed to pay directly to the Trustee reasonable compensation for its services under the Indenture as well as reasonable expenses and disbursements and to pay directly to the Authority the Authority's Annual Administrative Fee and Administrative Expenses.

In lieu of the portion of the loan repayments payable with respect to principal of the Bonds becoming due (at stated maturity or through sinking fund redemption) on the next following principal or sinking fund payment date, the University, or at its direction the Authority, may, on or before the 45th day prior to such principal or sinking fund payment date, purchase on the open market Bonds of the maturity becoming due and present such Bonds to the Trustee for cancellation. The Bonds so presented to the Trustee shall be credited to the principal amount of the next payment due at 100% of the principal amount of such Bonds.

The University may make advance payments and may make optional prepayments as required or permitted by the Loan Agreement.

### **Insurance**

The University covenants to provide and maintain the following:

(1) Insurance against loss and/or damage to the Project Facilities covering such risks as are ordinarily insured against by similar educational institutions.

(2) Public liability and property damage insurance, automobile liability insurance and, if applicable, special hazards insurance, in amounts not less than \$500,000 for injury to any one person or entity and \$500,000 in the aggregate for each accident.

(3) Worker's compensation and employer's liability insurance meeting the University's statutory obligations with a minimum of \$100,000 purchased if the University becomes an approved self-insured.

(4) Boiler and machinery coverage with respect to the Project Facilities (direct damage) on a replacement cost basis when deemed advisable by the Authority or when required by ordinance or law.

(5) Excess liability coverage, either straight excess or umbrella excess, covering excess over limits of liability in paragraph (b) as it relates to public liability insurance (other than property damage) to be maintained in force so that the total coverage available under the aforementioned paragraph and under this paragraph is not less than \$1,000,000 for any one occurrence and \$2,000,000 in the aggregate per annum for personal injury.

(6) Fidelity bonds on all officers and employees of the University who collect or have custody of or access to revenues, receipts, or any other funds of the University.

The University shall carry adequate insurance on the University Facilities not constituting Project Facilities including fire and extended coverage insurance provision) with responsible companies against all such hazards as are usually insured against by institutions of higher education for their facilities in urban areas, or shall see to the adequacy of such insurance on University Facilities for which other parties have undertaken the responsibility to insure, if any.

The University covenants to furnish to the Authority and the Trustee annually an Insurance Consultant's Certificate setting forth amounts and types of insurance then in force with respect to the Project Facilities, stating whether in the opinion of the Insurance Consultant such insurance is in compliance with the requirements of the Loan Agreement, and stating the amounts and types of insurance to be maintained during the next Fiscal Year. Policies of insurance required above shall be for the benefit of the Authority, the University or the Trustee, as their respective interests may appear. The proceeds of all such insurance and any condemnation award shall be applied as provided in the Loan Agreement.

### **Additional Authority Financing**

The University may request the Authority to provide monies for the acquisition or construction of Capital Additions with respect to the Project Facilities, undertaking any other Project, completion of a Project, refunding Outstanding Bonds or Alternative Debt or obtaining additional financing to complete a Project. Upon receipt of such request, the Authority may, but shall have no obligation to, provide the amounts requested by issuance and sale of Additional Bonds under the Indenture.

### **Limitations on Additional Indebtedness**

The University may not incur or assume by indebtedness for money borrowed except as follows:

- (1) debt incurred to finance the acquisition or construction of a facility which is not a general obligation of the University but which is secured by and payable solely from the revenues derived from the operation and sale of such facility or a security interest in the real and personal property comprising such facility;
- (2) equipment loans as described below;
- (3) Student Loan Guarantees as described below;
- (4) Long-Term Debt issued to refund other Long-Term Debt in which, after giving effect to the retirement of the Long-Term Debt being refunded, neither the average annual Debt Service Requirements on Long-Term Debt nor the amount of such Debt on a parity with the Bonds as to Unrestricted Gross Revenues will be increased, and which does not create any Non-Amortizing Principal;
- (5) other Long-Term Debt for any lawful purpose of the University so long as no event of default under the Loan Agreement has occurred and there shall be delivered to the Trustee and the Authority, *inter alia*, (i) an acceptable Certified Public Accountant's Certificate stating that the University was in compliance with the tuition and fees covenant (described herein under the caption "Additional Covenants of the University") for the Fiscal Year immediately preceding the incurrence or assumption thereof, and (ii) an acceptable Consultant's Certificate stating that, for the first full Fiscal Year following completion of a revenue-producing facility Project to be financed, or following the date of incurring or assuming such Long-Term Debt in all other cases, (I) the Net Revenues forecasted will be not less than 100% of the actual Debt Service Requirements (which by definition excludes Non-Amortizing Principal) for such Fiscal Year, and (II) in the case of Non-Amortizing Debt or Partially Amortizing Debt, that the Non-Amortizing Principal to be Outstanding as of the commencement of such Fiscal Year shall not exceed an amount equal to then existing Unrestricted Assets plus 25% of Unrestricted Gross Revenues for the immediately preceding Fiscal Year; provided, however, that if the amount of Long-Term Debt to be incurred or assumed, when added to any Long-Term Debt incurred with respect to equipment loans, as described below, in the current fiscal year, is equal to or less than 2-1/2% of Unrestricted Gross Revenues for the immediately preceding Fiscal Year, the certifications described in this paragraph may be satisfied by an Officer's Certificate of the University; and provided, however, that in the case of Long-Term Debt to refund other Long-Term Debt in which neither the average annual Debt Service Requirements on

Long-Term Debt nor the amount of such debt on a parity with the Bonds as to Unrestricted Gross Revenues will be increased and which does not create any Non-Amortizing Principal, the above-described certificates need not be delivered.

(6) Short-Term Debt may be incurred or assumed by the University in an amount which at any time shall not exceed 20% of Unrestricted Gross Revenues for the Fiscal Year preceding the date of the borrowing, provided that for a period of 30 consecutive days in every Fiscal Year Short-Term Debt outstanding shall be not more than 10% of Unrestricted Gross Revenues.

The University may incur obligations in the form of Student Loan Guarantees of loans made to students pursuant to governmental programs to provide aid to students for tuition, room, board and other expenses of University attendance, where such programs require the University to execute its Student Loan Guarantee. In the case of such programs which are fully funded, as determined by the certificate of the issuing government agency or a Consultant, no part of the obligations guaranteed by the University shall constitute Long-Term Debt. To the extent that a program is not fully funded, the amount by which the liabilities of such program exceed the assets thereof, to the extent that such liabilities are guaranteed by the University, shall constitute Long-Term Debt for all purposes under the Loan Agreement.

The University may also incur Long-Term Debt in the form of equipment loans to acquire equipment and/or furnishing for University Facilities in an amount in any Fiscal Year not to exceed 1/2 of 1% of the Unrestricted Gross Revenues for the prior Fiscal Year, provided that (i) the amount of such loans at any time outstanding shall not exceed 5% of the Unrestricted Gross Revenues for the prior Fiscal Year; and (ii) no event of default under the Loan Agreement has occurred is continuing.

In addition, so long as any Bonds insured by the Bond Insurer shall be Outstanding, the University shall not incur any Long Term Debt unless there shall be delivered to the Trustee a Certificate of a Certified Public Accountant to the effect that upon the issuance of such Long Term Debt, the maximum annual Debt Service Requirements of the University shall not exceed 10% of the University's Unrestricted Gross Revenues. For purposes of the calculation of the University's Debt Service Requirements, (1) the interest rate on any Long Term Debt bearing interest at a variable rate shall be the lesser of the maximum rate on such Long Term Debt or the 30-Year Revenue Bond Index published by The Bond Buyer in the week of such calculation, and (2) the Debt Service Requirements in any year on any Long Term Debt which is projected to be paid from amounts available for such purpose in a debt service reserve fund securing such Long Term Debt shall be reduced by the amount of such projected payment. The covenant described in this paragraph may be amended or modified at any time with the consent of the Bond Insurer or may be waived in whole or in part by the Bond Insurer.

#### **Security for University Indebtedness**

Indebtedness of the University may be secured only as follows:

(1) In the case of Long-Term Debt constituting Alternative Debt incurred to finance additional University Facilities, by a lien on and security interest in the Unrestricted Gross Revenues ranking on a parity (except as provided in clause (4) hereof) with the lien and security interest granted in the Loan Agreement; or

(2) In the case of all other Long-Term Debt:

(A) by a lien on a security interest in any property or interest in property, real, personal, or mixed other than the Project Facilities; or

(B) by a purchase money security interest in fixtures and equipment made part of the University Facilities; or

(C) in the case of Long-Term Debt hereafter incurred to finance microcomputers or other property for sale or lease to students, by a security interest in such computers or other property and the revenues therefrom; or

(D) in the case of Long-Term Debt (which may constitute Alternative Debt) hereafter incurred to finance University Facilities, by a lien or mortgage upon University Facilities, provided that the amount of such Long-Term Debt so secured shall not exceed an amount equal to 30% of the gross book value of the University's plant, property and equipment excluding any such Long-Term Debt so secured if a parity lien on such University Facilities shall have been granted to the Trustee to secure the University's obligations under the Loan Agreement; or

(E) in the case of obligations under the Loan Agreement which bear interest at lower than prevailing market rates because of governmental subsidies and grant programs, by a security interest in that portion of the Unrestricted Gross Revenues derived from the specific facilities pledged to secure such obligations which may be prior to the security interest therein of the Authority; or

(F) in the case of equipment loans referred to in the Loan Agreement, by a purchase money security interest in the property acquired with the proceeds thereof.

If, in connection with the issuance of Alternative Debt referred to in clause (1) above the University grants a mortgage on or a security interest in any part of the Project Facilities, the University shall grant to the Trustee a mortgage and/or a security interest covering the same property of equal priority to secure the University's obligations under the Loan Agreement.

(3) Any Short-Term Debt incurred pursuant to the Loan Agreement, as referenced above in "Limitations on Additional Indebtedness" subsection (6), may be secured solely by: (i) a purchase money security interest in personal property acquired with the proceeds thereof; or (ii) a lien or mortgage against any real or personal property not constituting Project Facilities; or (iii) a security interest in the Unrestricted Gross Revenues, on a parity with that of the Authority under the Loan Agreement; provided that the amount of such Short-Term Debt so secured alone or in the aggregate at any time outstanding shall not exceed 10% of Unrestricted Gross Revenues for the prior Fiscal Year.

(4) In no event shall any other indebtedness other than Additional Bonds be secured by a lien on amounts payable to the Authority or the Trustee under the Collateral Agreement, or the monies and investments held by the Trustee in the funds created under the Indenture, except as otherwise set forth in the Indenture or the Loan Agreement.

#### **Certain Additional Covenants of the University**

The University covenants that it will operate its facilities as an institution of higher education within the meaning of the Act, and fix, charge and collect tuition, charges and fees from all full-time and part-time students, and other rates, fees and charges for its services and where appropriate, for the use of the University Facilities, which will provide Net Revenues, together with other funds available for the payment of debt service on the Bonds, in each Fiscal Year of the University during the term of the Loan Agreement in an amount at least equal to the Debt Service Requirements on the Bonds and other Long-Term Debt for such Fiscal Year.

If, in any two consecutive Fiscal Years, the University fails to meet the foregoing covenant, it shall immediately request the Consultant to make a report and recommendation with respect to such rates,

fees and charges. The University further covenants that upon receipt of such report and recommendation from the Consultant, the University shall cause copies thereof to be filed with the Trustee and the Authority, and the University shall, to the extent permitted by law, accept and implement such recommendations of the Consultant. No Event of Default shall occur under the Loan Agreement due to failure of the University to comply with its covenant so long as there is no default by the University with respect to payments due under the Loan Agreement.

The University covenants to keep accurate records and books and annually have an examination made of its financial statements by a Certified Public Accountant. The University covenants that all actions taken by the University to acquire and carry out any Project have been and will be in full compliance with all applicable laws, ordinances, rules, regulations and orders of all Regulatory Bodies having jurisdiction. In connection with the operation, maintenance, repair and replacement of the University Facilities, the University covenants that it shall keep and maintain the University Facilities in good order, repair and operating conditions, except with respect to such University Facilities that, in the opinion of the University become obsolete, undesirable or unnecessary, and that it shall comply with all applicable ordinances, laws, rules, regulations and orders and any requirement of any fire underwriters or insurance company writing insurance on the University Facilities. The University further covenants that the Project Facilities are in compliance with all applicable zoning, subdivision, building, land use and similar laws and ordinances, and that it shall not take any action which would cause the Project Facilities to be in violation of such laws or ordinances.

The University covenants to preserve and to maintain its existence as a not-for-profit corporation under the laws of the Commonwealth, to maintain its status as an institution of higher education in the Commonwealth within the meaning of the Act, and to preserve and maintain its authority to operate its facilities as an institution of higher education in the Commonwealth. The University covenants that during the term of the Loan Agreement it will not initiate any actions to dissolve, liquidate or terminate its existence as a corporation except to consolidate or to merge with or sell or transfer substantially all of its assets to any other corporation as provided in the Loan Agreement.

### **Transfer and Release of Property**

The Loan Agreement permits the University to (a) transfer property constituting a portion of the Project Facilities in order to secure obligations bearing interest at lower than prevailing market rates by reason of governmental subsidies and grant programs as described in the Loan Agreement; provided that the Authority receives an opinion of Counsel that such a transfer will not adversely affect the treatment of interest to be paid on the Bonds under Federal and Commonwealth tax laws and regulations; (b) if no event of default under the Loan Agreement has occurred and is continuing, transfer easements, licenses, or rights-of-way with respect to any property included in the Project Facilities, release existing easements, licenses, rights-of-way and other rights or privileges; (c) transfer any property which has been replaced in the ordinary course of operations; (d) transfer any tangible personal property, fixtures or equipment from the Project Facilities in the ordinary course of business, provided that the net book value of the same shall not exceed \$100,000 and that the aggregate amount of such transactions in any Fiscal Year shall not exceed \$250,000; (e) transfer any property by sale for consideration which is not less than the fair market value upon a determination by the University Board that the property is not necessary for the continued operation of the University Facilities and specifying other educational facilities to be acquired with such proceeds, provided a copy of such action be filed with the Authority (if the proceeds of the sale shall exceed \$250,000, or if the University does not elect to acquire additional educational facilities, the proceeds shall be deposited in the Bond Redemption and Improvement Fund under the Indenture to be applied to the constructions or acquisition of educational facilities constituting a Project or purchase or redemption of Bonds or Alternative Debt as provided in the Indenture; or (f) lease or license the use of a part or parts of the Project Facilities to any person for use in performing services related to education.

## **Amendments to Loan Agreement**

The Loan Agreement permits the Authority and the University to enter into any written amendments to the Loan Agreement which do not adversely affect the rights of or the security of the holders of the Bonds, only for the following purposes: to cure any ambiguity, defect, or inconsistency or omission herein or in any amendment hereto; or to grant to or confer upon the Authority any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon it; or to reflect a change in applicable law; or to provide terms not inconsistent with the Indenture or the Loan Agreement; provided, however, that the Loan Agreement as so amended or supplemented provides at least the same security for holders of Bonds issued under the Indenture as the Loan Agreement. All other amendments must be approved by the Trustee and, if the Indenture must be amended with the Bondholders' consent, by the Bondholders also, in the same manner and to the same extent as is set forth in the Indenture.

## **Events of Default and Remedies**

"Events of Default", as defined in the Loan Agreement, include the failure by the University: (a) to make loan repayments required by the Loan Agreement when the same shall become due and payable, (b) to make any other payment required by the Loan Agreement and the continuation of such failure for 10 days after the Authority gives notice thereof, (c) to perform any of its other covenants and such failure continues for more than 60 days after the Authority gives notice thereof; provided, however, that if performance requires work to be done, actions to be taken, or conditions to be remedied which 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 so long as the University shall commence such performance within such 60 day period and shall diligently and continuously prosecute the performance to completion, or (d) to cure any Event of Default which has occurred under the Indenture or under any instrument evidencing indebtedness secured by a lien prior to or on a parity with the lien of the Loan Agreement on any of the Collateral.

An Event of Default also occurs (1) if the University files a voluntary petition in bankruptcy, or is adjudicated a bankrupt or insolvent, or files any petition or answer in any action or proceeding seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under a present or future statute or law whether federal, state or local, or seeks or consents to or acquiesces in the appointment of any trustee, receiver or liquidator of the University or of all or substantially all of its properties or of the Project Facilities; and (2) if within 60 days after the 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, or any trustee, receiver or liquidator of the University or of all or substantially all of its properties or of the Project Facilities, 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.

Upon the occurrence of an Event of Default, if the Trustee declares the Outstanding Bonds immediately due and payable pursuant to the Indenture, the Authority may, in addition to its other remedies at law or in equity or as provided in the Loan Agreement, with the prior written consent of the Trustee, declare all amounts payable under the Loan Agreement to be immediately due and payable, and then there shall become due as current damages of the Authority under the Loan Agreement an amount equal to the principal of all Bonds so declared due and payable, plus accrued interest to the date of payment thereof, and all other amounts then due under the Loan Agreement. Until said amount is paid by

the University, the Authority shall continue to have all of its rights, powers and remedies under the Loan Agreement and the University's obligations thereunder shall continue in full force and effect.

## **THE INDENTURE**

The 2020 Bonds are being issued under and subject to the provisions of the Indenture, to which reference is made for complete details of the terms of the 2020 Bonds.

### **Pledge and Assignment**

Under the Indenture, the Pledged Revenues payable to the Authority from the University under the Loan Agreement or from the Commonwealth under the Collateral Agreement and all income and receipts earned on funds held by the Trustee under the Indenture, with the exception of funds and accounts held solely for a specific series of Bonds issued 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 in the Indenture.

Moneys and investments from time to time in the various funds of the Indenture shall be held by the Trustee, in trust, for the benefit of the Owners of Bonds issued under the Indenture, except that moneys and investments held in any debt service reserve fund or any sinking fund or redemption account established for any series of Bonds shall be held for the benefit of Owners thereof only.

### **Redemption of the 2020 Bonds**

The 2020 Bonds are subject to redemption as described in this Official Statement under the heading "THE 2020 Bonds--Redemption Provisions."

### **Additional Bonds**

Pursuant to supplemental indentures, the Authority may issue additional series of Bonds for the purpose of (a) lending proceeds to the University to pay or complete payment of the Cost of any Project or to reimburse expenditures of the University for such costs or to refinance such Cost by retiring, refunding or acquiring obligations incurred by the University for such purpose, (b) paying the Cost of refunding any Outstanding Bonds and any other Long-Term Debt. Such additional series of Bonds shall be on a parity with the 2020 Bonds except that Owners of any Additional Bonds shall have no claim against moneys held in any debt service reserve fund, sinking fund or redemption account established for the benefit of any other series of Bonds, and except as otherwise provided in the Indenture or the Supplemental Indenture authorizing the issuance of such series.

The Trustee, at the request of the Authority, shall authenticate the Additional Bonds and deliver them but only upon receipt of, among other things (except in the case of Bonds issued for the refunding purposes in which neither the average annual Debt Service Requirements nor the amount of Long-Term Debt on a parity with the Bonds with respect to the lien on the Collateral will be increased and which does not create any Non-Amortizing Principal) a Consultant's Certificate stating (i) that the Net Revenues as forecast, in the case of a revenue-producing Project or Capital Additions, for the first full Fiscal Year following completion of the Project or Capital Additions to be financed with the proceeds of the Additional Bonds, or, in the case of Additional Bonds issued for any other purpose for the first full Fiscal Year following the date on which the same are issued, will equal not less than 100% of the actual Debt Service Requirements for such Fiscal Year, and (ii) in the case of Additional Bonds representing Non-Amortizing Debt or Partially Amortizing Debt, that the Non-Amortizing Principal to be Outstanding following the issuance of such Bonds will not exceed an amount equal to the then-existing Unrestricted Assets plus 25% of the Unrestricted Gross Revenues for the immediately preceding Fiscal Year. If the

amount of Additional Bonds to be issued, when added to any Long-Term Debt of the University incurred or to be incurred or assumed for the next Fiscal Year under like provisions of the Loan Agreement, is less than 2-1/2% of Unrestricted Gross Revenues for the immediately preceding Fiscal Year, the certifications described in this paragraph may be satisfied by an Officer's Certificate of the University. The issuance of Additional Bonds is subject to further conditions imposed by bond insurers and set forth in the Loan Agreement, as described above.

The contents of the other required items, including, inter alia, certified resolutions of the Authority and the University and opinions of counsel, are fully described in the Indenture, to which reference is made for more complete details.

### **Projects to Conform to Plans and Specifications; Changes**

The Authority will cause the University to proceed with reasonable dispatch to complete the construction and acquisition of Project Facilities and any Capital Additions or Extraordinary Repairs involving construction for which Additional Bonds are issued, in accordance with the plans and specifications therefor. The Authority shall allow the University to issue change orders under construction contracts, provided each change order is in writing, is promptly verified by the Architect and is filed with the Authority and the Trustee.

### **Revenue Fund**

All revenues of the Authority from the University or from the Commonwealth, as provided for in the Indenture, the Loan Agreement, or the Collateral Agreement, shall be initially deposited by the Trustee in the Revenue Fund.

The Trustee shall transfer sums from the Revenue Fund to other funds established under the Indenture in accordance with the requirements of the Indenture.

### **Debt Service Fund; Sinking Fund**

The Trustee has established a Debt Service Fund which consists of such funds deposited therein pursuant to the provisions of the Indenture from which shall be paid interest and principal of the Bonds as the same becomes payable. The Trustee may establish separate additional accounts within the Debt Service Fund for separate series of Bonds of particular dates. The Trustee shall use the sinking fund account for each series of Bonds to purchase or redeem such Bonds in accordance with the redemption dates and procedures set forth in the Indenture.

### **Debt Service Reserve Fund**

The Indenture provides that in connection with the issuance of a series of Bonds, the Authority may establish a debt service reserve fund pledged solely for the benefit of such series of Bonds. No Debt Service Reserve Fund has been established for the 2020 Bonds.

### **Bond Redemption and Improvement Fund**

The Trustee has established a Bond Redemption and Improvement Fund which shall consist of such funds as may be deposited therein pursuant to the provisions of the Indenture or the Loan Agreement. The Trustee shall use such Fund, except for moneys exclusively deposited for the redemption of Bonds, to make up deficiencies in the Debt Service Fund, including any mandatory sinking fund account therein, and to make up any deficiencies in any debt service reserve fund. At any time when there is no deficiency in the Debt Service Fund, including any mandatory sinking fund account therein,

and no unreimbursed deficiency in any debt service reserve fund, and when no Event of Default under the Indenture has occurred and is continuing, the Trustee shall use the Bond Redemption and Improvement Fund, at the request of the Authority, as directed by the University, to pay the Cost of an additional Project, to make up any deficiency in a Project Fund, or to purchase or redeem Bonds of any series or Alternative Debt. In the absence of a direction by the University to reserve amounts to pay the Cost of an additional Project or of Capital Additions or for Project Fund deficiencies, the Trustee is required to apply such amounts to the redemption of Bonds then subject to redemption.

### **Investment of Funds**

All monies received by the Trustee under the Indenture for deposit in any Fund established thereunder shall be considered trust funds, shall not be subject to lien or attachment and shall, except as therein provided, be deposited with the Trustee, and all such deposits shall, to the extent not insured, be fully secured as to principal by Government Obligations, to the extent permitted by law, or if not so permitted, then secured as provided by law for such trust deposits. Under certain conditions the Trustee may deposit such moneys in other authorized depositories, where they shall be secured, to the extent not insured, as to principal and interest by Government Obligations, to the extent permitted by law, or if not so permitted, then secured as provided by law for such trust deposits, or as provided for in the Indenture. 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, at the direction of the University, shall invest moneys held in the Debt Service Fund and moneys held in the Bond Redemption and Improvement Fund specifically designated for redemption of Bonds, only in Government Obligations or certificates of deposit, time deposits or other similar banking arrangements, issued by the Trustee and/or any bank trust company or savings and loan association, the deposits of which are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, such deposits to the extent not insured to be fully secured, to the extent permitted by law, by Government Obligations. The Trustee shall invest moneys held in any Project Fund, any Debt Service Reserve Fund and in the Bond Redemption and Improvement Fund to the extent not specifically designated for the redemption of Bonds, only in Investment Securities. The Trustee shall make such investments at the direction of the University. Absent specific instructions from the University all investments shall be made pursuant to written directions from the Authority, and absent such instructions from the Authority the Trustee may invest such moneys subject in all cases, however, to the limitations contained in the Indenture.

The interest and income received upon such investments and any interest paid by the Trustee or any other depository with respect to any monies in any fund established under the Indenture held and any profit or loss resulting from the sale of securities shall be added or charged to such fund, except that the earnings on any Debt Service Reserve Fund shall remain in such Fund only to the extent necessary to make up any deficiency therein and any excess shall be deposited in the Debt Service Fund; subject to the defeasance provisions of the Indenture. Interest and income with respect to funds on deposit to construct or acquire any future Project shall be treated in accordance with the Supplemental Indenture authorizing Additional Bonds for such future Project.

The Trustee shall not make any investments of moneys held in any fund inconsistent with the provisions of the Indenture relating to "arbitrage bonds." Neither the Trustee or the Authority shall be accountable for any depreciation in the value of any security or any loss resulting from the sale thereof.

## **Valuation of Funds**

In computing the assets of any fund or account, investments and accrued interest thereon shall be deemed a part thereof, subject to the above provisions. Such investments shall be valued at the face value or the current market value thereof, whichever is the lower, or at the redemption price thereof, if then redeemable at the option of the holder, except that investments in the Debt Service Reserve Fund shall be valued at the amortized value (as defined in the Indenture) thereof or, if then redeemable at the option of the holder, at the redemption price thereof, if lower. However, in the event of any transfer of funds from the Debt Service Reserve Fund to cure a deficiency in the Debt Service Fund, the investments remaining in the Debt Service Reserve Fund shall be revalued at the market value thereof on the date of transfer, if lower.

## **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. Except as permitted by the Indenture or the Loan Agreement the Authority will not permit the University to sell, lease, pledge or otherwise dispose of or encumber (except for Permitted Encumbrances) the Project Facilities or the Unrestricted Gross Revenues.

The Authority covenants that it will make no investment or other use of the proceeds of any series of Bonds issued under the Indenture that would cause such series of Bonds to be "arbitrage bonds" as the term is defined in Section 148 of the Code, and the Trustee shall make no investments inconsistent with such covenant.

## **Default and Remedies**

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

- (a) if payment of an installment of interest is not made when it becomes due and payable; or
- (b) if payment of the principal or Redemption Price of any Bond is not made when it becomes due and payable or if any required transfer is not made when due into any sinking fund account established under the Indenture; or
- (c) if there is a default in making the loan repayments or other payments under the Loan Agreement or any amendment or supplement thereto which would give the Authority the right to declare an event of default under such Loan Agreement; or
- (d) if the Authority fails to comply with any provisions of the Act, or for any reason is rendered incapable of fulfilling its obligations under said Act or the Indenture; or
- (e) if the Project Facilities, or any part thereof necessary for the efficient operation of the University Facilities, are destroyed, damaged or rendered unusable to such extent that the University Facilities cannot yield revenues sufficient to make payments required under the Indenture and the damage is not promptly repaired in accordance with the terms of the Indenture for any reason whatsoever; or
- (f) if the University proposes or makes an assignment for the benefit of creditors or a composition agreement with all or part of 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

(g) if the Authority defaults in the due and punctual performance of any other covenant in the Bonds or the Indenture or the Loan Agreement, and such default continues for 60 days after written notice requiring the same to be remedied shall have been given by the Trustee, which may give the same in its discretion and shall be obliged to give the same at the written request of the Owners of not less than 25% in 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 shall cause the University to commence such performance within such 60-day period and the Authority and the University shall diligently prosecute the same to completion; or

(h) if any event of default occurs under any instrument evidencing Alternative Debt as such event of default is defined in such instrument, or any instrument evidencing Long-Term Debt or Short-Term Debt secured by a prior lien or parity lien on any of the Collateral or a lien on the Project Facilities.

If any Event of Default has occurred and is continuing, the Trustee may and, upon written request of the 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 and 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. Such declaration and its consequences may be annulled by the Owners of a majority in principal amount of the Bonds then Outstanding in the manner provided for in the Indenture if after such declaration the Authority pays all arrears of interest upon the Bonds and the principal of all Bonds then Outstanding which have matured, except the principal of any Bonds due solely because of such declaration, and the interest accrued on the Bonds since the last interest payment date, performs all other things with respect to which it may have been in default, and pays the reasonable charges of the Trustee, the Owners of Bonds and any trustees appointed under the Act.

If any Event of Default has occurred and is continuing, the Trustee, before or after declaring the principal of the Bonds immediately due and payable, (a) may enforce each and every right granted the Authority under the Loan Agreement, and (b) may, by its agents or attorneys, with or without process of law, enter upon and take and maintain possession of all or any part of the Project Facilities and may hold the Project Facilities and manage and operate the Project Facilities and collect the amounts payable by reason of such operation. The Trustee shall apply those revenues as provided in the Indenture.

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

If the University shall default in the payment of any installment of the loan repayments or additional amounts payable under the Loan Agreement, the Authority and the Trustee, as the Authority's assignee under the Collateral Agreement shall take all such action as may be required to enforce the provisions of the Act and the Collateral Agreement so that the amount of defaulted payments shall be withheld from any Commonwealth appropriation due the University and be paid over to the Trustee.

### **Limitations on Actions by Owners of Bonds**

No owner of 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 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 in connection with the issuance of Additional Bonds or at any other time, without the consent of the Owners of Bonds, by a Supplemental Indenture, for one or more of the following purposes: (a) to set forth any or all of the matters in connection with the issuance of Additional Bonds, (b) to add additional covenants of the Authority or to surrender any right or power in the Indenture conferred upon the Authority, (c) to make appropriate provision for the issuance of Bonds in bearer form with coupons should such issue be available without causing the interest on such Bonds to become taxable for Federal income tax purposes, (d) 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 Owners of Bonds, (e) to the extent required to maintain the federal income tax exemption of interest payable on any series of Bonds, and (f) to reflect changes in Generally Accepted Accounting Principles affecting institutions of higher learning or non-profit organizations.

The Indenture may be amended by a Supplemental Indenture approved by the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding and affected by such amendment except with respect to (a) interest payable on any Bonds, (b) the dates of maturity, sinking fund and redemption provisions of any Bonds, (c) the amendment provisions of the Indenture, or (d) the security provisions under the Indenture.

### **Defeasance**

If the Authority deposits with the Trustee funds sufficient to pay the principal or Redemption Price of any Bonds becoming due, either at maturity or by call for redemption or otherwise, together with all interest accruing thereon the due date, interest on such Bonds shall cease to accrue on the due date and all liability of the Authority with respect to such Bonds shall likewise cease, except as provided below. Thereafter, such Bonds shall be deemed not to be Outstanding and the holders of such Bonds shall be restricted exclusively to the funds so deposited for any claim of whatsoever nature with respect to such Bonds, and the Trustee shall hold such funds in trust for such holders.

Monies so deposited with the Trustee which remain unclaimed five (5) years after the date payment thereof becomes due shall, upon request of the Authority, if the Authority is not at the time to the knowledge of the Trustee in default with respect to any covenant in the Indenture or the Bonds and if the University is not at the time to the knowledge of the Trustee in default with respect to any covenant contained in the Loan Agreement, be paid to the Authority; and the holders of the Bonds for which the deposit was made shall thereafter be limited to a claim against the Authority.

When interest on, and 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, Government Obligations, or certificates of deposit issued by the Trustee or any bank or trust company or savings and loan association (the deposits of which are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation), such certificates

to be fully secured by Government Obligations, and the principal of and interest on such cash or securities, 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.

## **2020 Insurance Policies**

Notwithstanding anything in the Indenture to the contrary, so long as the 2020 Insurance Policies shall be in full force and effect, and the 2020 Bond Insurer is not in default with respect to its obligations under the 2020 Insurance Policies, the Trustee and the Authority shall comply with certain conditions in the First Supplemental Indenture including the following:

(a) The 2020 Bond Insurer shall be deemed to be the sole holder of those 2020 Bonds insured by the 2020 Insurance Policies (the "Insured 2020 Bonds") for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Insured 2020 Bonds insured by it are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof and as a term of the Indenture and each Insured 2020 Bond, the Trustee and each Insured 2020 Bondholder appoint the 2020 Bond Insurer as their agent and attorney-in-fact and agree that the 2020 Bond Insurer may at any time during the continuation of any proceeding by or against the Authority or University under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedes or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each 2020 Bondholder delegate and assign to the 2020 Bond Insurer, to the fullest extent permitted by law, the rights of the Trustee and each Insured 2020 Bondholder in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. Remedies granted to the Bondholders shall expressly include mandamus.

(b) The maturity of Insured 2020 Bonds shall not be accelerated without the consent of the 2020 Bond Insurer and in the event the maturity of the Insured 2020 Bonds is accelerated, the 2020 Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Authority) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the 2020 Bond Insurer's obligations under the 2020 Insurance Policies with respect to such Insured 2020 Bonds shall be fully discharged.

(c) Any amendment, supplement, modification to, or waiver of the Indenture or any other transaction document, including any underlying security agreement (each a "Related Document"), that requires the consent of Insured 2020 Bondholders or adversely affects the rights and interests of the 2020 Bond Insurer shall be subject to the prior written consent of the 2020 Bond Insurer.

(d) The rights granted to the 2020 Bond Insurer under the Indenture or any other Related Document to request, consent to or direct any action are rights granted to the 2020 Bond Insurer in consideration of its issuance of the 2020 Insurance Policies. Any exercise by the 2020 Bond Insurer of such rights is merely an exercise of the 2020 Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf, of the Insured 2020 Bondholders and such action does not evidence any position of the 2020 Bond Insurer, affirmative or negative, as to whether the consent of the Insured 2020 Bondholders or any other person is required in addition to the consent of the 2020 Bond Insurer.

(e) The University shall not grant, incur or suffer to exist mortgage liens on real property or improvements of the University constituting University Facilities that would result in the aggregate amount secured by all mortgages on University Facilities to exceed 30% of the book value of property, plant and equipment of all University Facilities (it being understood that mortgages securing Bonds insured by the 2020 Bond Insurer on a parity basis shall be excluded from the calculation of encumbered University Facilities), unless the University either (i) grants to the 2020 Bond Insurer a parity mortgage lien on the same real property and improvements so encumbered or (ii) obtains the prior consent of the 2020 Bond Insurer to such mortgage liens.

### SPRINGING AMENDMENTS

In order to provide the University with, among other things, greater flexibility in efficiently conducting its operations and in financing capital needs and to better reflect intercreditor relationships and provide more flexible financial covenants, including provisions for the incurrence of indebtedness, the Indenture and the Loan Agreement contain provisions to modernize the Indenture and the Loan Agreement. **These modifications will become effective at a future date when consent of holders of not less than a majority in aggregate principal amount of bonds then outstanding under the Indenture has been obtained or deemed obtained. BY PURCHASE OF THE 2020 BONDS, ALL OF THE 2020 BONDHOLDERS WILL BE DEEMED TO HAVE CONSENTED TO THE SPRINGING PROVISIONS OF THE INDENTURE AND THE LOAN AGREEMENT.**

### Definitions

At such time as the holders of at least a majority in aggregate principal amount of Bonds then Outstanding approve, Article I of the Loan Agreement will be amended to add, replace or delete the following terms:

*“Alternative Debt”* shall mean that Long-Term Debt, other than the Bonds, which the University is permitted to incur under applicable law, and which shall be (1) equally and ratably secured with the Bonds with respect to the Unrestricted Gross Revenues to the extent provided in Section 8.05(a) or (2) secured by a mortgage per 8.05(b)(iv) of the Loan Agreement.

*“Balloon Indebtedness”* shall mean any Long Term Indebtedness other than a Demand Obligation, 25% or more of the principal amount of which is payable in the same year (after taking into account all mandatory redemptions or prepayments payable over the life of the indebtedness), such year being referred to as a “balloon payment year” and the principal amount payable in such balloon payment year being referred to as a “balloon payment”.

*“Capital Additions”* shall mean real and personal property of any kind, constituting additions and improvements to University Facilities acquired, leased (as lessor or lessee), improved, constructed and/or operated by or for the University, or financed in whole or in part with the proceeds of Bonds issued under the Indenture or with monies held in any funds created under the Indenture or with the proceeds of Alternative Debt, which is used or useful in connection with University Facilities, and the Cost of which

is properly chargeable to plant or property accounts under Generally Accepted Accounting Principles, including, without limiting the generality of the foregoing, land, easements, rights of way, leaseholds, other interests in real property, replacements of property re-tired, permanent additions and Extraordinary Repairs.

“*Debt Service Requirements*,” with reference to a specified period, shall mean:

(1) interest payable on Long-Term Debt during the period, excluding (i) interest funded from the proceeds thereof and (ii) interest on Long-Term Debt to be redeemed during such period through any sinking fund account which would otherwise accrue after the redemption date;

(2) amounts required to be paid into any mandatory sinking fund account, pursuant to section 8.04 of the Loan Agreement, during the period;

(3) amounts required to pay the principal of debt maturing during the period other than principal subject to redemption prior to maturity through any mandatory sinking fund account;

(4) in the case of a Finance Lease, the lease rentals payable during the period;

(5) in the case of interest which carries a variable rate, subject to adjustment during the specified period, interest shall be calculated, in any projection of Debt Service Requirements, for variable rate debt that has been Outstanding for at least twelve (12) months shall be the average rate over the twelve (12) months immediately preceding the date of calculation, or for variable rate debt that has been Outstanding less than twelve (12) months the assumed interest rate shall be the actual rate on the date of calculation, or, for Variable Rate Indebtedness proposed to be issued, the assumed interest rate for such computation shall be determined by a Consultant by applying the Municipal Market Data (MMD) Index of the same rating category as the University for fixed-rate bonds of the most closely corresponding final term and parameters;

(6) in the case of secured Short-Term Debt which is required to be included in Debt Service Requirements, as provided in the Loan Agreement, at the assumed rate of interest and with the assumed principal amortization provided in Section 8.04(b) of the Loan Agreement;

(7) in the case of Balloon Indebtedness, at the assumed rate of interest and with the assumed principal amortization provided in Section 8.04(c) of the Loan Agreement; and

(8) in the case of Demand Obligations, at the assumed rate of interest and with the assumed principal amortization provided in Section 8.04(d) of the Loan Agreement

provided, however, that “Debt Service Requirements” shall not include (i) debt service on Short-Term Debt secured by Unrestricted Gross Revenues so long as the maximum principal amount available on such Short-Term Debt does not exceed 10% of Unrestricted Gross Revenues for the fiscal year immediately preceding such specified period; or (ii) debt service on any other debt to the

extent that such obligations are not payable with moneys constituting Unrestricted Gross Revenues for the purposes of determining "Net Revenues." Interest payable on debt during the specified period shall be reduced by the amount of any interest subsidy which a Federal, state or local government is irrevocably committed to pay for the specified period.

Nothing in the Loan Agreement shall be construed to count indebtedness more than once, and indebtedness incurred pursuant to any credit or liquidity facility in the form of a letter of credit, surety bond, bond insurance, standby bond purchase agreement, guaranty or other undertaking that provides credit support for the University's obligation to pay debt service on Debt already included in Debt Service Requirements.

"*Demand Obligation*" means any indebtedness which (a) has a stated maturity which is more than 365 days after the date of incurrence, (b) is subject to repayment upon demand by the holder prior to maturity and (c) is incurred as Long-Term Indebtedness pursuant to Section 8.04(a) of the Loan Agreement.

"*Finance Lease*" shall mean a lease under which the University is lessee and which is determined by a Certified Public Accountant to constitute a finance or capital lease required to be capitalized under Generally Accepted Accounting Principles.

"*Loan Commitment*" shall mean an unconditional irrevocable letter of credit, a line of credit, a binding long term loan commitment or other similar extension of credit, a bond purchase or placement agreement or derivative instrument, which in each case (a) is issued or executed for the purpose of providing a source of funds for the payment of the full principal amount of any Balloon Indebtedness, Short-Term Debt or Demand Obligation, (b) is (1) issued by a commercial bank which has a securities rating of at least "A" assigned to its unsecured long term debt by at least one nationally recognized rating agency or (2) executed by a municipal securities dealer or derivative provider, and (c) provides that amounts borrowed thereunder are subject to repayment over a term of not less than two years.

"*Long-Term Debt*" shall mean all obligations for borrowed money, incurred, assumed or guaranteed by the University, whether due and payable in all events, or upon the performance of work, the possession of property as lessee under a Finance Lease, or the rendering of services by others, except:

- (1) Short-Term Debt;
- (2) Current obligations payable out of current revenues, including current payments for the funding of pension plans;
- (3) Obligations under contracts for supplies, services, and pensions, allocable to current operating expenses of future years in which the supplies are to be furnished, the services rendered, or the pensions paid;
- (4) Rentals payable in future years in exchange for possessory interests exercisable by or for the benefit of the University under leases not constituting Finance Leases; and

(5) Debt of the University incurred to finance the construction, operation or acquisition of a University Facility, provided that such debt is not a general obligation of the University and is secured only by and payable solely from the revenues derived from the operation or sale of such facility or a security interest in the real and personal property comprising such facility.

*“Short-Term Debt”* shall mean all obligations of the University for the repayment of borrowed money having a final maturity of less than two years from the date incurred, excluding the current portion of any Long-Term Debt or Balloon Indebtedness.

*“Project”* shall mean acquiring, holding, leasing (as lessor or lessee under a Finance Lease), constructing, improving, maintaining and operating, by the University or its affiliated subsidiaries, of grounds, premises, buildings, and other property, plant and equipment constituting “educational facilities” as defined in the Act and used or useful in providing instruction, administration, faculty support, housing, recreation, or other services related to higher education and related activities, including the financing of the Cost thereof by the Authority and the refinancing by the Authority of the cost of educational facilities previously financed, so long as it has been financed or refinanced by the proceeds of Bonds or Alternative Debt or with moneys held in any funds created under the Indenture, including any replacement or restoration of University Facilities to the extent that damage is not covered by insurance. “Project” shall also include refunding or redeeming any Outstanding Bonds or Alternative Debt.

*“University Facilities”* shall mean the buildings, structures, real estate, plant, equipment and any appurtenant facilities and fixtures previously acquired or to be acquired by the University, as owner or lessee, and used by or useful to the University and/or its affiliates or subsidiaries in connection with or incidental to its functioning as an institution of higher learning, and shall include the Project Facilities.

*“Variable Rate Indebtedness”* means any Long-Term Indebtedness, the rate of interest on which is subject to change prior to maturity and which adjusts more frequently than once per 12-month period.

The definitions of “Non-Amortizing Debt,” “Non-Amortizing Principal,” “Partially Amortizing Debt,” and “Student Loan Guarantees” are deleted.

### **Loan Repayments and Additional Sums**

At such time as the holders of at least a majority in aggregate principal amount of Bonds then Outstanding approve, Section 4.03 of the Loan Agreement will be amended as follows:

In lieu of the portion of the loan repayments payable with respect to principal of any Bonds becoming due (at stated maturity or through sinking fund redemption) on the next following principal or sinking fund payment date, the University, or at its direction the Authority, may, on or before the 45th day prior to such principal or sinking fund payment date, purchase on the open market Bonds of the maturity becoming due and present such Bonds to the Trustee for cancellation. The Bonds so presented to the Trustee shall be credited to the principal amount of the next payment due at 100% of the principal amount of such Bonds.

### **Limitations on Additional Indebtedness**

At such time as the holders of at least a majority in aggregate principal amount of Bonds then Outstanding approve, Section 8.04 of the Loan Agreement is hereby amended as follows:

The University covenants and agrees that it will not hereafter incur or assume (the terms "incur" and "assume", for the purposes hereof, mean (1) the guaranteeing of or the direct or indirect assumption of liability for the debts of others; (2) the execution and delivery by the University, as lessee, of a Finance Lease); (3) any indebtedness for money borrowed other than the debt hereinafter permitted; and (4) obligations referred to in clause (e) hereof:

(a) Debt Incurrence and Exceptions to Debt Incurrence. If no Event of Default under the Loan Agreement shall have occurred and be continuing, the University may, from time to time, incur or assume Long-Term Debt for such lawful purposes of the University as shall be specified in reasonable detail in a Certified Resolution of the University, upon delivery to the Authority and the Trustee of the certificates described in (i), (ii) and (iii) below, on or before the date on which such Long-Term Debt, whether secured or unsecured, is to be incurred or assumed:

(i) an Officer's Certificate of the University in form and substance acceptable to the Authority stating that such Long-Term Debt or Alternative Debt issued to refund other Long-Term Debt or Alternative Debt in which, after giving effect to the retirement of such debt being refunded, neither the average annual Debt Service Requirements on such debt nor the amount of such debt (inclusive of the Long-Term Debt to be issued and exclusive of the Long-Term Debt to be refunded) secured on a parity with the Bonds as to Unrestricted Gross Revenues will be increased by more than five percent; or

(ii) in the case of either (A) refunding Long-Term Debt that cannot meet the requirements of (i) above, or (B) non-refunding Long-Term Debt, an Officer's Certificate of the University in form and substance acceptable to the Authority stating that for the Fiscal Year immediately preceding the incurring or assumption of the Long-Term Debt as the case may be, the University was in compliance with the covenant set forth in Section 9.01 of the Loan Agreement; and

(iii) in the case of either (A) refunding Long-Term Debt that cannot meet the requirements of (i) above, or (B) non-refunding Long-Term Debt; (a) an Officer's Certificate of the University, stating that Net Revenues based upon the audited financial statements of the University for the preceding Fiscal Year, together with other funds available for the payment of debt service on the Long-Term Debt, will be not less than 100% of the actual Debt Service Requirements for such Fiscal Year assuming that the proposed new Long-Term Debt had been incurred on the first day of the Fiscal Year used for testing; or (b) a Consultant Certificate provided by the University, stating that Net Revenues based on the most recent audited financial statements of the University, together with other funds available for the payment of debt service on the Long-Term Debt, taking into account projected revenue to be produced by the revenue-producing facility to be financed by the proposed new Long-Term Debt, will be not less than 110% of the actual Debt Service Requirements for such Fiscal Year assuming that the

proposed Long-Term Debt had been incurred on the first day of the Fiscal Year used for testing.

(b) Short-Term Debt. If no Event of Default under the Loan Agreement shall have occurred and be continuing, the University may, from time to time, incur or assume Short-Term Debt in an aggregate principal amount which, together with all Short-Term Debt then outstanding or available to be drawn, shall not exceed 20% of Unrestricted Gross Revenues based upon the audited financial statements of the University for the preceding Fiscal Year; *provided* that, for a period of thirty consecutive days in each Fiscal Year, Short-Term Debt issued or drawn shall not be outstanding in an aggregate principal amount greater than 10% of Unrestricted Gross Revenues based upon the audited financial statements of the University for the immediately preceding Fiscal Year. Unsecured Short-Term Debt shall not be included in the calculation of Debt Service Requirements, however the Debt Service Requirements on Short-Term Debt secured with Unrestricted Gross Revenues shall be determined by the University as follows:

(i) the authorized principal amount of Short-Term Debt may be assumed to amortize with level annual principal payments from the date of calculation thereof over a term equal to the lesser of (1) twenty-five (25) years and (2) one hundred and twenty percent (120%) of the remaining reasonably expected economic life of the assets being financed, as set forth in an Officer's Certificate delivered to the Trustee, with level annual debt service payments at an assumed interest rate equal to the average of average of the 30-year Revenue Bond Index published most recently by *The Bond Buyer*, or a comparable index if such Revenue Bond Index is not so published; or

(ii) the authorized principal amount of Short-Term Debt may be assumed to amortize during the term to the maturity thereof by deposits made to a sinking fund therefor pursuant to the terms of such Short-Term Debt, or in accordance with a sinking fund schedule established by resolution of the University adopted at or subsequent to the time of incurrence of Short-Term Debt, as certified in an Officer's Certificate, provided that, at the time of such calculation, all deposits required to have been made prior to such date shall have been made;

(iii) the authorized principal amount of Short-Term Debt may be assumed to amortize due and payable on the specified due date or due dates thereof; or

(iv) with respect to Short-Term Debt for which there exists a new Loan Commitment to refinance the same, the authorized principal amount of Short-Term Debt may be assumed to amortize in the principal amounts and at the times specified in the Loan Commitment.

(c) Balloon Indebtedness. The Debt Service Requirements on Balloon Indebtedness shall be:

(i) amortized from the date of calculation thereof over a term equal to the least of (1) twenty-five (25) years, (2) one hundred and twenty percent (120%) of the reasonably expected economic life of the assets being financed, as set forth in an Officer's Certificate delivered to the Trustee, (3) the stated

maturity thereof and (4) the maximum number of years remaining for the life of such Balloon Indebtedness with level annual debt service payments at an assumed interest rate equal to the average of average of the 30-year Revenue Bond Index published most recently by *The Bond Buyer*, or a comparable index if such Revenue Bond Index is not so published; or

(ii) amortized during the term to the maturity thereof by deposits made to a sinking fund therefor pursuant to the terms of such Balloon Indebtedness, or in accordance with a sinking fund schedule established by resolution of the University adopted at or subsequent to the time of incurrence of such Balloon Indebtedness, as certified in an Officer's Certificate, provided that, at the time of such calculation, all deposits required to have been made prior to such date shall have been made; or

(iii) due and payable on the specified due date or due dates thereof; or

(iv) with respect to Balloon Indebtedness for which there exists a new Loan Commitment to refinance the same, due and payable in the amounts and at the times specified in the Loan Commitment.

(d) Demand Obligations. The Debt Service Requirements on Demand Obligations shall be determined in the same manner as is set forth above for Short-Term Debt, treating any principal which is payable upon demand by the holders in the same manner as balloon payments.

(e) Guaranties. The Debt Service Requirements on any Long-Term Debt in the form of a guaranty of the indebtedness of others shall be deemed equal to 20% of the annual principal and interest requirements on the indebtedness being guaranteed during each Fiscal Year; provided that, if the University is required to make any payment of principal or interest under the terms of any such guaranty, the Debt Service Requirements under the guaranty shall, during the Fiscal Year in which the payment is made and the next succeeding Fiscal Year, be deemed equal to 100% of the annual principal and interest requirements on the indebtedness being guaranteed."

#### **Security for University Indebtedness**

At such time as the holders of at least a majority in aggregate principal amount of Bonds then Outstanding approve, Section 8.05 of this Agreement is hereby amended as follows:

Any Debt (other than Additional Bonds issued under the Indenture) incurred or assumed as provided in Section 8.04 of the Loan Agreement may be secured only as hereinafter provided:

(a) In the case of Long-Term Debt constituting Alternative Debt including Demand Obligations or Balloon Indebtedness, by a lien on and security interest in the Unrestricted Gross Revenues ranking on a parity (except as provided in clause (d) hereof) with the lien and security interest granted herein, subject in all respects to the Intercreditor Agreement; or

(b) In the case of all secured Long-Term Debt:

(i) by a lien on and security interest in any tangible, personal or mixed property or any interest therein; or

(ii) by a purchase money security interest in fixtures and equipment made part of the University Facilities; or

(iii) in the case of Long-Term Debt (including Alternative Debt) by a lien or mortgage upon University Facilities, provided that the amount of such Long-Term Debt so secured shall not exceed an amount equal to the lesser of (A) 90% of the gross book value of the University Facility so financed, if a mortgage on such University Facility secures such Long-Term Debt or (B) 30% of the gross book value of the University's plant, property and equipment (excluding any such Long-Term Debt so secured if a parity lien on such University Facilities shall have been granted to the Trustee to secure the University's obligations under this Agreement); or

(iv) in the case of obligations referred to in subsection 6.02(i) which bear interest at lower than prevailing market rates because of governmental subsidy and grant programs, by a security interest in that portion of the Unrestricted Gross Revenues derived from the specific facilities pledged to secure such obligations which may be prior to the security interest therein of the Authority.

Under the provisions of the Indenture, any Alternative Debt shall be deemed an additional series of Bonds for the purpose of being entitled in event of any default to the security in distribution of assets of the Indenture, except for the limitations provided in paragraph (d) below regarding control of assets. As provided in the Intercreditor Agreement, any default under any agreement for repayment of Alternative Debt shall be a default hereunder and under the Indenture. In the event of any default, the University shall certify to the Trustee the amount of Alternative Debt outstanding. As provided in the Indenture, the holders of Alternative Debt shall be entitled to the same remedies as the Bondholders under the Indenture, and their rights shall be enforced by the Trustee in the same manner, and subject to the same limitations as the rights of such Bondholders.

(c) Any Short-Term Debt incurred pursuant to Section 8.04 of the Loan Agreement may be, unsecured, or secured solely: (i) by a purchase money security interest in personal property acquired with the proceeds thereof; or (ii) by a lien or mortgage against any real or personal property subject to limitations set forth in the Agreement; or (iii) by a security interest in Unrestricted Gross Revenues, subject to the limitations of Section 8.04 of the Loan Agreement, on a parity with that of the Authority hereunder, pursuant to the Intercreditor Agreement.

(d) In no event shall any other indebtedness (other than Additional Bonds) be secured by a lien on the rights of the University to receive amounts due on amounts payable to the Authority or the Trustee under the Collateral Agreement, or the moneys and investments held by the Trustee in the funds created under the Indenture, except as otherwise provided therein and in the Loan Agreement.

## **THE COLLATERAL AGREEMENT**

Under the Collateral Agreement, the State Treasurer of the Commonwealth unconditionally agrees with the Authority that, upon receipt of written notice from the Authority of the failure of the University to pay when due sums owing under the Loan Agreement, the State Treasurer will in accordance with the provisions of the Act promptly (a) notify the University of its obligations under the Loan Agreement and withhold out of any state appropriations payable to the University an amount equal to the sums owing under the Loan Agreement and (b) notify the Auditor General of such actions and request that a warrant be issued for the payment to the Authority of the amount so withheld.

The University waives all rights or claims to any amounts withheld from any state appropriation by the State Treasurer pursuant to the Collateral Agreement and consents to the payment of any such amount to or for the account of the Authority upon the failure of the University for any reason to pay loan repayments or other sums due the Authority under the Loan Agreement.

All covenants and agreements made by the parties in the Collateral Agreement are made for the benefit of the Bondholders and are to be binding upon the State Treasurer and the University and their successors and permitted assigns until the payment of the entire principal of, premium, if any, and interest on the Bonds and any Additional Bonds issued under the Indenture shall have been duly made or provided for under the Indenture. Concurrently with the execution of the Collateral Agreement, the Authority will assign all of its right, title and interest therein to the Trustee as additional security for the Bonds.

[ THIS PAGE INTENTIONALLY LEFT BLANK ]

**APPENDIX D**

**PROPOSED FORM OF CO-BOND COUNSEL OPINION**

[ THIS PAGE INTENTIONALLY LEFT BLANK ]

[FORM OF OPINION OF CO-BOND COUNSEL]

August 3, 2020

**PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY  
(COMMONWEALTH OF PENNSYLVANIA)**

**\$ \_\_\_\_\_ Drexel University Revenue Bonds, Series of 2020A  
\$ \_\_\_\_\_ Drexel University Revenue Bonds, Series of 2020B (Federally Taxable)**

**TO THE PURCHASERS OF THE ABOVE-ENTITLED BONDS:**

We have acted as Bond Counsel in connection with the issuance by the Pennsylvania Higher Educational Facilities Authority (the "Authority") of its \$ \_\_\_\_\_ aggregate principal amount Drexel University Revenue Bonds, Series of 2020A (the "2020A Bonds") and \$ \_\_\_\_\_ aggregate principal amount Drexel University Revenue Bonds, Series of 2020B (Federally Taxable) (the "2020B Bonds" together with the 2020A Bonds, the "2020 Bonds"). The 2020 Bonds are issued in accordance with the provisions of the Pennsylvania Higher Educational Facilities Authority Act of 1967 (Act of December 6, 1967, P.L. 678), as amended (the "Act"), a Resolution of the Authority adopted on May 1, 2020 (the "Resolution") and under and pursuant to an Amended and Restated Trust Indenture dated as of \_\_\_\_\_, 2020, as supplemented and amended by the First Supplemental Trust Indenture dated as of \_\_\_\_\_, 2020 (the "First Supplemental Indenture") (collectively, the "Indenture"), each between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

Pursuant to the Resolution and the Indenture, the Authority has determined to issue the 2020A Bonds for the benefit of Drexel University (the "University") to provide funds, together with other available funds, to finance a project consisting of: (i) the reimbursement to the University's endowment of all or a portion of a loan to finance capital renovations to and an expansion of Calhoun/Bentley Hall; (ii) the financing of certain capital expenditures identified within the University's current capital budget; and (iii) the refunding of all of the Authority's outstanding (a) Drexel University Variable Rate Revenue Bonds, Second Series of 2000, (b) Drexel University Multi-Modal Revenue Bonds, Series B of 2002, (c) Drexel University Multi-Modal Revenue Bonds, Series B of 2005 (the "2005B Bonds"), and (d) Drexel University Multi-Modal Revenue Bonds, Series B of 2007, (iv) the payment of the costs of terminating a variable-to-fixed interest rate hedging transaction relating to the 2005B Bonds; and (v) the payment of certain costs of issuing the 2020A Bonds (collectively, the "2020A Project").

Pursuant to the Resolution and the Indenture, the Authority has determined to issue the 2020B Bonds for the benefit of the University to provide funds, together with other available funds, for a project consisting of: (i) the refunding of all or a portion of the (a) Authority's Drexel University Revenue Bonds, Series A of 2011, and (b) the Authority's Drexel University Revenue Refunding Bonds, Series of 2012 and (ii) the payment of certain costs of issuing the 2020B Bonds (collectively, the "2020B Project" and together with the 2020A Project, the "2020 Project").

In connection with the 2020 Project, the proceeds of the 2020 Bonds will be loaned by the Authority to the University pursuant to an Amended and Restated Loan and Security Agreement dated as of \_\_\_\_\_, 2020, as supplemented and amended by the First Supplemental Loan and Security Agreement dated as of \_\_\_\_\_, 2020 (the "First Supplemental Loan Agreement") (collectively, the "Loan Agreement").

Under the Loan Agreement, the University is obligated to make payments in amounts sufficient to pay, *inter alia*, the principal of and premium, if any, and interest on the 2020 Bonds. The Authority has assigned its interest in the Loan Agreement (except its right to receive certain administrative fees and expenses) to the Trustee for the benefit of the registered owners of the 2020 Bonds and all other bonds previously and hereafter issued and outstanding under the Indenture.

As additional security for the 2020 Bonds, the University, the Authority and the Treasurer of the Commonwealth of Pennsylvania (the "State Treasurer") have entered into a Collateral Agreement dated as of March 1, 1985, as supplemented and amended through and including the Twenty-Second Supplemental Collateral Agreement dated as of \_\_\_\_\_, 2020 (the "Twenty-Second Supplemental Collateral Agreement") (collectively, the "Collateral Agreement"), under which the State Treasurer has agreed, upon the failure of the University to make payments under the Loan Agreement, to withhold out of state appropriations to the University (if any), amounts due under the Loan Agreement.

The Authority and the University have made certain factual representations in the Indenture, the Loan Agreement and certain documents and certificates delivered on the date hereof that are material to the opinions expressed herein, including representations as to the qualification of the University as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code") and the reasonable expectations of the University and the Authority on the date hereof as to the use of the proceeds of the 2020 Bonds. We have not undertaken to verify these factual representations by independent investigation.

In our capacity as Co-Bond Counsel, we have examined a record of the proceedings relating to the issuance of the 2020 Bonds, including original counterparts or certified copies of the Indenture, the Resolution, the Loan Agreement, the Collateral Agreement and such other certificates (including the certificates described above), documents, records, proceedings, statutes and decisions as we have deemed necessary to enable us to express the opinions set forth below. We have also examined a specimen of each of a fully executed 2020A Bond and a 2020B Bond and a certificate of the Trustee, upon which we have relied, with respect to the authentication by the Trustee of the 2020A Bonds and 2020B Bonds, respectively. We have also examined the opinion of Ballard Spahr LLP, counsel to the University, on which we have relied as to the exemption from federal income tax of the University under Section 501(a) of the Code. In rendering our opinions, we have relied upon the genuineness, authenticity, truthfulness and completeness of all documents, records and other instruments examined. We have not undertaken to verify the factual matters set forth therein by independent investigation. Except as set forth in numbered paragraph 5 below, our opinions are given only with respect to the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof.

Based on and subject to the foregoing and the additional qualifications and limitations stated below, we are of the opinion that:

1. The Authority is a body corporate and politic, validly existing under the laws of the Commonwealth of Pennsylvania, with full power and authority thereunder to undertake the 2020 Project, to execute and deliver the Indenture, the Loan Agreement and the Twenty-Second Supplemental Collateral Agreement, and to issue and sell the 2020 Bonds.

2. The Indenture, the Loan Agreement and the Twenty-Second Supplemental Collateral Agreement have been duly authorized, executed and delivered by the Authority, and each constitutes a valid and binding obligation of the Authority enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, moratorium and other similar laws and equitable principles affecting the rights and remedies of creditors generally and by the exercise of judicial discretion in accordance with general principles of equity. All right, title and interest of the Authority in and to the Loan Agreement and the amounts payable thereunder (except for certain amounts payable with respect to administrative expenses and fees) have been validly assigned to the Trustee.

3. The 2020 Bonds have been duly executed and delivered by the Authority and are the valid and binding limited obligations of the Authority enforceable in accordance with their terms, except as their enforcement may be limited by bankruptcy, insolvency, moratorium and other similar laws and equitable principles affecting the rights and remedies of creditors generally and by the exercise of judicial discretion in accordance with general principles of equity.

4. Under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof, the 2020 Bonds and the interest thereon are free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2020 Bonds, or the interest thereon.

5. The interest on the 2020A Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion set forth in the preceding sentence is subject to the condition that the Authority and the University comply with all applicable federal income tax requirements that must be satisfied subsequent to the issuance of the 2020A Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. Failure to comply with certain of such requirements could cause the interest on the 2020A Bonds to be so includable in gross income retroactive to the date of issuance of the 2020A Bonds. The Authority and the University have covenanted to comply with all such requirements. Interest on the 2020A Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the federal alternative minimum taxes. We express no opinion regarding other federal tax consequences relating to the 2020A Bonds or the receipt of interest thereon.

We call your attention to the fact that the 2020 Bonds are limited obligations of the Authority, payable only out of the Pledged Revenues (as such term is defined in the Indenture) of the Authority and certain other moneys available therefor as provided in the Indenture, and that the

2020 Bonds do not pledge the credit or taxing power of the Commonwealth of Pennsylvania or any political subdivision thereof.

We express no opinion herein with regard to, and we assume no responsibility for the accuracy or completeness of the Preliminary Official Statement or the Official Statement prepared in connection with the offer and sale of the 2020 Bonds.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may occur.

Very truly yours,

**APPENDIX E**

**PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT**

[ THIS PAGE INTENTIONALLY LEFT BLANK ]

## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of August 3, 2020, by and between DREXEL UNIVERSITY (the "University") and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as dissemination agent (the "Dissemination Agent").

WITNESSETH:

WHEREAS, the Pennsylvania Higher Educational Facilities Authority (the "Issuer") is issuing for and on behalf of the University its \$134,735,000 Drexel University Revenue Bonds, Series of 2020A and its \$17,760,000 Drexel University Revenue Bonds, Series of 2020B (Federally Taxable) (collectively, the "Bonds") pursuant to a Bond Purchase Agreement dated July 15, 2020 by and among the University, the Issuer and Wells Fargo Bank, N.A., for itself and on behalf of PNC Capital Markets LLC and Ramirez & Co., Inc. (collectively, the "Underwriters"); and

WHEREAS, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"), provides that a Participating Underwriter (as defined in the Rule) shall not purchase or sell municipal securities in connection with an Offering (as defined in the Rule) unless the Participating Underwriter has reasonably determined that an issuer of municipal securities, or an obligated person for whom financial or operating data is presented in the final official statement has undertaken, either individually or in combination with other issuers of such municipal securities or obligated persons, in a written agreement or contract for the benefit of holders of such securities, to provide, either directly or indirectly through an indenture trustee or a designated agent, certain specified financial information and operating data and notices of certain material events; and

WHEREAS, the University currently is the only obligated person with respect to the Bonds for purposes of the Rule; and

WHEREAS, in order to enable the Underwriters to comply with the requirements of the Rule, the University, as such obligated person, agrees to undertake to provide the information and notices required by the Rule.

NOW, THEREFORE, in consideration of the premises, the University, intending to be legally bound hereby, agrees as follows:

Section 1. Covenants of the University. The University covenants to comply with all requirements of the Rule in furtherance of the foregoing and without limiting the generality thereof:

(a) So long as any of the Bonds are outstanding, the University shall deliver to the Dissemination Agent in such format as is required by the Rule and the Municipal Securities Rulemaking Board ("MSRB"), and in sufficient time to allow the Dissemination Agent to file within 180 days after the end of each fiscal year of the University (the "Filing Date"), commencing with the fiscal year ending June 30, 2020, the following information (the "Annual Disclosure"):

(i) the University's annual audited financial statements, which shall be prepared in conformity with generally accepted accounting principles consistently applied as applicable to universities in the Commonwealth of Pennsylvania; provided, however, in the event that audited financial statements are not available within 180 days after the close of the applicable fiscal year, the Annual Disclosure will contain unaudited financial statements and the audited financial statements will be provided for filing when available;

(ii) unless included in such financial statements, operating data with respect to the University and its operations of the type found in the following tables in Appendix A to the Official Statement for the Bonds dated July 15, 2020: (1) the table captioned "New Students: Applications, Acceptances, Enrollment" in the section captioned "Application and Admission Credentials"; (2) the table captioned "University Enrollment - Fall Term" in the section captioned "Enrollment"; (3) the first table in the section captioned "Student Tuition, Fees and Competition"; (4) the table captioned "Student Financial Aid" in the section captioned "Student Financial Aid"; (5) the table in the section captioned "Endowment and Similar Funds"; (6) the table captioned "Private Gifts and Grants" in the section captioned "Institutional Advancement"; (7) the table captioned "Sponsored Research Activity" in the section captioned "Sponsored Research"; and (8) the table captioned "Existing Letters of Credit" under the caption "Indebtedness of University and Subsidiaries".

If any of the tables listed in Section 1(a)(ii) above reflect information that is no longer calculated and available or relevant because of changes in operations, the University will provide notice of such change in the first annual disclosure filing after such changes are undertaken; the format of the tables may also be altered.

(b) The Dissemination Agent shall promptly upon receipt thereof file the reports described in paragraph (a) with MSRB, through MSRB's Electronic Municipal Market Access System ([www.emma.msrb.org](http://www.emma.msrb.org)) ("EMMA") or through alternate means as so provided by MSRB.

(c) If the Dissemination Agent has not received the Annual Disclosure by 12:00 noon on the first business day following the Filing Date for such report, the University irrevocably directs the Dissemination Agent to immediately file a notice with MSRB, through EMMA or through alternate means as so provided by MSRB, of such failure.

(d) The University shall, in a timely manner (but in no event later than the date necessary to enable the Dissemination Agent to file with MSRB, as hereinafter provided, within ten (10) business days after the occurrence of the event), deliver to the Dissemination Agent notice, in such format as is required by the Rule and MSRB, of any of the following events with respect to the Bonds (each a "Reportable Event"), and the Dissemination Agent shall, immediately upon receipt of the University's notice, file with MSRB through EMMA (or through alternate means as so provided by MSRB) notice of the occurrence of any of such events:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;

- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of bondholders, if material;
- (viii) Optional or unscheduled redemptions of Bond, if material, and tender offers;
- (ix) Defeasance of all or any portion of the Bonds;
- (x) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (xiii) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee, if material;
- (xv) The incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority right, or other similar terms of a Financial Obligation of the obligated person, any of which affect securities holders, if material; and
- (xvi) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

For purposes of this Section 1(d), "Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of

payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

(e) The University agrees to provide information required in subsection (a) or (d) above for all persons who are determined by it to be “Obligated Persons” under the Rule.

(f) The University agrees that the provisions of this Section 1 shall be for the benefit of the holders and beneficial owners of the Bonds, and shall be enforceable by any holders or beneficial owners of the Bonds, or by the Dissemination Agent on their behalf, in accordance with the provisions of Section 4 herein.

## Section 2. Duties of Dissemination Agent.

(a) The Dissemination Agent shall retain copies, which may be in electronic or digital format, of all annual information and notices of Reportable Events provided by the University hereunder until all of the Bonds have been fully paid.

(b) The Dissemination Agent shall have no responsibility or liability in connection with the University’s filing or other obligations under this Continuing Disclosure Agreement. The Dissemination Agent shall have only those duties specifically set forth in this Disclosure Agreement and no other duties shall be implied. The University agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents (collectively, the “Indemnitees”), from and against any and all claims, liabilities, losses, damages, fines, penalties, and expenses, including out-of-pocket expenses, incidental expenses, legal fees and expenses, the allocated costs and expenses of in-house counsel and legal staff and the costs and expenses of defending or preparing to defend against any claim (“Losses”) that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction or other direction upon which the Dissemination Agent is authorized to rely pursuant to the terms of this Disclosure Agreement. In addition to and not in limitation of the immediately preceding sentence, the University also covenants and agrees to indemnify and save the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Dissemination Agent’s performance under this Disclosure Agreement provided the Dissemination Agent has not acted with gross negligence or in violation of this Disclosure Agreement or engaged in willful misconduct. The provisions of this Section 2(b) shall survive the termination of this Disclosure Agreement and the resignation or removal of the Dissemination Agent for any reason. Anything in this Disclosure Agreement to the contrary notwithstanding, in no event shall the Dissemination Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Dissemination Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

Section 3. Termination of Reporting Obligations. The University’s obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the University’s obligations with respect to the payment of the Bonds are assumed in full by some other entity, such other entity shall be responsible for compliance

with this Disclosure Agreement in the same manner as if it were the University's, and the University shall have no further responsibility hereunder, except as provided in Section 7 hereof. In addition, the University's obligation to provide information and notices as specified in Section 1 hereof shall terminate (i) at such other times as such information and notices (or any portion thereof) are no longer required to be provided by the Rule as it applies to the Bonds, (ii) in the event of a repeal or rescission of the Rule or (iii) upon a determination by a court of competent jurisdiction that the Rule is invalid or unenforceable.

Section 4. Amendment. The University and the Dissemination Agent may amend this Disclosure Agreement and waive any of the provisions hereof, but no such amendment or waiver shall be executed and effective unless (i) the amendment or waiver is made in connection with a change in legal requirements, change in law or change in the identity, nature or status of the University or the operations conducted by the University, (ii) this Disclosure Agreement, as modified by the amendment or waiver complies with the requirements of the Rule, and (iii) the amendment or waiver does not materially impair the interests of the registered Owners of the Bonds. Prior to executing any requested amendment, the University shall provide an opinion of counsel knowledgeable in federal securities laws to the effect that the proposed amendment satisfies the requirements described above. In the event of any amendment or waiver of a provision of this Disclosure Agreement, the University shall describe such amendment in its next annual report delivered pursuant to Section 1(a) hereof, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the financial information or operating data being presented by the University. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i.e., changes other than those prescribed by generally accepted accounting principles), (i) notice of such change shall be given pursuant to the Reportable Event notice requirements as set forth in this Disclosure Agreement; and (ii) the annual report for the year in which the change is made will present a comparison between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. To the extent that the Rule requires or permits an approving vote of beneficial owners of the Bonds in connection with an amendment, the approving vote of beneficial owners of Bonds constituting more than 50% of the aggregate principal amount of the then outstanding Bonds shall constitute such approval. The University shall direct the Dissemination Agent, in writing, to provide notice of any amendment to this Disclosure Agreement to MSRB and to the registered holders of the Bonds.

Section 5. Remedies for Default. In the event of a breach or default by the University of its covenants to provide annual financial information and notices as provided in Section 1 hereof, the Dissemination Agent, the Underwriter, or any holder or beneficial owner of Bonds shall have the right to bring an action in a court of competent jurisdiction to compel specific performance by the University. A breach or default under this Disclosure Agreement shall not constitute an event of default under the Bonds or any other agreement. The Dissemination Agent shall be under no obligation to enforce this Disclosure Agreement but may do so and may require that it be furnished with indemnity and security for expenses satisfactory to it.

Section 6. Electronic Filing Authorized. All filings with MSRB pursuant to this agreement; (a) shall be made in an electronic format as prescribed by MSRB; and (b) shall be accompanied by identifying information as prescribed by MSRB. Reference is made to Commission Release

No. 34-59062, dated December 8, 2008 (the "Release"), relating to EMMA. To the extent applicable to its obligations pursuant to this Agreement, the University shall comply with the Release and with EMMA. Unless and until otherwise prescribed by MSRB, all documents provided to MSRB in compliance with this Agreement shall be submitted through EMMA in the format prescribed by MSRB.

Section 7. Indemnification of the Issuer. The Issuer shall have no responsibility or liability for the University's compliance with this Disclosure Agreement, or in connection with the University's obligations under this Disclosure Agreement or for the compliance of this Disclosure Agreement or the contents of the annual financial or other information filed or notices provided in accordance with Section 1 hereof with the requirements of the Rule. The University agrees to indemnify and save the Issuer, its members, officers, employees and agents, harmless against any claim, loss, expense (including reasonable attorneys' fees and expenses) or liability arising from or based upon (i) any breach by the University of this Disclosure Agreement or (ii) any information or notices provided under this Disclosure Agreement or any omission therefrom.

Section 8. Removal. The Dissemination Agent may be removed at any time by the University upon thirty days' written notice and the Dissemination Agent may resign by giving written notice to the University; provided, however, that such removal shall not become effective until either a successor Dissemination Agent has been appointed and has accepted the duties of the Dissemination Agent hereunder or the University has chosen to act as its own Dissemination Agent. In the event that no appointment of a successor Dissemination Agent shall have been made by the University or the University has not chosen to act as its own Dissemination Agent pursuant to the foregoing provisions of this Section within forty five (45) days after written notice of resignation of the Dissemination Agent has been given to the University, any retiring Dissemination Agent may apply to any court of competent jurisdiction for the appointment of a successor Dissemination Agent, and such court may thereupon, after such notice, if any, as it shall deem proper, appoint a successor Dissemination Agent.

Section 9. Miscellaneous.

(a) *Binding Nature of Undertaking*. This Disclosure Agreement shall be binding upon and inure to the benefit of the Underwriters, and their respective successors and assigns. In addition, registered owners of the Bonds, which for the purposes of this Section 9 includes the holders of a book-entry credit evidencing an interest in the Bonds, from time to time shall be third party beneficiaries hereof and shall be entitled to enforce the provisions hereof as if they were parties hereto; but no consent of beneficial owners of the Bonds shall be required in connection with any amendment of this Disclosure Agreement, except as required by the Rule. Holders of book-entry credits evidencing an interest in the Bonds may file their names and addresses with the University for the purposes of receiving notices or giving direction under this Disclosure Agreement.

(b) *Notices*. Except with respect to the electronic submission of information to MSRB through EMMA, as permitted by this Disclosure Agreement, and except as set forth in (c) below, all notices and other communications required or permitted under this Disclosure Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger,

for delivery to the intended addressee) or when deposited in the United States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

(i) If to the Dissemination Agent:

The Bank of New York Mellon Trust Company, N.A.  
Attention: Corporate Trust - Public  
500 Ross Street, 12th Floor  
Pittsburgh, PA 15262-0001  
Phone: 412-234-7984

(ii) If to the University:

Drexel University  
3141 Chestnut Street  
Philadelphia, PA 19104  
Attention: Executive Vice President, Treasurer and  
Chief Operating Officer

(iii) If to MSRB:

Municipal Services Rulemaking Board  
1300 I Street, NW  
Suite 1000  
Washington DC 20005-3314  
Attn: CDI  
Telecopy No. (202) 898-1500

Any party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provisions of this Section.

(c) *Email and Facsimile Direction.* The Dissemination Agent shall have the right to accept and act upon instructions ("Instructions") given pursuant to this Disclosure Agreement and delivered using email, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Dissemination Agent, or another methods or system specified by the Dissemination Agent as available for use in connection with its services hereunder ("Electronic Means"); provided, however, that the University shall provide to the Dissemination Agent an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the University whenever a person is to be added or deleted from the listing. If the University elects to give the Dissemination Agent Instructions using Electronic Means and the Dissemination Agent in its discretion elects to act upon such Instructions, the Dissemination Agent's understanding of such Instructions shall be deemed controlling. The University understands and agrees that the Dissemination Agent cannot determine the identity of the actual sender of such Instructions and that the Dissemination Agent shall conclusively presume the directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Dissemination Agent have been sent by such Authorized Officer. The University shall be responsible for ensuring that only Authorized Officers transmit such

Instructions to the Dissemination Agent and that the University and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the University. The Dissemination Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Dissemination Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written Instruction. The University agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Dissemination Agent, including without limitation the risk of the Dissemination Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Dissemination Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the University; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Dissemination Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

(d) *Controlling Law.* This Disclosure Agreement and all questions relating to its validity, interpretation, performance and enforcement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania and the Rule.

(e) *Successor and Assigns.* Notwithstanding anything herein to the contrary, any successor trustee under the Indenture (as defined in the Official Statement) shall automatically succeed to the rights of the Dissemination Agent under this Disclosure Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement of the date first above written.

DREXEL UNIVERSITY

By:

\_\_\_\_\_  
Name: Helen Y. Bowman  
Title: Executive Vice President, Treasurer  
and Chief Operating Officer

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A.

By:

\_\_\_\_\_  
Authorized Signatory

**APPENDIX F**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

[ THIS PAGE INTENTIONALLY LEFT BLANK ]



## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: \$ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the full amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereon, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100



