

NEW ISSUE – BOOK ENTRY ONLY

RATINGS (S&P):
 Long Term (Series 2014 T2, T3 & T4): “A”
 Short Term (Series 2014 T2): “A-1”
 Stable Outlook
 See: “RATINGS” herein

In the opinion of Ballard Spahr LLP, Bond Counsel, interest on the Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Bonds is not a preference item for purposes of either individual or corporate federal alternative minimum tax; however, interest paid to corporate holders of the Bonds may be indirectly subject to alternative minimum tax under circumstances described under “TAX MATTERS” herein. Bond Counsel is also of the opinion that, under the laws of the Commonwealth of Pennsylvania, interest on the Bonds is exempt from Pennsylvania personal income tax and corporate net income tax, and the Bonds are exempt from personal property taxes in Pennsylvania. See “TAX MATTERS” herein.



\$26,065,000
PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY
 (Commonwealth of Pennsylvania)
Multi-Mode Revenue Bonds
 (AICUP Financing Program – York College of Pennsylvania Project)
Series 2014 T2, T3 and T4

consisting of

\$7,300,000
 Series 2014 T2

\$8,400,000
 Series 2014 T3

\$10,365,000
 Series 2014 T4

Dated: Date of Delivery

Due: May 1, as shown on inside cover

The Pennsylvania Higher Educational Facilities Authority (the “Authority”) will simultaneously issue

- \$7,300,000 aggregate principal amount of its Pennsylvania Higher Educational Facilities Authority Multi-Mode Revenue Bonds (AICUP Financing Program – York College of Pennsylvania Project) Series 2014 T2 (the “Series 2014 T2 Bonds”),
- \$8,400,000 aggregate principal amount of its Pennsylvania Higher Educational Facilities Authority Multi-Mode Revenue Bonds (AICUP Financing Program – York College of Pennsylvania Project) Series 2014 T3 (the “Series 2014 T3 Bonds”), and
- \$10,365,000 aggregate principal amount of its Pennsylvania Higher Educational Facilities Authority Multi-Mode Revenue Bonds (AICUP Financing Program – York College of Pennsylvania Project) Series 2014 T4 (the “Series 2014 T4 Bonds” and, collectively with the Series 2014 T2 Bonds and the Series 2014 T3 Bonds, the “Bonds”).

The Bonds will be issued initially in denominations of \$5,000 or any whole multiple thereof. The Bonds will be registered in the name of Cede & Co. as the registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York. The principal of and premium, if any, on the Bonds will be payable to the registered owner at the designated corporate trust agency office of The Bank of New York Mellon Trust Company, N.A., Philadelphia, Pennsylvania, as trustee (the “Trustee”) for the Bonds, or the designated corporate trust office of any successor Trustee.

Each Series of Bonds will bear interest at a Term Rate, a Weekly Rate or a Libor-CUBBSSM Rate, as described herein, as determined in accordance with the Trust Indenture between the Authority and the Trustee (the “Indenture”) pursuant to which the Bonds are issued and secured. While a Series of Bonds bears interest at a Term Rate, interest will be payable semiannually on May 1 and November 1, commencing November 1, 2014, and while a Series of Bonds bears interest at a Weekly Rate or a Libor-CUBBS Rate, interest will be payable monthly on the first Business Day of each calendar month, in each case by the Trustee to the registered owners by check, or by wire transfer at the request of holders of at least \$1,000,000 aggregate principal amount of such Bonds. The Weekly Rate will never exceed 10% per annum, the Libor-CUBBS Rate will never exceed 20% per annum, and the Term Rate will never exceed 15% per annum. **Each Series of Bonds will initially be offered at a Term Rate.**

The Bonds are payable solely from, and are secured by an assignment and a pledge of, payments and other revenues to be received by the Authority under a Loan Agreement between the Authority and the Borrower, and from Bond proceeds and other moneys pledged to or held by the Trustee under the Indenture for such purpose.

Bonds in the Weekly Mode only will be purchased, at the option of the holder thereof, at the principal amount thereof, plus accrued interest, if any, at the times and subject to the conditions described herein. The Bonds are subject to optional, mandatory and extraordinary optional redemption by the Authority prior to maturity as described herein. The interest rate mode for each Series of the Bonds is subject to conversion as described herein, in which case such Bonds will be subject to mandatory purchase as described herein.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE SOLELY FROM THE SOURCES REFERRED TO IN THE INDENTURE PURSUANT TO WHICH SUCH BONDS ARE ISSUED AND SECURED, AND THE BONDS SHALL NOT BE OR BE DEEMED TO BE A GENERAL OBLIGATION OF THE AUTHORITY OR AN OBLIGATION OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE COMMONWEALTH OF PENNSYLVANIA NOR ANY POLITICAL SUBDIVISION THEREOF IS OR SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS, AND NEITHER THE GENERAL CREDIT OF THE AUTHORITY NOR THE FAITH AND CREDIT OR TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO SUCH PAYMENT. THE AUTHORITY HAS NO TAXING POWER.

The Bonds are offered when, as and if issued by the Authority, subject to prior sale, withdrawal or modification of the offer without any notice, and to the approving opinion of Ballard Spahr LLP, Philadelphia, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon by Buchanan Ingersoll & Rooney PC, Pittsburgh, Pennsylvania, as counsel to the Authority; by Barley Snyder, LLC, York, Pennsylvania, as counsel to the Borrower; and by Morgan, Lewis & Bockius LLP, Philadelphia, Pennsylvania, as counsel to the Financial Advisor. M&T Securities, Inc. has acted as Financial Advisor to the Borrower in connection with the Bonds. It is expected that Bonds in definitive form will be delivered to DTC in New York, New York, on or about May 21, 2014.

PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY
(Commonwealth of Pennsylvania)
MULTI-MODE REVENUE BONDS
(AICUP FINANCING PROGRAM - YORK COLLEGE OF PENNSYLVANIA PROJECT)
SERIES 2014 T1, T2 and T3

SERIES	PRINCIPAL AMOUNT AND MATURITY	INITIAL INTEREST RATE MODE	INITIAL RATE	YIELD	PRICE	S&P RATINGS (4)	CUSIP(5)
T2	\$7,300,000 Due: May 1, 2030	Term Mode (One Year)	1.000%	0.630%(1)	100.347%(1)	A/A-1	70917SJZ7
T3	\$8,400,000 Due: May 1, 2034	Term Mode (Two Year)	2.000%	0.900%(2)	102.115%(2)	A	70917SKA0
T4	\$10,365,000 Due: May 1, 2033	Term Mode (Three Year)	3.000%	1.120%(3)	105.429%(3)	A	70917SKB8

(1) **Series 2014 T2 Bonds.** Yield and price shown to the May 1, 2015 mandatory tender date.

The initial Term Rate Period will end on April 30, 2015, at which time the Series 2014 T2 Bonds will either continue in the Term Mode for successive one- year periods, or be converted to a different Rate Mode, at the election of the Borrower.

(2) **Series 2014 T3 Bonds.** Yield and price shown to the May 1, 2016 mandatory tender date.

The initial Term Rate Period will end on April 30, 2016, at which time the Series 2014 T3 Bonds will either continue in the Term Mode for successive two- year periods, or be converted to a different Rate Mode, at the election of the Borrower.

(3) **Series 2014 T4 Bonds.** Yield and price shown to the May 1, 2017 mandatory tender date.

The initial Term Rate Period will end on April 30, 2017, at which time the Series 2014 T4 Bonds will either continue in the Term Mode for successive three- year periods, or be converted to a different Rate Mode, at the election of the Borrower.

(4) See “RATINGS” herein.

(5) The CUSIP numbers listed above are provided by Standard & Poor’s CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are included here solely for the convenience of Bondholders at the time of issuance of the Bonds. None of the Authority, the Borrower or the Underwriter (hereinafter defined) make any representation with respect to such numbers or undertakes any responsibility for their accuracy now or at any time in the future.

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

MEMBERS OF THE AUTHORITY

Honorable Thomas W. Corbett Governor of the Commonwealth of Pennsylvania	President
Honorable Michael J. Folmer 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 Warren E. Kampf Designated by the Speaker of the House of Representatives	Vice President
Honorable Robert M. McCord State Treasurer	Treasurer
Honorable Sheri L. Phillips 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 Carolyn C. Dumaresq Acting Secretary of Education	Board Member

EXECUTIVE DIRECTOR

Robert Baccon

AUTHORITY COUNSEL

[Appointed by the Office of General Counsel]
Buchanan Ingersoll & Rooney PC
Pittsburgh, Pennsylvania

PROGRAM SPONSOR

Association of Independent Colleges and Universities
of Pennsylvania

BOND COUNSEL

[Appointed by the Office of General Counsel]
Ballard Spahr LLP
Philadelphia, Pennsylvania

TRUSTEE

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

FINANCIAL ADVISOR TO THE BORROWER

M&T Securities, Inc.
Canonsburg, Pennsylvania

No dealer, broker, salesperson or other person has been authorized by the Authority, the Borrower, the Program Sponsor or the Underwriter (hereinafter defined) to give any information or to make any representations with respect to the Bonds other than those 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 an offer to buy, and there shall not be a sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Except for the information concerning the Authority, the information contained herein is not to be construed as a representation by the Authority.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the Borrower, or in any other matter described herein, since the date hereof or the dates of the information contained herein.

The order and placement of materials in this Official Statement, including the Appendices hereto, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the Appendices hereto, must be considered in its entirety.

The offering of the Bonds is made only by means of the entire Official Statement. This Official Statement is deemed "final" by the Authority and the Borrower within the meaning of Rule 15c2-12(b) under the Securities Exchange Act of 1934, as amended.

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

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OFFICIAL STATEMENT SUMMARY

The following is a summary of certain information contained in this Official Statement, to which reference should be made for a complete statement thereof. The Bonds are offered to potential investors only by means of the entire Official Statement, which includes the cover page and reverse thereof, this Summary, and the Appendices hereto. No person is authorized to detach this Summary from the Official Statement or otherwise use it without the entire Official Statement, including the cover page and reverse thereof, this Summary, and the Appendices hereto.¹

The Authority

Pennsylvania Higher Educational Facilities Authority (the “Authority”) was created by The Pennsylvania Higher Educational Facilities Authority Act of 1967, P.L. 678, No. 318, as amended (the “Act”). The Authority is authorized under the Act, among other things, to issue bonds or other obligations to finance projects for “colleges” (as defined in the Act). The Bonds are being issued pursuant to the Act and a resolution adopted by the Authority.

The Program Sponsor

The financing program pursuant to which the Bonds will be issued is sponsored by the Association of Independent Colleges and Universities of Pennsylvania (“AICUP”), a nonprofit corporation located in Harrisburg, Pennsylvania, currently providing services and programs to 88 institutions of higher education in Pennsylvania. See “THE PROGRAM SPONSOR” herein.

The Borrower

York College of Pennsylvania (the “Borrower”) is a Pennsylvania nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Borrower is located in the City of York and Spring Garden Township, York County, Pennsylvania. For more information regarding the Borrower, see Appendices A and B hereto.

The Trustee

The Bank of New York Mellon Trust Company, N.A., Philadelphia, Pennsylvania has been appointed to serve as the trustee under the Indenture.

The Financial Advisor

M&T Securities, Inc., Canonsburg, Pennsylvania (the “Financial Advisor”), has been engaged by the Borrower to assist the Borrower in the development and implementation of the financial plan leading to the issuance of the Bonds.

The Underwriter

The Bonds were offered for sale by competitive bid on May 14, 2014 in accordance with the Notice of Sale therefor. The successful bidder (the “Underwriter”) is purchasing the Bonds for reoffering. See “UNDERWRITING” herein.

¹ At or about the time of issuance of the Bonds, it is anticipated that the Cumberland County Municipal Authority will issue another series of bonds, designated Multi-Mode Revenue Bonds (AICUP Financing Program – Messiah College Project) Series 2014 T1 (the “Messiah College Bonds”), which will be described in, and offered for sale pursuant to, a separate official statement. The Messiah College Bonds will be issued and secured under a separate trust indenture and there will be no recourse against the Borrower for payment of the Messiah College Bonds.

The Remarketing Agent

No Remarketing Agent has currently been appointed with respect to the remarketing of the Bonds. The Borrower will covenant in the Loan Agreement to employ a Remarketing Agent in accordance with the Indenture to remarket any Bonds that are to be remarketed on any Purchase Date, unless the Bonds are reoffered on any Purchase Date by competitive bid. (See “THE BONDS -- Purchase of Bonds in Weekly Mode on Demand of Holders; -- Mandatory Purchase of Bonds” herein.)

The Project

The proceeds of the sale of the Bonds will be used, together with other available funds, to finance the costs of a project (the “Project”) for the benefit of the Borrower consisting of (i) the current refunding of certain bonds previously issued for the benefit of the Borrower, (ii) the financing of certain miscellaneous capital expenditures for the Borrower, and (iii) the payment of certain costs of issuing the Bonds. See “THE PROJECT” herein.

Authorized Denominations; Book-Entry Only

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds, and the Bonds will be registered in the name of Cede & Co., as registered owner and nominee for DTC. Individual purchases of Bonds will be made in book-entry form, initially in the authorized denomination of \$5,000 and any whole multiple thereof, and upon conversion to a Weekly Mode or a Libor-CUBBS Mode, in the denomination of \$100,000 or any whole multiple of \$5,000 in excess thereof. So long as Cede & Co. or any successor nominee of DTC is the registered owner of the Bonds, references herein to the Bondholders, Holders, holders, owners or registered owners shall mean Cede & Co., or such successor nominee, and shall not mean the Beneficial Owners (hereinafter defined) of the Bonds. Principal and interest on the Bonds are payable by the Trustee to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners. (See “THE BONDS -- Book Entry Only System” herein).

Security for Bonds

The Bonds are limited obligations of the Authority payable solely from pledged revenues and other moneys assigned and pledged under the Indenture to secure such payment, including (i) the loan payments required to be made by the Borrower under the Loan Agreement, and (ii) moneys and obligations held by the Trustee in certain funds established under the Indenture. (See “SECURITY AND SOURCES OF PAYMENT FOR BONDS” herein.)

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE SOLELY FROM THE SOURCES REFERRED TO IN THE INDENTURE PURSUANT TO WHICH SUCH BONDS ARE ISSUED AND SECURED, AND THE BONDS SHALL NOT BE OR BE DEEMED TO BE A GENERAL OBLIGATION OF THE AUTHORITY OR AN OBLIGATION OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE COMMONWEALTH OF PENNSYLVANIA NOR ANY POLITICAL SUBDIVISION THEREOF IS OR SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS, AND NEITHER THE GENERAL CREDIT OF THE AUTHORITY NOR THE FAITH AND CREDIT OR TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO SUCH PAYMENT. THE AUTHORITY HAS NO TAXING POWER.

The Bonds will not be secured by a Letter of Credit during the initial Term Rate Period. Thereafter, however, the Borrower may, at its election, deliver a Letter of Credit to the Trustee to support a particular Series of Bonds as provided in the Indenture. References in this Official Statement to “Letter of Credit,” “Bank” or “Reimbursement Agreement” shall be of no effect unless and until a Letter of Credit is issued to secure the Bonds.

Redemption and Purchase Provisions

The Bonds are subject to optional, mandatory and extraordinary optional redemption, and optional and mandatory purchase, as set forth herein. (See “THE BONDS -- Redemption Prior to Maturity,” “THE BONDS -- Purchase of Bonds in Weekly Mode on Demand of Owners” and “THE BONDS -- Mandatory Purchase of Bonds” herein.)

Purchase of Bonds on Demand of Owners

While the Bonds of a Series are in the Weekly Mode only, upon compliance with certain conditions as herein described, such Bonds will be purchased upon the demand of the Holder thereof at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the date of purchase, which date of purchase shall be a Business Day determined by such Beneficial Owner and shall not be earlier than the seventh day after the date of delivery of an irrevocable Bondholder Tender Notice by the Beneficial Owner to the Trustee and to the Remarketing Agent, as herein described.

Borrower Obligated for Purchase Price of Tendered Bonds

To the extent that other funds are not available on any Purchase Date to pay the purchase price of Bonds that have been tendered for optional or mandatory purchase (as further described under “THE BONDS -- Purchase of Bonds in Weekly Mode on Demand of Owners” and -- Mandatory Purchase of Bonds” herein), the Borrower is required to make such payments, and the Borrower’s failure to do so will constitute an Event of Default under the Loan Agreement.

Conversion to a Weekly Mode, Libor-CUBBS Mode or Term Mode

At the times specified herein, the Borrower may request the Authority to have a Series of Bonds converted to a Weekly Mode, a Libor-CUBBS^{SM*} Mode or a Term Mode pursuant to the Indenture. Such Bonds, if converted, are subject to mandatory purchase on the date of such conversion.

Interest on Bonds

Term Mode and Initial Rate. Initially, each Series of Bonds is expected to be in a Term Mode, and as such will bear interest at a Term Rate unless and until any Series of Bonds is converted to a different Rate Mode at the direction of the Borrower and upon satisfaction of certain conditions described herein and in the Indenture. All Bonds of a particular Series shall be in the same Rate Mode at all times. Interest at a Term Rate is payable semiannually on May 1 and November 1 of each year, commencing November 1, 2014. During such time as a Series of Bonds bears interest at a Term Rate, the maximum interest rate permitted for the Bonds is 15% per annum.

Weekly Mode. While the Bonds of any Series are in the Weekly Mode, such Bonds shall bear interest at a Weekly Rate established by the Remarketing Agent in the manner herein described. Interest at the Weekly Rate is payable monthly on the first Business Day of each calendar month. During such time as a Series of Bonds bears interest at a Weekly Rate, the maximum interest rate permitted for such Bonds is 10% per annum.

Libor-CUBBS Mode. While the Bonds of any Series are in the Libor-CUBBS Mode, such Bonds shall bear interest at a Libor-CUBBS Rate established by the Remarketing Agent in the manner herein described. Interest at the Libor-CUBBS Rate is payable monthly on the first Business Day of each calendar month. During such time as the Bonds bear interest at a Libor-CUBBS Rate, the maximum interest rate permitted for the Bonds is 20% per annum.

^{*}CUBBSSM is a service mark of the Association of Independent Colleges and Universities of Pennsylvania.

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OFFICIAL STATEMENT

\$26,065,000
PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY
(Commonwealth of Pennsylvania)
MULTI-MODE REVENUE BONDS
(AICUP FINANCING PROGRAM - YORK COLLEGE OF PENNSYLVANIA PROJECT)
SERIES 2014 T2, T3 and T4

consisting of

\$7,300,000 Series 2014 T2	\$8,400,000 Series 2014 T3	\$10,365,000 Series 2014 T4
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INTRODUCTORY STATEMENT

This Official Statement, including the cover page and reverse thereof, the table of contents page, the Official Statement Summary and the Appendices hereto, is provided to furnish information with respect to:

- the \$7,300,000 aggregate principal amount of Pennsylvania Higher Educational Facilities Authority Multi-Mode Revenue Bonds (AICUP Financing Program – York College of Pennsylvania Project) Series 2014 T2 (the “Series 2014 T2 Bonds”),
- the \$8,400,000 aggregate principal amount of Pennsylvania Higher Educational Facilities Authority Multi-Mode Revenue Bonds (AICUP Financing Program – York College of Pennsylvania Project) Series 2014 T3 (the “Series 2014 T3 Bonds”), and
- the \$10,365,000 aggregate principal amount of Pennsylvania Higher Educational Facilities Authority Multi-Mode Revenue Bonds (AICUP Financing Program – York College of Pennsylvania Project) Series 2014 T4 (the “Series 2014 T4 Bonds” and, collectively with the Series 2014 T2 Bonds and the Series 2014 T3 Bonds, the “Bonds”) being issued by the Pennsylvania Higher Educational Facilities Authority (the “Authority”) under a Trust Indenture, dated as of May 1, 2014 (the “Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., a national banking association, Philadelphia, Pennsylvania, as trustee (the “Trustee”).

Each Series of the Bonds will be dated the date of their initial delivery, will mature on the date or dates set forth on the inside cover hereof, and will be subject to redemption prior to maturity as described herein under “THE BONDS -- Redemption Prior to Maturity.”¹

The Authority will loan the proceeds of the Bonds to York College of Pennsylvania, a Pennsylvania nonprofit corporation (the “Borrower”), pursuant to a Loan Agreement dated as of May 1, 2014, between the Authority and the Borrower (the “Loan Agreement”). The Borrower is a private institution of higher education located in the Commonwealth of Pennsylvania, which is exempt from federal income tax under Section 501(c)(3) of

¹ At or about the time of issuance of the Bonds, it is anticipated that the Cumberland County Municipal Authority will issue another series of bonds, designated Multi-Mode Revenue Bonds (AICUP Financing Program – Messiah College Project) Series 2014 T1 (the “Messiah College Bonds”), which will be described in, and offered for sale pursuant to, a separate official statement. The Messiah College Bonds will be issued and secured under a separate trust indenture and there will be no recourse against the Borrower for payment of the Messiah College Bonds.

the Internal Revenue Code of 1986, as amended. Additional information respecting the Borrower, including certain financial statements, is set forth in Appendices A and B to this Official Statement.

The proceeds of the sale of the Bonds will be used, together with other available funds, to finance the costs of a project (the "Project") for the benefit of the Borrower consisting of (i) the current refunding of certain bonds previously issued for the benefit of the Borrower, (ii) the financing of certain miscellaneous capital expenditures for the Borrower, and (iii) the payment of certain costs of issuing the Bonds. See "THE PROJECT" herein.

The Bonds are limited obligations of the Authority, and the principal thereof and premium, if any, and interest thereon will be payable solely from the revenues and other moneys assigned and pledged under the Indenture to secure such payment, including (i) the loan payments required to be made by the Borrower under the Loan Agreement, and (ii) moneys and obligations held by the Trustee in certain funds established under the Indenture (See "SECURITY AND SOURCES OF PAYMENT FOR BONDS" herein.)

None of the Bonds will be secured by a Letter of Credit during the initial Term Rate Period. Thereafter, however, the Borrower may, at its election, deliver a Letter of Credit to the Trustee to support a particular Series of Bonds as provided in the Indenture. References in this Official Statement to "Letter of Credit," "Bank" or "Reimbursement Agreement" shall be of no effect unless and until a Letter of Credit is issued to secure a Series of Bonds.

Initially, each Series of Bonds is expected to be in a Term Mode, and as such will bear interest at a Term Rate unless and until any Series of Bonds is converted to a different Rate Mode at the direction of the Borrower in accordance with the requirements of the Indenture.

The Bonds of a Series may be converted from one Rate Mode to another Rate Mode as provided in the Indenture. All Bonds of a Series must bear interest in the same Rate Mode at the same time, but the Bonds of one series may be converted to a new Rate Mode without converting the Bonds of any other Series.

While a Series of Bonds bears interest at a Term Rate, interest will be payable semiannually on May 1 and November 1, commencing November 1, 2014. The Term Rate for a Series of Bonds will be determined by the Remarketing Agent for each Term Rate Period. The Term Rate will not exceed 15% per annum. (See "THE BONDS -- Interest on Bonds; Term Rate" herein.)

While a Series of Bonds bears interest at a Weekly Rate or a Libor-CUBBSSM* Rate, interest will be payable on the first Business Day of each calendar month. Interest on such Series of Bonds will accrue from and including the monthly Interest Payment Date in each calendar month to and including the day next preceding the next monthly Interest Payment Date at a Weekly Rate or a Libor-CUBBS Rate, as applicable. The Weekly Rate and the Libor-CUBBS Rate for such Bonds will be determined by a remarketing agent engaged by the Borrower to act in such capacity under the Indenture (the "Remarketing Agent") for each Weekly Rate Period and each Libor-CUBBS Rate Period. The Weekly Rate will not exceed 10% per annum and the Libor-CUBBS Rate will not exceed 20% per annum. (See "THE BONDS -- Interest on Bonds; Weekly Rate" and "THE BONDS—Interest on Bonds; Libor-CUBBS Rate" herein.)

While a Series of Bonds bears interest at a Weekly Rate, the registered owners of such Bonds have the right to tender their Bonds for purchase, at a price equal to the principal amount thereof plus accrued interest, if any, on any Business Day, upon written notice delivered to the Trustee and the Remarketing Agent described below on any Business Day at least seven (7) days (or such shorter period acceptable to the Remarketing Agent) prior to the Business Day on which such purchase is to be made. (See "THE BONDS -- Purchase of Bonds in Weekly Mode on Demand of Owners" herein.)

If the interest rate borne by a Series of Bonds is converted from one Rate Mode to a different Rate Mode, (i) such Bonds will be subject to mandatory purchase at a price equal to the principal amount thereof plus accrued interest on the effective date of such conversion, (ii) the related Letter of Credit, if any, will be terminated (unless

*CUBBSSM is a service mark of the Association of Independent Colleges and Universities of Pennsylvania.

amended at the option of the Bank to provide coverage of interest for 55 days at the applicable Weekly Rate or Libor-CUBBS Rate, or 210 days at the applicable Term Rate, plus any applicable premium), and (iii) in the case of a conversion from the Weekly Mode to a different Rate Mode, owners of such Bonds will no longer have the right to deliver such Bonds to the Trustee for purchase except for such mandatory purchase.

No Remarketing Agent has currently been appointed with respect to the remarketing of the Bonds. The Borrower will covenant in the Loan Agreement to employ a Remarketing Agent in accordance with the Indenture (and shall always retain a Remarketing Agent while the Bonds are in a Weekly Mode) to remarket any Bonds that are to be remarketed on any Purchase Date, unless Bonds in a Term Mode or a Libor-CUBBS Mode are offered for purchase through a competitive bid. (See "THE BONDS -- Purchase of Bonds in Weekly Mode on Demand of Holders; Mandatory Purchase of Bonds" herein.)

There follow herein brief descriptions of the Authority, the Program Sponsor, the Bonds and the Project, together with summaries of the Loan Agreement and the Indenture. Certain information regarding the Borrower, including certain financial statements, is set forth in Appendices A and B hereto. The form of the Continuing Disclosure Agreement is set forth in Appendix C, and the form of opinion of Bond Counsel is set forth in Appendix D. The description and summaries of the Loan Agreement, the Indenture and other documents contained herein do not purport to be comprehensive and are qualified in their entirety by reference to such documents, and all references to the Bonds are qualified in their entirety by the definitive form thereof included in the Indenture. Words and terms defined in such documents and not defined herein shall have the meanings set forth in such documents. Copies of such documents will be available for inspection during the initial offering period at the offices of M&T Securities, Inc. in its capacity as Financial Advisor to the Borrower, 160 Technology Drive, Suite 201, Canonsburg, Pennsylvania 15317, and thereafter, will be available for inspection at the corporate trust office of the Trustee in Philadelphia, Pennsylvania or at the designated corporate trust office of any successor Trustee.

THE AUTHORITY

The Authority is a body corporate and politic, constituting a public corporation and public instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth"), created by The Pennsylvania Higher Educational Facilities Authority Act of 1967 (Act No. 318 of the General Assembly of the Commonwealth of Pennsylvania, approved December 6, 1967, as amended) (the "Act").

Under the Act, the Authority consists of the Governor of the Commonwealth, the State Treasurer, the Auditor General, the Secretary of the Department 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 House of Representatives and the Minority Leader of the Senate. Pursuant to the Act, 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 their 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 defined in the Act), with the rights and powers, inter alia: (1) to finance projects by making loans to colleges (as defined in the Act) which may be evidenced by, and secured as provided in, loan agreements, mortgages, security agreements or other contracts, instruments or agreements; (2) to borrow money for the purpose of paying all or any part of the costs of construction, acquisition, financing, alteration, enlargement, reconstruction and rehabilitation of any educational facility which the Authority is authorized to acquire, construct, finance, improve, install, maintain or operate under the provisions of the Act and to pay the expenses incident to the provision of such loans; and (3) to issue bonds and other obligations for the purpose of paying the cost of any such projects, and to enter into trust indentures providing for the issuance of such obligations and for their payment and security.

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 Borrower. 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 Borrower.

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

The Act provides that the Authority is to obtain from the State Public School Building Authority (the “SPSBA”), for a fee, those executive, fiscal and administrative services which are not available from the colleges and universities, as may be required to carry out the functions of the Authority under the Act. Accordingly, the Authority and the SPSBA share an executive, fiscal and administrative staff.

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

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

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

Beverly M. Nawa. Mrs. Nawa has served as the Administrative Officer of both the Authority and the SPSBA since 2004. She is a graduate of Alvernia College with a bachelor’s degree in business administration. Prior to her present employment, Mrs. Nawa served as an Audit Senior and an Accounting Systems Analyst with the Department of the Auditor General.

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

THE PROGRAM SPONSOR

The Association of Independent Colleges and Universities of Pennsylvania (“AICUP” or the “Program Sponsor”) is a nonprofit corporation located in Harrisburg, Pennsylvania. The Program Sponsor sponsors and administers services and programs for its membership, which currently is comprised of 88 institutions of higher education in the Commonwealth. The current members of AICUP are listed on the inside back cover of this Official Statement.

The Program Sponsor is sponsoring this bond financing program (the “Program”), pursuant to which the Bonds and other series of bonds are being issued, in order to provide both an efficient and cost effective source of funding for projects of its members or their supporting organizations. In connection with the Program, the Program Sponsor, among other things, will monitor the participation of individual members in the Program. The Program Sponsor will be paid a fee from bond proceeds in connection with the Program activities. Neither the Program Sponsor nor any member of AICUP (other than any AICUP member in its individual capacity as a borrower of proceeds of a particular series of bonds) has any liability for the repayment of any series of bonds, or the loan of bond proceeds to any entity, including the Borrower.

THE BONDS

General

Upon issuance, each Series of Bonds will be dated the date of their original issuance and delivery (the “Series Issue Date”). Each Series of Bonds will mature, unless previously called for redemption, as set forth on the inside cover hereof, and will bear interest at the rates determined from time to time in the manner set forth herein. The Bonds of each Series will bear interest from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or provided for, from the Series Issue Date. The Bonds of each Series will be issued as fully registered Bonds without coupons and, initially, will be in the denomination of \$5,000 or any whole multiple thereof. Following conversion of a Series of Bonds to a Weekly Rate Mode or a Libor-CUBBS Rate Mode, such Bonds will be in denominations of \$100,000 or any whole multiple of \$5,000 in excess thereof.

The Bonds are subject to optional and mandatory purchase on the following dates (each a “Purchase Date”):

(a) with respect to any optional tender for purchase of Bonds in the Weekly Mode, any Business Day designated by the Beneficial Owner of the Bonds in a Bondholder Tender Notice as described herein under “Purchase of Bonds in Weekly Mode on Demand of Owners” and

(b) with respect to any mandatory purchase (1) upon conversion from one Rate Mode to another Rate Mode, the applicable Conversion Date, or if such Conversion Date is not a Business Day, the first Business Day succeeding such Conversion Date, (2) upon expiration of a Term Rate Period or Libor-CUBBS Period, the first Business Day following the end of such Term Rate Period or Libor-CUBBS Rate Period, (3) in anticipation of the expiration of the Letter of Credit, if any, or the issuance of an Alternate Letter of Credit, the Interest Payment Date next preceding the Expiration Date of the Letter of Credit or the Interest Payment Date on which an Alternate Letter of Credit becomes effective, as applicable, and (4) at the direction of the Bank, if any, on the Business Day stipulated by the Bank pursuant to the Indenture.

The principal or redemption price of the Bonds will be payable upon presentation and surrender of the Bonds at the designated corporate trust agency office of the initial Trustee or any successor Trustee and interest on the Bonds will be paid on the applicable Interest Payment Date by check mailed to the owners of Bonds shown as the registered owners on the registration books maintained by the Trustee as registrar at the close of business on the last Business Day preceding such Interest Payment Date, for Bonds in the Weekly Mode or the Libor-CUBBS Mode, or at the close of business on the 15th day of the calendar month next preceding an Interest Payment Date, for Bonds in a Term Mode. The interest and the principal or redemption price and purchase price becoming due on the Bonds shall, at the written request of the registered owner of at least \$1,000,000 aggregate principal amount of the Bonds received by the Trustee at least two Business Days before the corresponding Regular Record Date or maturity, redemption or purchase date, be paid by wire transfer within the continental United States in immediately available funds to the bank account number of the registered owner specified in such request and entered by the Trustee on the Register, but, in the case of principal or redemption price and purchase price, only upon presentation and surrender of the Bonds at a designated corporate trust office of the Trustee. (See “THE BONDS -- Book Entry Only System” below.)

The Bank of New York Mellon Trust Company, N.A. has been appointed as Trustee under the Indenture and has a corporate trust office in Philadelphia, Pennsylvania. The Trustee shall act as registrar, paying agent and transfer agent for the Bonds.

As used herein, “Business Day” means any day other than a Saturday or Sunday or a day on which banks located in Philadelphia, Pennsylvania, New York, New York, or any other city in which the Payment Office of the Trustee or the office of the Bank at which drawing documents are required to be presented under the Letter of Credit is located, are authorized or required by law or executive order to close or a day on which DTC is closed.

Book Entry Only System

The information in this section has been provided by The Depository Trust Company, New York, New York (“DTC”) and is not deemed to be a representation of the Authority, the Underwriter or the Borrower. DTC will act as the initial securities depository for the Bonds. The Bonds will be issued as fully-registered bonds 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 Bonds in the aggregate principal amount of such maturity, and all certificates will be deposited with DTC or pursuant to its instructions.

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.

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

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

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

Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

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

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

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of the Bonds by causing the Direct Participant to transfer the Direct Participant's interest in the Bonds, on DTC's records, to the order of the Remarketing Agent. The requirement for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records, and followed by a book-entry credit of tendered Bonds to the Remarketing Agent's DTC account.

Upon remarketing of Bonds (as hereinafter described), payment of the purchase price thereof will be made to DTC and no surrender of certificates is expected to be required. Such sales must be made through Direct Participants and Indirect Participants (which may include the Remarketing Agent) and the new Beneficial Owners will not receive delivery of physical certificates. DTC is responsible for transmitting payment to Direct Participants, and Direct and Indirect Participants are responsible for transmitting payment to Beneficial Owners whose Bonds are purchased pursuant to a remarketing. Neither the Authority, the Trustee nor the Remarketing Agent is responsible for transmitting payment to Direct Participants, Indirect Participants or Beneficial Owners.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered. The Authority may determine to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered as described in the Indenture.

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

IT IS THE DUTY OF EACH BENEFICIAL OWNER TO MAKE ARRANGEMENTS WITH THE APPLICABLE DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO RECEIVE FROM SUCH PARTICIPANT NOTICES OF PAYMENTS OF PRINCIPAL, PREMIUM (IF ANY) AND INTEREST, AND ALL OTHER PAYMENTS AND COMMUNICATIONS WHICH THE DIRECT PARTICIPANT RECEIVES FROM

DTC. NEITHER THE AUTHORITY NOR THE TRUSTEE HAS ANY DIRECT OBLIGATION OR RESPONSIBILITY TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

THE AUTHORITY, THE TRUSTEE AND THE BORROWER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE BONDS, (2) CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN THE BONDS, OR (3) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE 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.

NEITHER THE AUTHORITY, THE TRUSTEE, NOR THE BORROWER SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT 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 (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OR PURCHASE PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER OF THE BONDS.

So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the Holders, holders, owners or registered owners of such Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

Interest on Bonds; Initial Rate

Each Series of Bonds shall initially bear interest at a Term Rate, subject to conversion to a Weekly Rate or a Libor-CUBBS Rate (as described below). A "Term Rate" is an interest rate determined at the commencement of each Term Rate Period as described below. A "Weekly Rate" is an interest rate determined and adjusted weekly for each Weekly Rate Period as described below. A "Libor-CUBBS Rate" is an interest rate determined and adjusted monthly for each Libor-CUBBS Rate Period as described below. Bonds are in the "Weekly Mode" if they bear interest at a Weekly Rate, in a Libor-CUBBS Mode if they bear interest at a Libor-CUBBS Rate, and in a "Term Mode" if they bear interest at a Term Rate. The Weekly Mode, each Libor-CUBBS Mode and each Term Mode are each a "Rate Mode." All Bonds of a particular Series must be in the same Rate Mode at any given time. **While a Series of Bonds bears interest at a Term Rate, interest shall be payable on each May 1 and November 1 (each a semiannual "Interest Payment Date"), commencing November 1, 2014, and will be computed on the basis of a 360-day year consisting of twelve 30-day months.**

While a Series of Bonds bears interest at a Weekly Rate or a Libor-CUBBS Rate, interest shall be payable on the first Business Day of each month (each a monthly "Interest Payment Date"), computed on the basis of a year of 365 or 366 days, as appropriate. While a Series of Bonds bears interest at a Weekly Rate, the interest rate on such Bonds may not exceed 10% per annum, while a Series of Bonds bears interest at a Libor-CUBBS Rate, the interest rate on such Bonds may not exceed 20% per annum, and while a Series of Bonds bears interest at a Term Rate, the interest rate on such Bonds may not exceed 15% per annum (each, as applicable, the "Maximum Rate").

Weekly Rate

A Weekly Rate shall be determined for each Weekly Rate Period as described below. On each Weekly Rate Calculation Date, the Remarketing Agent shall determine the Weekly Rate (for the Weekly Rate Period commencing on the Thursday following such Weekly Rate Calculation Date) as the rate which if borne by the Bonds in such Rate Mode would, in the judgment of the Remarketing Agent, taking into account prevailing financial market conditions, be the lowest interest rate necessary to enable the Remarketing Agent to arrange for the sale of all of the outstanding Bonds in such Rate Mode at a price equal to the principal amount thereof plus accrued interest thereon. In no event shall any Weekly Rate exceed 10% per annum.

As used herein, “Weekly Rate Calculation Date” means Wednesday in each calendar week or, if any Wednesday is not a Business Day, the first Business Day preceding such Wednesday, and “Weekly Rate Period” means the seven-day period commencing on the first Thursday following the corresponding Weekly Rate Calculation Date and running through Wednesday of the following calendar week, except that (i) the first Weekly Rate Period following a conversion from a Term Mode or the Libor-CUBBS Mode to the Weekly Mode shall commence on the date of such conversion and end on and include the first Wednesday occurring after such conversion date, and (ii) the last Weekly Rate Period prior to a conversion from the Weekly Mode to a Libor-CUBBS Mode or a Term Mode shall end on and include the last day immediately preceding the date of such conversion.

If for any reason the Remarketing Agent does not determine a Weekly Rate for any Weekly Rate Period as aforesaid, or if a court holds a rate for any Weekly Rate Period to be invalid or unenforceable, the Weekly Rate for that Weekly Rate Period shall be equal to the Weekly Rate in effect for the immediately preceding Weekly Rate Period. The Weekly Rate for any consecutive succeeding Weekly Rate Period for which the Remarketing Agent does not determine a Weekly Rate, or a court holds a rate to be invalid or unenforceable, shall be 135% of the SIFMA Municipal Swap Index published for that Weekly Rate Period by Munifacts Wire System, Inc. (or a replacement publisher of the SIFMA Municipal Swap Index designated in writing by the Authority at the direction of the Borrower to the Trustee and the Remarketing Agent); provided that if Munifacts Wire System, Inc. or such replacement publisher does not publish the SIFMA Municipal Swap Index on a day on which a Weekly Rate is to be set, the Weekly Rate shall be 135% of a comparable index selected by the Borrower published by Munifacts Wire System, Inc. or such replacement publisher at such time.

No notice of Weekly Rates will be given to the owners of the Bonds; however, the registered owners may obtain Weekly Rates from the Trustee upon request therefor. The determination of the Weekly Rate by the Remarketing Agent shall be conclusive and binding upon the Authority, the Trustee, the Borrower, the Remarketing Agent, the Bank and the owners of the Bonds.

Term Rate

A Term Rate shall be determined for each Term Rate Period as described below. Prior to the initial issuance of each Series of the Bonds in a Term Mode, and upon any subsequent conversion of a Series of Bonds from a Weekly Mode or a Libor-CUBBS Mode to a Term Mode, a Nominal Term Rate Period shall be fixed by the Borrower as a term of two or more consecutive Semiannual Periods constituting the nominal length of each Term Rate Period thereafter until the date of a conversion of such Bonds to another Rate Mode. A Term Mode based on one Nominal Term Rate Period and a Term Mode based on another Nominal Term Rate Period are different Rate Modes. Except as described in the next paragraph, each Term Rate shall be determined by the Remarketing Agent, on the Term Rate Calculation Date, as the lowest rate of interest that, in the judgment of the Remarketing Agent taking into account prevailing financial market conditions, would be necessary to enable the Remarketing Agent to arrange for the sale of the Bonds in the Term Mode in a secondary market sale at a price equal to the principal amount thereof plus accrued interest on the first Business Day of the Term Rate Period; provided that (1) if the Remarketing Agent fails for any reason to determine the Term Rate for any Term Rate Period, then the Term Rate Period shall automatically convert to a Nominal Term Rate Period of one year and the Term Rate shall be equal to 135% of the most recent One Year Municipal Market Data rate as published in The Bond Buyer (or if such rate is no longer available, a similar index selected by the Borrower that is published in a newspaper or other financial publication of general circulation), as of the first day of the corresponding Term Rate Period or, if such day is not a Business Day, the next preceding Business Day, and (2) no Term Rate shall exceed the lesser of (i) the maximum

interest rate at which the Letter of Credit, if any, then in effect provides coverage for at least 210 days interest and (ii) 15% per annum.

In lieu of a determination of the Term Rate by the Remarketing Agent as described in the preceding paragraph, the Borrower, on behalf of the Authority, may retain a financial advisor or auction agent (the "Sale Agent") to conduct a competitive bid for purchase of the Bonds in order to determine the lowest rate of interest necessary to sell the Bonds in the respective Term Mode at a price equal to the principal amount thereof, plus accrued interest, on the first Business Day of the respective Term Rate Period; provided that there shall be delivered to the Trustee and the Authority an opinion of Bond Counsel to the effect that establishing the Term Rate pursuant to a competitive bid will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. Any such competitive bid shall be conducted not less than three Business Days prior to the first day of the applicable Term Rate Period. In the event a competitive bid process does not result in an acceptable offer to purchase the Bonds, the Borrower shall immediately retain a Remarketing Agent to determine the Term Rate as described in the preceding paragraph.

As used herein, "Nominal Term Rate Period" means, with respect to a Term Mode, a period of two or more consecutive Semiannual Periods (expressed in years and half years); "Term Rate Calculation Date" means a Business Day not more than 21 days and not less than one day prior to the first day of the corresponding Term Rate Period (except for Bonds which initially bear interest at a Term Rate); "Term Rate Period" means a period of two or more consecutive Semiannual Periods equal to the applicable Nominal Term Rate Period commencing on the Semiannual Date immediately following the last day of the immediately preceding Term Rate Period and running through and ending on the day immediately preceding the Semiannual Date which follows such commencement date by a period equal to such Nominal Term Rate Period, except that (i) the first Term Rate Period for the Series 2014 T2 Bonds shall commence on the Series Issue Date and end on and include April 30, 2015, (ii) the first Term Rate Period for the Series 2014 T3 Bonds shall commence on the Series Issue Date and end on and include April 30, 2016, (iii) the first Term Rate Period for the Series 2014 T4 Bonds shall commence on the Series Issue Date and end on and include April 30, 2017, and (iv) the first Term Rate Period after conversion from a Weekly Rate or a Libor-CUBBS Rate to a Term Rate shall commence on the date of conversion and end on and include the day immediately preceding the Semiannual Date which follows the Semiannual Date occurring on or immediately preceding such conversion date by a period equal to such Nominal Term Rate Period.

Determinations of Term Rates shall be conclusive and binding upon the Authority, the Borrower, the Trustee, the Bank and the owners of the Bonds.

Libor-CUBBS Rate

The Libor-CUBBS Rate applicable to a Series of Bonds during each Libor-CUBBS Rate Period shall be determined as described below. A Nominal Libor-CUBBS Rate Period shall be fixed by the Borrower pursuant to the Indenture as a term of two or more consecutive Semiannual Periods constituting the nominal length of each Libor-CUBBS Rate Period thereafter until the date of a conversion to another Rate Mode. A Libor-CUBBS Mode based on one Nominal Libor-CUBBS Rate Period and a Libor-CUBBS Mode based on another Nominal Libor-CUBBS Rate Period are different Rate Modes. "Libor-CUBBS Rate Period" means a period of two or more consecutive Semiannual Periods equal to the applicable Nominal Libor-CUBBS Rate Period commencing on the Semiannual Date immediately following the last day of the immediately preceding Libor-CUBBS Rate Period and running through and ending on the day immediately preceding the Semiannual Date which follows such commencement date by a period equal to such Nominal Libor-CUBBS Rate Period; except that (i) the first Libor-CUBBS Rate Period after conversion of a Series of Bonds from a Weekly Rate or a Term Rate to a Libor-CUBBS Rate shall commence on the Conversion Date of such conversion and end on and include the day immediately preceding the Semiannual Date which follows the Semiannual Date occurring on or immediately preceding such Conversion Date by a period equal to such Nominal Libor-CUBBS Rate Period.

The Applicable Percentage and the Applicable Spread (each as defined below) for any Libor-CUBBS Rate Period shall be determined by the Remarketing Agent on or prior to the first day of the corresponding Libor-CUBBS Rate Period, but not more than 21 days prior to the first day of such Libor-CUBBS Rate Period. The Remarketing Agent shall provide written notice to the Authority, the Borrower, the Bank and the Trustee of the Applicable Percentage and the Applicable Spread on the date of determination thereof.

The Libor-CUBBS Rate borne by a Series of Bonds during each month during each Libor-CUBBS Rate Period shall be determined by the Remarketing Agent on the Business Day immediately preceding the first day of each month, and shall be equal to the Applicable Percentage multiplied by the sum of (i) LIBOR plus (ii) the Applicable Spread. In no event shall any Libor-CUBBS Rate exceed 20% per annum. If for any reason the Remarketing Agent does not determine a Libor-CUBBS Rate for any Libor-CUBBS Rate Period as described above, then the Bonds shall bear interest at the last rate determined for the Bonds.

No notice of Libor-CUBBS Rates will be given to the Authority, the Borrower, the Bank or the registered owners of the Bonds; however, the Authority, the Borrower, the Bank and the registered owners may obtain Libor-CUBBS Rates from the Trustee or the Remarketing Agent upon request therefor.

The “Applicable Percentage” for any Libor-CUBBS Rate Period shall be the percentage, which shall not be lower than 65% or higher than 135%, determined by the Remarketing Agent on or before the first day of such Libor-CUBBS Rate Period that, when multiplied by LIBOR plus the Applicable Spread, would equal the minimum interest rate per annum that would enable the Remarketing Agent to sell the Bonds on such date at a price equal to the principal amount thereof, plus accrued interest, if any, thereon. The “Applicable Spread” for any Libor-CUBBS Rate Period shall be the number of basis points (expressed as a percentage) determined by the Remarketing Agent on or before the first day of such period that, when added to LIBOR and multiplied by the Applicable Percentage would equal the minimum interest rate per annum that would enable the Remarketing Agent to sell the applicable Series of Bonds on such date at a price equal to the principal amount thereof, plus accrued interest, if any, thereon.

“LIBOR” means the fluctuating rate of interest per annum equal to the ICE Benchmark Administration (“ICE”) London Interbank Offered Rate, as published by Reuters (or other commercially available source providing quotations of LIBOR as selected by the Remarketing Agent from time to time) as determined for each Business Day at approximately 11:00 a.m. London time two London Banking Days (defined below) prior to the date in question, for U.S. Dollar deposits (for delivery on the first day of such interest period) with a one month term. A “London Banking Day” is a day on which banks in London are open for business and dealing in offshore dollars.

Conversion

The Indenture provides that the Borrower shall have the option to convert all (but not less than all) of a Series of Bonds from one Rate Mode to another Rate Mode (including, without limitation, from one Term Mode to another Term Mode) on any Conversion Date the Borrower shall select; provided that (i) each Conversion Date shall be an Interest Payment Date and (ii) Bonds in a Term Mode cannot be converted to another Rate Mode prior to the date on or after which such Bonds may first be redeemed at a redemption price of par, plus accrued interest, pursuant to their terms. The Borrower may exercise such option by giving written notice to the Authority, the Trustee, the Remarketing Agent and the Bank, stating its election to convert the Rate Mode of a Series of Bonds to another Rate Mode specified in such notice and stating the Conversion Date therefor, not less than 45 days (or such shorter period as shall be acceptable to the Trustee in its sole discretion) prior to such Conversion Date. In connection with each conversion to a Libor-CUBBS Mode or a Term Mode, the Nominal Libor-CUBBS Rate Period or Nominal Term Rate Period, as applicable, shall be selected by the Borrower and designated in such notice. Notice of the exercise of an option to convert from one Rate Mode to another Rate Mode shall not be effective unless certain conditions set forth in the Indenture are satisfied with respect to such conversion. On or before the tenth day prior to the proposed Conversion Date, the Borrower may give written notice to the Authority, the Trustee, the Remarketing Agent and the Bank to the effect that the Borrower is withdrawing its election to convert such Series of Bonds or is electing to convert such Bonds to a different Rate Mode than the Rate Mode identified in the original notice of election to convert; provided that if the Borrower elects to convert to a different Rate Mode, such notice must be accompanied by certain documents described in the Indenture, including an opinion of Bond Counsel and Bank consent. The Trustee shall give notice by first class mail to the registered owners of the particular Series of Bonds not less than 15 days prior to the proposed Conversion Date, in the case of a conversion from the Weekly Mode to a different Rate Mode, and not less than 30 days prior to the proposed Conversion Date, in the case of a conversion from a Libor-CUBBS Mode or a Term Mode to a different Rate Mode, unless the proposed Conversion Date is a Libor-CUBBS Rate Period End Interest Payment Date or a Term Rate Period End Interest Payment Date, in which case notice of the conversion is not required to be given to the registered owners. Any such notice of conversion shall state (i) the proposed Conversion Date and (ii) that all outstanding Bonds of such Series will be subject to a mandatory purchase on the Conversion Date, or if such Conversion Date is not a Business Day, the first

Business Day following such Conversion Date, at a price of par plus accrued interest, if any. As used herein, “Conversion Date” means any Interest Payment Date on which the Rate Mode is converted to another Rate Mode.

Redemption Prior to Maturity

The Bonds will be subject to redemption prior to maturity as follows:

Mandatory Sinking Fund Redemption. The Series 2014 T2 Bonds are subject to mandatory sinking fund redemption prior to maturity at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the redemption date on the Interest Payment Date in May in the years and in the respective principal amounts set forth below:

<u>Year</u>	<u>Principal Amount</u>
2015	\$390,000
2016	330,000
2017	365,000
2018	395,000
2019	435,000
2020	370,000
2021	410,000
2022	450,000
2023	490,000
2024	535,000
2025	580,000
2026	530,000
2027	480,000
2028	525,000
2029	480,000
2030	535,000 (final maturity)

The Series 2014 T3 Bonds are subject to mandatory sinking fund redemption prior to maturity at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the redemption date on the Interest Payment Date in May in the years and in the respective principal amounts set forth below:

<u>Year</u>	<u>Principal Amount</u>
2016	\$185,000
2017	205,000
2018	205,000
2019	210,000
2020	210,000
2021	210,000
2022	210,000
2023	210,000
2024	210,000
2025	210,000
2026	210,000
2027	210,000
2028	210,000
2029	310,000
2030	310,000
2031	1,000,000
2032	900,000
2033	1,200,000
2034	1,985,000 (final maturity)

The Series 2014 T4 Bonds are subject to mandatory sinking fund redemption prior to maturity at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the redemption date on the Interest Payment Date in May in the years and in the respective principal amounts set forth below:

<u>Year</u>	<u>Principal Amount</u>
2016	\$55,000
2017	390,000
2018	420,000
2019	420,000
2020	515,000
2021	520,000
2022	520,000
2023	520,000
2024	520,000
2025	520,000
2026	620,000
2027	720,000
2028	720,000
2029	720,000
2030	720,000
2031	820,000
2032	920,000
2033	725,000 (final maturity)

In the event that the Bonds of any Series are redeemed (other than through mandatory sinking fund redemption pursuant to the Indenture) and are canceled by the Trustee, the Trustee shall cause the Authority to receive a credit against its mandatory sinking fund redemption obligations in the aggregate principal amount of the Bonds so redeemed, such credits to be given in such order of maturity as may be directed in writing by the Borrower. Also, at its option, the Borrower may deliver to the Trustee for cancellation Bonds purchased by the Borrower pursuant to the Indenture. The Bonds so purchased, delivered and canceled shall be credited by the Trustee at 100% of the principal amount thereof against the sinking fund redemption obligations of the Authority with respect to the particular Series of Bonds in such order of maturity as may be directed in writing by the Borrower.

Optional Redemption of Bonds in Weekly Mode. While the Bonds of a Series are in the Weekly Mode, such Bonds are subject to optional redemption by the Authority, at the written direction of the Borrower, in whole at any time or in part on any Interest Payment Date, at a redemption price equal to 100% of the principal amount thereof to be redeemed, plus accrued interest to the redemption date.

Optional Redemption of Bonds in Term Mode. The Bonds are not subject to redemption prior to the end of the initial Term Rate Period. Thereafter, while a Series of Bonds are in a Term Mode, such Bonds are subject to optional redemption by the Authority, at the written direction of the Borrower, only (i) in whole or in part on a Term Rate Period End Interest Payment Date at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date or (ii) in the case of Term Rate Periods of more than four years, prior to the end of the then current Term Rate Period in whole at any time or in part on any Interest Payment Date, provided that such Bonds shall not be redeemable during the No Call Period, which shall begin on the first day of the current Term Rate Period and end on (a) the day preceding the third anniversary of the first day of the current Term Rate Period, in the case of a Term Rate Period of less than six (6) years, or (b) the day preceding the fifth anniversary of the first day of the current Term Rate Period, in the case of a Term Rate Period of six (6) or more years. In each Term Rate Period after the applicable No Call Period, the Bonds shall be redeemable at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date.

In connection with any conversion of a Series of Bonds to a Term Mode, the Authority (at the written direction of the Borrower) may, by written stipulation delivered to the Trustee, the Remarketing Agent and the Bank, waive or otherwise alter its right to direct the optional redemption of the particular Series of Bonds and may provide for the payment of a redemption premium in connection with any optional redemption; provided that, at least 30 days (or such shorter period as shall be acceptable to the Trustee, the Remarketing Agent and the Bank) prior to the respective Conversion Date, there is delivered to the Trustee, the Remarketing Agent and the Bank (i) a notice from the Authority setting forth such waiver or alterations and (ii) an opinion of nationally recognized bond counsel to the effect that such waiver or alterations are authorized or permitted under the Indenture and the Act and will not adversely affect the exclusion from gross income of interest on such Bonds for federal income tax purposes.

Optional Redemption of Bonds in Libor-CUBBS Mode. While a Series of Bonds are in a Libor-CUBBS Mode, such Bonds may be redeemed by the Authority, at the written direction of the Borrower, in whole at any time or in part on any Interest Payment Date, prior to maturity at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date.

If a Letter of Credit is in effect, the Trustee shall only call Bonds for optional redemption if (i) it holds moneys in the Bond Fund available for payment of such Bonds to be redeemed pursuant to the Indenture or (ii) the Bank has consented in writing to such optional redemption, which consent may be conditioned on the deposit to the Bond Fund by not later than the opening of business on the redemption date of moneys sufficient to reimburse the Bank for a drawing on the Letter of Credit to pay the redemption price.

Mandatory Redemption Upon Expiration of Letter of Credit During Term Mode. If a Letter of Credit is in effect for a particular Series of Bonds, then while such Bonds are in a Term Mode, such Bonds are subject to mandatory redemption in whole by the Authority on the Interest Payment Date next preceding the Expiration Date of the Letter of Credit, unless at least 45 days (or such shorter period as shall be acceptable to the Trustee in its sole discretion) before such Interest Payment Date the Trustee has received notice that the Letter of Credit has been or will be extended by the Bank; provided that, if such Interest Payment Date is a Term Rate Period End Interest Payment Date, then the Bonds shall not be so redeemed but shall be subject to mandatory purchase in accordance with the Indenture and as described herein under “THE BONDS -- Mandatory Purchase of Bonds.” “Term Rate Period End Interest Payment Date” for a Series of Bonds means the Semiannual Date immediately following the last date of a Term Rate Period for such Bonds. The redemption price of Bonds so redeemed shall be equal to the redemption price that would be applicable to the Bonds if they were redeemed by optional redemption pursuant to the Indenture; provided that if such redemption occurs during the applicable No Call Period with respect to optional redemption, then the redemption price shall be equal to 100 ½% of the principal amount of the Bonds so redeemed.

In connection with any conversion of a Series of Bonds to a Term Mode, the Authority (at the written direction of the Borrower) may, by written stipulation delivered to the Trustee, the Remarketing Agent and the Bank, waive or otherwise alter any redemption premium which may become payable in connection with a mandatory redemption upon expiration of the Letter of Credit supporting such Bonds; provided that, at least 30 days (or such shorter period as shall be acceptable to the Trustee, the Remarketing Agent and the Bank) prior to the Conversion Date, there is delivered to the Trustee, the Remarketing Agent and the Bank (i) a notice from the Authority setting forth such alterations and (ii) an opinion of nationally recognized bond counsel to the effect that such alterations are authorized or permitted under the Indenture and the Act, and will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

Extraordinary Optional Redemption. The Bonds are subject to redemption prior to maturity in whole or in part at the option of the Authority, at the written direction of the Borrower, on any date prior to maturity, at a redemption price of 100% of the principal amount thereof, plus accrued interest to the redemption date, in the event of condemnation, damage or destruction of all or a significant part of the Borrower’s Project Facilities, in an amount equal to the amount of proceeds of insurance, condemnation awards and/or proceeds of conveyances in lieu of condemnation deposited with or held by the Trustee for such purpose.

Procedure for and Notice of Redemption

The Trustee is required to cause notice of the call for redemption, identifying the Bonds or portions thereof to be redeemed, to be sent by first class mail, not more than 60 days (45 days, in the case of mandatory redemption upon the expiration of a Letter of Credit if the Bonds are in the Term Mode) and not less than 30 days (20 days, if the Bonds are in the Weekly Mode or the Libor-CUBBS Mode, or if the Bonds are in a Term Mode and the redemption is due to the expiration of the Letter of Credit) prior to the date set for redemption of all or part of the Bonds, to the registered owner of each Bond to be redeemed at such owner's registered address. So long as the Bonds or any portion thereof are held by DTC, the Trustee shall send each notice of redemption of the Bonds to DTC. Failure to mail any such notice or defect in the mailing thereof in respect of any Bond shall not affect the validity of the redemption of any other Bond with respect to which notice is properly given.

If at the time of mailing of notice of any optional redemption or extraordinary optional redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice may state that it is conditional in that it is subject to the deposit of such redemption moneys with the Trustee not later than the opening of business on the redemption date, in which case such notice shall be of no effect unless moneys are so deposited.

If less than all Bonds of a particular Series are to be redeemed, the selection of the Bonds of such Series to be redeemed shall be made by the Trustee by lot or in such other manner as the Trustee deems fair and appropriate; provided that (i) any outstanding Pledged Bonds shall be redeemed first and any outstanding Borrower Bonds shall be redeemed second to the extent moneys are available therefor, and (ii) if any Bond is to be redeemed in part, the principal portion to remain outstanding must be in an authorized denomination. (As used herein, "Pledged Bonds" means Bonds purchased with unreimbursed draws on the Letter of Credit and "Borrower Bonds" means Bonds (other than Pledged Bonds) registered in the name of the Borrower or any affiliate.) In the case of a partial redemption of Bonds, when Bonds of denominations greater than \$100,000 (or \$5,000 if the Bonds are then issued in \$5,000 denominations) are then Outstanding, each \$5,000 unit of face value of principal thereof shall be treated as if it were a separate Bond of the denomination of \$5,000.

Purchase of Bonds in Weekly Mode on Demand of Owners

While the Bonds of a Series are in the Weekly Mode, any such Bond (or portion thereof in an authorized denomination) shall be purchased on the demand of the owner thereof on any Business Day designated by such owner as described below (the "Purchase Date") at a purchase price equal to 100% of the principal amount thereof plus accrued interest, if any, to the Purchase Date, provided such owner delivers to the Trustee at a designated delivery office and to the Remarketing Agent at its principal office a written notice (a "Bondholder Tender Notice"), not less than seven (7) days prior to the Purchase Date. By delivering the Bondholder Tender Notice, the owner irrevocably agrees to deliver the Bond or Bonds described therein (if the Bonds are in certificated form) duly endorsed for transfer in blank and with guarantee of signature satisfactory to the Trustee, to a designated delivery office or any other address designated by the Trustee at or before 12:00 noon eastern time on the Purchase Date. The determination by the Trustee of a holder's compliance with the requirements of the Bondholder Tender Notice and of Bond delivery requirements is in its sole discretion and shall be binding on the Borrower, the Authority, the Remarketing Agent, the Bank and the Holders of the Bonds. Any Bondholder Tender Notice which the Trustee determines is not in compliance with the Indenture shall be of no force or effect.

SO LONG AS THE BONDS ARE HELD IN BOOK-ENTRY FORM BY DTC OR ITS NOMINEE, THE BENEFICIAL OWNER OF BONDS IS RESPONSIBLE FOR SUBMITTING THE BONDHOLDER TENDER NOTICE, AND SHALL BE TREATED AS THE OWNER FOR SUCH PURPOSE, AND SUCH NOTICE NEED ONLY BE SUBMITTED TO THE REMARKETING AGENT. SUCH BONDHOLDER TENDER NOTICE MAY BE TRANSMITTED TELEPHONICALLY AND, IF REQUESTED, CONFIRMED IN WRITING AS PERMITTED BY THE REMARKETING AGENT.

Any election by a holder to tender a Bond (or portion thereof) for purchase on a Business Day shall be irrevocable and shall be binding on the holder making such election and on any transferee of such holder. Each Bondholder Tender Notice shall automatically constitute (i) an irrevocable offer to sell the Bond (or portion thereof) to which such notice relates on the Purchase Date at a price equal to the purchase price of such Bond (or portion

thereof) described above, (ii) an irrevocable authorization and instruction to the Trustee to effect transfer of such Bond (or portion thereof) upon payment of the purchase price to the Trustee on the Purchase Date, (iii) with respect to a tender of a portion of a Bond, an irrevocable authorization and instruction to the Trustee to effect the exchange of such Bond in part for other Bonds in a principal amount equal to the retained portion so as to facilitate the sale of the tendered portion of such Bond, and (iv) an acknowledgment that such owner will have no further rights with respect to such Bond (or portion thereof) upon payment of the purchase price thereof to the Trustee on the Purchase Date, except for the right of such owner to receive such purchase price upon surrender of such Bond, if held in certificated form, to the Trustee endorsed for transfer in blank and with guarantee of signature satisfactory to the Trustee and that after the Purchase Date such owner will hold such Bond as agent for the Trustee.

If the Bonds are in certificated form and, after delivery to the Trustee and the Remarketing Agent of a Bondholder Tender Notice, the holder giving such notice shall fail to deliver such Bond or Bonds described in the Bondholder Tender Notice to the Trustee at a designated delivery office on or before 12:00 noon eastern time on the applicable Purchase Date, any Bond, or portion thereof, not so delivered (the “Undelivered Bond”) described in such Bondholder Tender Notice shall be deemed to have been tendered for purchase to the Trustee. No further interest on such Undelivered Bond shall accrue on or after the Purchase Date; and the Undelivered Bond shall no longer be outstanding under the Indenture.

The Trustee shall not be obligated to pay the purchase price of Bonds from any funds other than, first, remarketing proceeds delivered to it by the Remarketing Agent with respect to such Bonds, second, moneys held in the Bond Fund and available to make such payment pursuant to the Indenture (which moneys must be Available Moneys if a Letter of Credit is in effect), third, if a Letter of Credit is in effect, proceeds from a drawing on the Letter of Credit deposited directly into the Letter of Credit Purchase Account (as defined in and created under the Indenture) provided that such proceeds shall not be applied to purchase Pledged Bonds or Borrower Bonds, and fourth, payments made by the Borrower for such purpose pursuant to the Loan Agreement. Moneys in other funds (except as set forth above) under the Indenture and moneys provided by the Borrower for payments of principal, premium, if any, or interest on the Bonds will not be available for the purchase of the Bonds. If the funds available for purchases of Bonds are inadequate for the purchase of all Bonds tendered on any Purchase Date, the Trustee shall, after any applicable grace period: (a) return all tendered Bonds to the owners thereof and (b) return all moneys received for the purchase of the Bonds (other than moneys provided by the Borrower and other than Letter of Credit proceeds, unless the Letter of Credit is reinstated with respect thereto) to the persons providing such moneys. Notwithstanding the foregoing, the owners of the Bonds shall retain all rights to tender the Bonds thereafter pursuant to the terms of the Indenture.

Mandatory Purchase of Bonds

Each Series of Bonds is subject to mandatory purchase, at a purchase price equal to the principal amount thereof, plus, in the case of purchases on a Purchase Date which is not an Interest Payment Date, accrued interest thereon, as follows:

(i) on each Conversion Date, or if such Conversion Date is not a Business Day, the first Business Day succeeding such Conversion Date;

(ii) on the first Business Day immediately following the end of each Term Rate Period or Libor-CUBBS Rate Period;

(iii) while the Bonds are in the Weekly Mode and a Letter of Credit is in effect, on the Interest Payment Date next preceding the Expiration Date of the Letter of Credit unless at least 45 days (or such shorter period as shall be acceptable to the Trustee in its sole discretion) prior to such Interest Payment Date the Trustee has received written notice that the Letter of Credit has been or will be extended;

(iv) on the Interest Payment Date on which a Letter of Credit or an Alternate Letter of Credit is issued; and

(v) while the Bonds are in the Weekly Mode and a Letter of Credit is in effect, on the Purchase Date stipulated by the Bank, in the event the Bank directs the Trustee to call the Bonds for mandatory purchase pursuant to the Indenture.

In the case of any mandatory purchase of Bonds pursuant to clause (i) above, the Trustee shall cause notice of such mandatory purchase to be given at the time described above under the heading "Conversion," and in the case of any mandatory purchase of Bonds pursuant to clause (ii), (iii), (iv) or (v) above, the Trustee shall cause notice of such mandatory purchase to be given not more than 45 days and not less than 15 days prior to the Purchase Date, by mailing copies of such notice of mandatory purchase by first class mail to all Holders of Bonds to be purchased at their registered addresses.

Holders of Bonds subject to mandatory purchase must tender their Bonds for purchase to the Trustee prior to 12:00 noon, eastern time, on the applicable Purchase Date, and any such Bond which is not so delivered (an "Undelivered Bond") shall be deemed to have been tendered to the Trustee as of the applicable Purchase Date, and interest on such Undelivered Bond shall cease to accrue on the applicable Purchase Date. Thereafter, the owner of such Undelivered Bond shall not be entitled to any payment other than the purchase price for such Undelivered Bond upon surrender thereof to the Trustee duly endorsed for transfer in blank and with guarantee of signature satisfactory to the Trustee. Except for payment of such purchase price from moneys held by the Trustee for such purpose, such Undelivered Bond shall no longer be outstanding and entitled to the benefits of the Indenture.

The Trustee shall not be obligated to pay the purchase price of Bonds from any funds other than, first, remarketing proceeds delivered to it by the Remarketing Agent with respect to such Bonds, second, moneys held in the Bond Fund and available to make such payment pursuant to the Indenture (which moneys must be Available Moneys if a Letter of Credit is in effect), third, if a Letter of Credit is in effect, proceeds from a drawing on the Letter of Credit deposited directly into the Letter of Credit Purchase Account (as defined in and created under the Indenture) provided that such proceeds shall not be applied to purchase Pledged Bonds or Borrower Bonds, and fourth, payments made by the Borrower for such purpose pursuant to the Loan Agreement. Moneys in other funds (except as set forth above) under the Indenture and moneys provided by the Borrower for payments of principal, premium, if any, or interest on the Bonds will not be available for the purchase of the Bonds. If the funds available for purchases of Bonds are inadequate for the purchase of all Bonds tendered on any Purchase Date, the Trustee shall, after any applicable grace period: (a) return all tendered Bonds to the owners thereof and (b) return all moneys received for the purchase of the Bonds (other than moneys provided by the Borrower and other than Letter of Credit proceeds, unless the Letter of Credit is reinstated with respect thereto) to the persons providing such moneys.

No Purchases Following Acceleration

If the Bonds have been declared immediately due and payable as a result of an Event of Default under the Indenture and such declaration has not been annulled, stayed or otherwise suspended, then the Bonds will cease to be subject to purchase.

Remarketing of Bonds

The Remarketing Agent will use its best efforts to remarket the Bonds in respect of which a Bondholder Tender Notice has been delivered in connection with the purchase of the Bonds on demand of the owner thereof as described herein, at a purchase price of 100% of the principal amount thereof plus accrued interest on the applicable Purchase Date. The proceeds of any such sale shall be applied against the payment of the purchase price of the Bonds. If the Bonds are not successfully remarketed for purchase on the applicable Purchase Date, the Trustee will draw on the Letter of Credit (if any) to pay the purchase price.

THE PROJECT

The proceeds from the sale of the Bonds, together with other available funds, will be used to finance a project for the benefit of the Borrower consisting of: (i) the current refunding of the Authority's (A) Revenue Bonds (Association of Independent Colleges and Universities of Pennsylvania Financing Program - York College of Pennsylvania Project), Series 2001 I6, (B) Revenue Bonds (Association of Independent Colleges and Universities of

Pennsylvania Financing Program - York College of Pennsylvania Project), Series 2002 K2, (C) Revenue Bonds (Association of Independent Colleges and Universities of Pennsylvania Financing Program - York College of Pennsylvania Project), Series 2004 M3, and (D) Revenue Bonds (Association of Independent Colleges and Universities of Pennsylvania Financing Program - York College of Pennsylvania Project), Series 2004 BB (collectively, the “Prior Bonds”); (ii) miscellaneous capital expenditures (not estimated to exceed \$1 million) ; and (iii) the payment of certain costs of issuing the Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds in connection with the Bonds:

Sources of Funds

Par Amount of Bonds.....	\$26,065,000.00
Original Issue Premium	765,706.85
Transfers from Prior Issue Debt Service Reserve Funds.....	<u>805,750.00</u>
TOTAL SOURCES OF FUNDS	<u>\$27,636,456.85</u>

Uses of Funds

Refunding Project	\$27,267,587.19
Costs of Issuance ⁽¹⁾	<u>368,869.66</u>
TOTAL USES OF FUNDS.....	<u>\$27,636,456.85</u>

- ⁽¹⁾ Includes amounts to be paid for Authority fees, Trustee fees, rating agency fees, financial advisory fees, legal counsel fees, printing costs, electronic bidding agent fee, and other fees and expenses, including the Underwriter’s discount.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds will constitute limited obligations of the Authority payable solely from, and secured by, the revenues and other moneys pledged and assigned by the Indenture to secure that payment. Those revenues and other moneys include the payments required to be made by the Borrower under the Loan Agreement (other than certain fees and indemnification payments required to be made to the Authority); all other moneys receivable by the Authority, or by the Trustee for the account of the Authority, in respect of repayment of the loan of the proceeds of the Bonds; and certain monies and securities in the funds and accounts held by the Trustee under the Indenture (collectively, the “Revenues”).

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE SOLELY FROM THE SOURCES REFERRED TO IN THE INDENTURE PURSUANT TO WHICH SUCH BONDS ARE ISSUED AND SECURED, AND THE BONDS SHALL NOT BE OR BE DEEMED TO BE A GENERAL OBLIGATION OF THE AUTHORITY OR AN OBLIGATION OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE COMMONWEALTH OF PENNSYLVANIA NOR ANY POLITICAL SUBDIVISION THEREOF IS OR SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS, AND NEITHER THE GENERAL CREDIT OF THE AUTHORITY NOR THE FAITH AND CREDIT OR TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO SUCH PAYMENT. THE AUTHORITY HAS NO TAXING POWER.

The Indenture

The Bonds will be issued under and secured by the Indenture. The Indenture provides that all Bonds issued thereunder will be limited obligations of the Authority, payable solely from the sources identified therein, which include: (i) payments required to be made by the Borrower under the Loan Agreement (other than certain fees and indemnification payments required to be paid to the Authority or to the Trustee), and (ii) certain moneys and securities held by the Trustee under the Indenture and investment earnings thereon (but excluding the Rebate Fund). See “THE INDENTURE” below for a summary of certain provisions of the Indenture.

The Loan Agreement

Under the Loan Agreement, the Borrower will be obligated to make loan payments in amounts necessary to provide for the payment as and when due of the principal or redemption price of, and interest on, the Bonds, any amounts that may be required to make up any deficiency that may occur in any funds and accounts established under the Indenture, and to provide for certain other payments required by the Indenture. The Authority will assign the Loan Agreement, including its right to receive loan payments thereunder (other than certain fees, expenses and indemnification payments required to be paid to the Authority or to the Trustee) to the Trustee as security for the Bonds.

The Loan Agreement is the general obligation of the Borrower and the full faith and credit of the Borrower is pledged to secure the payments required thereunder. The Borrower’s obligations under the Loan Agreement are secured by a pledge of the Pledged Revenues of the Borrower (as further described under “Pledged Revenues” below). For a summary of certain provisions of the Loan Agreement, see “THE LOAN AGREEMENT” herein.

Pledged Revenues

To secure its obligations under the Loan Agreement, the Borrower will grant to the Trustee (as the assignee of the Authority) a lien on and security interest in its Pledged Revenues (the “Parity Lien”), on a parity with any lien on and security interest in the Pledged Revenues heretofore or hereafter granted by the Borrower to secure the Borrower’s obligations respecting any other Parity Indebtedness incurred by or for the benefit of the Borrower (see “Parity Indebtedness” below). The term “Pledged Revenues” is defined under the caption “DEFINITIONS OF CERTAIN TERMS” herein. The existence of such lien and security interest in the Pledged Revenues of the Borrower will not prevent the Borrower from expending, depositing or commingling such funds so long as the Borrower is not in default under the Loan Agreement and any agreements pertaining to any applicable Parity Indebtedness.

To the extent that a security interest can be perfected in the Pledged Revenues of the Borrower by filing of financing statements, such action will be taken. The security interest in the Pledged Revenues of the Borrower may not be enforceable against third parties unless such Pledged Revenues of the Borrower are actually transferred to the Trustee or are subject to exceptions under the Uniform Commercial Code (the “UCC”) as enacted in the Commonwealth of Pennsylvania. Under current law, such security interest may be further limited by the following: (1) statutory liens; (2) rights arising in favor of the United States of America or any agency thereof; (3) present or future prohibitions against assignment contained in any Commonwealth of Pennsylvania or Federal statutes or regulations; (4) constructive trusts, equitable liens or other rights impressed or conferred by any Commonwealth of Pennsylvania or Federal court in the exercise of its equitable jurisdiction; (5) Federal bankruptcy laws; and (6) the filing of appropriate continuation statements pursuant to UCC provisions as from time to time in effect.

Prior Bonds

The following revenue bonds heretofore issued for the benefit of the Borrower (the “Prior Bonds”) will remain outstanding after the issuance of the Bonds: (i) \$28,385,000 outstanding principal amount of Pennsylvania Higher Educational Facilities Authority Revenue Bonds (Association of Independent Colleges and Universities of Pennsylvania Financing Program – York College of Pennsylvania Project), Series 2005 EE1, (ii) \$16,180,000 outstanding principal amount of General Authority of Southcentral Pennsylvania Revenue Bonds (Association of Independent Colleges and Universities of Pennsylvania Financing Program – York College of Pennsylvania

Project), Series 2007 GG2, and (iii) \$20,000,000 outstanding principal amount of General Authority of Southcentral Pennsylvania Revenue Bonds (Association of Independent Colleges and Universities of Pennsylvania Financing Program – York College of Pennsylvania Project), Series 2011 II. The agreements entered into by the Borrower to secure its obligations respecting the Prior Bonds, and all supplements and amendments thereto, are collectively referred to herein as the “Prior Debt Documents.”

The Prior Debt Documents contain various covenants and agreements, solely for the benefit of the holders of the Prior Bonds, which will be in effect so long as any of the Prior Bonds remain outstanding. A default by the Borrower in its obligations under the Prior Debt Documents could result in a default under the Indenture that secures the Bonds. Prior to the closing for the issuance of the Bonds, copies of the Prior Debt Documents may be obtained upon request to the Financial Advisor.

Rate Covenant

Under the Loan Agreement, the Borrower covenants that it will establish, charge and collect tuition, student fees and charges for services provided by the Borrower such that Net Revenues Available for Debt Service (defined under “LOAN AGREEMENT” below) will equal or exceed, in each fiscal year, 110% of the Debt Service Requirement for such fiscal year. See “THE LOAN AGREEMENT – Rate Covenant” below.

Liens on Pledged Revenues and Other Properties

Except as described above under “Pledged Revenues,” the Borrower has not given or granted a mortgage lien or other security interest or encumbrance upon any property of the Borrower to secure its payment obligations under the Loan Agreement. The Borrower covenants and agrees that it shall not grant any liens on its Pledged Revenues or any of its other property (whether real or personal, and whether owned as of the date of issuance of the Bonds or acquired thereafter) except for Permitted Encumbrances (defined below).

Additional Indebtedness

The Borrower may incur, guaranty or assume additional indebtedness upon compliance with specified requirements and limitations contained in the Loan Agreement and the Parity Debt Documents. To the extent permitted under the Loan Agreement and the Parity Debt Documents, such additional indebtedness may be secured by liens on and security interests in property of the Borrower, including a lien on and security interest in the Pledged Revenues on a parity with the lien on and security interest in the Pledged Revenues granted to secure the Bonds and any Parity Indebtedness of the Borrower. See “THE LOAN AGREEMENT – “Incurrence of Additional Indebtedness” and “Security for Indebtedness”” herein for a description of the requirements and limitations relating to the incurrence of and security for additional indebtedness which may be incurred by the Borrower.

DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain terms used in the summaries of the Loan Agreement and Indenture set forth below. All capitalized terms used herein and not otherwise defined in this Official Statement, shall have the same meanings as set forth in the Indenture or Loan Agreement.

“Alternate Letter of Credit” means an irrevocable letter of credit authorizing drawings thereunder by the Trustee, issued by a national banking association, a bank, a trust company or other financial institution, and satisfying the requirements of the Indenture.

“Audited Financial Statements” means financial statements prepared in accordance with GAAP which have been examined and reported on by an independent certified public accountant.

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

“Bank” means the issuer of any Letter of Credit, and its successors and assigns in that capacity and, in the event an Alternate Letter of Credit is outstanding, the issuer of the Alternate Letter of Credit.

“Bond Counsel” means an attorney-at-law or a firm of attorneys of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

“Bond Documents” means the Loan Agreement, the Indenture, the Bonds and all other documents executed by the Borrower or the Authority in connection therewith, including but not limited to any Continuing Disclosure Agreement entered into by the Borrower.

“Bondholder” or “Holder” or “Registered Owner” or “Owner” of Bonds means the registered owner of any Bond.

“Borrower Facilities” shall mean the buildings, structures, real estate and any appurtenant facilities, equipment and fixtures currently owned or hereafter acquired by the Borrower, used by the Borrower in connection with its functioning as an institution of higher learning.

“Certificate” means a certificate or report, in form and substance reasonably satisfactory to the Authority and the Trustee, executed: (a) in the case of an Authority Certificate, by an Authority Representative; (b) in the case of a Borrower Certificate, by a Borrower Representative; and (c) in the case of a Certificate of any other Person, by such Person, if an individual, and otherwise by an officer, partner or other authorized representative of such Person; provided that in no event shall any individual be permitted to execute any Certificate in more than one capacity.

“Consultant” shall mean a Person, who shall be Independent, appointed by the Borrower or the Authority, as the case may be, generally recognized as qualified to pass upon the matters under consideration and having a favorable reputation for skill and experience in such matters.

“CUBBS”SM shall mean College and University Bank Bond Securities and refers to the Bonds while in the Libor-CUBBS Mode.

“Debt Service Requirement,” with reference to a specified period, shall mean:

a. interest payable on Long-Term Indebtedness during the period, excluding (i) interest funded from the proceeds thereof and (ii) interest on Long-Term Indebtedness to be redeemed during such period through any sinking fund account which would otherwise accrue after the redemption date;

b. amounts required to be paid into any mandatory sinking fund account for Long-Term Indebtedness during the period;

c. amounts required to pay the principal of Long-Term Indebtedness maturing during the period and not to be redeemed prior to maturity through any mandatory sinking fund account; and

d. in the case of Long-Term Indebtedness in the form of a lease capitalized under GAAP, the lease rentals payable during the period;

provided, however, that (i) in the case of Variable Rate Debt, interest shall be calculated, in any projection of Debt Service Requirement for a future period, (A) if the debt has been outstanding for at least 24 months, at 120% of the average interest rate on such debt during the most recent 24-month period, (B) if such debt has been outstanding for at least 12 months but less than 24 months, at the higher of 100% of the average interest rate on such debt for the most recent 12-month period or the rate in effect on the date of calculation, and (C) if such debt has been outstanding for less than 12 months, at a rate equal to 100% of (1) the average Bond Market Association Swap

^{*}CUBBSSM is a service mark of the Association of Independent Colleges and Universities of Pennsylvania.

Index for the preceding 24 months, if such debt is tax-exempt debt, and (2) the average rate for one-month LIBOR for the preceding 24 months, if such debt is taxable debt, (ii) in the case of Balloon Debt, such debt shall be assumed to amortize on a level debt service basis over a period of 20 years or the actual remaining term to maturity, whichever is less, unless a binding commitment to refinance such debt upon maturity has been provided by a financial institution rated at least “A2” from Moody’s or “A” from S&P, in which case such debt will be assumed to mature in accordance with the terms of such binding commitment, (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, and (iv) the Debt Service Requirement on any Long Term Indebtedness in the form of a guaranty of the indebtedness of others shall be deemed equal to (A) 25% of the annual principal and interest requirements on the indebtedness being guaranteed during each Fiscal Year if the guaranteed entity had Net Revenues Available for Debt Service at least equal to 150% of the annual debt service on its long-term debt in its latest fiscal year, (B) 50% of the annual principal and interest requirements on the indebtedness being guaranteed during each Fiscal Year if the guaranteed entity had Net Revenues Available for Debt Service at least equal to 125% but less than 150% of the annual debt service on its long-term debt in its latest fiscal year, (C) 75% of the annual principal and interest requirements on the indebtedness being guaranteed during each Fiscal Year if the guaranteed entity had Net Revenues Available for Debt Service at least equal to 110% but less than 125% of the annual debt service on its long-term debt in its latest fiscal year, and (D) 100% of the annual principal and interest requirements on the indebtedness being guaranteed during each Fiscal Year if the guaranteed entity had Net Revenues Available for Debt Service below 110% of the annual debt service on its long-term debt in its latest fiscal year or if the Borrower has made a payment on the guaranteed entity’s debt during any of the last three Fiscal Years.

“Expiration Date” means the stated expiration date of the Letter of Credit, as such date may be extended from time to time by the Bank.

“GAAP” means generally accepted accounting principles as defined more specifically in the Loan Agreement.

“Government Obligations” means (i) U.S. Treasury certificates, notes and bonds (including State and Local Government Series (SLGS)), (ii) direct obligations of the U.S. Treasury which have been stripped by the U.S. Treasury, and (iii) obligations issued by the following agencies which are backed by the full faith and credit of the United States of America: U.S. Export-Import Bank (direct obligations or fully guaranteed certificates of beneficial ownership), Farmers Home Administration, Federal Financing Bank, General Services Administration (participation certificates), U.S. Maritime Administration (guaranteed Title XI financing), and U.S. Department of Housing and Urban Development (project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds).

“Intercreditor Agreement” means the Intercreditor Agreement, dated as of June 1, 2007, among the Trustee, The Bank of New York Mellon Trust Company, N.A., as trustee for the Prior Bonds, and the Borrower, as amended and supplemented by Supplement No. 1 dated as of March 10, 2011 and Supplement No. 2 dated as of May 1, 2014 and as further amended and supplemented from time to time, or any other intercreditor agreement entered into with respect to the Bonds and any Parity Indebtedness.

“Letter of Credit” means, with respect to any Series of Bonds, any irrevocable letter of credit issued by the Bank to the Trustee in accordance with the Indenture and any Alternate Letter of Credit, under which the Trustee is authorized, subject to the terms and conditions thereof, to draw up to (a) an amount equal to the principal amount of the outstanding Bonds of such Series (i) to enable the Trustee to pay the principal amount of the Bonds when due at maturity, upon redemption or upon acceleration and (ii) to enable the Trustee to pay the portion of the purchase price of Bonds tendered to it and not remarketed corresponding to the principal amount of such Bonds, plus (b) while the Bonds bear interest at a Weekly Rate or a Libor-CUBBS Rate, an amount equal to interest to accrue at the Maximum Rate on the outstanding Bonds for 55 days and, while the Bonds bear interest at a Term Rate, an amount equal to interest to accrue at a rate not less than the Term Rate then in effect on the outstanding Bonds for 210 days (i) to enable the Trustee to pay interest on the Bonds when due and (ii) to enable the Trustee to pay the portion of the purchase price of Bonds tendered to it and not remarketed corresponding to the accrued interest on such Bonds, as the same may be amended, transferred, reissued or extended in accordance with the Indenture, plus (c) while the Bonds bear interest at a Term Rate, an amount equal to the sum of the redemption premium (if any) which would

become payable on the Bonds upon mandatory redemption if such irrevocable letter of credit or Alternate Letter of Credit were not extended beyond the Expiration Date set forth therein.

“Letter of Credit Agreement” means any letter of credit, reimbursement or similar agreement between the Borrower and the Bank relating to the Letter of Credit, as amended, supplemented or replaced from time to time.

“Loan Payments” means the amounts required to be paid by the Borrower in repayment of the loan of Bond proceeds pursuant to the Loan Agreement.

“Long-Term Indebtedness” shall mean all obligations for the payment of money (including, without limitation, all Bonds), incurred, assumed or guaranteed by the Borrower, 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:

- a. Short-Term Indebtedness;
- b. current obligations payable out of current revenues, including current payments for the funding of pension plans;
- c. 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;
- d. rentals payable in future years under leases not required to be capitalized under GAAP;
- e. Non-Recourse Indebtedness (as described under the heading “THE LOAN AGREEMENT – Incurrence of Additional Indebtedness”) or any other obligation secured solely by and paid solely from sources other than Pledged Revenues; and
- f. Student Loan Guarantees complying with the requirements described under the heading “THE LOAN AGREEMENT – Student Loan Guarantees,” except to the extent includable as Long-Term Indebtedness under the provisions thereof.

“Maximum Annual Debt Service Requirement” shall mean, with respect to any Long-Term Indebtedness, the maximum Debt Service Requirement for any one Fiscal Year during the remaining life of such Long-Term Indebtedness.

“Moody’s” means Moody’s Investors Service, Inc., a Delaware corporation, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated in writing by the Borrower.

“Net Revenues Available for Debt Service” shall mean, for any period, the sum of (i) unrestricted revenues (operating and nonoperating) less unrestricted expenses (operating and nonoperating), exclusive of unrealized and realized gains and losses on long-term investments, (ii) all interest expense of the Borrower for such period with respect to Long-Term Indebtedness, and (iii) all depreciation expense for such period; provided that no determination of Net Revenues Available for Debt Service shall take into account any disposition of capital assets not in the ordinary course of business to the extent otherwise included in the foregoing calculations of revenue and expenses, any other gains or losses resulting from changes in accounting principles not involving the receipt or expenditure of cash, or any other non-operating, non-cash expenses.

“Outstanding” in connection with the Bonds, means, as of the time in question, all Bonds authenticated and delivered under the Indenture, except: (i) bonds cancelled upon surrender, exchange or transfer, or cancelled because of payment or redemption at or prior to that time; (ii) bonds paid pursuant to the Indenture; (iii) bonds, or the portion thereof, which are deemed to have been paid and discharged or caused to have been paid and discharged pursuant to the provisions of the Indenture; and (iv) bonds in substitution for which other Bonds have been authenticated under the Indenture. In determining whether the owners of a requisite aggregate principal amount of

Bonds Outstanding have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions hereof, Bonds which are held by or on behalf of the Borrower (unless all of the Outstanding Bonds are then owned by the Borrower) shall be disregarded for the purpose of any such determination.

“Parity Indebtedness” means the existing indebtedness as of the date of issuance of the Bonds that is described under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Parity Indebtedness” and subject to the Intercreditor Agreement, and any additional indebtedness secured on a parity with the Bonds in accordance with the Loan Agreement.

“Permitted Encumbrances” shall mean, with respect to the Pledged Revenues and the Borrower Facilities as of any particular time, (i) liens arising by reason of good faith deposits by the Borrower in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by the Borrower to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges; (ii) liens arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose as required by law or regulation (A) as a condition to the transaction of any business or the exercise of any privilege or license, or (B) to enable the Borrower to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with worker’s compensation, unemployment insurance, or pension or profit sharing plans or other social security plans or programs, or to share in the privileges or benefits required for companies participating in such arrangements; (iii) any judgment lien against the Borrower, so long as the finality of such judgment is being contested and execution thereon is stayed and (A) provision for payment of the judgment has been made in accordance with applicable law or by the deposit of cash or investments with a commercial bank or trust company or (B) adequate insurance coverage is available to satisfy such judgment; (iv) such defects, irregularities, encumbrances, utility easements, access and other easements and rights of way, restrictions, exceptions and clouds on title which do not have a material and adverse effect on the interests of the holders of Bonds and do not materially interfere with or impair the operations of the Borrower; (v) any mechanic’s, laborer’s, materialman’s, supplier’s or vendor’s lien or right in respect thereof if payment is not yet due under the contract in question or if such lien is being contested in good faith; (vi) such minor defects and irregularities of title as normally exist with respect to facilities similar in character to the Borrower Facilities and which do not have a material and adverse effect on the value of, or materially impair, the Borrower Facilities affected thereby for the purpose for which they were acquired or are held by the Borrower; (vii) zoning laws and similar restrictions which are not violated by the Borrower Facilities affected thereby; (viii) all right, title and interest of the Commonwealth, municipalities and the public in and to tunnels, bridges and passageways over, under or upon a public way; (ix) liens on property received by the Borrower through gifts, grants or bequests, such liens being due to restrictions on such gifts, grants or bequests or property or income thereon; (x) liens for taxes, special assessments, or other governmental charges not then delinquent or being contested in good faith; (xi) liens and encumbrances permitted as described herein under the heading “THE LOAN AGREEMENT – Security for Indebtedness;” (xii) liens on goods and equipment as normally exist with respect to facilities similar in character to the Borrower Facilities; and (xiii) liens and encumbrances securing indebtedness existing on the date of issuance of the Bonds and identified on an Exhibit attached to the Loan Agreement.

“Permitted Investments” means any of the following investments, if and to the extent the same are at the time legal for investment of the funds held under the Indenture:

(i) Government Obligations.

(ii) obligations issued or guaranteed by any of the following agencies (stripped securities are only permitted if they have been stripped by the agency itself): Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (participation certificates or senior debt obligations), Federal National Mortgage Association (mortgage-backed securities and senior debt obligations), Student Loan Marketing Association (senior debt obligations), Resolution Funding Corp., and Farm Credit System (consolidated system-wide bonds and notes).

(iii) Certificates of deposit issued by commercial banks, savings and loan associations or mutual savings banks which certificates of deposit are secured at all times by collateral consisting of Government Obligations, including those of the Trustee or any of its affiliates. Such collateral must be held by a third party and the Trustee must have a perfected first security interest in the collateral.

(iv) Certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and the Borrower, savings accounts, deposit accounts or money market deposits which are fully insured by the Federal Deposit Insurance Corporation.

(v) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “P-1” or “A3” or better by Moody’s and “A-1” or “A” or better by S&P.

(vi) Obligations of a state, a territory, or a possession of the United States, or any political subdivision of any of the foregoing or of the District of Columbia as described in Section 103(a) of the Code if such obligations are rated by Moody’s and S&P in one of the two highest rating categories assigned by such rating agencies.

(vii) Commercial paper rated, at the time of purchase, not less than P-1 by Moody’s and A-1 by S&P.

(viii) Any money market fund registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating at the time of investment by S&P of AAAM-G, AAA-m, or AA-m and if rated by Moody’s rated Aaa, Aa1 or Aa2, or analogous ratings if such ratings are no longer being used by S&P or Moody’s, including, without limitation, any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (1) the Trustee or an affiliate of the Trustee receives fees from such funds for services rendered, (2) the Trustee charges and collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (3) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or its affiliates.

(ix) Investment agreements with, or which are guaranteed by, a financial institution which has an unsecured, uninsured and unguaranteed obligation rated, at the time such agreement is entered into, in one of the two highest rating categories by Moody’s or Standard & Poor’s, or is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting such rating requirements, including any affiliate of the Trustee provided (i) interest is paid at least semi-annually at a fixed rate during the entire term of the agreement, consistent with the Interest Payment Dates, (ii) moneys invested thereunder may be withdrawn for any purpose required under the Indenture without any penalty, premium or charge upon not more than seven day’s notice (provided such notice may be amended or cancelled at any time prior to the withdrawal date), (iii) the agreement is not subordinated to any other obligations of such financial institution or bank, (iv) the same guaranteed interest rate will be paid on any future deposits permitted to be made under such investment agreement, and (v) the Trustee receives an opinion of counsel that such agreement is an enforceable obligation of such financial institution.

“**Person**” means an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated organization, a governmental unit or agency, a political subdivision or instrumentality thereof, or any other group or organization of individuals.

“**Pledged Revenues**” shall mean all receipts, revenues, income and other moneys received by or on behalf of the Borrower from the operation, ownership or leasing of all Borrower Facilities, all gifts, grants, bequests, donations and contributions received by the Borrower, and all rights to receive the same whether in the form of accounts receivable, contract rights, chattel paper, instruments, general intangibles or other rights and the proceeds thereof, including any insurance proceeds and any condemnation awards derived therefrom, whether now existing or hereafter coming into existence and whether now owned or held or hereafter acquired by the Borrower in connection with the Borrower Facilities; provided, however, that there shall be excluded from Pledged Revenues: gifts, grants, bequests, donations and contributions heretofore or hereafter made, the application of the proceeds of which is designated or restricted at the time of making thereof by the donor, payor or maker as being for certain specified purposes inconsistent with the application thereof to the payment of Loan Payments under the Loan Agreement or not subject to pledge, or subsequent to the receipt thereof, so designated or restricted by the Borrower in order to meet the requirements of any challenge grant received by the Borrower, and the income derived therefrom to the extent that it is permanently restricted in or by such designation or restriction or by law.

“**Prior Bonds**” means the revenue bonds so defined under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Prior Bonds.”

“Project Costs” means costs of the Project permitted under the Act, including, but not limited to, the following:

(a) Costs incurred in acquisition, construction, renovation, installation, equipment or improvement of the Project Facilities and the other portions of the Project, including costs incurred for preliminary planning and studies; architectural, engineering, accounting, consulting, legal and other professional fees and expenses; labor, services and materials;

(b) Fees, charges and expenses incurred in connection with the authorization, sale, issuance and delivery of the Bonds, including without limitation bond discount, printing expense, title insurance, recording fees and the initial fees and expenses of the Trustee and the Authority;

(c) Payment of interest on the Bonds and fees and expenses of the Trustee accruing during the period when the Project Facilities are under construction;

(d) Any other costs, expenses, fees and charges properly chargeable to the cost of acquisition, construction, installation, equipment or improvement of the Project; and

(e) Costs and expenses involved in repaying any Person that provided interim financing to the Borrower in order to pay any of the costs described in clauses (a) through (d) above in connection with the Project.

“Project Facilities” means the facilities financed or refinanced with proceeds of the Bonds.

“Property” means any and all rights, titles and interests in and to any and all property, whether real or personal, tangible or intangible and wherever situated.

“Rating Service” means Moody’s, if the Bonds are rated by such at the time, and Standard & Poor’s, if the Bonds are rated by such at the time, and their successors and assigns, or if either shall be dissolved or no longer assigning credit ratings to long term debt, then any other nationally recognized entity assigning credit ratings to long term debt designated by the Authority and satisfactory to the Trustee.

“Refunding Indebtedness” means indebtedness issued for the purpose of refunding other Long-Term Indebtedness.

“Semiannual Date” means each May 1 and each November 1.

“Semiannual Period” means a six month period commencing on a Semiannual Date and ending on and including the day immediately preceding the next Semiannual Date.

“Short-Term Indebtedness” shall mean all obligations of the Borrower for the repayment of borrowed money having a final maturity of less than one year from the date incurred, excluding the current portion of any Long-Term Indebtedness.

“Standard & Poor’s” means Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, Inc., its successors and assigns, and, if such rating agency shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Standard & Poor’s” shall be deemed to refer to any other nationally recognized securities rating agency designated in writing by the Borrower.

“Student Loan Guarantees” shall mean any guarantees by the Borrower of the primary obligations of students enrolled at the Borrower to repay loans made to them, or any guarantee by the Borrower of obligations incurred by other parties to finance loans to or for the benefit of such students.

“Total Operating Revenues” means the aggregate of all unrestricted operating revenues of the Borrower less applicable deductions from unrestricted operating revenues (but before deduction of operating expenses) as determined in accordance with GAAP.

“Trust Estate” means the Loan Agreement, the Loan Payments, the Funds and Accounts created under the Indenture, Revenues (as defined in the Indenture, and which include certain investment income and certain moneys paid to the Trustee under a Letter of Credit), and the other right, title and interest assigned, transferred and pledged or intended so to be to the Trustee under the Indenture.

“Variable Rate Debt” shall mean indebtedness which bears interest at a variable, adjustable, or floating rate.

THE LOAN AGREEMENT

The following description of certain provisions of the Loan Agreement is only a brief outline of some of the provisions thereof and does not purport to summarize or describe all of the provisions thereof. Reference is made to the Loan Agreement, a copy of which is on file at the corporate trust office of the Trustee in Philadelphia, Pennsylvania, for a complete statement of these provisions and other provisions which are not summarized in this Official Statement.

General

The Loan Agreement provides for the financing by the Authority of the Project and a loan of the proceeds of the Bonds from the Authority to the Borrower. Under the Loan Agreement, the Authority, at the request of the Borrower, will obtain funds necessary to finance the Project through the issuance and sale of the Bonds and concurrently therewith, the proceeds shall be deposited in the Project Fund and applied to the costs of the Project. The Borrower agrees to repay the loan in installments corresponding to the principal or redemption price of and interest on the Bonds.

Loan Payments

To provide funds to pay the principal or redemption price of and interest on the Bonds when due, the Borrower will make loan payments to the Trustee corresponding, as to amounts, to the principal or redemption price of and interest on the Bonds, such payments to be made at least ten days before the corresponding dates for payments on the Bonds, in the case of Bonds in a Term Mode, or one Business Day before the corresponding date for payment on the Bonds, in the case of Bonds in the Weekly Mode or a Libor-CUBBS Mode. The Borrower will also pay the administrative fees and expenses of the Authority and the Trustee as provided in the Loan Agreement.

Amounts received upon a drawing by the Trustee under a Letter of Credit, if any, for the payment of debt service shall be credited against the loan payments otherwise payable by the Borrower corresponding to such debt service; provided that the Bank has been fully reimbursed for such drawing by the Borrower. The Borrower shall also be entitled to credits against the loan payments as and to the extent provided in the Indenture.

Pledge of Revenues

As security for the Borrower’s obligation to make payments required under the Loan Agreement and to make all other payments due and perform all other obligations under the Loan Agreement, the Borrower pledges, assigns and grants to the Trustee, as assignee of the Authority, a lien on and a security interest in its Pledged Revenues, on a parity with the liens and security interests previously granted to secure Parity Indebtedness. (See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Parity Indebtedness.”) The existence of such pledge and security interest will not prevent the expenditure, deposit or commingling of the Pledged Revenues by the Borrower so long as all required payments under the Loan Agreement are made when due. Subject to the terms of the Intercreditor Agreement, if any required payment is not made when due or an Event of Default shall have occurred under the Loan Agreement, any Pledged Revenues subject to such security interest which are then on hand and not yet commingled with other funds of the Borrower, and any such Pledged Revenues thereafter received, shall not be commingled or deposited but shall immediately be paid over to the Trustee.

Purchase Payments

To the extent that moneys on deposit in the Remarketing Proceeds Purchase Account or, if a Letter of Credit is in effect, the Letter of Credit Purchase Account established under the Indenture are insufficient to pay the full purchase price of Bonds payable pursuant to the Indenture on the applicable Purchase Date, the Borrower shall also pay to the Trustee as Purchase Payments for deposit in the Borrower Purchase Account established under the Indenture amounts sufficient to cover the shortfalls.

Letter of Credit

The Borrower, at its election, may cause a Letter of Credit to be issued to the Trustee as described herein under “THE INDENTURE – Letter of Credit – Delivery of Letter of Credit.” Any such Letter of Credit may be extended, amended or replaced by an Alternate Letter of Credit complying with the provisions of the Indenture.

Maintenance of Existence

The Borrower shall do all things necessary to preserve and keep in full force and effect its existence as a not-for-profit corporation under the laws of the Commonwealth and shall not (i) dissolve or otherwise sell, transfer or dispose of all, or substantially all, of its assets or (ii) consolidate with or merge into any other entity; provided that, subject to certain provisions of the Loan Agreement relating to the tax-exempt status of the Borrower and the Bonds, the preceding restrictions shall not apply to a transaction to which the Authority consents in writing if the transferee or the surviving or resulting entity, if other than the Borrower, by written instrument satisfactory to the Authority and the Trustee, irrevocably and unconditionally assumes and agrees to perform and observe the agreements and obligations of the Borrower under the Loan Agreement and the provisions of the Loan Agreement described below under the heading “Assignment” are satisfied.

The Borrower covenants that it will maintain the necessary accreditation to enable it to maintain its authority to operate as an institution of higher education in the Commonwealth of Pennsylvania within the meaning of the Act.

Compliance with Laws; Commencement and Continuation of Operations at Project Facilities; No Sale, Removal or Demolition of Project Facilities

The Borrower will acquire, construct, install, operate and maintain the Project Facilities in such manner as to comply with the Act and all applicable requirements of federal, state and local laws and the regulations, rules and orders of any federal, state or local agency, board, commission or court having jurisdiction over the Project Facilities or the operation thereof, including without limitation applicable zoning, planning, building and environmental laws, regulations, rules and orders; provided that the Borrower shall be deemed in compliance with this covenant so long as it is contesting in good faith any such requirement by appropriate legal proceedings. The Borrower will not sell, assign or otherwise dispose of (whether in one transaction or in a series of transactions) its interest in the Project Facilities or any material portion thereof (other than as described above under the heading “Maintenance of Existence” and other than leases permitted as described below under the heading “Lease by Borrower”) or undertake or permit the demolition or removal of the Project Facilities or any material portion thereof without the prior written consent of the Authority; provided that the Borrower shall be permitted to sell, transfer, assign or otherwise dispose of or remove any portion of the Project Facilities which is retired or replaced in the ordinary course of business.

Lease by Borrower

The Borrower may, subject to certain provisions of the Loan Agreement, including provisions relating to the tax-exempt status of the Borrower and the Bonds, lease the Project Facilities, in whole or in part, to one or more other Persons, provided that: (a) no such lease shall relieve the Borrower from its obligations under the Loan Agreement; (b) in connection with any such lease the Borrower shall retain such rights and interests as will permit it to comply with its obligations under the Loan Agreement; (c) no such lease shall impair materially the accomplishment of the purposes of the Act to be accomplished by operation of the Project Facilities as herein provided; (d) any such lease shall require the lessee to operate the Project Facilities as a “project” under the Act as

long as the Bonds are outstanding; (e) in the case of a lease to a new lessee or an assignment of an existing lease to a new lessee of substantially all of the Project Facilities, such new lessee shall have been approved by the Authority (such approval not to be unreasonably withheld); and (f) the lessees under any such leases, including any leases in force on the date of issuance of the Bonds, shall be subject to certain terms and conditions of the Loan Agreement relating to the tax-exempt status of the Borrower and the Bonds.

Financial Statements

The Borrower shall cause its Annual Financial Statements for each Fiscal Year to be audited by a Certified Public Accountant. A copy of such financial statements and the Certified Public Accountant's report thereon shall be provided to the Authority and the Trustee within 30 days after release of such audited financial statements by the Borrower's Board of Trustees. The Trustee shall have no duty to examine or review such financial statements, shall not be considered to have notice of the contents of such statements or of a default or Event of Default under the Loan Agreement or under any other document based on such content and shall have no duty to verify the accuracy of such statements.

Taxes, Other Governmental Charges and Utility Charges

The Borrower shall pay, or cause to be paid before the same become delinquent, all taxes, assessments, whether general or special, and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project Facilities, including any equipment or related property installed or bought by the Borrower therein or thereon, and all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project Facilities. With respect to special assessments or other governmental charges that lawfully may be paid in installments over a period of years, the Borrower shall be obligated to pay only such installments as are required to be paid during the term of the Loan Agreement. The Borrower may, at its expense, in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom, unless the Authority or the Trustee shall notify the Borrower that, in the opinion of counsel selected by the Authority or the Trustee, by nonpayment of any such items the Project Facilities or any part thereof will be subject to loss or forfeiture, in which event such taxes, assessments or charges shall be paid promptly. The Borrower shall also comply at its own cost and expense with all notices received from public authorities with respect to the Project.

Insurance

The Borrower covenants and agrees that it will continuously maintain insurance on its properties and against such risks (including casualty, accident and worker's compensation) including coverage from a captive insurance company or a consortium, in such amounts and with such deductibles, as are consistent with customary coverage, as from time to time in effect, in connection with the operation of properties of type and size comparable to properties as maintained by entities similar to the Borrower; provided, that property and casualty coverage shall at all times be maintained in an amount at least equal to the outstanding principal amount of the Bonds.

The Borrower may self-insure solely for professional liability, employee health insurance, workers compensation insurance, unemployment insurance, commercial general liability insurance, automobile insurance, student health and accident insurance, directors and officers insurance, travel insurance, broadcasters liability insurance, publishers liability insurance, and excess liability insurance, so long as the Borrower's self-insurance plan provides (except in the case of unemployment insurance) for (i) the establishment by the Borrower of a separate segregated self-insurance fund funded in an amount confirmed as to sufficiency through the annual auditing process by an independent auditor or an insurance consultant or nationally recognized independent actuarial consultant employing accepted actuarial techniques and (ii) the establishment and maintenance of a claims processing and risk management program. If the Borrower elects to self-insure for professional liability, the Borrower shall within 150 days after the end of each Fiscal Year cause an independent insurance consultant or nationally recognized independent actuarial consultant to submit a report to the Trustee to the effect that such self-insurance plan maintains adequate reserves and has been adequately funded. For purposes of this provision, "independent insurance consultant" means a firm of insurance agents, brokers or consultants with experience and expertise in assessing the property and casualty and liability risks of the Borrower.

Damage to or Condemnation of Project Facilities

In the event of damage, destruction or condemnation of part or all of the Project Facilities, the Borrower will either: (i) restore the Project Facilities or (ii) if permitted by the terms of the Bonds, direct the Authority to call the Bonds for extraordinary optional redemption pursuant to the Indenture. Damage to, destruction of or condemnation of all or a portion of the Project Facilities shall not terminate the Loan Agreement or cause any abatement of or reduction in the payments to be made by the Borrower under the Loan Agreement.

Rate Covenant

The Borrower covenants that it will establish, charge and collect tuition, student fees and charges for services provided by the Borrower such that Net Revenues Available for Debt Service will equal or exceed, in each Fiscal Year, 110% of the Debt Service Requirement for such Fiscal Year.

If, in any Fiscal Year, the Borrower fails to meet the foregoing covenant, it shall immediately retain a Consultant to make a report and recommendation with respect to such tuition, student fees and other charges, and with regard to operations of the Borrower. The Borrower further covenants that upon receipt of such report and recommendation from the Consultant, the Borrower shall cause copies thereof to be filed with the Trustee, and the Borrower shall within 60 days of the receipt of such report and recommendation describe in writing to the Trustee what action, if any, the Borrower shall take upon the report and recommendation of the Consultant. So long as the amount described in the preceding paragraph is equal to at least 100% of the Debt Service Requirement for the Fiscal Year in question, and provided that the Borrower does not fail to meet the foregoing rate covenant for two consecutive Fiscal Years, no Event of Default shall be deemed to have occurred under the Loan Agreement unless the Borrower shall have failed to take the foregoing steps.

Incurrence of Additional Indebtedness

The Borrower covenants that it will not incur or assume additional Long-Term Indebtedness unless there is no Event of Default under the Loan Agreement or under the Indenture that has occurred and is continuing, and the Borrower delivers to the Trustee prior to such incurrence either (i) a Borrower Certificate in form acceptable to the Trustee demonstrating that, for each of the two most recent Fiscal Years for which Audited Financial Statements are available, the sum of Net Revenues Available for Debt Service plus, in the case of Long-Term Indebtedness incurred to finance the acquisition or construction of additional student residence facilities or other revenue producing facilities, an amount in each such Fiscal Year equal to the additional annual revenues in the form of room and board or other charges associated with such new facilities which are projected to be received following completion of such acquisition or construction, equaled or exceeded 125% of the Maximum Annual Debt Service Requirement for all Long-Term Indebtedness outstanding during such Fiscal Years and for the Long-Term Indebtedness proposed to be incurred, or (ii) a Borrower Certificate in form acceptable to the Trustee (A) demonstrating that for each of the two most recent Fiscal Years for which Audited Financial Statements are available, Net Revenues Available for Debt Service equaled or exceeded 115% of the Maximum Annual Debt Service Requirement for all Long-Term Indebtedness outstanding during such Fiscal Years and (B) demonstrating that for each of the first two full Fiscal years following the incurrence of such Long-Term Indebtedness, Net Revenues Available for Debt Service are projected to equal or exceed 110% of the Maximum Annual Debt Service Requirement for all Long-Term Indebtedness expected to be outstanding during such Fiscal Years.

Notwithstanding the foregoing, the following types of indebtedness may be incurred without meeting the foregoing requirements:

Refunding Debt. Refunding Indebtedness may be incurred without limitation provided that, except in the case of Refunding Indebtedness incurred to refund Variable Rate Debt, prior to such incurrence, the Borrower shall deliver to the Trustee a Borrower Certificate in form satisfactory to the Trustee demonstrating that the Maximum Annual Debt Service Requirements immediately following the incurrence of such Refunding Indebtedness is not

more than 110% of the Maximum Annual Debt Service Requirements immediately prior to the incurrence of such Refunding Indebtedness.

Short-Term Indebtedness. The Borrower may, from time to time, incur or assume Short-Term Indebtedness in the ordinary course of business in any amount up to 20% of Total Operating Revenues for the preceding Fiscal Year, less any Short-Term Indebtedness then outstanding; provided, however, that no Short-Term Indebtedness shall be outstanding for a period of at least 15 consecutive calendar days in each Fiscal Year.

Student Loan Guarantees. The Borrower may incur indebtedness in the form of Student Loan Guarantees as described below under the heading “Student Loan Guarantees.”

Non-Recourse Indebtedness. The Borrower may, from time to time, incur debt which is (i) incurred to finance additional capital projects; and (ii) is nonrecourse debt secured solely by a lien on and security interest in the property financed by such debt and/or the revenues therefrom.

Purchase Money Financings. The Borrower may, from time to time, incur debt without complying with the debt incurring tests described above if such debt (i) is issued to finance the acquisition of machinery or equipment; (ii) is unsecured or secured solely by a purchase money security interest in the acquired machinery or equipment; and (iii) is in a principal amount which, when added to the total amount of indebtedness incurred pursuant to this paragraph and outstanding immediately after the incurrence of the new debt, is less than or equal to 15% of the Total Operating Revenues for the then most recent Fiscal Year.

Security for Indebtedness

Any Long-Term Indebtedness or Short-Term Indebtedness hereafter incurred or assumed as described above under the caption “Incurrence of Additional Indebtedness” may be secured only as follows:

(i) In the case of Parity Indebtedness: (a) by a lien on and security interest in the Pledged Revenues ranking on a parity with the lien and security interest granted under the Loan Agreement as confirmed by the execution and delivery by the lender or holder of such debt of a joinder or other agreement by which such lender or holder shall be bound by the terms of the Intercreditor Agreement; or (b) by a lien or mortgage on and/or security interest in Borrower Facilities, provided that, if the Borrower grants a mortgage on or security interest in any part of the Project Facilities, the Borrower shall grant to the Trustee a mortgage of equal priority on and/or security interest in the same property to secure the Loan Agreement.

(ii) In the case of nonrecourse debt, solely by a lien on and/or security interest in the property financed with such debt and/or the revenues therefrom.

(iii) In the case of purchase money financings, solely by a purchase money security interest in machinery or equipment.

(iv) In the case of Student Loan Guarantees, solely by a lien or pledge upon Pledged Revenues subordinate and junior to the pledge of Pledged Revenues under the Loan Agreement.

(v) In the case of other Long-Term Indebtedness:

(A) by a lien, on and security interest in any property or interest in tangible property, real, personal, or mixed, other than the Project Facilities or the Pledged Revenues; or

(B) by a purchase money security interest in any real property, fixtures, machinery and equipment made part of the Borrower Facilities and revenues therefrom; or

(C) by a lien on and security interest in the Pledged Revenues subordinate to the lien and security interest granted under the Loan Agreement; provided, however, that no such permitted indebtedness shall be secured by the moneys and investments held by the Trustee in any Funds created under the Indenture.

- (vi) Any Short-Term Indebtedness incurred pursuant to the Loan Agreement may be secured solely:
- (A) by a purchase money security interest in personal property acquired with the proceeds thereof; or
- (B) by a lien on or mortgage against any real or personal property not constituting Project Facilities; or
- (C) by a lien on and security interest in the Pledged Revenues ranking on a parity with or subordinate to that granted under the Loan Agreement; provided, however, that (i) no such permitted indebtedness shall be secured by the moneys and investments in any Funds held by the Trustee under the Indenture; and (ii) if such lien and security interest shall rank on a parity with that granted under the Loan Agreement, the holder or a trustee acting on behalf of such holder shall have confirmed such parity lien and security interest by the execution and delivery of a joinder or other agreement by which such holder or trustee shall be bound by the terms of the Intercreditor Agreement.

Student Loan Guarantees

The Borrower may incur obligations in the form of Student Loan Guarantees which meet the following criteria upon compliance with the following requirements:

(i) The loans to students shall be made pursuant to a program, whether governmental or privately sponsored, for the purpose of providing aid to students for tuition, room and/or board, or other expenses associated with the attendance by the student at the Borrower's institution and which program shall require that the Borrower execute its Student Loan Guarantee.

(ii) In the case of a program which is fully funded, no part of the obligations guaranteed by the Borrower shall constitute Long-Term Indebtedness of the Borrower. A program shall be deemed to be "fully-funded" if the assets of the program are at least equal to its liabilities, without regard to the guarantee by the Borrower. In determining the assets of the program, full effect must be given to estimated anticipated losses on student repayments to the extent not insured and due provision shall have been made to cover any shortfall between the principal amount of the obligations and the proceeds thereof (i.e., "nonasset bonds"). The plan may be made fully-funded by deposits, bank letters of credit or other credit support facilities provided by the Borrower or others.

(iii) To the extent that a program is not fully funded as provided above, the amount by which the liabilities exceed the assets shall be determined and such amount shall constitute Long-Term Indebtedness of the Borrower for all purposes of the Loan Agreement and the proportionate part of the debt service requirements on such obligations represented by such deficiency shall be deemed to be part of the Debt Service Requirement. A program which at its commencement is not fully funded may nonetheless be demonstrated to have become fully funded at a later date at which time there shall cease to be any Long-Term Indebtedness attributable to such Student Loan Guarantees so long as it continues to be fully-funded.

(iv) The fully funded status of a program or the extent to which a program is not fully funded shall be determined by a Certificate of the Pennsylvania Higher Education Assistance Authority or other issuing governmental authority if such Certificate be obtainable, or in the alternative, shall be certified to by a Consultant, which may be the Certified Public Accountant regularly retained by the Borrower, which Certificate in any case shall set forth in full the basis of its determination.

(v) If a Consultant's Certificate or Certificate of the issuing agency is not available, as provided above, the extent to which the principal amount of the Student Loan Guarantees shall be considered Long-Term Indebtedness shall be determined by multiplying the principal amount of such Student Loan Guarantees by the average default ratio, during the three Fiscal Years preceding such Student Loan Guarantees, for university students participating in United States Government guaranteed student loans programs.

(vi) The guarantee by the Borrower may be secured only by a lien or pledge upon Pledged Revenues subordinate and junior to the pledge of Pledged Revenues under the Loan Agreement.

No Liens or Encumbrances

The Borrower covenants and agrees that it will not grant any liens on the Pledged Revenues or the Borrower Facilities (whether real or personal, and whether owned as of the date of the Loan Agreement or acquired thereafter) except for Permitted Encumbrances.

Disposition of Assets

The Borrower covenants and agrees that it will not sell, transfer or otherwise dispose of any Property (other than transfers of current assets or investments in payment for property, goods or services, or as an investment of funds) except as follows:

(i) The Borrower may transfer property constituting a portion of the Borrower Facilities having a net book value of not more than 5% of the Borrower's total unrestricted net assets shown on its most recent audited financial statements, provided that the Trustee receives a Borrower Certificate which states the Borrower's intended use of the proceeds of such transfer and that such transfer will not adversely affect the ability of the Borrower to meet its payment obligations under the Loan Agreement; or

(ii) If no Event of Default under the Loan Agreement shall have occurred and be continuing, the Borrower may, with or without consideration:

(A) transfer easements, licenses, rights of way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to any property included in the Borrower Facilities, or release existing easements, licenses, rights of way and other rights or privileges, all upon such terms and conditions as the Borrower shall determine; or

(B) transfer any property which has been replaced in the ordinary course of operations; or

(C) transfer tangible or intangible personal property, fixtures, or equipment from the Borrower Facilities in the ordinary course of business; or

(D) transfer real estate at any one time or during any Fiscal Year having a net book value alone or in the aggregate not in excess of 10% of the Borrower's net property, plant, and equipment as so determined; or

(E) transfer any property at any one time or during any Fiscal Year having a net book value alone or in the aggregate in excess of the amounts set forth in (i) and (ii)(D) above or not in the ordinary course of business, if the Borrower shall file with the Trustee a Certificate showing that the Borrower's total unrestricted net assets immediately after such transfer shall not be less than 90% of such total unrestricted net assets before such transfer, and stating that such transfer will not adversely affect the ability of the Borrower to meet its payment obligations under the Loan Agreement.

Tax Covenants of Borrower and Authority

The Borrower covenants in the Loan Agreement that it will at all times do and perform all acts and things necessary or desirable and within its reasonable control in order to assure that interest paid on the Bonds shall be excludable from the gross income of the Holders thereof for federal income tax purposes and that it shall not take or omit to take, or permit to be taken on its behalf, any actions which, if taken or omitted, would adversely affect the excludability from the gross income of the Holders of interest paid on the Bonds for federal income tax purposes.

The Authority and the Borrower mutually covenant for the benefit of the Holders of the Bonds that they will not use the proceeds of the Bonds, any moneys derived, directly or indirectly, from the use or investment thereof or any other moneys on deposit in any fund or account maintained in respect of the Bonds in a manner which

would cause such Bonds to be treated as “arbitrage bonds” within the meaning of Section 148 of the Code or would otherwise violate the provisions of the Indenture relating to arbitrage.

The Borrower has covenanted that it will comply with various requirements of the Code pertaining to the excludability of interest on the Bonds from gross income of Holders thereof for federal income tax purposes, including, without limitation, that:

(a) it will take whatever actions are necessary for it to continue to be organized and operated in a manner which will preserve and maintain its status as an organization which is described in Section 501(c)(3) of the Code, exempt from federal income taxes under Section 501(a) of the Code and not a private foundation under Section 509(a) of the Code (or corresponding provisions of prior law), and it will not perform any acts nor enter into any agreements which would cause any revocation or adverse modification of such federal income tax status; and

(b) the Borrower will make such payments to the Trustee as are required of it under the Indenture in connection with the requirements of Section 148 of the Code concerning arbitrage bonds including Section 148(f), which requires generally rebate payments to the United States of arbitrage profits, and to pay the costs and expenses of any Financial Consultant engaged in accordance with the Indenture to assist in calculating the amount of such rebate payments, if any.

Environmental Matters

The Borrower covenants to comply in all material respects with all applicable federal, state and local laws, ordinances, rules and regulations pertaining to the environment (collectively, “Environmental Laws”), including, without limitation, those regulating hazardous or toxic wastes and substances (as such phrases may be defined in any Environmental Law), and to give prompt written notice to the Trustee and the Authority of any material violation or alleged material violation of any Environmental Law with respect to the Borrower’s property. The Borrower will indemnify and defend the Authority and the Trustee and their respective directors, officers, employees and agents (the “Indemnified Parties”), and hold the Indemnified Parties harmless from, any loss, liability, damage, claim, fine, penalty, action or cause of action, including, without limitation, out-of-pocket and incidental expenses and court costs and reasonable attorney’s fees and expenses and the allocated costs of in-house counsel and legal staff, consultants’ fees and any clean-up or remediation costs, arising from any violation or alleged violation by the Borrower of any Environmental Law with respect to the Borrower’s property.

Borrower’s Use of the Project Facilities

The Borrower will use the Project Facilities only in furtherance of the lawful purposes of the Borrower.

The Borrower further agrees that it will use the Project Facilities for secular instruction and will not use the Project as a facility used primarily in connection with any part of a program of a school or department of divinity for any religious denomination for the training of ministers, priests, rabbis or other similar persons in the field of religion or in a manner which would violate the First Amendment to the Constitution of the United States of America, including the decisions of the United States Supreme Court interpreting the same, or any comparable provisions of the Constitution of the Commonwealth, including the decisions of the Supreme Court of the Commonwealth interpreting the same. Notwithstanding the termination of the Loan Agreement, the Borrower agrees that it will continue to comply with the restriction stated in the preceding sentence on the sectarian use of the Project Facilities. To the extent required by law, the Borrower will permit the Authority to inspect the Project Facilities solely in order to determine whether the Borrower has complied with the provisions of this paragraph and such right of inspection shall survive the termination of the Loan Agreement.

The Borrower further agrees that it will not use the Project Facilities, or permit the Project Facilities to be used, in such manner as would result in the loss of any exemption from federal income taxation to which interest on the Bonds would otherwise be entitled.

Borrower to Retain Remarketing Agent

The Borrower covenants to retain a Remarketing Agent in accordance with the requirements of the Indenture not less than 30 days prior to the first Purchase Date with respect to the Bonds unless the Bonds are expected to be reoffered on such Purchase Date by competitive bid.

Line of Credit

Not less than six months prior to any Purchase Date associated with the expiration of a Term Rate Period, the Borrower shall endeavor to secure from a banking institution a committed line of credit in an amount at least equal to 100% of the principal amount of the Bonds expected to be subject to mandatory purchase on such Purchase Date (the "Available Amount"). The Borrower shall endeavor to maintain such line of credit and the Available Amount thereunder through the fifth Business Day succeeding the applicable Purchase Date. Amounts available to be drawn under the line of credit shall not be considered Pledged Revenues. The Borrower shall not be obligated, and the Holders and the Trustee shall have no right to compel the Borrower, to draw on the line of credit to pay Debt Service on, or the purchase price of, the Bonds.

Events of Default

Each of the following shall constitute an Event of Default under the Loan Agreement:

- (a) failure to make payments under the Loan Agreement with respect to the principal or redemption price of and interest on the Bonds when the same shall become due and payable thereunder; or
- (b) if the Borrower fails to make any other payment or deposit required under the Loan Agreement within thirty (30) days of the due date thereof; or
- (c) if the Borrower fails to perform any of its other covenants, conditions or provisions under the Loan Agreement and such failure continues for thirty (30) days after the Authority or the Trustee gives the Borrower written notice thereof; provided, however, that if such performance requires work to be done, actions to be taken, or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such thirty (30) day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, the Borrower shall commence such performance within such thirty (30) day period and shall diligently and continuously prosecute the same to completion; or
- (d) if the Borrower admits in writing its inability to pay its debts generally as they become due, or proposes or makes an assignment for the benefit of creditors or a composition agreement with all or a material part of its creditors, or a trustee, receiver, executor, conservator, liquidator, sequestrator or other judicial representative, similar or dissimilar, is appointed for the Borrower or any of its assets or revenues, or there is commenced any proceeding in liquidation, bankruptcy, reorganization, arrangements of debts, debtor rehabilitation, creditor adjustment or insolvency, local, state or federal, by or against the Borrower and if such is not vacated, dismissed or stayed on appeal within sixty (60) days; or
- (e) if for any reason any of the Bonds shall be declared due and payable by acceleration in accordance with the terms of the Indenture; or
- (f) the Borrower shall default in the payment of any indebtedness (other than amounts due under the Loan Agreement) with a principal amount in excess of \$1,000,000, and any period of grace with respect thereto shall have expired; or
- (g) the occurrence of any default with respect to Parity Indebtedness subject to the Intercreditor Agreement as a result of which such Parity Indebtedness is declared immediately due and payable.

Remedies

If acceleration of the principal amount of the Bonds has been declared pursuant to the Indenture, the Trustee shall declare all loan payments to be immediately due and payable, whereupon the same shall become immediately due and payable. In addition, if an Event of Default under the Loan Agreement has occurred and is continuing, the Authority (or the Trustee as its assignee) may, at its option, in addition to its other rights and remedies as may be provided in the Loan Agreement or may exist at the time at law or in equity, exercise any one or more of the following remedies:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Authority, and require the Borrower to carry out any agreements with or for the benefit of the Bondholders and to perform its duties under the Act or the Loan Agreement; or

(b) by action or suit in equity require the Borrower to account as if it were the trustee of an express trust for the Authority; or

(c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Authority; or

(d) upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Bondholders, have appointed a receiver or receivers of the Trust Estate, with such powers as the court making such appointment shall confer; or

(e) upon notice to the Borrower, accelerate the due dates of all sums due or to become due under the Loan Agreement.

In order to entitle the Authority or the Trustee to exercise any remedy reserved to it in Loan Agreement concerning Events of Default and remedies, it shall not be necessary to give any notice, other than such notice as may be therein expressly required. Such rights and remedies as are given the Authority thereunder shall also extend to the Trustee. For so long as any Bonds remain Outstanding under the Indenture, and except with respect to the Borrower's obligations in respect of the Authority's rights to notices, payments of fees and expenses and indemnification rights and the Borrower's obligations to comply with the Act, the Trustee, as the assignee of the Authority, shall have the sole right to exercise rights and remedies against the Borrower upon the occurrence of any Event of Default under the Loan Agreement, and the exercise by the Trustee of such rights and remedies shall be subject to all applicable provisions of the Indenture, the Loan Agreement and the Act. To the extent necessary or appropriate and requested by the Trustee, the Authority shall cooperate with the Trustee in connection with the exercise by the Trustee of such rights and remedies against the Borrower.

Amendments

The Authority and the Borrower may enter into any amendments and supplements to the Loan Agreement without the consent of Bondholders, but with prior notice to the Trustee, for the following purposes:

(a) to cure any ambiguity, inconsistency, defect or omission in the Loan Agreement or in any amendment thereto;

(b) to modify, eliminate or add to the provisions of the Loan Agreement to such extent as shall be necessary to obtain, maintain or improve a rating of the Bonds;

(c) to add covenants of the Borrower or surrender rights or powers of the Borrower;

(d) to make such additions, deletions or modifications as may be necessary in the case of any Bonds to assure compliance with Section 148(f) of the Code relating to the required rebate of certain investment earnings to the United States government or otherwise as may be necessary to assure exemption from federal income taxation of interest on the Bonds; or

(e) in connection with any other change in the Loan Agreement if in the judgment of the Trustee in reliance on an opinion of Counsel (which may be Bond Counsel), the proposed change does not materially adversely affect the rights of the Holders of any Bonds.

Except for amendments, changes or modifications as provided in clauses (a) through (e) above, neither the Authority nor the Trustee shall consent to any amendment, change or modification of the Loan Agreement or waive any obligation or duty of the Borrower under the Loan Agreement without the written consent of the holders of not less than a majority in aggregate principal amount of the Outstanding Bonds affected thereby; provided, however, that no such waiver, amendment, change or modification shall permit termination or cancellation of the Loan Agreement or any reduction of the amounts payable under the Loan Agreement with respect to debt service on the Bonds or change the date when such payments are due without the consent of the Holders of all the Bonds then Outstanding who are adversely affected thereby.

Assignment

The Borrower will not assign the Loan Agreement or any interest of the Borrower therein, either in whole or in part, without the prior written consent of the Trustee, which consent shall be given if the following conditions are fulfilled: (i) the assignee assumes in writing all of the obligations of the Borrower under the Loan Agreement; (ii) in the opinion of Borrower's counsel, neither the validity nor the enforceability of the Loan Agreement will be adversely affected by such assignment; (iii) the Project shall continue in the opinion of Bond Counsel to be a "project" as such term is defined in the Act after such assignment; (iv) such assignment will not, in the opinion of Bond Counsel, have an adverse effect on the exclusion from gross income for federal income tax purposes of interest on the Bonds; and (v) consent by the Authority, which consent shall not be unreasonably withheld.

THE INDENTURE

The following description of certain provisions of the Indenture is only a brief outline of some of the provisions thereof, and does not purport to summarize or describe all of the provisions thereof. Reference is made to the Indenture, a copy of which is on file at the corporate trust office of the Trustee in Philadelphia, Pennsylvania, for a complete statement of these provisions and other provisions which are not summarized in this Official Statement.

The Trustee

The obligations and duties of the Trustee are described in the Indenture and the Trustee has undertaken only those obligations and duties which are expressly set out in the Indenture. The Trustee has not independently passed upon the validity of the Bonds, the security therefor, the adequacy of the provisions for payment thereof or the tax-exempt status of the interest on the Bonds. The Trustee has relied upon the approving opinion of Bond Counsel for the validity of the Bonds, and tax-exempt status of the interest on the Bonds, as well as other matters set out in that opinion. The Indenture expressly provides that, so long as the Trustee properly performs those obligations and duties which are expressly set out in the Indenture, the Trustee shall not be responsible for any loss or damage resulting from any action taken or omitted in good faith in reliance upon an opinion of counsel.

Under the terms of the Indenture, so long as the Trustee properly performs those obligations and duties, which are expressly set out in the Indenture, the Trustee is liable only for those damages caused by its gross negligence or willful misconduct. Under the Indenture, the Trustee is not required to take notice or be deemed to have notice of any event of default under the Indenture, except for the events of default described under items (a), (b), (c), (f), (g) and (h) of the section herein entitled "THE INDENTURE -- Events of Default and Remedies," unless the Trustee has been specifically notified in writing of such event of default by the Authority, the Bank or the registered owners of at least 10% in aggregate principal amount of the Outstanding Bonds. All notices or other instruments required by the Indenture to be delivered to the Trustee must be delivered at the designated corporate trust office of the Trustee. In the absence of any such notice, the Trustee may conclusively assume that no event of default exists, except as expressly stated above and in the Indenture.

Pledge and Security

In order to secure, first, the payment of the principal of, premium, if any, on and interest on the Bonds and the performance of the Authority's covenants in respect of the Bonds, and second, the payment and performance of the reimbursement and other obligations of the Borrower under the Letter of Credit Agreement, the Authority assigns and pledges to the Trustee pursuant to the Indenture:

(i) all right, title and interest (but not the obligations) of the Authority under and pursuant to the terms of the Loan Agreement, all Loan Payments and all other payments, revenues and receipts receivable by the Authority thereunder (except for the "Unassigned Rights" as defined in the Loan Agreement); and

(ii) all of the right, title and interest of the Authority in and to all funds (other than the Rebate Fund) and accounts established under the Indenture and all moneys and investments now or hereafter held therein and all present and future Revenues (as defined in the Indenture).

Project Fund

Under the Indenture, a Project Fund will be established and maintained with the Trustee for the payment of Project Costs. (See "THE LOAN AGREEMENT -- Disbursements from the Project Fund" herein.) Until applied in accordance with the Loan Agreement and the Indenture, moneys in the Project Fund shall be held as security as described above.

Bond Fund

Under the Indenture, there is established with the Trustee a Bond Fund. Except as specifically directed in the Indenture, all Revenues received by the Trustee shall be deposited in the Bond Fund. Moneys held in the Bond Fund shall be made available (i) to pay the principal of, premium, if any, on or interest on Bonds, (ii) to pay any amount required to be paid into the Rebate Fund, to the extent other moneys are unavailable therefor, and (iii) if a Letter of Credit is in effect, to reimburse the Bank for drawings on the Letter of Credit to pay principal of, premium, if any, on or interest on Bonds. All moneys received by the Trustee from drawings under the Letter of Credit to pay principal of, premium, if any, on and interest on the Bonds shall be deposited in the Letter of Credit Debt Service Account of the Bond Fund and applied to such purpose.

"Available Moneys" as used herein and in the Indenture means (i) proceeds of a drawing under the Letter of Credit and (ii) any moneys paid to the Trustee and with respect to which the Trustee has received an opinion of nationally recognized counsel experienced in bankruptcy matters to the effect that the use of such moneys to pay principal of, premium, if any, on or interest on the Bonds will not constitute an avoidable transfer under Section 547 of the United States Bankruptcy Code in the event of a case under the United States Bankruptcy Code by the Authority or by or against the Borrower or any Affiliate of the Borrower (as defined in the Indenture), as debtor; provided that when used with respect to payment of amounts due in respect of any Pledged Bonds or Borrower Bonds, "Available Moneys" means any moneys held by the Trustee and available for such payment pursuant to the terms of the Indenture, except for moneys drawn under the Letter of Credit.

Rebate Fund

Under the Indenture, there is established with the Trustee a Rebate Fund which shall be held separate and apart from all other funds established under the Indenture; provided that the Trustee shall only be required to establish the Rebate Fund on its books at such time as it is first determined that there are Excess Earnings. There shall be deposited in the Rebate Fund amounts, if any, that are required to be rebated to the United States pursuant to Section 148(f) of the Code. All amounts in the Rebate Fund, including income earned from investment of the Rebate Fund, shall be held by the Trustee free and clear of the lien of the Indenture.

Letter of Credit

Delivery of Letter of Credit. **The Bonds will not be secured by a Letter of Credit during the initial Term Rate Period.** Thereafter, however, the Borrower may, at its election, provide for the delivery to the Trustee of a Letter of Credit to secure the Bonds of a particular Series as further provided in this paragraph. Any such Letter of Credit shall (1) become effective on an Interest Payment Date, provided that if the Bonds are in a Term Mode, a Letter of Credit may be issued only on a Term Rate Period End Interest Payment Date, (2) have an Expiration Date that is not less than one year from the date of its delivery and that follows an Interest Payment Date by not less than seven (7) calendar days and not more than fifteen (15) calendar days, (3) be issued by a national banking association, a bank, a trust company or other financial institution or credit provider, and (4) be accompanied by an opinion of counsel to the Bank satisfactory to the Trustee with respect to the validity, binding effect and enforceability of such Letter of Credit, and an opinion of Bond Counsel to the effect that the issuance of such Letter of Credit will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. The Borrower shall deliver to the Trustee at least 45 days (or such shorter period as shall be acceptable to the Trustee) prior to the proposed issuance of a Letter of Credit, the Letter of Credit or a commitment, in form satisfactory to the Trustee, from the Bank to deliver such Letter of Credit on the effective date thereof, together with the opinions referred to above.

Any Letter of Credit issued as described in the preceding paragraph shall provide for drawings to pay up to (i) while the Bonds are in the Weekly Mode or a Libor-CUBBS Mode, an amount equal to the principal amount of the outstanding Bonds, plus 55 days interest thereon computed at the Maximum Rate based on a 365 day year, and (ii) while the Bonds are in a Term Mode, an amount equal to the principal amount of the outstanding Bonds, plus 210 days interest thereon at a rate not less than the applicable Term Rate based on a 360 day year. The Bonds will be subject to mandatory purchase pursuant to the Indenture in connection with the delivery of a Letter of Credit.

Extension or Replacement in Anticipation of Expiration. At least 45 days (or such shorter period as shall be acceptable to the Trustee in its sole discretion) prior to the Interest Payment Date next preceding the Expiration Date of the current Letter of Credit, the Borrower may provide for the delivery to the Trustee of (1) an amendment to the Letter of Credit which extends the Expiration Date to a date that is not earlier than three months from its then current Expiration Date and that follows an Interest Payment Date by not less than seven (7) calendar days and not more than fifteen (15) calendar days or (2) if the Bonds are in a Weekly Mode or if the Interest Payment Date next preceding the Expiration Date of the current Letter of Credit is a Libor-CUBBS Rate Period End Interest Payment Date or a Term Rate Period End Interest Payment Date, an Alternate Letter of Credit issued by a national banking association, a bank, a trust company or other financial institution or credit provider, which shall have terms which are the same in all material respects (except as to Expiration Date and except any changes pursuant to the Indenture with respect to interest or premium coverage in connection with a concurrent interest rate reset or conversion) as the current Letter of Credit and which shall have an Expiration Date that is not earlier than one year from the Expiration Date of the Letter of Credit then in effect and that follows an Interest Payment Date by not less than seven (7) calendar days and not more than fifteen (15) calendar days. The Borrower shall be deemed to have provided for such amendment extending the Letter of Credit or for such Alternate Letter of Credit if the Borrower shall have delivered to the Trustee, in form satisfactory to the Trustee, a commitment from the Bank or the proposed provider of the Alternate Letter of Credit to deliver such amendment or Alternate Letter of Credit on or before the Interest Payment Date next preceding the current Expiration Date of the Letter of Credit; provided that if such amendment or Alternate Letter of Credit is not delivered to the Trustee on or before such Interest Payment Date, an Event of Default shall be deemed to have occurred under the Indenture.

Any such amended Letter of Credit or Alternate Letter of Credit shall provide for drawings to pay up to (i) while the Bonds are in the Weekly Mode or the Libor-CUBBS Mode, an amount equal to the principal amount of the outstanding Bonds, plus 55 days interest thereon computed at 10% per annum, in the case of Bonds in the Weekly Mode, or 20% per annum, in the case of Bonds in a Libor-CUBBS Mode, in each case based on a 365-day year, and (ii) while the Bonds are in a Term Mode, an amount equal to the principal amount of the outstanding Bonds, plus 210 days interest thereon at a rate not less than the applicable Term Rate based on a 360-day year, plus an amount equal to the redemption premium (if any) which would become payable on the Bonds upon mandatory redemption if such amended Letter of Credit or Alternate Letter of Credit were not extended beyond the Expiration Date set forth therein.

The Trustee shall not accept an Alternate Letter of Credit unless there shall have been delivered to the Trustee (1) an opinion of counsel to the Bank satisfactory to the Trustee with respect to the validity, binding effect and enforceability of such Alternate Letter of Credit and (2) an opinion of Bond Counsel to the effect that such action will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

If the Letter of Credit is extended as described above, the mandatory redemption or the mandatory purchase of the Bonds, as applicable, shall not occur. If an Alternate Letter of Credit is delivered, the Bonds will be subject to mandatory purchase. Unless all of the conditions described above which are required to be met 45 days (or such shorter period as shall be acceptable to the Trustee in its sole discretion) preceding the Interest Payment Date next preceding the Expiration Date of the Letter of Credit have been satisfied, the Trustee shall take all action necessary to call the Bonds for mandatory redemption, or mandatory purchase, as applicable, on the Interest Payment Date next preceding such Expiration Date; provided that if the Borrower shall have notified the Trustee in writing that it expects to meet all the conditions for the delivery of an amendment extending the existing Letter of Credit, or the delivery of an Alternate Letter of Credit from a bank identified in such notice, meeting all of the foregoing requirements on or before the Interest Payment Date next preceding the Expiration Date of the existing Letter of Credit, then the notice of mandatory redemption, or mandatory purchase, shall state that it is subject to rescission, and the Trustee shall rescind such notice, if such conditions are so met (in which case such mandatory redemption or mandatory purchase shall not occur).

Other Replacement. Except as provided in the following sentence, the Borrower may at any time provide for the delivery to the Trustee of an Alternate Letter of Credit which shall have terms which are the same in all material respects (except as to Expiration Date and except any changes pursuant to the Indenture with respect to interest or premium coverage in connection with a concurrent interest rate reset or conversion) as the current Letter of Credit. Notwithstanding the foregoing, if the Bonds are in a Term Mode, an Alternate Letter of Credit may be substituted for the then current Letter of Credit only on a Term Rate Period End Interest Payment Date. Such Alternate Letter of Credit shall (1) replace the then existing Letter of Credit on an Interest Payment Date, (2) have an Expiration Date that is not less than one year from the date of its delivery and not sooner than the Expiration Date of the current Letter of Credit then in effect and that follows an Interest Payment Date by not less than seven (7) calendar days and not more than fifteen (15) calendar days, (3) be issued by a national banking association, a bank, a trust company or other financial institution or credit provider, and (4) be accompanied by an opinion of counsel to the Bank satisfactory to the Trustee with respect to the validity, binding effect and enforceability of such Alternate Letter of Credit, and an opinion of Bond Counsel to the effect that the issuance of such Alternate Letter of Credit will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. The Borrower shall deliver to the Trustee at least 45 days (or such shorter period as shall be acceptable to the Trustee) prior to the proposed replacement of a Letter of Credit, the Alternate Letter of Credit or a commitment, in form satisfactory to the Trustee, from the Bank to deliver such Alternate Letter of Credit on the effective date thereof, together with the opinions referred to above.

Any Alternate Letter of Credit shall provide for drawings to pay up to (i) while the Bonds are in the Weekly Mode or the Libor-CUBBS Mode, an amount equal to the principal amount of the outstanding Bonds, plus 55 days interest thereon computed at the Maximum Rate based on a 365-day year, and (ii) while the Bonds are in a Term Mode, an amount equal to the principal amount of the outstanding Bonds, plus 210 days interest thereon at a rate not less than the applicable Term Rate based on a 360-day year. The Trustee shall take all action necessary to call the Bonds for mandatory purchase pursuant to the Indenture in connection with the delivery of an Alternate Letter of Credit.

Other Credit Enhancement; No Credit Enhancement. If a Letter of Credit is in effect, then after a mandatory purchase of the Bonds, nothing shall limit the Borrower's right to provide other credit enhancement or no credit enhancement as security for the Bonds; provided that any such credit enhancement shall have administrative provisions reasonably satisfactory to the Trustee and the Borrower shall have furnished to the Trustee with respect thereto an opinion of Bond Counsel to the effect that either (i) such action will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes or (ii) the interest on the Bonds is excluded from gross income for federal income tax purposes.

Investment of Funds

The Indenture provides that, subject to certain exceptions, moneys in the Project Fund, the Bond Fund and the Rebate Fund will be invested at the written direction of the Borrower in Permitted Investments as defined in the Indenture.

Under the Indenture, the Authority covenants for the benefit of the Holders of the Bonds that (a) it shall take, or cause to be taken, all actions that may be required of it for the interest on the Bonds to be and remain excluded from the gross income of the Holders for federal income tax purposes, and shall not take any actions which would adversely affect that exclusion under the provisions of federal tax laws that apply to the Bonds; and (b) it will not act so as to cause the proceeds of the Bonds, any moneys derived, directly or indirectly, from the use or investment thereof and any other moneys on deposit in any fund or account maintained in respect of the Bonds (whether such moneys were derived from the proceeds of the sale of the Bonds or from other sources) to be used in a manner which could cause the Bonds to be treated as “arbitrage bonds” within the meaning of the Code. The Borrower by its execution of the Loan Agreement has covenanted to restrict the investment or other use of money in the funds created under the Indenture in such manner and to such extent, if any, as may be necessary, after taking into account reasonable expectations at the time the Bonds are delivered to their original purchaser, so that the Bonds will not constitute “arbitrage bonds” under the Code, and the Trustee, in the Indenture, agrees to comply with the Borrower’s written instructions to such end with respect to the investment of money in the funds and accounts created under the Indenture.

Reports Regarding Borrower

Under the terms of the Indenture, at the written request of any Holder or beneficial owner of Bonds, the Trustee shall (i) request the Borrower to provide the Trustee with copies of such financial statements and reports that the Trustee may be entitled to receive pursuant to the Loan Agreement and (ii) provide to such Holder or beneficial owner copies of any financial statements and reports received by the Trustee pursuant to the Loan Agreement. (See “THE LOAN AGREEMENT -- General Covenants of Borrower” herein.)

Events of Default and Remedies

The Indenture provides that each of the following shall be an “Event of Default”:

- (a) Failure to pay the principal of or premium, if any, on any Bond when due and payable, whether at the stated maturity thereof, by redemption, by acceleration or otherwise;
- (b) Failure to pay any interest on any Bond within three Business Days of when due and payable;
- (c) Failure to pay the purchase price due to the Holder of any Bond who has tendered such Bond for purchase pursuant to the Indenture within three Business Days of when such purchase price is due;
- (d) Failure by the Authority to comply with the provisions of the Act relating to the Bonds or the Project or to perform or observe any other covenant, agreement or obligation on its part to be observed or performed contained in the Indenture or the Bonds, which failure shall have continued for a period of 90 days after written notice has been given by registered or certified mail to the Authority, the Bank and the Borrower as provided in the Indenture, which notice may be given by the Trustee in its discretion and which notice must be given by the Trustee at the written request of the Holders of not less than 25% in aggregate principal amount of Bonds Outstanding;
- (e) The occurrence and continuance of an “Event of Default” as defined in the Loan Agreement (see “THE LOAN AGREEMENT -- “Events of Default” herein);
- (f) Receipt by the Trustee of a written notice from the Bank stating that an event of default has occurred under the Letter of Credit Agreement, and directing the Trustee to call the Bonds of the Series supported by the related Letter of Credit for mandatory purchase (if the Bonds are in the Weekly Mode) or to declare the principal of the Outstanding Bonds due and payable;

(g) Receipt by the Trustee of a written notice from the Bank prior to the tenth Business Day following payment of a drawing under the Letter of Credit for interest on Bonds which remain Outstanding after the application of the proceeds of such drawing, stating that the Letter of Credit will not be reinstated with respect to such interest;

(h) Failure by the Borrower to cause an amendment extending the Expiration Date of the current Letter of Credit or an Alternate Letter of Credit to be delivered to the Trustee pursuant to the Indenture on or before the Interest Payment Date next preceding such Expiration Date, unless the Bonds have been called for mandatory redemption or mandatory purchase on such Interest Payment Date pursuant to the Indenture;

(i) Wrongful dishonor by the Bank of a proper drawing under the Letter of Credit; or

(j) A decree or order of a court or agency or supervisory authority having jurisdiction for the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings of or with respect to the Bank, or for the winding-up or liquidation of its affairs, shall have been entered against the Bank or the Bank shall have consented to the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings of or with respect to the Bank of all or substantially all of its property.

Upon the occurrence of any Event of Default under item (d), (e), or (f) above, the Trustee shall upon the written direction of the Bank (or in the case of an Event of Default under item (d) above, upon request of 100% of the Holders of the Bonds then Outstanding, declare the principal of all Bonds then Outstanding, together with interest accrued thereon, to be immediately due and payable; provided that, if Bonds supported by a Letter of Credit are in the Weekly Mode, the Bank may, at its option, but subject to the further provisions described in this paragraph, direct the Trustee in writing to call (in which case the Trustee shall call) such Bonds for mandatory purchase pursuant to the Indenture on a Business Day stipulated by the Bank in such direction, which Business Day shall not be earlier than 20 days (or such shorter period as shall be acceptable to the Trustee) after the date the Trustee receives such direction. Irrespective of whether an Event of Default has occurred under item (d), (e) or (f) above, for which the Bank has directed the Trustee to call the Bonds for mandatory purchase, upon the occurrence of an Event of Default under item (g), (h), (i) or (j) above the Trustee shall, and upon the occurrence of an Event of Default described under item (a), (b) or (c) above the Trustee may, and upon the written request of a majority of the Holders of the Outstanding Bonds shall, declare the principal of and accrued interest on all Outstanding Bonds immediately due and payable. Upon any declaration that the principal of and interest on the Bonds are due and payable immediately, such principal and interest shall become due and payable immediately. The Trustee shall immediately exercise such rights as it may have under the Loan Agreement to declare all payments thereunder due and payable, and shall immediately draw upon the Letter of Credit to the full extent permitted by the terms thereof and shall give notice to the Holders of Bonds of such acceleration.

In addition, upon the happening and continuance of an Event of Default, the Trustee may pursue any available remedy to enforce payment of debt service on the Bonds or to enforce the observance and performance of any other covenant, agreement or obligation under the Indenture, the Loan Agreement, the Letter of Credit or any other instrument providing security for the Bonds.

If any Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of Holders of a majority in principal amount of all Bonds Outstanding and receipt of indemnity to its satisfaction shall, in its own name:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Holders of the Bonds, including the right to require the Authority to enforce any rights under the Loan Agreement and to require the Authority to carry out any other provisions of the Indenture for the benefit of the Holders of the Bonds and to perform its duties under the Act; (ii) bring suit upon the Bonds; (iii) by action or suit in equity require the Authority to account as if it were the trustee of an express trust for the Holders of the Bonds; and (iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds.

If an Event of Default under the Loan Agreement occurs and is continuing, the Trustee in its discretion may, and upon the written request of Holders of a majority in principal amount of all Bonds then Outstanding or of the Bank and receipt of indemnity to its satisfaction shall, enforce each and every right granted to it as assignee of the Loan Agreement.

No remedy conferred upon or reserved to the Trustee (or to the Bondholders) by the Indenture is intended to be exclusive of any other remedy.

As the grantee of a security interest in the Loan Agreement, the Trustee is empowered to enforce each remedy, right and power granted to the Authority under the Loan Agreement. In exercising any remedy, right or power thereunder or under the Indenture, the Trustee shall take any action which would best serve the interests of the Holders in the judgment of the Trustee, applying the standards described in the Indenture.

Application of Moneys

All moneys received by the Trustee pursuant to any drawing made upon the Letter of Credit shall be applied by the Trustee to and only to the payment of principal of or premium, if any, or interest on the Bonds (other than Borrower Bonds and Pledged Bonds). All other moneys received or collected by the Trustee pursuant to any right given or action taken under the Indenture or the Loan Agreement, after payment of any amount required to be paid to the Rebate Fund, the Trustee's and the Authority's outstanding fees and expenses, if any, and any costs, expenses, liabilities and advances paid, incurred or made by the Authority or the Trustee in the collection of moneys pursuant to any right given or action taken under the Indenture, the Loan Agreement or the Letter of Credit (including, without limitation, reasonable attorneys' fees and expenses, and the allocated costs and expenses of in-house counsel and legal staff, except as limited by law or judicial order or decision entered in any action taken under the Indenture), shall be applied in accordance with the following provisions, subject to the Indenture:

(i) Unless the principal of all of the Bonds shall have become, or shall have been declared to be, due and payable, all of those moneys shall be deposited in the Bond Fund and shall be applied, subject to the first sentence above:

First -- To the payment to the Holders of Bonds entitled thereto of all installments of interest then due on the Bonds, in the order of the dates of maturity of the installments of that interest, beginning with the earliest date of maturity and, if the amount available is not sufficient to pay in full any particular installment, then to the payment thereof ratably, according to the amounts due on that installment, to the Holders of Bonds entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds; and

Second -- To the payment to the Holders of Bonds entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), whether at stated maturity or by redemption, in the order of their due dates, beginning with the earliest due date, with interest on those Bonds from the respective dates upon which they became due at the rates specified in those Bonds, and if the amount available is not sufficient to pay in full all Bonds due on any particular date, together with that interest, then to the payment thereof ratably, according to the amounts of principal due on that date, to the Holders of Bonds entitled thereto, without any discrimination or privilege.

The surplus, if any, remaining after the application of the moneys as set forth above shall, to the extent of any unreimbursed drawing under the Letter of Credit, or other obligations owing to the Bank under the Letter of Credit Agreement, be paid to the Bank. Any remaining moneys shall be paid to the Borrower or the person lawfully entitled to receive the same as a court of competent jurisdiction may direct.

(ii) If the principal of all of the Bonds shall have become due or shall have been declared to be due and payable pursuant to the Indenture, all of those moneys shall be deposited into the Bond Fund and shall be applied to the payment of the principal, premium (if any) and interest then due and unpaid on the Bonds, without

preference or priority of principal over interest, of interest over principal, of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Holders entitled thereto.

(iii) If the principal of all of the Bonds shall have been declared to be due and payable pursuant to the Indenture, and if that declaration thereafter shall have been rescinded and annulled pursuant to the Indenture, the moneys shall be deposited in the Bond Fund and shall be applied in accordance with the provisions of the Indenture.

(iv) Whenever moneys are to be applied pursuant to the foregoing provisions, those moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of moneys available for application and the likelihood of additional moneys becoming available for application in the future. Whenever the Trustee shall direct the application of those moneys, it shall fix the date upon which the application is to be made, and upon that date, interest shall cease to accrue on the amounts of principal, if any, to be paid on that date, provided the moneys are available therefor.

Rights and Remedies of Holders

A Bondholder shall not have any right to institute any suit, action or proceeding for the enforcement of the Indenture, for the execution of any trust thereunder, or for the exercise of any other remedy thereunder, unless: (i) there has occurred and is continuing an Event of Default under the Indenture of which the Trustee has been notified, as provided in the Indenture, or of which it is deemed to have notice under the Indenture; (ii) the Holders of at least a majority in aggregate principal amount of Bonds then outstanding shall have made written request to the Trustee and shall have afforded the Trustee reasonable opportunity to proceed to exercise the remedies, rights and powers granted to it under the Indenture or to institute the suit, action or proceeding in its own name, and shall have offered indemnity to the Trustee as provided in the Indenture; and (iii) the Trustee thereafter shall have failed or refused to exercise the remedies, rights and powers granted it under the Indenture or to institute the suit, action or proceeding in its own name. At the option of the Trustee, such notification (or notice), request, opportunity and offer of indemnity are conditions precedent in every case to the institution of any suit, action or proceeding described above.

No one or more Holders of the Bonds shall have any right to affect, disturb or prejudice in any manner whatsoever the security or benefit of the Indenture by its or their action, or to enforce, except in the manner provided in the Indenture, any remedy, right or power thereunder. Any suit, action or proceeding shall be instituted, had and maintained in the manner provided in the Indenture for the benefit of the Holders of all Bonds Outstanding.

Right of Holders and Bank to Direct Proceedings; Limitations

The Holders of a majority in aggregate principal amount of Bonds then Outstanding will have the right at any time, by an instrument or document in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other remedial proceedings under the Indenture, provided that (i) such direction shall be in accordance with the provisions of law and the Indenture, (ii) the Trustee shall be indemnified as provided in the Indenture, (iii) the Trustee may take any other action which it deems to be proper and which is not inconsistent with the direction of the Holders pursuant to the Indenture, and (iv) if the Letter of Credit is in effect and no Event of Default described in item (i) or (j) under the heading "THE INDENTURE -- Events of Default and Remedies" has occurred and is continuing under the Indenture, then the Bank shall have the right to give such direction in lieu of such Holders.

Waivers of Events of Default

Except as provided in the Indenture, at any time, in its discretion, the Trustee may (and, upon the written request of the holders of at least a majority in aggregate principal amount of all Bonds Outstanding, shall) waive any Event of Default under the Indenture and its consequences and rescind and annul any corresponding acceleration of maturity of principal of the Bonds. No waiver or rescission shall extend to any subsequent or other Event of Default under the Indenture or impair any right consequent thereon.

Termination of Proceedings

In case the Trustee shall have proceeded to enforce any remedy, right or power under the Indenture in any suit, action or proceeding, and the suit, action or proceeding shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then the Authority, the Trustee, the Bank, and the Holders shall be restored to their former positions and rights under the Indenture, respectively, and all rights, remedies and powers of the Trustee shall continue as if no suit, action or proceeding had been taken.

Supplemental Indentures

The Authority and the Trustee, with the consent of the Bank, may enter into supplemental indentures without the consent of or notice to any of the Holders, for any one or more of the following purposes: (a) to cure any ambiguity, inconsistency or formal defect or omission in the Indenture; (b) to grant to or confer upon the Trustee additional rights, remedies, powers or authority for the benefit of the Holders; (c) to accept additional security and instruments of further assurance; (d) to add other covenants, agreements and obligations of the Authority to be observed for the protection of the Holders, or to surrender or limit any right, power or authority reserved to or conferred upon the Authority in the Indenture, (e) to permit the use of a book entry system to identify the owner of an interest in an obligation issued by the Authority under the Indenture; (f) to permit the Trustee to comply with any obligations imposed upon it by law; (g) to specify further the duties and responsibilities of, and to define further the relationship between the Trustee, the Bank, the Issuer and the Remarketing Agent; (h) to achieve compliance of the Indenture with any applicable federal securities or tax laws; (i) to make amendments to the provisions thereof relating to arbitrage matters under Section 148 of the Code, if, in the opinion of nationally recognized bond counsel selected by the Authority and approved by the Trustee, those amendments would not cause the interest on the Bonds Outstanding to become included in the gross income of the Holders thereof for federal income tax purposes and which amendments may, among other things, change the responsibility for making the relevant arbitrage calculations; (j) to evidence the appointment of a new Remarketing Agent; (k) to provide for an Alternate Letter of Credit; (l) to make any amendments required to secure a rating on the Bonds from a Rating Service equal to the rating of the Bank's unsecured indebtedness; (m) to implement a conversion from one Rate Mode to a different Rate Mode; or (n) to permit any other amendment which is not materially adverse to the interests of the Trustee or the Holders.

Exclusive of supplemental indentures for the purposes summarized above, the Indenture may be supplemented if the Bank, the Borrower and the Holders of a majority in aggregate principal amount of the Bonds then Outstanding consent to such supplement; provided that the unanimous consent of the Holders of Bonds of the affected Series then Outstanding is required if the supplemental indenture affects the principal or redemption price of or interest payable upon any Bonds, the dates on which interest will be paid, the dates of maturity or the redemption or purchase provisions of any Bonds or change any provisions with respect to amendment of the Indenture. So long as the Letter of Credit is in effect, and no Event of Default described in clause (i) or (j) under the caption "Events of Default and Remedies" has occurred and is continuing, then the Bank shall have the right to consent to any supplemental indenture on behalf of all Holders of Bonds of the related Series, other than a supplemental indenture requiring the unanimous consent of all Holders of Bonds of such Series.

Before any supplemental indenture is executed, there shall be delivered to the parties thereto an opinion of nationally recognized bond counsel to the effect that such supplemental indenture is authorized or permitted by the Indenture and the Act, will, upon the execution and delivery thereof, be valid and binding upon the Authority in accordance with its terms, and will not adversely affect the exclusion from gross income for federal tax purposes of interest on the Bonds.

Defeasance

When the principal of and premium, if any, and interest on all Bonds issued under the Indenture have been paid, or provision has been made for payment of the same and any tender purchase price payable, together with the compensation and expenses of the Trustee and all other sums payable thereunder by the Authority or the Borrower, the right, title and interest of the Trustee in and to the Trust Estate under the Indenture shall thereupon cease and the Trustee, on demand of the Authority or the Authority at the request of the Borrower, shall release the Indenture and shall execute such documents to evidence such release as may be reasonably required by the Authority or the

Borrower and shall turn over to the Borrower or to such person, body or authority as may be entitled to receive the same all balances then held by the Trustee under the Indenture not required for the payment of the Bonds and such other sums and shall surrender the Letter of Credit to the Bank; provided that any proceeds of the Letter of Credit not required for payment of the Bonds supported by such Letter of Credit shall be turned over to the Bank and in the event there has been a drawing under the Letter of Credit for which the Bank has not been fully reimbursed pursuant to the Letter of Credit Agreement or any other obligations are then due and owing to the Bank under the Letter of Credit Agreement as certified to the Trustee by the Bank, the Trustee shall assign and turn over to the Bank, as successor, subrogee or otherwise, all of the Trustee's right, title and interest under the Indenture, all balances held thereunder (excluding the Rebate Fund) not required for the payment of the Bonds and such other sums and the Trustee's right, title and interest in, to and under the Loan Agreement and any other property held by the Trustee under the Indenture. If payment or provision therefor is made with respect to less than all of the Bonds of a particular Series, the particular Bonds (or portions thereof) for which provision for payment shall have been considered made shall be selected by lot or by such other method as the Trustee deems fair and appropriate, and thereupon the Trustee shall take similar action for the release of the Indenture with respect to the Bonds.

Provision for the payment of Bonds shall be deemed to have been made when the Trustee holds in the Bond Fund (1) cash in an amount sufficient to make all payments (including principal, premium, if any, interest and tender purchase price payments, if any) specified above with respect to the Bonds, or (2) noncallable, direct obligations issued by the United States of America, maturing on or before the date or dates when the payments specified above shall become due, the principal amount of which and the interest thereon, when due, are or will be, in the aggregate, sufficient without reinvestment to make all such payments, or (3) any combination of cash and such obligations the amounts of which and interest thereon, when due, are or will be, in the aggregate, sufficient without reinvestment to make all such payments; provided that (i) such amount on deposit shall be deemed sufficient only if (A) while the Bonds bear interest at a Weekly Rate or a Libor-CUBBS Rate, it provides for payment of interest at the Maximum Rate and the Authority and the Borrower shall have surrendered any power under the Indenture to thereafter change the Maximum Rate, or (B) while the Bonds bear interest at a Term Rate, it provides for payment of interest at such Term Rate and the Bonds have been irrevocably called or designated for redemption on or before the final Interest Payment Date of the Term Rate Period for which such Term Rate has been set, and (ii) the Trustee shall have received an opinion of nationally recognized bond counsel to the effect that a deposit of obligations described in clause (2) or (3) above will not adversely affect the exclusion from gross income for federal tax purposes of the interest on any of the Bonds, and (iii) provision for payment of Bonds shall be deemed to be made only if (A) the Trustee holds in the Bond Fund moneys (which moneys must be Available Moneys if a Letter of Credit is in effect) and/or such obligations (which obligations must have been purchased with Available Moneys if a Letter of Credit is in effect) for payment of the Bonds in amounts sufficient to make all payments specified above with respect to the Bonds, and (B) in the case of Bonds in the Weekly Mode or a Libor-CUBBS Mode, the Bonds have been called for redemption on the earliest possible date after the date provision for payment is being made pursuant to the Indenture.

If the principal or tender purchase price of any Bonds becoming due, either at maturity or by call for redemption or tender or otherwise, together with the premium (if any) thereon and all interest accruing thereon to the due date, has been paid or provision therefor made in accordance with the above paragraphs, all interest on the Bonds shall cease to accrue on the due date and all liability of the Authority with respect to the Bonds shall likewise cease, except as hereinafter provided. Thereafter, (a) any surplus balance held by the Trustee with respect to the Bonds over the principal of, premium (if any) on and actual interest accrued on the Bonds shall be paid to the Bank as a return of excess funds drawn under the Letter of Credit (or, if the Rating Service shall have confirmed its rating of the Bonds in connection with the provision for payment of the Bonds, such surplus shall be paid as may otherwise be approved by the Rating Service in connection with such confirmation) and (b) the Holders of the Bonds shall be restricted exclusively to the funds so deposited for any claim of whatsoever nature with respect to the Bonds and the Trustee shall hold such funds in trust for such Holders uninvested and without liability for interest thereon. Moneys so deposited with the Trustee which remain unclaimed two years after the date payment thereof becomes due shall, at the written request of the Borrower (or the Bank) and if neither the Authority nor the Borrower is at the time to the knowledge of the Trustee in default with respect to any covenant contained in the Indenture, the Bonds or the Loan Agreement, be paid to the Borrower (or the Bank with respect to surplus balances as provided in the Indenture) and the Holders of the Bonds for which the deposit was made shall thereafter be limited to a claim against the Borrower.

Any provisions of the Indenture which relate to the maturity of Bonds, interest payments and dates thereof, optional and mandatory redemption provisions, credit against mandatory sinking fund requirements, exchange, transfer and registration of Bonds, replacement of mutilated, lost, wrongfully taken or destroyed Bonds, safekeeping and cancellation of Bonds, nonpresentment of Bonds, holding of moneys in trust, payment of moneys to the Borrower and the Bank, the rebate of moneys to the United States and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and be binding upon the Trustee and the Holders notwithstanding the release and discharge of the Indenture.

Limitation of Rights; No Personal Recourse.

With the exception of rights conferred expressly in the Indenture, nothing expressed or mentioned in or to be implied from the Indenture or the Bonds is intended or shall be construed to give to any person other than the parties thereto, the Borrower, the Remarketing Agent, the Bank and the Holders of the Bonds any legal or equitable right, remedy, power or claim under or with respect to the Indenture or any covenants, agreements, conditions and provisions contained therein.

The Indenture does not pledge the general credit of the Authority or the general credit or the taxing power of Cumberland County, the Commonwealth of Pennsylvania or any political subdivision thereof. The liability of the Authority shall be limited to and payable solely from the sources described herein under "SECURITY AND SOURCES OF PAYMENT FOR BONDS".

No covenant or agreement contained in the Indenture, the Bonds or the Loan Agreement shall be deemed to be the covenant or agreement of any member, director, officer, attorney, agent or employee of the Authority or the Program Sponsor in an individual capacity. No recourse shall be had for the payment of any claim based thereon against any member, director, officer, agent, attorney or employee of the Authority or the Program Sponsor, past, present or future, or its successors or assigns, as such, either directly or through the Authority, the Program Sponsor or any such successor corporation, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise.

BONDHOLDERS' RISKS

General

The Bonds are limited obligations of the Authority and are payable solely from payments made pursuant to the Loan Agreement and from certain funds held by the Trustee under the Indenture. No representation or assurance can be given that the Borrower will generate sufficient revenues to meet the Borrower's payment obligations under the Loan Agreement. Future legislation, regulatory actions, economic conditions, changes in the number of students in attendance at the Borrower, or other factors could adversely affect the Borrower's ability to generate such revenues. Neither the Underwriter nor the Authority has made any independent investigation of the extent to which any such factors will have an adverse impact on the revenues of the Borrower.

Covenant to Maintain Tax-Exempt Status of the Bonds

The tax-exempt status of the Bonds is based on the continued compliance by the Authority and the Borrower with certain covenants contained in the Indenture, the Loan Agreement and the other documents executed by the Authority, the Borrower and the Trustee. These covenants relate generally to restrictions on use of facilities financed with proceeds of the Bonds, arbitrage limitations, rebate of certain excess investment earnings to the federal government and restrictions on the amount of issuance costs financed with the proceeds of the Bonds. Failure by the Authority and/or the Borrower to comply with such covenants could cause interest on the Bonds to become subject to federal income taxation retroactive to the date of issuance of the Bonds.

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, which 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 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.

State and Federal Legislation

Legislation has been proposed in the past, and may be proposed again in the future, to eliminate the tax-exempt status of bonds issued to finance educational facilities or to limit the use of tax-exempt bonds, or to prevent certain holders of tax-exempt bonds from realizing the full benefit of the tax exemption of interest on such bonds. Any such limitation could reduce the ability of the Borrower to finance its future capital needs. The effect on the Borrower of proposed laws and regulations and of future changes in federal and state laws and policies cannot be fully or accurately determined at this time.

Other Risk Factors

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

- (1) Loss of accreditation for the Borrower or key academic programs.
- (2) Employee strikes and other adverse labor actions that could result in a substantial reduction in revenues without corresponding decreases in costs.
- (3) Litigation resulting in required payments by the Borrower which exceed insurance coverages.
- (4) Increased costs and decreased availability of public liability or other types of insurance.
- (5) Changes in the demand for higher education in general or for programs offered by the Borrower in particular.
- (6) Cost and availability of energy.
- (7) High interest rates, which could strain cash flow or prevent borrowing for needed capital expenditures.
- (8) A decrease in student loan funds or other aid that permits many students the opportunity to pursue higher education.
- (9) An increase in the costs of health care benefits, retirement plans, or other benefit packages offered by the Borrower to its employees.
- (10) Withdrawal of any current exemptions from local real estate taxes, business privilege taxes and similar impositions.
- (11) Losses in investments held by the Borrower.
- (12) Reduced future Borrower revenues as a result of a need to increase tuition discounting to attract students.

- (13) Increased competition from other institutions of higher learning which may offer similar academic programs or may recruit similar students, and that may result in reduced enrollments and reduced Borrower revenues.
- (14) Reduced ability to attract future annual or capital campaign contributions, that may limit future projects and/or the ability to address deferred maintenance.
- (15) Reduced availability of qualified faculty to teach the programs offered by the Borrower.
- (16) An inability to retain students, resulting in enrollment losses and reduced revenues.
- (17) Future deficits as a result of increased future expenses.
- (18) If future market conditions warrant for a particular Rate Mode, the inability of the Borrower to obtain a liquidity facility for the Bonds.

NO PERSONAL RECOURSE

No covenant or agreement contained in the Indenture, the Bonds or the Loan Agreement shall be deemed to be the covenant or agreement of any member, director, officer, attorney, agent or employee of the Authority or the Program Sponsor in an individual capacity. No recourse shall be had for the payment of any claim based thereon against any member, director, officer, agent, attorney or employee of the Authority or the Program Sponsor past, present or future, or their successors or assigns, as such, either directly or through the Authority or the Program Sponsor, or any successor corporations, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise.

LITIGATION

As of the date hereof, there is no litigation of any nature pending or, to the Authority's knowledge, as to the Authority, or the Borrower's knowledge, threatened against the Authority or the Borrower to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or the application of the proceeds thereof as herein described, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof, the pledge or application of any monies or security for the Bonds or the existence or powers of the Authority.

As of the date hereof, to the knowledge of the Borrower, there is no litigation pending or threatened against the Borrower wherein an unfavorable decision would adversely affect the ability of the Borrower to carry out its obligations under the Indenture or the Loan Agreement, or would have a material adverse impact on the financial position or operations of the Borrower.

CONTINUING DISCLOSURE

On or before the date of issuance of the Bonds, the Borrower will enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") with The Bank of New York Mellon Trust Company, N.A. (the "Dissemination Agent"). in substantially the form set forth in Appendix C hereto. Pursuant to the Continuing Disclosure Agreement, the Borrower will agree to provide certain continuing disclosure for the benefit of the holders of the Bonds pursuant to Securities and Exchange Commission Rule 15c2-12 (the "Rule"). The provisions of the Continuing Disclosure Agreement will be for the benefit of the beneficial owners of the Bonds under the circumstances described therein, and each beneficial owner will be a beneficiary of the provisions of the Continuing Disclosure Agreement with the right to enforce such provisions directly against the Borrower. However, breach of the provisions of the Continuing Disclosure Agreement will not be considered an Event of Default under the Indenture or the Loan Agreement and none of the rights and remedies provided under the Indenture or the Loan Agreement upon an Event of Default (other than specific performance) will be available to the beneficial owners in the event of such breach. Unless otherwise required by law, no beneficial owner is entitled to damages for the Borrower's noncompliance with its obligations under the Continuing Disclosure Agreement.

The Borrower has made similar undertakings in the past (the “Prior Continuing Disclosure Undertakings”) in connection with other series of bonds previously issued for the benefit of the Borrower. While the Borrower made annual filings of financial and operating information in accordance with the Rule and the Prior Continuing Disclosure Undertakings, certain information contained in the filings was not presented in the format required under the Rule. Corrective filings to bring the Borrower’s prior filings into conformity with the requirements of the Rule and the Continuing Disclosure Undertakings were made by the Borrower prior to the offering for sale of the Bonds pursuant to this Official Statement.

TAX MATTERS

General

In the opinion of Ballard Spahr LLP, Bond Counsel, interest on the Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Bonds, assuming the accuracy of the certifications of the Authority and the Borrower and continuing compliance by the Authority and the Borrower with the requirements of the Internal Revenue Code of 1986 (the “Code”). Interest on the Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax; however, interest on Bonds held by a corporation (other than an S Corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder. Bond Counsel expresses no opinion regarding other Federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

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

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

Changes In Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. One such proposal is the American Jobs Act of 2011 (S.1549) (the “Jobs Bill”) which was introduced in the Senate on September 13, 2011 at the request of the President. If enacted in its current form, the Jobs Bill could adversely impact the marketability and market value of the Bonds and prevent certain bondholders (depending on the financial and tax circumstances of the particular bondholder) from realizing the full benefit of the tax exemption of interest on the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by 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 Bonds, and 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.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of Ballard Spahr LLP, Philadelphia, Pennsylvania, Bond Counsel. A signed copy of their opinion, dated and premised on facts existing and law in effect as of the date of original issuance and delivery of the Bonds, will be delivered to the Trustee at the time of such original issuance, and a copy of that opinion will be printed on or attached to the Bonds.

Certain legal matters will be passed upon by Buchanan Ingersoll & Rooney PC, Pittsburgh, Pennsylvania, as counsel to the Authority; by Barley Snyder, LLC, York, Pennsylvania, as counsel to the Borrower; and by Morgan, Lewis & Bockius LLP, Philadelphia, Pennsylvania, as counsel to the Financial Advisor.

RATINGS

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") has assigned a long-term rating of "A" to each Series of the Bonds, accompanied by a Stable Outlook, based on the creditworthiness of the Borrower. Because of the length of the Initial Term Rate Period for the Series 2014 T2 Bonds (one year), S&P also has assigned a short-term rating of "A-1" to the Series 2014 T2 Bonds.

Certain information and materials not included in this Official Statement was furnished to S&P. Generally, such Rating Service bases its ratings on information and materials so furnished and on investigations, studies and assumptions by such Rating Service. The ratings and outlook assigned to the Bonds reflects only the views of such Rating Service at the time such ratings were issued, and an explanation of the significance of such ratings and outlook may be obtained only from such Rating Service. Such ratings and outlook are not a recommendation to buy, sell or hold the Bonds. There is no assurance that any such ratings or outlook will continue for any given period of time or that they will not be lowered or withdrawn entirely by such Rating Service if, in its judgment, circumstances so warrant. Any such downward revision of such ratings or outlook or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

LEGALITY FOR INVESTMENT

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

UNDERWRITING

The Bonds are being purchased for reoffering by Janney Montgomery Scott LLC (the "Underwriter"). The initial public offering prices set forth on the inside cover page of this Official Statement may be changed from time to time by the Underwriter without any requirement of prior notice. The Underwriter reserves the right to join with other dealers in offering the Bonds to the public. The Bonds may be offered and sold to other dealers (including Bonds for deposit into investment trusts, certain of which may be sponsored or managed by the Underwriter) at prices other than the public offering prices stated on the inside cover page of this Official Statement.

SALE BY COMPETITIVE BID

The Bonds were offered for sale by competitive bid on May 14, 2014 in accordance with the Notice of Sale therefor. The interest rates shown on the inside cover page of this Official Statement are the interest rates provided

by the successful bidder in the winning bid. The prices or yields shown on the inside cover of this Official Statement are based on information supplied by the successful bidder. Any other information concerning the terms of the reoffering of the Bonds should be obtained from the successful bidder.

FINANCIAL ADVISOR

M&T Securities, Inc., Canonsburg, Pennsylvania, has been engaged by the Borrower to assist the Borrower in the development and implementation of the financial plan leading to the issuance of the Bonds.

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The financial statements of the Borrower as of and for the fiscal year ended June 30, 2013 are included in Appendix B hereto and have been audited by Grant Thornton LLP, as stated in their report appearing therein.

CERTAIN RELATIONSHIPS

R. Joe Crosswhite, a member of the Board of Trustees of the College, is employed by M&T Bank, an affiliate of M&T Securities, Inc., which is serving as Financial Advisor to the College in connection with the issuance and sale of the Bonds.

OTHER MATTERS

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety. The offering of the Bonds is made only by means of this entire Official Statement. The Appendices are integral parts of this Official Statement and should be read in their entirety together with the other sections of this Official Statement.

The foregoing references to and summaries or descriptions of provisions of the Bonds, the Project, the Loan Agreement and the Indenture, and all references to other materials not stated to be quoted in full, are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. Copies of the Loan Agreement and the Indenture may be obtained from the Financial Advisor as set forth herein under "INTRODUCTORY STATEMENT."

The information set forth in this Official Statement, and in the Appendices hereto, should not be construed as representing all of the conditions affecting the Authority, the Borrower, or the Bonds.

Statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as such and not as representations of facts. All projections, estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the financial condition and results of operations of the Borrower include, among other things, changes in economic conditions and various other events, conditions and circumstances, many of which are beyond the control of the Borrower. Such forward-looking statements speak only as of the date of this Official Statement. The Borrower disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Borrower's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The distribution of this Official Statement has been duly authorized by the Authority and the Borrower. The Authority has not assisted in the preparation of this Official Statement, except for the statements pertaining to the Authority under the captions “THE AUTHORITY” and “LITIGATION” herein and, except as aforesaid, the Authority is not responsible for any statements made in this Official Statement. Except for the execution and delivery of documents required to effect the issuance of the Bonds, the Authority has not otherwise assisted in the public offer, sale or distribution of the Bonds. Accordingly, except as aforesaid, the Authority assumes no responsibility for the disclosures set forth in this Official Statement.

PENNSYLVANIA HIGHER
EDUCATIONAL FACILITIES
AUTHORITY

By: /s/ Robert Baccon
Executive Director

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APPENDIX A

INFORMATION CONCERNING YORK COLLEGE OF PENNSYLVANIA

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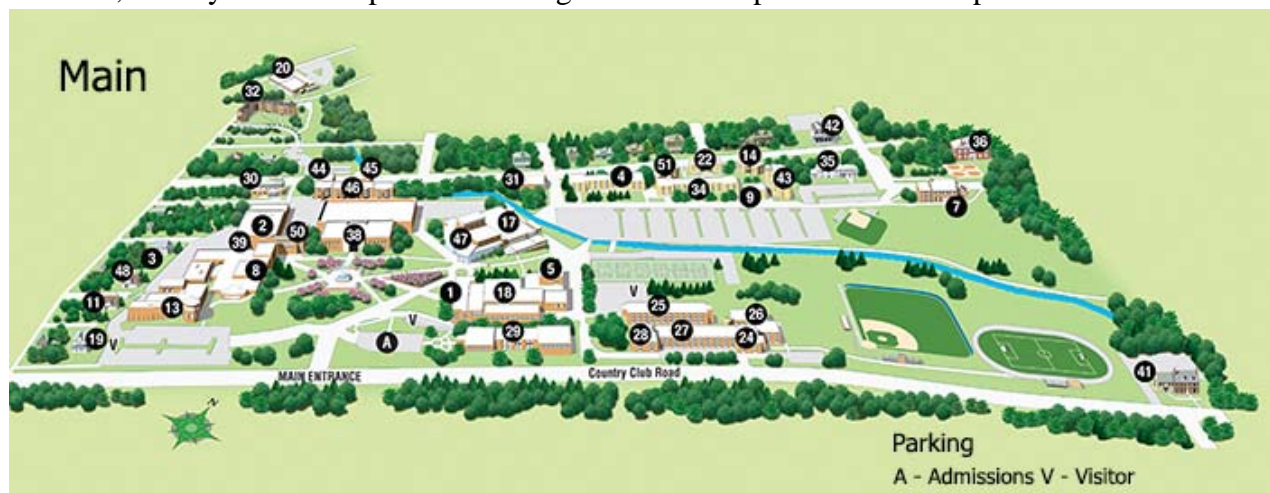
YORK COLLEGE OF PENNSYLVANIA

Introduction and History

York College of Pennsylvania (the “College”) traces its founding back to 1787 when it was known as York County Academy. The Reverend John Andrews of St. John’s Episcopal Church played a leading role in the Academy’s establishment. In 1929, the institution merged with the York Collegiate Institute, a non-denominational sister institution which had been founded in 1873 by Samuel Small. In 1941, the trustees agreed to amend the institution’s charter to provide for a two-year liberal arts program at the junior college level. The new institution adopted the name York Junior College. In 1965, the College moved to its current location in suburban York, which provided more space for academic programs. In 1968, the curriculum grew to a full bachelor’s degree program and the institution’s name was changed to York College of Pennsylvania. Today, the College offers bachelor, master, and doctorate level courses.

Location and Facilities

Facilities are found on both Main Campus and West Campus, located along Country Club Road in York, Pennsylvania. Maps of the College’s Main Campus & West Campus are shown below.





#1 Admissions Welcome Center - Located in the Iosue Student Union Building.

#2 Appell Life Sciences Building - Features updated laboratory spaces, multiple specialty spaces (tissue culture suite, microscopy lab, and walk-in cold room), research and preparation spaces, and student and faculty conference rooms for the departments of Biological Sciences, Behavioral Sciences and Education.

#3, #11, #19, #31, #42, #48 - Several small residences on the border of campus that house student organizations, typically sororities.

#4, #6, #9, #10, #14, #22-#28, #32, #34-#35, #37, #40-#41, #43-46, #51 Residence Halls - Over the past 10 years, the College has made significant investments in and expanded its student residences on both the North and West campuses.

#5 College Bookstore - Located in the Iosue Student Union Building.

#7 Brougher Chapel - As the College is a non-denominational institution, the chapel contains space for various religious activities, including a Catholic Newman Club, Inter-Varsity Christian Fellowship, and a Hillel Jewish Organization.



Brougher Chapel

#8 Campbell Hall - Home to Academic Services, which includes Academic Advising, the Center for Professional Excellence, the Career Development Center, and the Center for Teaching and Learning. Campbell also includes state-of-the-art chemistry instrumentation to support majors in Chemistry, Forensic Chemistry and Pre-Med.

#12 Diehl Hall - The Nursing Education Center in Diehl Hall includes five state-of-the-art learning laboratories that replicate actual clinical settings: a basic nursing care lab, an adult health lab (critical care and chronic care), a maternal/ pediatric care lab, a home care lab, and a communication/mental health lab. The media center and computer laboratory provide opportunities for learning via computer-assisted programs and films.

#13 Evelyn and Earle Wolf Hall - Includes three art studios, a photography facility, and York College Galleries; rehearsal and practice rooms, multi-track recording studio and mixing control room, music library, and DeMeester Recital Hall; and edit suites, studios, and two state-of-the-art video production facilities coordinated by a high-tech computer assisted control room.



**Evelyn and Earle
Wolf Hall**

#15 Grantley Hall - Home to the Division of College Advancement (Communications, Development, Alumni Relations), the Office of Community Education, and the Spartan student newspaper.

#16 Grumbacher Sport and Fitness Center - Includes a three-court field house, state-of-the-art strength and fitness center, 12-recreational-lane natatorium, three-lane elevated jogging track, two-story climbing wall, classroom space, racquetball court, multi-purpose rooms, café, and the Charles Wolf Gymnasium. The Center has two artificially surfaced and two natural grass playing fields outside and an all-weather running track complete with throwing circles and jumping pits.

#17 Humanities Center - Features classrooms, an oral history lab and museum studies room, film study labs and a film screening room, computer labs, faculty offices, and Pura Vida Café.

#18 Iosue Student Union Building - Houses the Johnson Dining Hall, Spart's Den, the Bookstore, WVYC (the College radio station), and the Admissions Welcome Center.

#20 Kings Mill Depot - A repurposed manufacturing facility on North Campus home to campus operations, the print shop and mail services, and the business incubator for the J.D. Brown Center for Entrepreneurship.

#21 Kinsley Engineering Center - Contains state-of-the-art laboratories, equipment, computers, and design facilities including a mechatronics lab, materials science and engineering lab, machine shop and welding lab, thermodynamics and fluid mechanics lab, and CAD lab. The Center features a workspace area and a large common area.

#29 Miller Administration Building - Bearing the name of the College's first president, Miller Administration Building includes the President's Office, Admissions, Academic Affairs, Business Affairs, Campus Operations, Financial Aid Office and Registrar.

#30 Naylor Ecological Sciences Center - Features aquatic and terrestrial laboratories, a large aquaria space, a controlled growth chamber, research spaces, and is topped by five glasshouses.

#33 Nursing Education Center - Nursing classroom, faculty offices and student spaces adjacent to Diehl Hall.

#36 President's Home - Also the setting for receptions for visiting artists, lecturers, and special guests.



President's Home

#38 Schmidt Library - Provides dynamic group study spaces, quiet study floors, wireless laptops for use in the library, technology-enhanced group study rooms, comfortable lounge areas, wireless network connections including the outdoor courtyard, college archives, and Special Collections.



Schmidt Library

#39 Shipley Education Center - Home of Education department including classrooms, faculty offices and student spaces.

#47 Waldner Performing Arts Center - Features the 700-seat York Collegiate and 125-seat Perko Playpen Theatres. Also includes a scene shop, green room and costume shop.

#49 West Campus Community Center - A student center with a dining facility, central mailboxes, multipurpose space, TV lounges, game room, group study rooms, a store that sells Spartan wear and convenience items and other special features.



**West Campus
Community Center**

#50 Willman Business Center - Home of the largest academic department on campus, the Willman Business Center features a tiered auditorium, financial trading and commerce laboratory, smart classrooms, and a glass-enclosed corporate training center.

Recently Completed Major Campus Projects

- Fall 2013----- Willman Business Center
- Fall 2012----- Diehl Hall (Home of Nursing and Hospitality Management)
- Fall 2011----- Northside Commons Dormitory
- Fall 2011----- Appell Life Sciences Building-Major Renovation
- Spring 2011--- Kings Mill Depot (Home of JD Brown Entrepreneurship Center)
- Fall 2010----- Naylor Ecological Sciences Building
- Fall 2009----- Little Run Lodge and West Campus Community Center
- Fall 2008----- Collegiate Performing Art Center
- Fall 2008----- Kinsley Engineering Center

- Fall 2007----- Humanities Center
- Fall 2006----- Grumbacher Sports and Fitness Center

Governance

York College of Pennsylvania is governed by a Board of Trustees which currently numbers 27 active members, not including non-voting emeritus members. The Board elects Trustees for renewable three-year terms. The Board of Trustees meets three times each year and the Executive Committee of the Board meets six times each year in months when the full Board is not meeting. The College has nine standing Committees: Executive Committee, Finance and Audit Committee, College Advancement Committee, Education Committee, Student Life and Athletics Committee, Buildings, Grounds and Equipment Committee, Governance Committee, the Neighborhood Revitalization Committee, and the York Country Day School Committee. The York Country Day School, a private independent school, is owned by the College.

Board Members

The current members of the College's Board of Trustees, as well as each member's principal affiliation (and Board office, if applicable) are set forth below:

Officers

George H. Glatfelter, II
(Chairman, Board of Trustees)
Retired Chairman and Chief Executive Officer
Glatfelter

William S. Shipley
(Vice-Chairman, Board of Trustees)
Chief Executive Officer
Shipley Energy

Jeffrey R. Hines
(Secretary, Board of Trustees)
President & Chief Executive Officer
The York Water Company

Robert S. Freed
(Treasurer, Board of Trustees)
Principal
SF & Company

Board of Trustees

John Bartman
Retired Senior VP, Human Resources
Snyder's-Lance, Inc.

Anthony P. Campisi
President and Chief Executive Officer
Glatfelter Insurance Group

D. Scott Cayce
Consultant and Managing Member
Scott Cayce Consultant, LLC

R. Joe Crosswhite
Regional President
M&T Bank

Cyril C. Dunmire, Jr.
Chairman and CEO (Retired)
Stabler Companies Inc.

Dorothy Fischer
Community Leader

Debra A. Goodling-Kime
Chief Financial Officer
Community Progress Council, Inc.

Richard C. Hogentogler
Principal
Stambaugh Ness P.C.

Kenneth Kochenour
Principle CEO & President
GF Management, Inc.

Deborah M. McMillan, M.D.
Yorktowne Family Medicine Associates

Robert E. Mehmet, Jr.
President & Chief Executive Officer
Philadelphia Sign Company

J. Christopher Michael
Chief Executive Officer
Associated Wholesalers Inc.

Sharon E. Myers
Attorney
CGA Law Firm

John M. Schrantz
President
Rohrer Bus Service

George A. Shorb
President
First Capital Paper Company

Robert L. Simpson
Chief Executive Officer
Crispus Attucks Association, Inc.

Stephen Tansey
President
York Container Co.

Carl J. Vizzi
President
York Wallcoverings

Laura Wand
Vice President, Product Management
Johnson Controls, Inc.

Brian K. Welker
Allianz Capital Partners, Inc.

Coni L. Wolf
Vice President, Business Development
York Container Co.

Edward D. Yates
Retired Senior Vice President, CFO
Dentsply International, Inc.

Morton F. Zifferer, Jr.
Chairman and Chief Executive Officer
New Standard Corp.

A member of the Board of the College is employed by M&T Bank, an affiliate of M&T Securities, Inc., which is serving as the financial advisor to the College with respect to the Series 2014 Bonds.

Accreditations and Approvals

York College of Pennsylvania is accredited or approved by the following organizations:

- Middle States Association of Colleges and Schools
- Commission on Accreditation of Allied Health Education Programs
- Commission on Collegiate Nursing Education
- Accrediting Council of Business Schools and Programs
- Accreditation Board for Engineering and Technology Council
- National Recreation and Park Association
- The Pennsylvania Department of Education
- The Pennsylvania State Board of Nursing
- Department of Education for Training Veterans
- Council on Accreditation of Nurse Anesthesia Educational Programs
- National Association of Schools of Music
- Commission on Sport Management Accreditation

Memberships

York College of Pennsylvania is a member of the following organizations:

- American Association of Colleges of Nursing
- American Association of Collegiate Registrars and Admissions Officers
- American College Public Health Relations Association
- American Health Care Association
- Association of American Colleges
- Association of Independent Colleges and Universities of Pennsylvania
- College and University Public Relations Association of Pennsylvania
- College Entrance Examination Board
- Council for the Advancement and Support of Education
- Council of Independent Colleges
- Field Institute for Technology in Nursing Education
- Middle Atlantic Association of Schools of Business
- Marine Science Consortium
- National Association of Independent Colleges and Universities
- National Association of College Admissions Counselors
- National Commission on Accrediting, Inc.
- National League for Nursing
- National Recreation and Parks Association
- Northeast Association of Pre-Law Advisors
- Pennsylvania Association of Administration of Justice Education
- Pennsylvania Association of College Admissions Counselors
- Pennsylvania Association of Graduate Schools
- Pennsylvania Health Care Association
- Pennsylvania Recreation and Park Society

- National Association of Student Personnel Administrators
- Potomac Chesapeake Association of College Admissions Counselors

Institutional Accomplishments & Recognition

- Ranked among only 198 “Best Buys in Higher Education” by *Barron’s Best Buys in College Education*
- Ranked among the top third of “100 Colleges Worth Considering” by *The Washington Post*
- Included in the Princeton Review’s *Best Northeastern Colleges*
- Ranked among the “Top 10 Best Value Private Colleges and Universities by *parentsandcolleges.com*”
- Among 284 colleges and universities committed to help low-income, first-generation students according to *College Access & Opportunity Guide*
- Among the top 15 percent of colleges, universities, and trade schools embracing America’s veterans as students according to *militaryfriendlyschoools.com*

Principal Officers

The President and the following senior officers, who comprise her cabinet, administer the College on a day-to-day basis. The Board of Trustees appoints the President, and she serves at their pleasure.

Dr. Pamela Gunter-Smith, Ph.D., President. Dr. Pamela Gunter-Smith has served as President of York College since July 1, 2013. She was previously the Provost and Academic Vice President of Drew University since July, 2006. Prior to her appointment at Drew University, she served as chief academic officer with overall responsibility for academic programs and academic support in the university’s three schools including the College of Liberal Arts, the Theological School, and the Caspersen School of Graduate Studies. Her activities at Drew focused on strategic planning and assessment and on developing the case for the sciences in support of fund-raising efforts. Prior to this appointment, she served as the Porter Professor of Physiology at Spelman College from 1992-2006. At Spelman, Dr. Gunter-Smith chaired the Biology Department (1992-2002) and was the Associate Provost for Science and Mathematics (2002-2003). She also served as the Program Director for Spelman’s NIH-sponsored Center for Biomedical and Behavioral Research (2002-2003) and Spelman’s Howard Hughes Medical Institute Program (1993-2002). Dr. Gunter-Smith has also held academic appointments at the George Washington University (Washington, D.C.) and the Uniformed Services University of the Health Sciences (Bethesda, Maryland). For 12 years before joining Spelman (1981-1992), Dr. Gunter-Smith was a research scientist and science administrator at the Armed Forces Radiobiology Research Institute in Bethesda, Maryland. In addition to conducting her own research, she was responsible for aligning the research of three laboratories along institutional priorities and had budgetary responsibility for all project resources.

Dr. Gunter-Smith has served on numerous committees that address science education and the underrepresentation of minorities in science. These include review panels for the National Institutes of Health, the National Science Foundation, and the Howard Hughes Medical Institute. She served on the AP Biology Redesign Commission for the College Board and is a former co-chair of the Porter Physiology Development Committee for the American Physiological Society, the minority affairs committee of the society. More recently, she serves on the Board of Directors of the William Townsend Porter Foundation and the Higher Education Resource Services (HERS).

Dr. Gunter-Smith holds a B.S. in Biology from Spelman College and a Ph.D. in Physiology from Emory University. She conducted postdoctoral studies at the University of Pittsburgh School of Medicine and the University of Texas Health Science Center at Houston. She has published in the areas of gastrointestinal physiology and membrane ion transport and is the recipient of grants to support science education and her research. Dr. Gunter-Smith is also a graduate of the 2001 HERS Summer Institute for Women in Higher Education Administration and, during 2003-2004, she was an American Council on Education Fellow at the University of Miami working with the university's president Donna Shalala.

C. Matthew Smith, *Dean of Business Affairs and Chief Financial Officer.* Mr. Smith joined York College of Pennsylvania in May of 2006. Before joining the College, he was Director of Financial Planning and Accounting for York International Corporation and held several senior executive positions at Glatfelter, a global corporation headquartered in York, Pennsylvania. Mr. Smith received a B.S. from Lehigh University.

Dr. Dominic F. DelliCarpini, Ph.D., *Dean of Academic Affairs.* Dr. DelliCarpini joined the faculty of York College of Pennsylvania in 1997 and served in several leadership roles before becoming Dean of Academic Affairs in 2010. Dr. DelliCarpini, who has served leadership positions with several national academic organizations, received a B.A. degree in English from the University of Pennsylvania and Ph.D. in English from the Pennsylvania State University.

Mr. Daniel Helwig, *Dean of College Advancement.* Mr. Helwig joined York College of Pennsylvania in June of 2007. Before joining the College, he was Executive Director of the healthcare foundation for Wellspan, a regional health system in Pennsylvania. Previously, Mr. Helwig was the Associate Vice President for Development at Elizabethtown College. He received a B.A. in Communications from Susquehanna University.

Dr. Kenneth M. Martin, Ph.D., *Dean of Campus Operations.* Dr. Martin joined York College in May of 2004. He was previously Vice President of Operations at Messiah College. Dr. Martin received his B.S., M.S., and Ph.D. degrees from Pennsylvania State University.

Mr. Joseph Merkle, *Dean of Student Affairs.* Mr. Merkle is the Dean of Student Affairs for York College of Pennsylvania. Mr. Merkle received both a Bachelor's degree and a Master's degree from the University of South Florida in Tampa, in 1972 and 1974, respectively.

Mr. Stephen Neitz, *Associate Dean for Enrollment Management.* Mr. Neitz joined York College of Pennsylvania in July of 2007. Before joining the College, he was Dean of

Enrollment Management and Admissions for Mount St. Mary's University. He received a B.A. in Media Management from Marietta College and a M.S. in Higher Education Administration from Syracuse University.

Dr. Deborah D. Ricker, Ph.D., *Dean of Academic Services*. Dr. Ricker joined York College of Pennsylvania in 1995 as an Associate Professor of Biology and was named Chair of the department in 2002. She became Associate Dean of Academic Affairs in 2008 and was promoted to her current role as Dean of Academic Services in 2010. Dr. Ricker received a B.S. in Biology from Mars Hill College, a M.S. in Biology from East Tennessee State University and a Ph.D. in Philosophy from Johns Hopkins University, School of Hygiene and Public Health, Division of Reproductive Biology.

Mr. Robert Robinson, *Associate Dean for Information Technology*. Mr. Robinson joined York College of Pennsylvania in March of 2001. Prior to joining the College, he was Director of Information Technology for the University of Maryland Dental School and also served as a faculty member. Mr. Robinson received a B.S. Electrical Engineering degree from Drexel University and M.S. Computer Science degree from the Johns Hopkins University.

Academic Programs Profile

York College of Pennsylvania offers a program of studies which provides degree options in over 50 academic disciplines. Of equal importance, York College of Pennsylvania requires all students to complete a general education curriculum, which includes courses in English and Communications skills, Information Literacy, Mathematics, Laboratory Science, Humanities and Fine Arts, Behavioral and Social Sciences, Foreign Languages and Foreign Culture, American Civilization, and Physical Education.

The following is a list of undergraduate majors. The College also offers master's degrees in Business, Education and Nursing, as well as a doctorate in Nursing Practice.

Accounting	Fine Art
Behavioral Science	Forensic Chemistry
Biological Sciences	General Studies (Associate)
Business Administration	Graphic Design
Chemistry	History
Computer Engineering	Hospitality Management
Computer Information Systems	International Relations
Computer Science	LPN to B.S. with a Major in Nursing
Criminal Justice	Management
Early Childhood/Special Education	Marketing
Early Childhood Education	Mass Communication
Economics	Mathematics
Electrical Engineering	Mechanical Engineering
Engineering Management	Medical Laboratory Science
English Literary Studies	Middle Level Education
Entrepreneurship	Music
Finance	Music Education

Music Industry and Recording Technology
Nuclear Medicine Technology
Nursing
Philosophy
Physics (Associate)
Political Science
Professional Writing
Psychology
Public Relations
Radiography
Recreation and Leisure Administration
Respiratory Care
RN to B.S. with a Major in Nursing

Secondary Education/Biology
Secondary Education/English
Secondary Education/General Science
Secondary Education/Mathematics
Secondary Education/Social Studies
Sociology
Spanish
Spanish Education
Speech Communication
Sports Management
Supply Chain Operations Management
Theatre
Undecided Business

Information Resources

Information Resources provides state-of-the-art information systems to all faculty, staff and students. Students are assigned a network account that allows them to access file storage, networked programs, e-mail, internet access, and printing. York College of Pennsylvania network services are provided by a variety of servers to computers via a campus-wide fiber optic network connecting all academic, administrative, and residential buildings.

Faculty & Staff Profile

As of fall 2013, the College employed 317 full-time equivalent faculty. Ninety-eight percent of the 191 full-time faculty held a doctorate (80%), master's (15%), or other terminal degree (3%). Full professors comprised 12% of the full-time faculty; associate professor, 36%; assistant professors, 41%; and instructors, 11%. The College also employed 147 professional administrative staff personnel (140 FT; 7 PT) and 270 service personnel (130 FT; 140 PT) to support its academic, student life and auxiliary programs.

The student-to-faculty (FTE) ratio for fall 2013 was 15:1.

There is no collective bargaining unit or other labor union representative on campus. Relations between the College and its employees are considered to be excellent.

Pension Plan

The College's pension plan is a defined contribution plan which operates under Section 403(b) of the Internal Revenue Code. These benefits are provided to eligible employees through contributions to a non-forfeitable savings account. Employees may contribute as much as they may choose, limited only by IRS guidelines. The College provides a match of up to 10 percent of the employee's salary.

In addition to the 403(b) plan, Senior Administrators are eligible to participate in a supplemental 457(b) retirement plan. A former president of the College also participates in a supplemental nonqualified 457(f) retirement plan. The 457(b) plan has been funded solely by employee contributions.

The College also provides deferred compensation to full-time faculty members in the form of a severance payment upon voluntary termination of employment. The College accrues the expected cost of this benefit over the years that the faculty members render service.

Admissions and Enrollment

The College reports that as more electronic applications have been received, the matriculation rate has changed as a natural consequence to having a more diverse universe of applicants.

In addition to the historical information shown below, as of May 1, 2014, the College had received approximately 2% more deposits from incoming freshman candidates than as of May 1, 2013.

<u>Academic Year</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>
<u>Freshman Admissions Data</u>					
Applications	11,048	16,519	18,402	15,275	16,563
Acceptances	6,197	7,973	7,927	6,860	7,302
Acceptance Rate	56%	48%	43%	45%	44%
Matriculations	1,092	1,231	1,179	1,135	1,070
Matriculation Rate	18%	15%	15%	17%	15%
Average SAT Scores	1,088	1,083	1,043	1,045	1,050
<u>FTE Graduate Students</u>	149	139	138	143	133
<u>Total FTE Enrollment</u>	5,001	4,913	5,093	4,952	4,790

Note: The average SAT score calculation methodology was revised in FY 2012 but prior year calculations were not restated.

Demographics

The table below shows first-time, full-time freshman demographics for the past 5 fiscal years.

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Pennsylvania	49%	48%	45%	46%	53%
Maryland	21%	18%	19%	22%	21%
New Jersey	15%	15%	18%	16%	11%
New York	9%	12%	10%	9%	8%
Other	6%	7%	8%	7%	7%

Residential Growth

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Full-Time Undergraduate Students	4,574	4,638	4,669	4,561	4,407
Full-Time Undergraduate Commuters	1,440	1,426	1,324	1,199	1,093
% Commuters	31.5%	30.7%	28.4%	26.3%	24.8%
Housing Requirements	3,134	3,212	3,345	3,362	3,314
Housing Availability	<u>2,300</u>	<u>2,300</u>	<u>2,575</u>	<u>2,575</u>	<u>2,575</u>
Number of Students permitted to reside off-campus	834	912	770	787	739

Note: Northside Commons (275 beds) was added in 2011-12. The College has a four year residence requirement.

Full-Time Undergraduate and Graduate Tuition, Fees, Room & Board

The following table shows full-time undergraduate tuition, fees, and room and board charges, and full-time graduate tuition and fees, for each of the last five fiscal years.

	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>
Tuition	\$ 13,000	\$13,640	\$14,320	\$14,900	\$15,350
Fees	1,460	1,500	1,560	1,620	1,660
Room & Board	<u>8,080</u>	<u>8,530</u>	<u>8,920</u>	<u>9,300</u>	<u>9,580</u>
Total Undergraduate Tuition & Fees	\$22,540	\$23,670	\$24,800	\$25,820	\$26,590
Graduate Tuition & Fees	\$12,440	\$13,020	\$13,620	\$14,130	\$14,530

Student Financial Aid

The majority of full-time students received financial aid for the 2013-14 academic year. Assistance supplements the contribution that a student and his or her family make toward the educational fees. Financial aid packages consist of federal and state grants and loans, institutional grants and scholarships, work-study opportunities, and outside grants and scholarships.

Competition

The following table lists the total tuition, room, and board rates for fall of 2013 for the public and private colleges and universities that, in the view of College management, primarily competed with the College for qualified students.

<u>Institution</u>	<u>State</u>	<u>Overlap in SAT Scores Sent</u>	<u>In-State</u>	<u>Out-of-State</u>
York*	PA	without benefit of tuition discounting	\$26,590	\$26,590
Penn State	PA	15%	\$27,082	\$39,656
Towson	MD	15%	\$19,322	\$31,000
West Chester	PA	12%	\$16,836	\$26,770
Drexel*	PA	11%	\$51,920	\$51,920
Salisbury	MD	9%	\$18,368	\$26,714
Delaware	DE	9%	\$23,612	\$41,432
Bloomsburg	PA	9%	\$16,430	\$26,364
Temple	PA	9%	\$24,392	\$34,418
Maryland	MD	7%	\$19,441	\$38,627
Millersville	PA	7%	\$18,498	\$28,432

Source: Collegeboard.org

*Private Institutions

Summary Financial Operations

For the fiscal years ended June 30, 2013, 2012, 2011, 2010, and 2009, the financial information presented below has been derived from the audited financial statements of the College. In the opinion of College management, there has been no material adverse change in the financial condition of the College since June 30, 2013, the date of the last audited financial statements.

REVENUES		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
	Gross tuition and fees	\$ 71,586	\$ 75,268	\$ 79,793	\$ 84,459	\$ 85,438
	Less: scholarship expense	(8,236)	(10,127)	(12,227)	(13,457)	(15,053)
	Net tuition and fees	63,350	65,141	67,566	71,002	70,385
	Auxiliary enterprises	18,251	22,299	23,743	26,682	27,324
	Private gifts and grants	1,213	1,393	1,500	1,496	2,422
	Government grants	1,839	5,006	3,139	1,376	1,285
	Investment return designated for ops	3,285	2,950	2,896	2,762	2,923
	Short-term investment income	333	262	298	319	294
	Other income	628	675	655	622	679
	Total revenues	88,899	97,726	99,797	104,259	105,312
EXPENSES						
	Instructional	34,750	37,118	38,010	39,619	41,461
	Public service	843	525	392	426	335
	Academic support	8,360	8,548	9,165	9,564	9,565
	Student services	9,442	9,864	9,442	9,592	10,224
	Institutional support	10,235	10,808	12,396	12,858	13,218
	Auxiliary enterprises	17,757	19,203	20,547	23,527	23,409
	Total expenses	81,387	86,066	89,952	95,586	98,212
	Change in operating net assets	7,512	11,660	9,845	8,673	7,100
	Change in non-operating net assets	(28,113)	11,195	31,272	(288)	15,111
	Total change in net assets	(20,601)	22,855	41,117	8,385	22,211
	Net assets: beginning of year	216,787	196,186	219,041	260,158	268,543
	Net assets: end of year	\$ 196,186	\$ 219,041	\$ 260,158	\$ 268,543	\$ 290,754

Long-Term Investments

As of March 31, 2014 (the estimated value of which is shown below), approximately 80% of the College's endowment/long term investments were unrestricted.

Year	Long Term Investments Market Value
FY 2009	\$85,875,280
FY 2010	\$97,544,251
FY 2011	\$119,090,053
FY 2012	\$119,601,080
FY 2013	\$136,370,282
03/31/2014*	\$155,700,000

*Estimated

The Future of York College

In the last 20 years, York College has grown its full-time undergraduate enrollment from 3,000 to more than 4,600 students, and has moved decisively away from a low-cost, commuter school to a comprehensive, high-value, residential college model. Program quality, fiscal strength, and regional reputation have all advanced, while total cost is a fraction of the average for Pennsylvania independent colleges. York College is clearly realizing its vision of excellence and value in private higher education and, as a result, carving out a distinctive and attractive position in the higher education marketplace of the present and future. York has become an aspirant for many private colleges who now seek greater efficiencies.



Faculty Recognition Garden

Fundraising Campaign

York College has an integrated advancement operation, including a comprehensive development program and a full-service alumni relations program. Performance of the division has increased dramatically in the past ten years.

Recent Capital Campaign. “*A Time to Act*”, the College’s last comprehensive campaign, completed in 2009, secured \$18.7 million in gifts, pledges and other commitments, well in excess of the \$16.0 million goal. The lead gift to the campaign was \$2.5 million.

Young Alumni. The demographics of the York College alumni body bode well for the future of the program. More than 50% of all College alumni graduated since 1990. As the College’s still young alumni body matures, the College believes that they will develop the capacity to support their alma mater with greater gifts.

“Strategic Initiatives” – Project Specific Capital Campaigns. Within the Life Science and Nursing departments, \$7.8 million has been raised to support capital improvements, programs, and scholarships. Within the Business Administration department, \$14.5 million has been raised to support capital improvements, programs, and scholarships as well. \$7.9 million has been raised thus far for proposed improvements for York Country Day School, an affiliate institution of the College.

Annual Giving. The College Fund saw a 23.3% increase in 2012-2013 over the previous year, raising over \$1.5 million. During the 2013 academic year, the College added 313 new alumni donors, reclaimed 577 lapsed alumni donors, retained 521 alumni donors at their previous levels, and upgraded the gifts of 622 alumni donors. The College soon plans on launching “GO GREEN”, a national day of giving which is envisioned to boost alumni participation.

Testamentary Commitments. The testamentary commitments to the College currently include the Huber Foundation, the Legacy Society, and other meaningful bequests.

The table below shows the total giving (cash) to the College for the past ten years.

	<u>Cash Given</u>
FY 2004	\$3,799,616
FY 2005	\$3,705,043
FY 2006	\$4,716,909
FY 2007	\$4,783,245
FY 2008	\$4,198,108
FY 2009	\$3,396,981
FY 2010	\$4,866,275
FY 2011	\$7,504,278
FY 2012	\$7,768,649
FY 2013	\$6,199,000

Litigation

The College, like other similar institutions, is subject to a variety of suits and proceedings arising in the ordinary course of business. In the opinion of the College, there is no litigation of any nature pending or threatened wherein an unfavorable decision would have a material adverse impact on the financial condition of the College.

Insurance Coverage

Currently the College maintains insurance coverage for many purposes, including the following:

- Buildings and Personal Property: \$329,898,000
- Earthquake: \$25,000,000
- Flood: \$25,000,000 with limitations on certain properties
- Commercial General Aggregate: \$5,000,000
- Boiler and Machinery: \$100,000,000 (limit)
- Automobile: \$1,000,000
- Commercial Excess Liability: 1st Layer: \$10,000,000; 2nd Layer: \$15,000,000
- Crime: Computer Fraud, Funds Transfer, Sexual Abuse – various levels of coverage
- Pollution Liability Aggregate: \$20,000,000

Accounting Matters

Potential purchasers of the College's Bonds should read the College's audited financial statements for the year ended June 30, 2013, which are included in Appendix B to this Official Statement, in their entirety for more complete information regarding the College's financial position.

In the opinion of the administration of the College, there has been no material adverse change in the financial condition of the College since June 30, 2013, the most recent date for which audited financial statements are published.

College Indebtedness

The table below illustrates the College's fiscal year estimated debt service requirements after issuance of the Series 2014 T2 Bonds, the Series 2014 T3 Bonds and the Series 2014 T4 Bonds, all of which will be issued concurrently as variable rate bonds in a Term Mode without credit enhancement.

Fiscal Year Ended	Series 2005 EE1 (Fixed)	Series 2007 GG2 (Fixed)	Series 2011 II (Fixed)	Series 2014 T2 (Multi-Mode)*	Series 2014 T3 (Multi-Mode)*	Series 2014 T4 (Multi-Mode)*	TOTAL
06/30/2015	2,170,918.76	871,875.00	1,374,068.76	467,562.50	168,583.34	305,911.46	5,358,919.82
06/30/2016	2,170,868.76	868,675.00	1,404,168.76	528,662.50	363,500.00	378,906.25	5,714,781.27
06/30/2017	2,169,718.76	870,475.00	1,403,518.76	554,175.00	441,181.25	712,187.50	6,151,256.27
06/30/2018	2,172,468.76	867,075.00	1,407,025.01	573,681.25	435,287.50	705,200.00	6,160,737.52
06/30/2019	2,172,718.76	868,675.00	1,403,953.13	602,325.00	434,393.75	693,125.00	6,175,190.64
06/30/2020	2,174,481.26	864,962.50	1,403,975.00	524,818.75	428,356.25	776,050.00	6,172,643.76
06/30/2021	2,173,050.01	866,250.00	1,407,050.00	554,181.25	422,318.75	766,243.75	6,189,093.76
06/30/2022	2,173,871.88	867,093.76	1,403,337.50	582,393.75	416,281.25	751,293.75	6,194,271.89
06/30/2023	2,176,231.25	867,718.76	1,405,437.50	609,456.25	410,243.75	736,343.75	6,205,431.26
06/30/2024	2,170,343.75	873,125.00	1,403,487.50	640,368.75	404,206.25	721,393.75	6,212,925.00
06/30/2025	2,171,043.75	868,093.76	1,404,975.00	669,987.50	398,168.75	706,443.75	6,218,712.51
06/30/2026	2,168,068.75	868,062.50	1,404,762.50	603,312.50	392,131.25	791,493.75	6,227,831.25
06/30/2027	2,166,287.50	872,812.50	1,407,675.00	538,075.00	386,093.75	873,668.75	6,244,612.50
06/30/2028	2,170,306.25	872,125.00	1,403,712.50	569,275.00	380,056.25	852,968.75	6,248,443.75
06/30/2029	2,171,237.50	866,050.00	1,407,750.00	509,181.25	474,018.75	832,268.75	6,260,506.25
06/30/2030	2,174,512.50	869,975.00	1,404,650.00	550,381.25	465,106.25	811,568.75	6,276,193.75
06/30/2031	2,116,000.00	868,450.00	1,404,387.50	-	1,146,193.75	890,868.75	6,425,900.00
06/30/2032	2,188,375.00	871,700.00	1,406,675.00	-	1,017,443.75	967,293.75	6,451,487.50
06/30/2033	2,164,750.00	869,500.00	1,406,243.75	-	1,291,568.75	745,843.75	6,477,906.25
06/30/2034	2,142,250.00	871,250.00	1,403,087.50	-	2,042,068.75	-	6,458,656.25
06/30/2035	-	5,047,500.00	1,407,056.25	-	-	-	6,454,556.25
06/30/2036	-	5,049,500.00	1,403,006.25	-	-	-	6,452,506.25
06/30/2037	-	5,050,500.00	1,405,793.75	-	-	-	6,456,293.75
06/30/2038	-	-	1,405,131.25	-	-	-	1,405,131.25
06/30/2039	-	-	1,405,875.00	-	-	-	1,405,875.00
06/30/2040	-	-	1,407,737.50	-	-	-	1,407,737.50
06/30/2041	-	-	1,405,575.00	-	-	-	1,405,575.00
06/30/2042	-	-	1,404,243.75	-	-	-	1,404,243.75
Total	\$43,357,503.20	\$32,531,443.78	\$39,314,359.42	\$9,077,837.50	\$11,917,202.09	\$14,019,073.96	\$150,217,419.95

***Estimated.**

Management's Discussion

York College of Pennsylvania has evolved to become a full-fledged, professionally oriented, liberal arts, residential college. The College's academic and co-curricular programs are well positioned to meet the demands of today's students. The results of its focus on experiential learning and professionalism have continued to enhance the College's reputation. The College has received national recognition in each of the last four years for its national poll on professionalism sponsored by its Center for Professionalism Excellence. The Center for Professionalism Excellence provides an important resource in developing professional graduates in all fields of study. The Center mirrors the mission and core values of the College which include providing a high quality liberal arts education with experiential learning opportunities in its professionally oriented programs at an affordable price.

York College of Pennsylvania continues to receive very positive rankings in national publications including Barron's Best Buys in Higher Education and U.S. News and World Report's America's Best Colleges. The College is consistently noted as an excellent value.

York College of Pennsylvania has thrived because it has embraced innovation and change and has dedicated itself to the service of its students. Little known outside of South Central Pennsylvania 30 years ago, the College is now rated as one of the best values in higher education in the Northeast. It attracts faculty from some of the best graduate schools in the country and outstanding students from a geographic area that grows larger with each passing year. The College also produces extraordinary graduates who are making real contributions to communities all across the country, and increasingly around the world. The College is now the eighth largest private college in Pennsylvania, with nearly 4,700 full-time students.

The student population of York College of Pennsylvania has grown significantly over the past 14 years. Total full-time equivalent undergraduate enrollment has increased from 4,185 in the fall of 1999 to 4,657 in the fall of 2013, representing an 11% increase. York College of Pennsylvania has also experienced a significant shift in the ratio of part-time to full-time students. In approximately the last 20 years, the College has moved from being evenly split between full-time and part-time students to being predominantly attended by full-time students of traditional college age. The proportion of total enrollment accounted for by full-time students has surged from 56% to 85% over approximately the last 20 years. The College has experienced a 51% increase in residential students over the past 14 years and currently has a residential capacity of 2,575 beds.

The College recognizes the need to continue its evolution to focus on preparing outstanding professional graduates in all fields of study. The College has made dramatic recent improvements to its campus, including the completion of a state-of-the-art sports and recreation center, a performing arts center, new and renovated academic spaces and the construction of additional dormitories. The College is both well positioned and committed to the resources necessary to continuously provide a broad-based education focused on the intellectual, social and physical development of young people.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF YORK COLLEGE OF PENNSYLVANIA FOR THE
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

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**Financial Statements and Report of
Independent Certified Public Accountants**

York College of Pennsylvania

June 30, 2013 and 2012

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Report of Independent Certified Public Accountants

Board of Trustees
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Report on the financial statements

We have audited the accompanying financial statements of York College of Pennsylvania (the "College"), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of York College of Pennsylvania as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in dark ink that reads "Grant Thornton LLP". The signature is written in a cursive, flowing style.

Philadelphia, Pennsylvania

October 18, 2013

York College of Pennsylvania

STATEMENTS OF FINANCIAL POSITION

June 30,

ASSETS	2013	2012
Cash and cash equivalents	\$ 5,964,257	\$ 6,520,479
Restricted cash and cash equivalents	4,681,371	4,669,057
Accounts and grants receivable (less provision for uncollectible accounts of \$1,015,196 in 2013 and \$997,045 in 2012)	1,412,024	1,347,677
Inventory	740,524	803,582
Prepaid expenses and other assets	2,452,268	2,319,617
Investments	136,370,282	119,601,080
Contributions receivable, net	8,218,512	9,979,421
Student loans receivable	218,955	230,698
Funds held in trust by others	5,675,570	5,383,546
Property and equipment, net	<u>246,959,469</u>	<u>240,682,668</u>
Total assets	<u>\$ 412,693,232</u>	<u>\$ 391,537,825</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 5,510,123	\$ 4,869,935
Students' advance payments and deposits	7,292,621	8,048,189
Accrued salaries and benefits and other liabilities	4,603,355	4,402,674
Annuities payable	664,448	570,976
Advances from federal government	389,339	389,339
Deposits held in custody for others	17,117	11,456
Deferred compensation	9,901,421	9,319,633
Notes payable	117,053	230,653
Bonds payable	<u>93,443,401</u>	<u>95,152,353</u>
Total liabilities	<u>121,938,878</u>	<u>122,995,208</u>
Net assets		
Unrestricted:		
Net investment in plant and equipment	158,549,949	150,536,472
Quasi-endowment	39,106,540	36,308,801
College loan funds	54,850	54,850
Designated for operations	307,636	215,112
Designated for capital projects	<u>50,061,831</u>	<u>40,799,659</u>
Total unrestricted	248,080,806	227,914,894
Temporarily restricted	15,901,346	15,680,914
Permanently restricted	<u>26,772,202</u>	<u>24,946,809</u>
Total net assets	<u>290,754,354</u>	<u>268,542,617</u>
Total liabilities and net assets	<u>\$ 412,693,232</u>	<u>\$ 391,537,825</u>

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

York College of Pennsylvania

STATEMENT OF ACTIVITIES

Year ended June 30, 2013

(with comparative totals for June 30, 2012)

	2013			2012
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains and other support				
Tuition and fees	\$ 85,438,233	\$ -	\$ -	\$ 85,438,233
Scholarship allowances	(15,053,436)	-	-	(15,053,436)
Net tuition revenues	70,384,797	-	-	70,384,797
Contributions	1,136,359	1,285,781	-	2,422,140
Government grants and contracts	1,285,716	-	-	1,285,716
Investment return designated for operations	1,836,585	1,086,049	-	2,922,634
Interest income	294,405	-	-	294,405
Other income	523,769	154,898	-	678,667
Sales and services of auxiliary enterprises	27,323,461	-	-	27,323,461
Net assets released from restrictions	5,122,800	(5,122,800)	-	-
Total operating revenues	107,907,892	(2,596,072)	-	105,311,820
Operating expenses				
Educational and general				
Instructional	41,460,514	-	-	41,460,514
Public service	335,354	-	-	335,354
Academic support	9,565,131	-	-	9,565,131
Student services	10,224,196	-	-	10,224,196
Institutional support	13,217,546	-	-	13,217,546
Total educational and general expenses	74,802,741	-	-	74,802,741
Auxiliary enterprises	23,409,041	-	-	23,409,041
Total operating expenses	98,211,782	-	-	98,211,782
Change in net assets from operations	9,696,110	(2,596,072)	-	7,100,038
Net nonoperating revenues				
Investment return, net of amount designated for operations	10,256,133	2,030,770	267,066	12,553,969
Contributions for long-term investments, net of write-offs	213,669	785,734	1,558,327	2,557,730
Total net nonoperating revenues	10,469,802	2,816,504	1,825,393	15,111,699
Change in net assets	20,165,912	220,432	1,825,393	22,211,737
Net assets, beginning of year	227,914,894	15,680,914	24,946,809	268,542,617
Net assets, end of year	\$ 248,080,806	\$ 15,901,346	\$ 26,772,202	\$ 290,754,354

The accompanying notes are an integral part of this financial statement.

York College of Pennsylvania

STATEMENT OF ACTIVITIES

Year ended June 30, 2012

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains and other support				
Tuition and fees	\$ 84,459,162	\$ -	\$ -	\$ 84,459,162
Scholarship allowances	(13,456,840)	-	-	(13,456,840)
Net tuition revenues	71,002,322	-	-	71,002,322
Contributions	820,888	675,214	-	1,496,102
Government grants and contracts	1,376,141	-	-	1,376,141
Investment return designated for operations	1,758,024	1,003,415	-	2,761,439
Interest income	319,228	-	-	319,228
Other income	425,608	196,051	-	621,659
Sales and services of auxiliary enterprises	26,682,359	-	-	26,682,359
Net assets released from restrictions	5,927,827	(5,927,827)	-	-
Total operating revenues	108,312,397	(4,053,147)	-	104,259,250
Operating expenses				
Educational and general				
Instructional	39,619,313	-	-	39,619,313
Public service	425,607	-	-	425,607
Academic support	9,564,488	-	-	9,564,488
Student services	9,592,036	-	-	9,592,036
Institutional support	12,858,116	-	-	12,858,116
Total educational and general expenses	72,059,560	-	-	72,059,560
Auxiliary enterprises	23,526,969	-	-	23,526,969
Total operating expenses	95,586,529	-	-	95,586,529
Change in net assets from operations	12,725,868	(4,053,147)	-	8,672,721
Net nonoperating revenues				
Investment return, net of amount designated for operations	(1,978,418)	(959,933)	(378,686)	(3,317,037)
Contributions for long-term investments, net of write-offs	601,456	1,946,628	481,288	3,029,372
Total net nonoperating revenues	(1,376,962)	986,695	102,602	(287,665)
Change in net assets	11,348,906	(3,066,452)	102,602	8,385,056
Net assets, beginning of year	216,565,988	18,747,366	24,844,207	260,157,561
Net assets, end of year	\$ 227,914,894	\$ 15,680,914	\$ 24,946,809	\$ 268,542,617

The accompanying notes are an integral part of this financial statement.

York College of Pennsylvania

STATEMENTS OF CASH FLOWS

Year ended June 30,

	2013	2012
Cash flows from operating activities		
Change in net assets	\$ 22,211,737	\$ 8,385,056
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,535,080	9,898,108
(Gain) loss on disposition of assets	(14,573)	81,743
Net realized and unrealized (gains) losses on investments	(15,181,709)	899,139
Gifts for long-term investment	(3,622,584)	(3,029,372)
Allowance for doubtful accounts	18,150	210,059
Note payable forgiveness	(50,000)	(50,000)
Conditional asset retirement obligation	15,537	275,974
Changes in assets and liabilities:		
Accounts and grants receivable	(82,497)	1,581,325
Inventory	63,058	(18,827)
Prepaid expenses and other assets	(208,489)	(13,544)
Contributions receivable	1,660,909	759,267
Accounts payable	16,935	767,274
Students' advance payments and deposits	(755,568)	1,068,788
Accrued salaries and benefits and other liabilities	185,144	364,091
Deposits held in custody for others	5,661	(27,297)
Deferred compensation	581,788	351,098
Net cash provided by operating activities	<u>15,378,579</u>	<u>21,502,882</u>
Cash flows from investing activities		
Purchases of property and equipment	(16,167,789)	(23,597,658)
Change in restricted cash	(12,314)	4,207,810
Sales of investments	18,185,075	7,086,250
Purchase of investments	(19,892,893)	(8,066,997)
Student loans granted	(20,000)	(36,000)
Payments on student loans receivable	<u>31,742</u>	<u>34,690</u>
Net cash used in investing activities	<u>(17,876,179)</u>	<u>(20,371,905)</u>
Cash flows from financing activities		
Gifts received for long-term investment	3,622,584	3,207,723
Change in annuities payable	21,775	179,473
Proceeds from notes payable	-	161,360
Payments on notes payable	(37,981)	(12,811)
Payments made on bonds payable	<u>(1,665,000)</u>	<u>(1,600,000)</u>
Net cash provided by financing activities	<u>1,941,378</u>	<u>1,935,745</u>
Net (decrease) increase in cash and cash equivalents	(556,222)	3,066,722
Cash and cash equivalents, beginning	<u>6,520,479</u>	<u>3,453,757</u>
Cash and cash equivalents, ending	<u>\$ 5,964,257</u>	<u>\$ 6,520,479</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest, net of amounts capitalized	<u>\$ 3,683,504</u>	<u>\$ 3,728,862</u>
Supplemental disclosure of noncash investing activities		
Fixed assets in accounts payable	<u>\$ 2,471,134</u>	<u>\$ 1,847,892</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Operations

York College of Pennsylvania (the "College") is an independent, comprehensive college, offering Associate, Baccalaureate, Master's and Doctorate degrees. The College is accredited by the Middle States Commission of Higher Education.

The College awards grants-in-aid and scholarships to individuals who meet the College's academic standards. The amounts of such awards are determined primarily based upon the financial needs of each applicant. Additional financial aid is provided to students from federal and state programs in which the College participates and from monies contributed to the College by alumni and friends of the College.

During the years ended June 30, 2013 and 2012, the College and external resources provided student financial aid of approximately \$15,053,000 and \$13,457,000, respectively, which represented approximately 17.6% and 15.9% of gross tuition and fee revenues for 2013 and 2012, respectively.

The College evaluated its June 30, 2013 financial statements for subsequent events through October 18, 2013. The College is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

2. Basis of Presentation

The financial statements of the College have been prepared in conformity with accounting principles generally accepted in the United States of America.

Not-for-profit accounting standards require the reporting of total assets, liabilities, and net assets in a statement of financial position; reporting the change in net assets in a statement of activities; and reporting the sources and uses of cash and cash equivalents in a statement of cash flows. Net assets, revenues and gains, and expenses and losses are classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions as follows:

Permanently restricted - Net assets whose use by the College is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the College.

Temporarily restricted - Net assets whose use by the College are subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. Since endowment net realized and unrealized gains may eventually be spent by the College, such gains are recorded in the financial statements as temporarily restricted net assets until transferred to unrestricted net assets.

Unrestricted - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

**NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
(Continued)**

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets.

3. Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the individual donor's ability to satisfy obligations and current market rates. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of the fund-raising activity.

4. Cash and Cash Equivalents

The College considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents, consisting of demand deposits with banks, certificates of deposit, and money market funds.

Restricted cash and cash equivalents are primarily deposits with trustees related to various bond issues.

5. Accounts Receivable

Accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based on the College's historical losses and periodic review of individual accounts.

6. Inventories

Inventories are stated at the lower of first-in, first-out ("FIFO") cost or market and consist of books and other merchandise for students.

7. Investments and Investment Risk

Investments are recorded at fair value.

Realized gains and losses arising from the sale of investments and ordinary income from investments are reported as changes in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor-imposed stipulations. Purchases and sales of investments are recorded on a trade date basis.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

**NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
(Continued)**

The College maintains a portfolio of diversified investments, managed by investment advisors, with a financial objective to provide ongoing financial support to the College while preserving the purchasing power of the investments over the long term. The fair values reported in the statement of financial position are exposed to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near term.

8. Funds Held in Trust by Others

Funds held in trust by others represent the College's share of these funds based on the terms of the various irrevocable trusts. These funds are neither in the possession, nor under the control, of the College. Such terms provide that the College is to receive annually a certain percentage of the income earned by the funds which are held in trust. The present values of the estimated future cash flows from the trusts are recognized as assets and contribution revenues at the dates the trusts are established. Distributions from the trusts are recorded as other investment income and the carrying value of the assets is adjusted for changes in the estimates of future receipts. Because of the permanent right of the College to its share of the trusts' earnings, the College reports its share of these trusts on its financial statements as funds held in trust by others.

9. Property and Equipment

Property and equipment are stated at cost at date of acquisition. The purchase of library books and other related material is expensed as incurred. Donations of land, buildings, and equipment are similarly capitalized and recorded as support at their fair value. Such donations are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the College reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Depreciation is recorded over the estimated useful lives of the assets using the straight-line method. Buildings and improvements are depreciated between 10 - 40 years and equipment and vehicles are depreciated between 3 - 20 years.

During the years ended June 30, 2013 and 2012, the College capitalized net interest incurred for certain building construction of \$130,201 and \$236,016, respectively. Interest is amortized on a straight-line basis, which approximates the effective interest method, over the life of the building.

At each statement of financial position date, management evaluates whether any property and equipment have been impaired. In 2013, the College traded one vehicle, incurring a gain of \$14,573. In 2012, the College demolished one building, incurring a loss of \$81,743, and disposed of certain other equipment items totaling \$6,039,282 that were fully depreciated. There were no impairments at June 30, 2013 and 2012.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

**NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
(Continued)**

10. Deferred Financing Costs

Costs incurred in connection with debt financing are deferred and amortized over the term of the related debt using the straight-line method, which approximates the effective interest method. Amortization expense was \$75,837 in 2013 and \$75,877 in 2012 and is included in auxiliary enterprises expense on the statement of activities. Unamortized deferred debt costs were \$1,385,886 and \$1,461,723 as of June 30, 2013 and 2012, respectively, and are classified as prepaid expenses and other assets on the statement of financial position.

11. Students' Advance Payments and Deposits

Tuition, fees, and room and board from currently enrolled students, is billed in advance and is recognized as revenue when earned.

12. Conditional Asset Retirement Obligation

The College considers a conditional asset retirement an obligation that includes a legal obligation associated with the retirement of a tangible long-lived asset in which the timing and/or method of settling the obligation is conditional on a future event that may or may not be within the control of the College. Recognition of a liability is required for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated, even if conditional on a future event. The College records the fair value of a liability for a legal obligation associated with an asset retirement in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized. At June 30, 2013, the conditional asset retirement obligation was \$291,511. At June 30, 2012, the conditional asset retirement obligation was \$275,974. The liability is recorded as a component of accrued salaries and benefits and other liabilities in the statements of financial position.

13. Split-Interest Agreements and Annuities Payable

The College's split-interest agreements with donors consist primarily of annuities and life income. Principally all assets held as part of these agreements are included in investments. Contribution revenues are recognized at the date the agreements are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the agreements for changes in the value of the assets and changes in the estimated present value of future cash outflows and other changes in the estimates of future benefits. The annuities payable represent the net present value of future cash outflows over the annuitant's life expectancy as required by the annuity agreement. Discount rates are set when the annuity agreement is established and range from 2% to 7% to calculate the future net cash flows of the annuity obligations.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

**NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
(Continued)**

14. Advances from Federal Government

Funds provided by the United States Government under the Federal Perkins Loan Program and Nursing Student Loan Program are loaned to qualified students and may be re-loaned after collections. These funds are ultimately refundable to the government and are reported as a long-term liability.

15. Deferred Compensation

The College provides deferred compensation to full-time faculty members in the form of a severance payment upon voluntary termination of employment. The College accrues the expected cost of this benefit over the years that the faculty members render service.

16. Income Taxes

The College is organized under Internal Revenue Code Section 501(c)(3), and therefore is exempt from income taxes on activities related to its exempt purpose. In addition, the College has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

The College accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2013 and 2012.

The College's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses. No interest or penalties were recognized in 2013 or 2012.

The College's federal Exempt Organization Business Income Tax Returns for the fiscal years ended June 30, 2012, 2011, and 2010 remain subject to examination by the Internal Revenue Service.

17. Allocation of Certain Expenses

The statement of activities presents expenses by functional classification. Operation and maintenance of plant and depreciation are allocated based on square footage.

18. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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. Management believes the estimates and assumptions used in the preparation of these financial statements are reasonable, based upon currently available facts and circumstances.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
(Continued)19. Nonoperating Activities

Nonoperating activities reflect realized gains and losses on investments, unrealized gains and losses on investments, dividends and interest income related to long-term investments, changes in value of split-interest agreements, and contributions for long-term investments.

20. Government Grants and Contracts

Operating funds designated by government funding agencies for particular operating purposes are deemed to be earned and reported as revenues when the College has incurred expenditures in compliance with the contract.

NOTE B - ACCOUNTS AND GRANTS RECEIVABLE

Accounts receivable represent amounts due for tuition, fees, and room and board from currently enrolled and former students and other receivables generated in the normal course of business. The College extends unsecured credit to certain students and parents of dependent students in connection with their studies. Some of those students are no longer enrolled or have completed their degrees.

As of June 30, 2012, the College had a \$100,000 receivable as a sub-grantee under the Redevelopment Assistance Capital Project ("RACP") of the Commonwealth of Pennsylvania. This amount was collected during 2013. As of June 30, 2013, the College had \$242,285 in receivables related to amounts due from certain vendors.

Accounts and grants receivable consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
Accounts receivable	\$ 2,184,935	\$ 2,244,722
Less provision for uncollectible accounts	<u>1,015,196</u>	<u>997,045</u>
Total student accounts receivable	1,169,739	1,247,677
Grants and other receivable	<u>242,285</u>	<u>100,000</u>
Total accounts receivable	<u>\$ 1,412,024</u>	<u>\$ 1,347,677</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE C - INVESTMENTS

A summary of investments at June 30 follows:

	<u>2013</u>	<u>2012</u>
U.S. equity funds	\$ 37,752,128	\$ 33,580,476
Diversifying equity funds	36,748,688	30,791,287
Non U.S. equity funds	30,054,691	25,653,053
U.S. government obligations	13,224,573	17,778,759
Private equity and venture capital	8,493,277	7,508,126
Real estate securities	4,931,578	3,987,211
Diversifying bond funds	4,903,359	-
Other	146,570	140,027
Money markets	<u>115,418</u>	<u>162,141</u>
	<u>\$ 136,370,282</u>	<u>\$ 119,601,080</u>

The College incurred approximately \$1,700,000 and \$1,200,000 in investment management and adviser fees during the years ended June 30, 2013 and 2012, respectively. These fees are netted against investment income in the statement of activities. Fees for certain diversifying equity managers include incentive fees based on surpassing defined performance levels. Such fees were approximately \$500,000 in 2013 and \$200,000 in 2012.

Investments have been restricted by donors or designated by the College for the following purposes:

	<u>2013</u>	<u>2012</u>
Plant funds	\$ 68,165,492	\$ 57,843,163
Endowment and similar funds	68,150,431	61,703,558
Student loans	<u>54,359</u>	<u>54,359</u>
	<u>\$ 136,370,282</u>	<u>\$ 119,601,080</u>

The College's principal financial instruments subject to credit risk are its investments. The investments are managed by professional advisors subject to the College's investment policy. The degree and concentration of credit risk varies by type of investment.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE C - INVESTMENTS - Continued

The College uses the total return concept for endowment funds. Under this concept, endowment income to be distributed is principally established as a percentage of the three year annual moving average market value of the pooled endowment assets. Based on this formula and a 5.0% return factor, the total distributable income for each year ended June 30, 2013 and 2012 was approximately \$2,900,000 and \$2,800,000, respectively. The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2013 and 2012:

	2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Dividends and interest, net	\$ 232,031	\$ 62,863	\$ -	\$ 294,894
Net realized and unrealized gains	<u>11,860,687</u>	<u>3,053,956</u>	<u>267,066</u>	<u>15,181,709</u>
Return on long-term investments	12,092,718	3,116,819	267,066	15,476,603
Investment return designated for current operations	<u>1,836,585</u>	<u>1,086,049</u>	<u>-</u>	<u>2,922,634</u>
Investment return net of amounts designated for current operations	<u>\$ 10,256,133</u>	<u>\$ 2,030,770</u>	<u>\$ 267,066</u>	<u>\$ 12,553,969</u>
	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Dividends and interest, net	\$ 231,143	\$ 112,398	\$ -	\$ 343,541
Net realized and unrealized losses	<u>(451,537)</u>	<u>(68,916)</u>	<u>(378,686)</u>	<u>(899,139)</u>
Return on long-term investments	(220,394)	43,482	(378,686)	(555,598)
Investment return designated for current operations	<u>1,758,024</u>	<u>1,003,415</u>	<u>-</u>	<u>2,761,439</u>
Investment return net of amounts designated for current operations	<u>\$ (1,978,418)</u>	<u>\$ (959,933)</u>	<u>\$ (378,686)</u>	<u>\$ (3,317,037)</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE D - CONTRIBUTIONS

Contributions receivable at June 30 follows:

	<u>2013</u>	<u>2012</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 2,119,392	\$ 2,301,315
One year to five years	5,003,468	6,655,907
Over five years	<u>3,152,500</u>	<u>3,305,000</u>
	10,275,360	12,262,222
Less: unamortized discounts and allowance on contributions receivable	<u>(2,056,848)</u>	<u>(2,282,801)</u>
	<u>\$ 8,218,512</u>	<u>\$ 9,979,421</u>

Contributions receivable over more than one year are discounted using an appropriate discount rate ranging from 0.23% to 5.12% applicable to the year in which the pledge was received. The discounted allowance for doubtful accounts on contributions receivable totaled \$406,115 and \$477,367 as of June 30, 2013 and 2012, respectively.

NOTE E - STUDENT LOANS RECEIVABLE

Student loans are made with funds advanced to the College by the federal government under the Federal Perkins Loan Program and Nursing Student Loan Program (the "Programs"). Such funds may be reloaned by the College after collection. In the event that the College no longer participates in the Programs, the amounts are refundable to the federal government. The federal government's portion of these funds was approximately \$389,000 at both June 30, 2013 and 2012. The College matches and contributes one-third of the amount contributed by the U.S. Government to the Programs.

The prescribed practices for the Programs do not provide for accrual of interest on student loans receivable or for a provision of allowance for doubtful loans. Accordingly, interest on loans is recorded as received; uncollectible loans are not recognized until the loans are canceled or written-off in conformity with the Program's requirements.

The impact of recording interest income on a cash basis is not considered significant. In addition, the credit quality of the student is not evaluated after the initial approval and calculation of the loans. Delinquent loans and the allowance for losses on loans receivable are reviewed by management, but are not material to the overall financial statements.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE F - PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30 follows:

	2013		
	Cost	Accumulated depreciation	Net
Land	\$ 12,013,742	\$ -	\$ 12,013,742
Buildings and improvements	265,509,941	(59,808,350)	205,701,591
Equipment and vehicles	47,336,118	(34,464,643)	12,871,475
Construction in progress	<u>16,372,661</u>	<u>-</u>	<u>16,372,661</u>
	<u>\$ 341,232,462</u>	<u>\$ (94,272,993)</u>	<u>\$ 246,959,469</u>
	2012		
	Cost	Accumulated depreciation	Net
Land	\$ 12,013,742	\$ -	\$ 12,013,742
Buildings and improvements	260,221,910	(52,973,173)	207,248,737
Equipment and vehicles	44,014,895	(30,815,897)	13,198,998
Construction in progress	<u>8,221,191</u>	<u>-</u>	<u>8,221,191</u>
	<u>\$ 324,471,738</u>	<u>\$ (83,789,070)</u>	<u>\$ 240,682,668</u>

Depreciation expense for the years ended June 30, 2013 and 2012 was \$10,528,813 and \$9,884,798, respectively.

Construction in progress consisted primarily of construction costs related to the construction of classroom renovations as of June 30, 2013 and 2012. Construction costs include architect fees, permits, labor, and materials. As of June 30, 2013 and 2012, the College was committed to approximately \$1,890,000 and \$14,210,000 on construction contracts, respectively. The balance outstanding as of June 30, 2013 is expected to be paid during fiscal year 2014.

NOTE G - NOTES PAYABLE AND LINE OF CREDIT

In September 2010, the College signed a \$150,000 note payable related to the acquisition of certain equipment. All \$50,000 principal payments due were forgiven by the creditor on September 30, 2012, September 30, 2011 and September 30, 2010. The effective interest rate of the note was approximately 1.4%. Interest expense related to the note totaled \$173 and \$861 for the years ended June 30, 2013 and 2012, respectively.

In December 2009, the College signed a \$74,818 five-year note payable related to the acquisition of certain equipment. The College fully paid and retired the note during fiscal year 2013. Principal payments of \$37,981 and \$14,700 were made in 2013 and 2012, respectively, and interest payments of \$827 and \$1,794 were made for the years ended June 30, 2013 and 2012, respectively. The effective interest rate of the note was 4.0%.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE G - NOTES PAYABLE AND LINE OF CREDIT - Continued

In October 2011, the College entered into an agreement whereby a third-party service provider paid for equipment on behalf of the College in exchange for the extension of an existing agreement through June 30, 2017. Should the College terminate the agreement prior to June 30, 2017, it would be liable for the unamortized portion of the equipment investment. The transaction resulted in the recognition of a \$161,360 note payable with an implicit interest rate of 5.0%. The College amortized \$25,791 and \$18,516 of the note payable during fiscal years 2013 and 2012, respectively, and recognized \$6,556 and \$5,745 of interest expense during fiscal years 2013 and 2012, respectively. The offsetting credit is recognized as a reduction to auxiliary enterprises expenses in the fiscal years 2013 and 2012 statements of activities. The equipment is capitalized as an asset of the College of \$161,360 and is being depreciated using the College's standard depreciation convention.

During December 2008, the College entered into an unsecured line of credit arrangement with M&T Bank, which carries a maximum possible borrowing of \$5,000,000. The loan has a variable interest rate that is 1% higher than London Interbank Offered Rate ("LIBOR") of 0.69% at June 30, 2013. As of June 30, 2013 and 2012, the College had \$-0- outstanding under the arrangement. The College did not borrow against the line of credit during fiscal year 2013. The maximum and average borrowings were \$1,000,000 and \$36,000, respectively, for the year ended June 30, 2012. The College incurred \$-0- and \$465 in interest expense for the years ended June 30, 2013 and 2012, respectively. The average interest rate was 1.2% for the year ended June 30, 2012. The College also pays a \$7,500 annual facility fee. Borrowings under the line of credit are payable on demand.

NOTE H - BONDS PAYABLE

The following is a summary of bonds payable as of June 30:

	<u>2013</u>	<u>2012</u>
York College Revenue Bonds, Series 2001 I6	\$ 2,500,000	\$ 2,600,000
York College Revenue Bonds, Series 2002 K2	8,700,000	9,000,000
York College Revenue Bonds, Series 2004 M3	8,500,000	8,600,000
York College Revenue Bonds, Series 2004 BB	8,385,000	8,705,000
York College Revenue Bonds, Series 2005 EE	28,385,000	29,160,000
York College Revenue Bonds, Series 2007 GG2	16,180,000	16,250,000
York College Revenue Bonds, Series 2011 II	<u>20,000,000</u>	<u>20,000,000</u>
Total bonds payable	92,650,000	94,315,000
Unamortized bond premium	1,149,989	1,203,917
Unamortized bond discount	<u>(356,588)</u>	<u>(366,564)</u>
	<u>\$ 93,443,401</u>	<u>\$ 95,152,353</u>

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE H - BONDS PAYABLE - Continued

2001 York College Revenue Bonds

In fiscal 2002, the College borrowed \$3,500,000 through the issuance of tax-exempt revenue bonds (2001 Revenue Bonds, Series 2001 I6) pursuant to a financing program sponsored by the Association of Independent Colleges and Universities of Pennsylvania. The purpose of the bond issue was to finance the construction of Spring Garden Apartments. The 2001 Revenue Bonds have a variable rate (0.08% and 0.18% at June 30, 2013 and 2012, respectively), with principal maturing in varying amounts through November 1, 2031. The bonds are collateralized by a letter of credit equal to 100% of the principal balance outstanding. The letter of credit expires on December 7, 2014.

Bond premiums of \$30,170 and issuance costs of \$43,673 relating to the 2001 Revenue Bonds are being amortized over the term of the bonds. Unamortized bond premium costs were \$18,606 and \$19,612 at June 30, 2013 and 2012, respectively. Unamortized bond issuance costs were \$26,433 and \$27,890 at June 30, 2013 and 2012, respectively.

2002 York College Revenue Bonds

In fiscal 2003, the College borrowed \$10,500,000 through the issuance of tax-exempt revenue bonds (2002 Revenue Bonds, Series 2002 K2) pursuant to a financing program sponsored by the Association of Independent Colleges and Universities of Pennsylvania. The purpose of the bond issue was to finance the York College of Pennsylvania Project, which includes several construction and renovation projects. The 2002 Revenue Bonds have a variable rate (0.08% and 0.18% at June 30, 2013 and 2012, respectively), with principal maturing in varying amounts through November 1, 2032. The bonds are collateralized by a letter of credit equal to 100% of the principal balance outstanding. The letter of credit expires on December 7, 2014.

Bond premiums of \$419,160 and issuance costs of \$157,594 relating to the 2002 Revenue Bonds are being amortized over the term of the bonds. The unamortized bond premium costs were \$271,872 and \$285,844 at June 30, 2013 and 2012, respectively. The unamortized bond issuance costs were \$102,219 and \$107,472 at June 30, 2013 and 2012, respectively.

2004 York College Revenue Bonds

In fiscal 2004, the College borrowed \$19,765,000 through the issuance of tax-exempt revenue bonds (2004 Revenue Bonds, Series 2004 M3 and Series 2004 BB) pursuant to a financing program sponsored by the Association of Independent Colleges and Universities of Pennsylvania. The purpose of the bond issue was to finance development of the West campus.

The Series 2004 M3 bonds have a variable rate (0.08% and 0.18% at June 30, 2013 and 2012, respectively), with principal maturing in varying amounts through November 1, 2033. The bonds are collateralized by a letter of credit equal to 100% of the principal balance outstanding. The letter of credit expires on December 7, 2014.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE H - BONDS PAYABLE - Continued

Bond discount of \$41,400 and issuance costs of \$132,797 relating to the Series 2004 M3 bonds are being amortized over the term of the bonds. Unamortized bond discount costs were \$28,520 and \$29,900 at June 30, 2013 and 2012, respectively. Unamortized bond issuance costs were \$91,482 and \$95,908 at June 30, 2013 and 2012, respectively.

The Series 2004 BB bonds have interest rates ranging from 3.25% to 5.00%, with principal maturing in varying amounts through November 1, 2029. Bond premiums of \$82,886 and issuance costs of \$304,154 relating to the Series 2004 BB bonds are being amortized over the term of the bonds. Unamortized bond premium costs were \$56,984 and \$59,747 at June 30, 2013 and 2012, respectively. Unamortized bond issuance costs were \$209,106 and \$219,244 at June 30, 2013 and 2012, respectively.

2005 York College Revenue Bonds

In fiscal 2006, the College borrowed \$31,965,000 through the issuance of tax-exempt revenue bonds (2005 Revenue Bonds, Series 2005 EE) pursuant to a financing program sponsored by the Association of Independent Colleges and Universities of Pennsylvania. The purpose of the bond issue was principally to finance the construction of new dormitories and the humanities center. The 2005 Revenue Bonds have fixed interest rates ranging from 4.00% to 5.25% with principal maturing in varying amounts through November 1, 2033.

Bond premiums of \$501,087 and issuance costs of \$582,642 relating to the 2005 Revenue Bonds are being amortized over the term of the bonds. Unamortized bond premium costs were \$358,801 and \$377,360 at June 30, 2013 and 2012, respectively. Unamortized bond issuance costs were \$417,194 and \$438,773 at June 30, 2013 and 2012, respectively.

2007 York College Revenue Bonds

In fiscal 2007, the College borrowed \$16,510,000 through the issuance of tax-exempt revenue bonds (2007 Revenue Bonds, Series 2007 GG2) pursuant to a financing program sponsored by the Association of Independent Colleges and Universities of Pennsylvania. The purpose of the bond issue was principally to finance the construction of a new dormitory and for land acquisition. The 2007 Revenue Bonds have fixed interest rates ranging from 3.75% to 5.00% with principal maturing in varying amounts through May 1, 2037.

Bond premiums of \$551,253 and issuance costs of \$449,305 relating to the 2007 Revenue Bonds are being amortized over the term of the bonds. Unamortized bond premium costs were \$443,726 and \$461,354 at June 30, 2013 and 2012, respectively. Unamortized bond issuance costs were \$335,001 and \$353,804 at June 30, 2013 and 2012, respectively.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE H - BONDS PAYABLE - Continued

2011 York College Revenue Bonds

In fiscal 2011, the College borrowed \$20,000,000 through the issuance of tax-exempt revenue bonds (2011 Revenue Bonds, Series 2011 II) pursuant to a financing program sponsored by the Association of Independent Colleges and Universities of Pennsylvania. The purpose of the bond issue was principally to finance the construction of a new dormitory. The 2011 Revenue Bonds have fixed interest rates ranging from 3.00% to 6.00% with principal maturing in varying amounts through November 1, 2041.

Bond discount of \$347,922 and issuance costs of \$237,204 relating to the 2011 Revenue Bonds are being amortized over the term of the bonds. The unamortized bond discount cost was \$328,068 and \$336,664 at June 30, 2013 and 2012, respectively. The unamortized bond issuance cost was \$204,450 and \$218,632 at June 30, 2013 and 2012, respectively.

The 2001 I6, 2002 K2, and 2004 M3 bonds are variable rate demand bonds which are currently remarketed weekly. The maximum weekly rate, as defined by the trust indentures, is 12% per annum based on a 365-day year. The remarketing agent for the 2001 I6, 2002 K2, and 2004 M3 bonds is M&T Investment Banking Group. The bonds are secured by irrevocable letters of credit issued by Manufacturers and Traders Trust Company. The failure to remarket does not constitute an event of default of the letters of credit. If bonds are not successfully remarketed, the bond trustee may initiate a tender draft on the applicable letter of credit. Tender draft draws on the letter of credit bear interest, payable monthly, at the bank's prime rate, plus 1%. The letter of credit expires on December 7, 2014.

The approximate aggregate amount of principal maturities of debt outstanding at June 30, 2013 for the five subsequent fiscal years follows:

Years ending June 30:	
2014	\$ 1,985,000
2015	2,115,000
2016	2,145,000
2017	2,235,000
2018	2,585,000
Thereafter	<u>81,585,000</u>
	<u>\$ 92,650,000</u>

Interest expense on bonds payable was \$3,523,845 and \$3,467,025 for the years ended June 30, 2013 and 2012, respectively, and is included in auxiliary enterprises expense on the statements of activities. The 2013 and 2012 interest expense is net of capitalized interest of \$130,201 and \$236,016, respectively.

Under the terms of a debt agreement, the College is required to comply with a financial covenant associated with its bonds relating to maintenance of a debt service ratio. The College was in compliance with this covenant at June 30, 2013.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE I - SELF-FUNDED HEALTH INSURANCE

The College is self-insured for its employee health insurance coverage. The College accrues the estimated costs of incurred and reported and incurred but not reported claims, after consideration of its stop-loss insurance coverages, based upon data provided by the third party administrator of the program and its historical claims experience. The College has accrued \$451,242 and \$483,735 at June 30, 2013 and 2012, respectively, for these costs which is included in accrued salaries and benefits and other liabilities on the statement of financial position.

NOTE J - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2013</u>	<u>2012</u>
Contributions receivable, net	\$ 7,070,668	\$ 9,307,226
Accumulated gains on endowment funds	7,550,773	5,594,960
Net annuities	720,279	532,497
Supporting organization	271,189	246,231
Other	<u>288,437</u>	<u>-</u>
	<u>\$ 15,901,346</u>	<u>\$ 15,680,914</u>

Permanently restricted net assets at June 30 are restricted for:

	<u>2013</u>	<u>2012</u>
Endowment funds to be held in perpetuity, primarily to support students scholarships	\$ 20,132,787	\$ 19,048,417
Funds held in trust by others, the income from which is primarily expendable to support student scholarships	5,404,380	5,137,313
Endowment contributions receivable, net	1,141,602	667,645
College loan funds	<u>93,433</u>	<u>93,434</u>
	<u>\$ 26,772,202</u>	<u>\$ 24,946,809</u>

NOTE K - ENDOWMENT FUNDS

The College's endowment consists of approximately 300 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE K - ENDOWMENT FUNDS - Continued

The College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as either temporarily restricted or unrestricted net assets based on the existence of donor restrictions or by law.

Commonwealth of Pennsylvania law permits an annual allocation of a portion of endowment return to income. The law allows non-profit organizations to spend a percentage of the market value of their endowment funds, including realized and unrealized gains. The percentage, which by law must be between 2% and 7%, is adopted annually by the Board of Trustees. The endowment market value is determined based on the average fair value spanning three years. The College's policy for the years ended June 30, 2013 and 2012 allowed for a payout of 5%, respectively, of the three-year average market value balance.

The College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under these policies, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that attain an average annual real total return (i.e. adjusted for inflation and net of investment management fees) greater than the spending rate (currently 5%) over the long-term. This is consistent with the College's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the College 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). The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE K - ENDOWMENT FUNDS - Continued

Endowment net asset composition by type of fund as of June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 7,550,773	\$ 21,274,389	\$ 28,825,162
Board-designated endowment funds	<u>39,106,540</u>	<u>-</u>	<u>-</u>	<u>39,106,540</u>
	<u>\$ 39,106,540</u>	<u>\$ 7,550,773</u>	<u>\$ 21,274,389</u>	<u>\$ 67,931,702</u>

Changes in endowment net assets for the fiscal year ended June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 36,308,801	\$ 5,594,960	\$ 19,716,062	\$ 61,619,823
Investment return:				
Investment income	89,503	60,208	-	149,711
Net realized and unrealized depreciation	<u>4,530,890</u>	<u>3,096,479</u>	<u>-</u>	<u>7,627,369</u>
Total investment return	4,620,392	3,156,687	-	7,777,079
Contributions	13,932	-	1,558,327	1,572,259
Appropriation of endowment assets for expenditure	(1,836,585)	(1,086,049)	-	(2,922,634)
Transfers related to deficiencies in donor- designated levels	<u>-</u>	<u>(114,825)</u>	<u>-</u>	<u>(114,825)</u>
Endowment net assets, end of year	<u>\$ 39,106,540</u>	<u>\$ 7,550,773</u>	<u>\$ 21,274,389</u>	<u>\$ 67,931,702</u>

Endowment net asset composition by type of fund as of June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 5,594,960	\$ 19,716,062	\$ 25,311,022
Board-designated endowment funds	<u>36,308,801</u>	<u>-</u>	<u>-</u>	<u>36,308,801</u>
	<u>\$ 36,308,801</u>	<u>\$ 5,594,960</u>	<u>\$ 19,716,062</u>	<u>\$ 61,619,823</u>

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE K - ENDOWMENT FUNDS - Continued

Changes in endowment net assets for the fiscal year ended June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 38,125,292	\$ 6,555,445	\$ 19,234,774	\$ 63,915,511
Investment return:				
Investment income	94,562	62,019	-	156,581
Net realized and unrealized depreciation	<u>(157,490)</u>	<u>(85,805)</u>	<u>-</u>	<u>(243,295)</u>
Total investment return	(62,928)	(23,786)	-	(86,714)
Contributions	4,461	-	481,288	485,749
Appropriation of endowment assets for expenditure	(1,758,024)	(1,003,415)	-	(2,761,439)
Transfers related to deficiencies in donor- designated levels	<u>-</u>	<u>66,716</u>	<u>-</u>	<u>66,716</u>
Endowment net assets, end of year	\$ <u>36,308,801</u>	\$ <u>5,594,960</u>	\$ <u>19,716,062</u>	\$ <u>61,619,823</u>

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level designated by the donor. As of June 30, 2013 and 2012, the cumulative charge to unrestricted net assets for the deficiencies was \$237,268 and \$352,094, respectively. There was a corresponding increase to unrestricted net assets of \$114,825 during the fiscal year ended June 30, 2013 and a decrease to unrestricted net assets of \$66,716 during the fiscal year ended June 30, 2012. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

NOTE L - PENSION AND RETIREMENT PLANS

The College maintains defined contribution retirement plans for academic and nonacademic personnel. Total College contributions for the years ended June 30, 2013 and 2012 were approximately \$2,811,000 and \$2,700,000, respectively.

NOTE M - RELATED PARTY TRANSACTIONS

During the years ended June 30, 2013 and 2012, the College paid approximately \$12,250,000 and \$16,000,000, respectively, to construction and architectural design companies owned by a board member of the College. As of June 30, 2013 and 2012, approximately \$2,038,000 and \$1,482,000, respectively, were payable to these companies.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE N - CONCENTRATION OF CREDIT RISK

Amounts on deposit in non-interest bearing accounts in any Federal Deposit Insurance Corporation ("FDIC") financial institution are insured up to \$250,000 by the FDIC. The College generally maintains deposits in non-interest bearing accounts.

NOTE O - GOVERNMENT GRANTS AND CONTRACTS AND SCHOLARSHIP ALLOWANCE

The amounts under the government grants and contracts and scholarship allowance captions in these financial statements do not include amounts remitted to students under the Pennsylvania Higher Education Assistance Agency ("PHEAA") and other state programs and the PELL Grants Program. The grants are similar to agency funds since the College acts only as custodian and disbursing agent for these funds. Had these amounts been included, revenues and expenditures would have increased by approximately \$7,900,000 in 2013 and \$8,000,000 in 2012.

NOTE P - FAIR VALUE MEASUREMENTS

The College follows the FASB guidance related to fair value measurement. The guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance also establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. The hierarchy prioritizes the inputs into three broad levels as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument;

Level 3 - Prices or valuation techniques that are unobservable in the market and require significant management judgment or estimation to measure fair value.

The level within which the fair value measurement falls is determined based on the lowest level that is significant to the fair value measurement.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE P - FAIR VALUE MEASUREMENTS - Continued

The following table presents the College's investments and funds held in trust by others measured at fair value on a recurring basis by level within the fair value hierarchy as of June 30, 2013:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Diversifying equity funds:				
Multi-hedge fund	\$ 13,876,075	\$ -	\$ -	\$ 13,876,075
Equity long/short hedge funds	14,687,866	-	14,575,148	112,718
Commodity futures	6,566,470	-	6,566,470	-
Mortgage related security fund	1,618,277	-	-	1,618,277
U.S. government obligations	13,224,573	-	13,224,573	-
U.S. equity funds:				
Large cap index fund	14,705,606	-	14,705,606	-
Large cap managed fund	18,256,678	-	18,256,678	-
Small cap managed fund	4,789,844	4,789,844	-	-
Non U.S. equity funds:				
International funds	20,984,642	17,872,724	3,111,918	-
Emerging market funds	9,070,049	-	9,070,049	-
Private equity and venture capital:				
Private equity funds - domestic	4,686,637	-	-	4,686,637
Private equity funds - international	3,806,640	-	-	3,806,640
Money markets	115,418	-	115,418	-
Diversifying bond funds	4,903,359	4,903,359	-	-
Real estate securities and other	<u>5,078,148</u>	<u>-</u>	<u>-</u>	<u>5,078,148</u>
Total investments	136,370,282	27,565,927	79,625,860	29,178,495
Funds held in trust by others	<u>5,675,570</u>	<u>-</u>	<u>-</u>	<u>5,675,570</u>
Total	<u>\$ 142,045,852</u>	<u>\$ 27,565,927</u>	<u>\$ 79,625,860</u>	<u>\$ 34,854,065</u>

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE P - FAIR VALUE MEASUREMENTS - Continued

The following table presents the College's investments and funds held in trust by others measured at fair value on a recurring basis by level within the fair value hierarchy as of June 30, 2012:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Diversifying equity funds:				
Multi-hedge fund	\$ 12,459,099	\$ -	\$ -	\$ 12,459,099
Equity long/short hedge funds	13,028,129	-	12,914,813	113,316
Commodity futures	7,015,880	-	7,015,880	-
Mortgage related security fund	1,077,367	-	-	1,077,367
U.S. government obligations	17,778,759	1,826,167	15,952,592	-
U.S. equity funds:				
Large cap index fund	12,552,388	-	12,552,388	-
Large cap managed fund	13,676,765	-	13,676,765	-
Small cap managed fund	4,562,134	4,562,134	-	-
Non U.S. equity funds:				
International funds	17,901,235	15,194,440	2,706,795	-
Emerging market funds	7,751,818	885,607	6,866,211	-
Private equity and venture capital:				
Private equity funds - domestic	4,571,195	-	-	4,571,195
Private equity funds - international	2,936,931	-	-	2,936,931
Money markets	162,141	-	162,141	-
Real estate securities and other	<u>4,127,239</u>	<u>-</u>	<u>-</u>	<u>4,127,239</u>
Total investments	119,601,080	22,468,348	71,847,585	25,285,147
Funds held in trust by others	<u>5,383,546</u>	<u>-</u>	<u>-</u>	<u>5,383,546</u>
Total	<u>\$ 124,984,626</u>	<u>\$ 22,468,348</u>	<u>\$ 71,847,585</u>	<u>\$ 30,668,693</u>

Certain diversifying equity funds, private equity, venture capital and real estate investments are measured using pricing or valuation techniques employed by the investment managers which are unobservable in the market. As such, they are valued using Level 3 inputs.

The U.S. small cap managed fund is an actively managed account specifically for the benefit of the College. The equities of this fund are measured at fair value based upon quoted market prices in active markets. Certain non-U.S. equity and U.S. government obligations funds are mutual funds which are measured based upon the quoted price of active markets for those funds. All of these funds are owned directly by the College and as such are valued using Level 1 inputs.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE P - FAIR VALUE MEASUREMENTS - Continued

Certain other funds including U.S. equity funds, non-U.S. equity funds and emerging market funds are not directly owned by the College but are part of a pool managed by outside investment managers. These investments are measured at fair value based on quoted market prices of the underlying investments or quoted prices for identical or similar assets in markets that are not observable. Such funds are valued using Level 1 and 2 inputs.

Certain other U.S. government obligations are measured at fair value using quoted prices in active markets when available. Otherwise, a third party pricing agency provides valuation services using similar assets, with similar terms, in actively traded markets. Such assets are not directly owned by the College but are part of a pool managed by outside investment managers. Such securities are valued using Level 1 and 2 inputs.

Money market funds of the custodian are considered Level 2 since they are not actively traded. The fair value is based on similar assets which are actively traded.

Funds held in trust by others are invested in securities with quoted prices in active markets. Such assets are not directly owned or controlled by the College as they are managed by others. These assets are valued based on the present value of the estimated future cash flows of the underlying investments. Such assets are valued using Level 3 inputs.

The following table presents a reconciliation of the beginning and ending balances of assets with fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2013:

	<u>Diversifying equity</u>	<u>Private equity and venture capital</u>	<u>Real estate and other securities</u>	<u>Funds held in trust by others</u>
Balance, July 1, 2012	\$ 13,649,782	\$ 7,508,126	\$ 4,127,239	\$ 5,383,546
Total realized and unrealized gains included in the change in net assets	2,529,188	525,818	514,862	266,904
Purchases	-	1,585,000	1,251,800	100,000
Liquidations	<u>(571,900)</u>	<u>(1,125,667)</u>	<u>(815,753)</u>	<u>(74,880)</u>
Balance, June 30, 2013	<u>\$ 15,607,070</u>	<u>\$ 8,493,277</u>	<u>\$ 5,078,148</u>	<u>\$ 5,675,570</u>

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE P - FAIR VALUE MEASUREMENTS - Continued

The following table presents a reconciliation of the beginning and ending balances of assets with fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2012:

	<u>Diversifying equity</u>	<u>Private equity and venture capital</u>	<u>Real estate and other securities</u>	<u>Funds held in trust by others</u>
Balance, July 1, 2011	\$ 34,885,819	\$ 6,295,616	\$ 3,108,782	\$ 5,712,965
Total realized and unrealized (losses) gains included in the change in net assets	(977,344)	295,868	310,114	(379,419)
Purchases	1,000,000	1,487,516	1,159,800	100,000
Transfers	(19,930,693)	-	-	-
Liquidations	<u>(1,328,000)</u>	<u>(570,874)</u>	<u>(451,457)</u>	<u>(50,000)</u>
Balance, June 30, 2012	<u>\$ 13,649,782</u>	<u>\$ 7,508,126</u>	<u>\$ 4,127,239</u>	<u>\$ 5,383,546</u>

During 2012, certain investments were transferred from Level 3 to Level 2 to reflect that the liquidity of such investments was available within a fiscal quarter.

In addition to the disclosures of investments recorded at fair value, generally accepted accounting principles require the disclosure of the estimated fair value of all the College's financial instruments. The College has considered the fair value measurement criteria as required under the guidance as described above. Fair value estimates have been determined based on the methodologies management considers most appropriate for each financial instrument.

The College has a policy which permits investments that do not have a readily determinable fair value, and as such, has elected to use the net asset value per share (the "NAV") as calculated on the reporting entity's measurement date as the fair value of the investment. The College measures the fair value of an investment that does not have a readily determinable fair value, based on the NAV of the investment as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a value significantly different than the NAV. If the practical expedient NAV is not as of the reporting entity's measurement date, then the NAV is adjusted to reflect any significant events that would materially affect the value of the security and the NAV of the College as of the valuation date. In using the NAV as a practical expedient, certain attributes of the investment, that may impact the fair value of the investment, are not considered in measuring fair value. Attributes of those investments include

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE P - FAIR VALUE MEASUREMENTS - Continued

the investment strategies of the investees and may also include, but are not limited to, restrictions on the investor's ability to redeem its investments at the measurement date at NAV as well as any unfunded commitments. A listing of the investments held by the College and their attributes, that may qualify for these valuations consist of the following as of:

	June 30, 2013			
	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
U.S. equity funds				
Large cap index fund (a)	\$ 14,705,606	\$ -	daily	2 days
Large cap managed fund (a)	18,256,678	-	quarterly	60 days
Non U.S. equity funds				
International funds (a)	3,111,918	-	monthly	6 days
Emerging markets funds (a)	9,070,049	-	monthly	7 days
Money markets (a)	115,418	-	daily	daily
Multi-hedge fund strategy (b)	13,876,075	-	annually, bi-annually	95 days
Equity long/short hedge funds (c)	14,687,866	-	annually, quarterly	45 days
Commodity futures (d)	6,566,470	-	quarterly, monthly	5 days
Mortgage related security fund (e)	1,618,277	-		
Private equity funds - domestic (f)	4,686,637	3,239,897		
Private equity funds - international (g)	3,806,640	2,662,500		
Real estate funds (h)	<u>5,078,148</u>	<u>3,749,500</u>		
	<u>\$ 95,579,782</u>	<u>\$ 9,651,897</u>		

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE P - FAIR VALUE MEASUREMENTS - Continued

	June 30, 2012			
	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
U.S. equity funds				
Large cap index fund (a)	\$ 12,552,388	\$ -	daily	2 days
Large cap managed fund (a)	13,676,765	-	quarterly	60 days
Non U.S. equity funds				
International funds (a)	2,706,795	-	monthly	6 days
Emerging markets funds (a)	6,866,211	-	monthly	7 days
Money markets (a)	162,141	-	daily	daily
Multi-hedge fund strategy (b)	12,459,099	-	annually, bi-annually	95 days
Equity long/short hedge funds (c)	13,028,129	-	annually, quarterly	45 days
Commodity futures (d)	7,015,880	-	quarterly, monthly	5 days
Mortgage related security fund (e)	1,077,367	-		
Private equity funds - domestic (f)	4,571,195	3,939,897		
Private equity funds - international (g)	2,936,931	3,547,500		
Real estate funds (h)	<u>4,127,239</u>	<u>4,969,500</u>		
	<u>\$ 81,180,140</u>	<u>\$ 12,456,897</u>		

- (a) This category includes investment in a pool of assets held and managed by an investment manager. These investments are reported by their respective managers using NAV per share and are measured at fair value based on quoted market prices of the underlying investments. These investments can be liquidated within a period ranging from daily up through a fiscal quarter.
- (b) This category includes an investment in a single fund of funds which in turn has investments in multiple direct hedge funds. These funds will employ various hedge fund strategies including credit opportunities, distressed securities, fundamental long/short equities, event-driven (economical, political and government), arbitrage and other. The fair values of the investments in this category are based on the valuations provided to the fund of funds by the underlying fund managers and these valuations are in turn based on the portfolio holdings of these managers. Shares may be redeemed at the net asset value per share as of the twelfth month-end following the purchase of the shares and as of the last day of each six-month period occurring thereafter. There were no purchases by the College during the year ended June 30, 2013 that relate to the recorded fair value of the investment.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE P - FAIR VALUE MEASUREMENTS - Continued

- (c) This category includes investments in hedge funds that invest both long and short primarily in U.S. common stocks. Approximately 99% of this category includes an investment in a single fund of funds which in turn has investments in multiple direct hedge funds, all belonging to the same firm. The fair values of the investments in this category are based on the valuations provided to the fund of funds by the underlying fund managers and these valuations are in turn based on the portfolio holdings of these managers. Shares may be redeemed at the net asset value per share as of the twelfth month-end following the purchase of the shares and as of the first day of each calendar quarter thereafter based upon the preceding valuation day. There were no purchases by the College during the year ended June 30, 2013 that related to the recorded fair value of the investment.
- (d) This category includes investments in a long-only, unleveraged portfolio of exchange-traded, U.S. dollar denominated tangible commodity futures and forward contracts. The fund's cash utilized as margin deposits on the fund's future and forward positions is invested in a variety of debt obligations including, but not limited to, government and agency securities. The fair values of the investments in this category have been measured using quoted pricing in active markets. Shares may be redeemed at the net asset value per share after an initial 3-month period and as of the end of each month thereafter. There were no purchases by the College during the three-month period ended June 30, 2013 that relate to the recorded fair value of the investment.
- (e) This category includes investments in a single fund which invests in long residential mortgage backed securities with distressed collateral. Approximately 99% of the fair values of these investments are marked to market using the mean price provided by a third party pricing agency. These investments cannot be redeemed and it is estimated that the underlying assets of the fund will be liquidated over the next 10 - 15 years.
- (f) This category includes various private equity funds of funds that invest in underlying direct private equity and venture capital partnerships. These, in turn, invest directly in primarily U. S. companies. The recorded value represents the College's proportionate share of the NAV reported by the fund of funds. Since the underlying investments generally are non-public companies, fair values have been estimated using recent observable transaction information for similar transactions and non-binding bids received from potential buyers of the investments. These investments cannot be redeemed. Distributions are received through the liquidation of the underlying assets of each fund of the underlying funds. It is estimated that the underlying assets of these funds will be liquidated over the next 8 - 10 years.
- (g) Similar to (d); however, investments are primarily in international companies.
- (h) This category includes several real estate funds of funds that invest in direct real estate partnerships, primarily focused on U.S. commercial real estate. The fair values of the investments in this category have been estimated using the College's proportionate share of the net asset value reported by the fund of fund manager. This net asset value is based on fair value estimates of the underlying investments based on comparable transaction data and/or appraisals. These investments can never be redeemed with funds. Distributions from each fund will be received as the underlying investments in the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next 10 years.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE P - FAIR VALUE MEASUREMENTS - Continued

The carrying amount and estimated fair value of the College's financial instruments at June 30 are as follows:

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets:				
Cash and cash equivalents	\$ 5,964,257	\$ 5,964,257	\$ 6,520,479	\$ 6,520,479
Restricted cash and cash equivalents	4,681,371	4,681,371	4,669,057	4,669,057
Accounts and grants receivable, net	1,412,024	1,412,024	1,347,677	1,347,677
Investments	136,370,282	136,370,282	119,601,080	119,601,080
Contributions receivable, net	8,218,512	8,218,512	9,979,421	9,979,421
Student loans receivable	218,955	218,955	230,698	230,698
Funds held in trust by others	5,675,570	5,675,570	5,383,546	5,383,546
Liabilities:				
Accounts payable	\$ 5,510,123	\$ 5,510,123	\$ 4,869,935	\$ 4,869,935
Students' advance payments and deposits	7,292,621	7,292,621	8,048,189	8,048,189
Annuities payable	664,448	664,448	570,976	570,976
Advances from federal government	389,339	389,339	389,339	389,339
Deposits held in custody for others	17,117	17,117	11,456	11,456
Notes payable	117,053	117,053	230,653	230,653
Bonds payable	93,443,401	95,406,661	95,152,353	99,181,159

Fair values were determined as follows:

The carrying amounts of cash and cash equivalents and contributions receivable to be received in less than one year approximate fair value because of the short maturity of those financial instruments. The fair value of contributions receivable to be received in more than one year is estimated based on discounted future cash flows.

The carrying value of note payable and bonds payable is estimated based on current rates offered for similar issues with similar security terms and maturities.

Refundable advances represent the portion of the students' loans receivable funded by government agencies and their fair value is considered to approximate their carrying value.

The fair value of the annuity payable is considered to approximate its carrying value based on discounted cash flows using market rates.

The carrying value of the College's other financial instruments - accounts and student loan receivables, accounts payable, students' advance payments and deposits, and deposits held in custody for others, approximates the fair value of these instruments based on the short term nature of these financial instruments.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE P - FAIR VALUE MEASUREMENTS - Continued

Members of the College's senior management are responsible for valuation policies and procedures for the College's Level 3 investments. They report to the College's Finance and Audit Committee, a committee within the Board of Directors. The Committee meets approximately eight times per year including quarterly meetings to review the College's investments and as needed to discuss other issues related to the investments including valuation methodology used for Level 3 investments.

NOTE Q - COMMITMENTS AND CONTINGENCIES

The College uses operating leases to provide certain equipment and real estate in the normal course of its operations. The equipment leases relate principally to copier machines and the real estate leases relate principally to provide additional studio space for certain academic programs. The following is a schedule by years of future minimum rental payments required under operating leases that have an initial or remaining noncancelable lease term in excess of one year as of June 30, 2013:

Year ending June 30:

2014	\$ 301,343
2015	98,701
2016	35,540

The College recognized total rental expense of approximately \$314,841 and \$258,000 during the years ended June 30, 2013 and 2012, respectively.

The College has approximately \$9,652,000 in unfunded capital calls related to various alternative investments at June 30, 2013 and \$12,456,000 at June 30, 2012. The College intends to fund these commitments through liquidation of current investments.

The College is involved in various legal proceedings and claims that have arisen in the normal conduct of its operations. Management views as remote the probability that outcomes related to these legal proceedings and claims could have a materially adverse effect on the College's financial condition.

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is made and entered into as of May 21, 2014, by and between YORK COLLEGE OF PENNSYLVANIA, a Pennsylvania nonprofit corporation (the “Borrower”), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association, in connection with the issuance by the Pennsylvania Higher Educational Facilities Authority (the “Issuer”) of \$7,300,000 Pennsylvania Higher Educational Facilities Authority Revenue Bonds (AICUP Financing Program – York College of Pennsylvania Project) Series 2014 T2 (the “Series 2014 T2 Bonds”), \$8,400,000 Pennsylvania Higher Educational Facilities Authority Revenue Bonds (AICUP Financing Program – York College of Pennsylvania Project) Series 2014 T3 (the “Series 2014 T3 Bonds”), and \$10,365,000 Pennsylvania Higher Educational Facilities Authority Revenue Bonds (AICUP Financing Program – York College of Pennsylvania Project) Series 2014 T4 (the “Series 2014 T4 Bonds” and, collectively with the Series 2014 T2 Bonds and the Series 2014 T3 Bonds, the “Bonds”). The Bonds are being issued pursuant to the terms of a Trust Indenture dated as of May 1, 2014 (the “Indenture”) from the Issuer to The Bank of New York Mellon Trust Company, N.A., in its capacity as trustee for the holders of the Bonds (in such capacity, together with any successor trustee, the “Trustee”), and are being sold pursuant to a competitive bid awarded to Janney Montgomery Scott LLC on May 14, 2014.

NOW THEREFORE, intending to be legally bound hereby, the parties hereto hereby covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered for the benefit of the registered owners and Beneficial Owners (hereinafter defined) of the Bonds and in order to assist the Participating Underwriter (hereinafter defined) in complying with the Rule (hereinafter defined).

SECTION 2. Definitions. In addition to the capitalized terms defined above and the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Borrower pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Business Day” shall mean any day other than a Saturday, Sunday or a day on which the New York Stock Exchange is closed.

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

“Commonwealth” shall mean the Commonwealth of Pennsylvania.

“Disclosure Representative” shall mean the President of the Borrower or his or her designee, or such other person as the Borrower shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean The Bank of New York Mellon Trust Company, N.A., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Borrower and which has filed with its predecessor Dissemination Agent a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access System maintained by the MSRB.

“Generally Accepted Accounting Principles” means those accounting principles applicable in the preparation of financial statements of educational institutions, as promulgated by the Financial Accounting Standards Board or such other body recognized as authoritative by the American Institute of Certified Public Accountants or any successor body.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“Loan Agreement” shall mean the Loan Agreement, dated as of May 1, 2014, between the Borrower and the Issuer.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” means the Official Statement relating to the Bonds, dated May 14, 2014.

“Participating Underwriter” shall mean Janney Montgomery Scott LLC, as the underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Repository” shall mean each nationally recognized municipal securities information repository for purposes of the Rule. The Securities and Exchange Commission has appointed EMMA as the sole Repository effective as of July 1, 2009.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provisions of Annual Reports.

(a) The Borrower shall deliver, or shall provide to the Dissemination Agent and shall cause the Dissemination Agent to deliver, to each Repository not later than 60 days after the date on which the Borrower’s Board of Trustees shall have approved the Borrower’s audited financial statements for the preceding fiscal year, commencing with the fiscal year ending June 30, 2014, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement; provided, that, in no event will the Borrower’s audited financial statements be published by the

Borrower later than twelve months following the end of the related fiscal year. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the financial statements of the Borrower may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report, if submitted in accordance with the provisions of Section 4. If the fiscal year of the Borrower changes, the Borrower shall give notice of such change in the same manner as for a Listed Event under Section 5.

(b) If the Dissemination Agent receives the Annual Report from the Borrower and delivers the Annual Report to the Repository, the Dissemination Agent shall file a report with the Issuer and, if the Dissemination Agent is not the Trustee, with the Trustee (with a copy to the Borrower) to the effect that the Annual Report has been so delivered pursuant to this Disclosure Agreement and stating the date it was delivered. If the Borrower delivers the Annual Report directly to the Repository, it shall provide a report to the same effect to the Issuer, the Dissemination Agent and, if the Dissemination Agent is not the Trustee, to the Trustee.

(c) If the Borrower fails either to (i) provide the Annual Report to the Dissemination Agent in a time, manner and condition sufficient for the Dissemination Agent to deliver the Annual Report in compliance with Section 3(a), or (ii) report to the Dissemination Agent that it has on its own so delivered the Annual Report, the Dissemination Agent shall send a notice to the Repository (and copies thereof to the Issuer and the Borrower) in substantially the form attached as Exhibit A attached hereto.

SECTION 4. Content of Annual Reports. The Annual Reports shall contain or include by reference the following:

(a) The financial statements of the Borrower for the prior fiscal year prepared in accordance with Generally Accepted Accounting Principles. If such financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain preliminary financial statements in a format similar to the financial statements contained in the Official Statement, and the final financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Operating data and financial information regarding the Borrower for the prior fiscal year of the same type as included in Appendix A to the Official Statement under the headings “Admissions and Enrollment,” “Summary Financial Information,” and “College Indebtedness.”

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Borrower is an “obligated person” (as defined by the Rule), which have been filed with the Repository or the Securities and Exchange Commission. If the document included by reference is a final official

statement, it must be available from the MSRB. The Borrower shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Borrower shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds (each, a “Listed Event”) in a timely manner not in excess of ten business days after the occurrence of the Listed Event:

- (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 registered owners and Beneficial Owners, if material;
- (viii) bond calls (other than mandatory sinking fund redemption), if material, and tender offers;
- (ix) defeasances;
- (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 Borrower;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Borrower or the sale of all or substantially all of the assets of

the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

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

(b) Whenever the Borrower obtains knowledge of the occurrence of a Listed Event, the Borrower shall promptly prepare a notice describing the Listed Event and notify the Dissemination Agent, if any, and the Issuer in writing, and either report or instruct the Dissemination Agent to report, the occurrence to the Repository, or to the MSRB. Promptly upon receipt of such notice, the Dissemination Agent shall file it with the Repository, or with the MSRB, as instructed in writing by the Borrower, with a copy to the Issuer and, if the Dissemination Agent is not the Trustee, with the Trustee.

SECTION 6. Termination of Reporting Obligation. The Borrower'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 Borrower's obligations under the Loan Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Borrower and the Borrower shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the Borrower shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 5.

SECTION 7. Dissemination Agent. The initial Dissemination Agent shall be The Bank of New York Mellon Trust Company, N.A. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report, including, without limitation, any Annual Report, prepared by the Borrower pursuant to this Disclosure Agreement. The Borrower may, from time to time, appoint or engage a new Dissemination Agent, and may discharge any such Dissemination Agent, upon the appointment of a successor Dissemination Agent which shall be evidenced and be effective upon such successor Dissemination Agent's execution and delivery to the Issuer and the existing Dissemination Agent of a Form of Acceptance of Dissemination Agent's Duties substantially in the form attached hereto as Exhibit B. The Borrower shall be responsible for all fees and associated expenses of the Dissemination Agent.

SECTION 8. The Issuer. The Issuer shall not have any responsibility or liability in connection with the Borrower's compliance with the Rule, its filing or other obligations under this Disclosure Agreement, or in connection with the contents of any such filings. The Borrower covenants and agrees to indemnify and save the Issuer, and its members, officers, employees and agents, harmless against any loss, expense (including reasonable attorneys' fees) or liability arising out of (i) any breach by the Borrower of its obligations under this Disclosure Agreement, or (ii) any Annual Report or notices or other information provided under this Disclosure Agreement or any omissions therefrom.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Borrower and the Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, provided that no amendment shall subject the Issuer to any additional obligations or liabilities, and, provided further, that unless otherwise permitted by the Rule, the following conditions are satisfied:

(a) The amendment or waiver may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds (including, but not limited to, affiliations, mergers, acquisitions, divestitures or dispositions affecting the Borrower), or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized disclosure counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the registered owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of registered owners, or (ii) does not, in the opinion of a nationally recognized bond counsel, materially adversely affect the interests of the registered owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Borrower shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Borrower. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5, and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) 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.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Borrower chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Borrower shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Borrower to comply with any provision of this Disclosure Agreement, the Issuer or the Dissemination Agent may, or at the written request of the Participating Underwriter or the registered owners of at least 25 % of the aggregate principal amount of outstanding Bonds and the provision of indemnification satisfactory to it, the Dissemination Agent shall, or any registered owner or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture or the Loan Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Borrower to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and applicable to the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and no further duties or responsibilities shall be implied. The Dissemination Agent shall not have any liability under, nor duty to inquire into the terms and provisions of, any agreement or instructions, other than as outlined in this Disclosure Agreement. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. The Dissemination Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document. The Dissemination Agent shall not be liable for any action taken or omitted by it in good faith unless a court of competent jurisdiction determines that the Dissemination Agent's negligent or willful misconduct was the primary cause of any loss to the Borrower. The Dissemination Agent shall not incur any liability for following the instructions herein contained or expressly provided for, or written instructions given by the Borrower. In the administration of this Disclosure Agreement, the Dissemination Agent may execute any of its powers and perform its duties hereunder directly or through agents or attorneys and may consult with counsel, accountants and other skilled persons to be selected and retained by it. The Dissemination Agent shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons. The Dissemination Agent may resign and be discharged from its duties or obligations hereunder by giving notice in writing of such resignation specifying a date when such resignation shall take effect. Any corporation or association into which the Dissemination Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Dissemination Agent in its individual capacity shall be a party, or any corporation or association to which all or substantially all the corporate trust business of the Dissemination Agent in its individual capacity may be sold or otherwise transferred, shall be the Dissemination Agent under this Disclosure Agreement without further act. The Borrower covenants and agrees to hold the Dissemination Agent and its directors, officers, agents and employees (collectively, the "Indemnitees") harmless from and against any and all liabilities, losses, damages, fines, suits, actions, demands, penalties, costs and expenses, including out-of-pocket, incidental expenses, 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 Borrower also covenants and agrees to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Dissemination Agent’s performance under this Disclosure Agreement provided the Dissemination Agent has not acted with gross negligence or engaged in willful misconduct. 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 such loss or damage and regardless of the form of action. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Notices. Any notices or communications to or between the parties to this Disclosure Agreement shall be deemed sufficiently given if sent by registered or certified United States mail, return receipt requested, postage prepaid, by overnight delivery service providing positive tracking or by telecopier with a duplicate hard copy sent by overnight delivery service providing positive tracking as follows:

To the Borrower:

York College of Pennsylvania
441 Country Club Road
York, PA 17403-3651
Attention: C. Matthew Smith
Chief Financial Officer
Telecopier Number: 717-849-1645

To the Dissemination Agent:

The Bank of New York Mellon Trust Company, N.A.
Global Corporate Trust
1735 Market Street, 6th Floor AIM No. 193-0650
Philadelphia, PA 19103
Attention: Noreen Wichert
Telecopier Number: 215-553-6915/6919

To the Issuer:

Pennsylvania Higher Educational Facilities Authority
1035 Mumma Road
Wormleysburg, PA 17043
Attention: Executive Director
Telecopier Number: 717-975-2215

Any party may, by written notice to the other parties, designate a different address or telecopier number to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Borrower, the Dissemination Agent, the Issuer, the Participating Underwriter, and registered owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which will be regarded as an original, and all of which will constitute one and the same document.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement on the date first above written.

YORK COLLEGE OF PENNSYLVANIA

By: _____
Title: Vice President for Finance & Planning

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,
as Dissemination Agent

By: _____
Title: Authorized Signatory

This execution page is part of the Continuing Disclosure Agreement dated as of May 21, 2014 between York College of Pennsylvania and The Bank of New York Mellon Trust Company, N.A., respecting the Pennsylvania Higher Educational Facilities Authority Revenue Bonds (AICUP Financing Program – York College of Pennsylvania Project) Series 2014 T2, Series 2014 T3 and Series 2014 T4.

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Pennsylvania Higher Educational Facilities Authority

Name of Bond Issue/CUSIP: \$7,300,000 Pennsylvania Higher Educational Facilities Authority Revenue Bonds (AICUP Financing Program – York College of Pennsylvania Project) Series 2014 T2

CUSIP: 70917SJZ7

\$8,400,000 Pennsylvania Higher Educational Facilities Authority Revenue Bonds (AICUP Financing Program – York College of Pennsylvania Project) Series 2014 T3

CUSIP: 70917SKA0

\$10,365,000 Pennsylvania Higher Educational Facilities Authority Revenue Bonds (AICUP Financing Program – York College of Pennsylvania Project) Series 2014 T4

CUSIP: 70917SKB8

Date of Issuance: May 21, 2014

NOTICE IS HEREBY GIVEN that York College of Pennsylvania has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated as of May 21, 2014.

Dated: _____

cc: York College of Pennsylvania
Pennsylvania Higher Educational Facilities Authority

EXHIBIT B

FORM OF ACCEPTANCE OF DISSEMINATION AGENT'S DUTIES

_____ hereby accepts and assumes all of the duties and obligations as Dissemination Agent under that certain Continuing Disclosure Agreement, dated as of May 21, 2014, by and between York College of Pennsylvania and The Bank of New York Mellon Trust Company, N.A. respecting the Pennsylvania Higher Educational Facilities Authority Revenue Bonds (AICUP Financing Program – York College of Pennsylvania Project) Series 2014 T2, Series 2014 T3 and Series 2014 T4.

[NAME OF SUCCESSOR
DISSEMINATION AGENT]

Dated: _____ By: _____
Authorized Officer

cc: Pennsylvania Higher Educational Facilities Authority
York College of Pennsylvania

APPENDIX D

FORM OF PROPOSED OPINION OF BOND COUNSEL

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[PROPOSED FORM OF BOND COUNSEL OPINION]

May 21, 2014

Re: \$26,065,000 Pennsylvania Higher Educational Facilities Authority
Multi-Mode Revenue Bonds (AICUP Financing Program – York College of
Pennsylvania Project), Series 2014 T2, Series 2014 T3 and Series 2014 T4

Ladies and Gentlemen:

We have acted as Bond Counsel to the Pennsylvania Higher Educational Facilities Authority (the “Issuer”) in connection with the issuance of \$7,300,000 aggregate principal amount of its Multi-Mode Revenue Bonds (AICUP Financing Program – York College of Pennsylvania Project), Series 2014 T2, \$8,400,000 aggregate principal amount of its Multi-Mode Revenue Bonds (AICUP Financing Program – York College of Pennsylvania Project), Series 2014 T3 and \$10,365,000 aggregate principal amount of its Multi-Mode Revenue Bonds (AICUP Financing Program – York College of Pennsylvania Project), Series 2014 T4 (collectively, the “Bonds”). The Bonds are issued under and pursuant to the provisions of the Pennsylvania Higher Educational Facilities Authority Act of 1967 (Act of December 6, 1967, P.L. 678, as amended) (the “Act”) and a Trust Indenture (the “Indenture”), dated as of May 1, 2014 between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The Bonds are being issued pursuant to a financing program sponsored by the Association of Independent Colleges and Universities of Pennsylvania to provide funds to be loaned to York College of Pennsylvania (the “College”) to finance certain costs of a project (the “Project”) consisting of: (i) the current refunding of the Issuer’s (A) Revenue Bonds (Association of Independent Colleges and Universities of Pennsylvania Financing Program - York College of Pennsylvania Project), Series 2001 I6, (B) Revenue Bonds (Association of Independent Colleges and Universities of Pennsylvania Financing Program - York College of Pennsylvania Project), Series 2002 K2, (C) Revenue Bonds (Association of Independent Colleges and Universities of Pennsylvania Financing Program - York College of Pennsylvania Project), Series 2004 M3, and (D) Revenue Bonds (Association of Independent Colleges and Universities of Pennsylvania Financing Program - York College of Pennsylvania Project), Series 2004 BB; (ii) miscellaneous capital expenditures; and (iii) the payment of certain costs of issuing the Bonds.

The Issuer and the College have entered into a Loan Agreement dated as of May 1, 2014 (the “Loan Agreement”) providing for the loan of the proceeds of the Bonds to the College to pay certain costs of the Project. Under the Loan Agreement the College is unconditionally obligated to make loan payments in the amounts and at the times necessary to pay, when due, the principal or redemption price of and interest on the Bonds. The Issuer has assigned certain of its interests under the Loan Agreement, including its right to receive payments thereunder in respect of the Bonds, to the Trustee for the benefit of the holders of the Bonds.

The College has represented in the Loan Agreement that it is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), is not a “private

foundation” within the meaning of Section 509(a) of the Code, and is exempt from federal income tax under Section 501(a) of the Code. The College has covenanted that it will maintain its status as a 501(c)(3) organization under the Code and will take whatever actions are necessary to continue to be organized and operated in a manner which will preserve and maintain its status as an organization which is described in Section 501(c)(3) of the Code and exempt from federal income taxes under Section 501(a) of the Code (except as to unrelated business income).

The Code sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to remain excludable from the gross income of the owners of the Bonds for federal income tax purposes. The Issuer and the College have covenanted to comply with such requirements. Noncompliance with such requirements may cause the interest on the Bonds to be includible in the gross income of the owners of the Bonds for federal income tax purposes, retroactive to the date of issue of the Bonds or as of some later date. Under the Loan Agreement, the College has covenanted that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103(a) of the Code. For the purposes of the opinions set forth below, we have assumed that the Issuer and the College will comply with the covenants set forth in the Loan Agreement relating to the tax-exempt status of the Bonds.

An officer of the Issuer responsible for issuing the Bonds and an authorized officer of the College have each executed a certificate stating the reasonable expectations of the Issuer and the College on the date of issue of the Bonds as to future events that are material for the purposes of Section 148 of the Code pertaining to arbitrage bonds. Also, the Issuer has caused or will cause to be filed with the Internal Revenue Service a report of the issuance of the Bonds as required by Section 149(e) of the Code as a condition of the exclusion from gross income of the interest on the Bonds.

In our capacity as Bond Counsel we have examined such documents, records of the Issuer and other instruments as we deemed necessary to enable us to express the opinions set forth below, including original counterparts or certified copies of the Indenture, the Loan Agreement and the other documents listed in the Closing Memorandum in respect of the Bonds filed with the Trustee. We also have examined an executed Bond of each series and assume that all other Bonds have been similarly executed and have been authenticated by the Trustee. We also assume that the Indenture has been duly authorized, executed and delivered by the Trustee and the Loan Agreement has been duly authorized, executed and delivered by the College.

Based on the foregoing, it is our opinion that:

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

2. The Loan Agreement and the Indenture have been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding obligations of the Issuer enforceable in accordance with their respective terms, except as the rights created thereunder and the enforcement thereof may be limited by bankruptcy, insolvency or other laws or equitable principles affecting the enforcement of creditors' rights generally.

3. The issuance and sale of the Bonds have been duly authorized by the Issuer and, on the assumption as to execution and authentication stated above, such Bonds have been duly executed

and delivered by the Issuer and authenticated by the Trustee, and are legal, valid and binding limited obligations of the Issuer entitled to the benefit and security of the Indenture, except as the rights created thereunder and enforcement thereof may be limited by bankruptcy, insolvency or other laws or equitable principles affecting the enforcement of creditors' rights generally.

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

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

The Bonds were offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Bond through reductions in the holder's tax basis for the Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortization of premium does not create a deductible expense or loss.

We have not been engaged to express and do not express any opinion herein with respect to the adequacy of the security for the Bonds or the sources of payment for the Bonds or with respect to the accuracy or completeness of any offering document or other information pertaining to the offering for sale of the Bonds or as to any other matter not set forth herein.

We call your attention to the fact that the Bonds are limited obligations of the Issuer payable only out of payments to be made by the College pursuant to the Loan Agreement and certain other moneys available therefor, and that the Bonds do not pledge the credit or taxing power of the Commonwealth of Pennsylvania or any political subdivision thereof. The Issuer has no taxing power.

Very truly yours,

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THE ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES OF PENNSYLVANIA*

Albright College	Lancaster Bible College
Allegheny College	Lebanon Valley College
Alvernia College	Lehigh University
Arcadia University	Lycoming College
Baptist Bible College	Manor College
Bryn Athyn College of the New Church	Marywood University
Bryn Mawr College	Mercyhurst University
Bucknell University	York College of Pennsylvania
Cabrini College	Misericordia University
Cairn University	Moore College of Art & Design
Carlow University	Moravian College
Carnegie Mellon University	Mount Aloysius College
Cedar Crest College	Muhlenberg College
Chatham University	Neumann University
Chestnut Hill College	Peirce College
The Commonwealth Medical College	Pennsylvania College of Art & Design
Delaware Valley College	Pennsylvania College of Health Sciences
DeSales University	Pennsylvania Institute of Technology
Dickinson College	Philadelphia College of Osteopathic Medicine
Drexel University	Philadelphia University
Duquesne University	Point Park University
Eastern University	Robert Morris University
Elizabethtown College	Rosemont College
Franklin & Marshall College	Saint Francis University
Gannon University	Saint Joseph's University
Geneva College	Saint Vincent College
Gettysburg College	Seton Hill University
Gratz College	Susquehanna University
Grove City College	Swarthmore College
Gwynedd-Mercy College	Thiel College
Harcum College	University of Pennsylvania
Harrisburg University of Science and Technology	University of the Sciences
Haverford College	The University of Scranton
Holy Family University	The University of the Arts
Immaculata University	Ursinus College
Johnson College	Valley Forge Military College
Juniata College	Villanova University
Keystone College	Washington & Jefferson College
King's College	Waynesburg University
LaRoche College	Westminster College
LaSalle University	Widener University
Lackawanna College	Wilkes University
Lafayette College	Wilson College
Lake Erie College of Osteopathic Medicine	York College of Pennsylvania

* Neither AICUP nor any AICUP member, other than any AICUP member in its individual capacity as the borrower of proceeds of a particular series of bonds issued in this financing program, has any liability for the repayment of any such series of bonds, or the loan of bond proceeds to the borrower.

