

In the opinion of Bond Counsel, interest on the 2017 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, subject to the conditions described in "TAX MATTERS" herein, and interest on the 2017 Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the individual and corporate alternative minimum taxes. However, under the Code, such interest may be subject to certain other taxes affecting corporate holders of the 2017 Bonds. Under the laws of the Commonwealth of Pennsylvania, the 2017 Bonds are exempt from personal property taxes in Pennsylvania, and interest on the 2017 Bonds is exempt from Pennsylvania personal income tax and the Pennsylvania corporate net income tax. For a more complete discussion, see "TAX MATTERS" herein.



\$124,020,000
PENNSYLVANIA HIGHER EDUCATIONAL
FACILITIES AUTHORITY
(Commonwealth of Pennsylvania)
Drexel University Revenue Refunding Bonds, Series of 2017

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

Interest on the Drexel University Revenue Refunding Bonds, Series of 2017 (the "2017 Bonds") is payable on May 1 and November 1 in each year until maturity or earlier redemption, commencing May 1, 2018. The 2017 Bonds are payable by The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee") pursuant to a Trust Indenture dated as of March 1, 1985, as previously amended and supplemented and as further supplemented by a Twenty-Second Supplemental Trust Indenture, dated as of December 1, 2017 between the Pennsylvania Higher Educational Facilities Authority (the "Authority") and the Trustee. The 2017 Bonds are issuable only in fully registered form without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. Purchases of beneficial ownership interests in the 2017 Bonds will be made in book entry only form in denominations of \$5,000 or any integral multiple thereof. So long as Cede & Co., as nominee of DTC is the registered owner, principal or redemption price of and interest on the 2017 Bonds is payable directly to DTC for redistribution to DTC Participants and in turn to the Beneficial Owners as described herein. Purchasers of the 2017 Bonds will not receive physical delivery of certificates representing their ownership interests in the 2017 Bonds purchased. See **"THE 2017 BONDS - Book Entry Only System"** herein.

The 2017 Bonds are subject to redemption prior to maturity as more fully described herein.

The 2017 Bonds are being issued for the benefit of Drexel University (the "University") to provide funds for a project consisting of: (i) the advance refunding of a portion of the Authority's outstanding Drexel University Revenue Bonds, Series A of 2011; and (ii) the payment of costs of issuing the 2017 Bonds (the "2017 Project"). See "PLAN OF FINANCE" herein.

THE 2017 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY. NEITHER THE GENERAL CREDIT OF THE AUTHORITY NOR THE CREDIT OR TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE 2017 BONDS, NOR SHALL THE 2017 BONDS BE DEEMED TO BE GENERAL OBLIGATIONS OF THE AUTHORITY OR OBLIGATIONS OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF, NOR SHALL THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL, PREMIUM, IF ANY, OR INTEREST ON, THE 2017 BONDS. THE AUTHORITY HAS NO TAXING POWER.

See **"BONDHOLDERS' RISKS"** for certain risks associated with an investment in the 2017 Bonds.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision regarding the 2017 Bonds.

The 2017 Bonds are offered for delivery when, as and if issued by the Authority, and received by the Underwriters and subject to the approving legal opinion of Saul Ewing Arnstein & Lehr LLP, Philadelphia, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the Authority by its Counsel, Barley Snyder LLP, Lancaster, Pennsylvania; for the University by its Counsel, Ballard Spahr LLP Philadelphia, Pennsylvania; and for the Underwriters by their counsel Dilworth Paxson LLP, Philadelphia, Pennsylvania. It is expected that the 2017 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about December 26, 2017.

Wells Fargo Securities

Goldman Sachs & Co. LLC

Ramirez & Co., Inc.

\$124,020,000
PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY
(Commonwealth of Pennsylvania)
Drexel University Revenue Refunding Bonds, Series of 2017

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND PRICES

\$ 100,210,000 Serial Bonds

<u>May 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[†] (70917S)</u>
2018	\$6,220,000	5.000%	1.350%	101.257	T29
2019	1,650,000	5.000%	1.600%	104.511	T37
2020	1,735,000	5.000%	1.750%	107.439	T45
2021	6,010,000	5.000%	1.850%	110.175	T52
2022	7,115,000	5.000%	1.980%	112.517	T60
2023	5,715,000	5.000%	2.130%	114.429	T78
2024	4,885,000	5.000%	2.260%	116.114	T86
2025	5,110,000	5.000%	2.350%	117.783	T94
2026	5,350,000	5.000%	2.460%	119.058	U27
2027	5,590,000	5.000%	2.550%	120.258	U35
2028	5,855,000	5.000%	2.700%	119.767*	U43
2029	4,565,000	5.000%	2.770%	119.100*	U50
2030	4,775,000	5.000%	2.870%	118.155*	U68
2031	4,985,000	5.000%	2.940%	117.498*	U76
2032	5,225,000	5.000%	2.980%	117.125*	U84
2033	5,460,000	5.000%	3.020%	116.753*	U92
2034	4,675,000	4.000%	3.360%	105.324*	V26
2035	4,870,000	5.000%	3.100%	116.013*	V34
2036	5,105,000	4.000%	3.430%	104.725*	V42
2037	5,315,000	5.000%	3.140%	115.646*	V59

**\$23,810,000 Term Bonds due May 1, 2041; Interest Rate: 5.000%; Yield: 3.200%; Price: 115.097*;
CUSIP[†] No. 70917SV67**

* Priced to first optional redemption date of November 1, 2027.

[†] CUSIP is a registered trademark of the American Bankers Association (the "ABA"). CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Capital IQ, a division of McGraw Hill Financial, Inc. The CUSIP numbers listed above are being provided solely for the convenience of the holders of 2017 Bonds only at the time of issuance of the 2017 Bonds and the Authority and the Underwriters do not make any representation with respect to such CUSIP numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP numbers are subject to being changed after the issuance of the 2017 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the 2017 Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of the 2017 Bonds.

PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY

(Commonwealth of Pennsylvania)

1035 Mumma Road
Wormleysburg, PA 17043

BOARD MEMBERS

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

EXECUTIVE DIRECTOR

Robert Baccon

AUTHORITY COUNSEL

(Appointed by the Office of General Counsel)

Barley Snyder LLP
Lancaster, Pennsylvania

TRUSTEE

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

BOND COUNSEL

(Appointed by the Office of General Counsel)

Saul Ewing Arnstein & Lehr LLP
Philadelphia, Pennsylvania

UNIVERSITY COUNSEL

Ballard Spahr LLP
Philadelphia, Pennsylvania

IN CONNECTION WITH THIS OFFERING THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2017 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY, OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE 2017 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

The information set forth herein has been obtained from the Pennsylvania Higher Educational Facilities Authority (the "Authority"), Drexel University (the "University"), and other sources which are believed to be reliable, but the information provided by sources other than the Authority is not guaranteed as to accuracy or completeness by the Authority. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

The Authority has not prepared or assisted in the preparation of this Official Statement except for the statements under the sections "THE AUTHORITY" and "LITIGATION-The Authority." The Authority has only reviewed the information contained herein under the sections "THE AUTHORITY" and "LITIGATION-The Authority" and approved such information for use within the Official Statement.

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

No dealer, broker, salesperson or other person has been authorized by the Authority, the Underwriter or the University to give any information or to make any representations with respect to the 2017 Bonds, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy any of the 2017 Bonds in any jurisdiction in which it is unlawful to make such an offer, solicitation, or sale.

The 2017 Bonds have not and will not be registered under the Securities Act of 1933, or under any state securities laws, and the Indenture has not been and will not be qualified under the Trust Indenture Act of 1939, as amended, because of available exemptions therefrom. Neither the Securities and Exchange Commission nor any federal, state, municipal, or other governmental agency will pass upon the accuracy, completeness, or adequacy of the Official Statement.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Table of Contents

INTRODUCTION	1	Social Security and Railroad	
PLAN OF FINANCE.....	3	Retirement Benefits	20
ESTIMATED SOURCES AND USES		Deduction for Interest Paid by	
OF FUNDS	3	Financial Institutions to Purchase or	
THE AUTHORITY	3	Carry Tax-Exempt Obligations	20
THE 2017 BONDS	5	Property or Casualty Insurance	
Description of the 2017 Bonds	5	Company	20
Payments of Principal of, and Interest		Accounting Treatment of Amortizable	
on, the 2017 Bonds	5	Bond Premium	20
Book Entry Only System	6	VERIFICATION.....	21
Transfer and Exchange	8	CERTAIN LEGAL MATTERS.....	21
Redemption Provisions	9	INDEPENDENT ACCOUNTANTS	21
PRINCIPAL AND INTEREST		RATINGS	21
REQUIREMENTS FOR THE 2017		UNDERWRITING	22
BONDS, AND THE PRIOR BONDS	11	FINANCIAL ADVISOR	22
SECURITY AND SOURCES		CONTINUING DISCLOSURE.....	23
OF PAYMENT	12	LITIGATION.....	23
Sources of Payment.....	12	The Authority	23
Pledges of Revenues and other		The University	23
Collateral.....	12	CERTAIN RELATIONSHIPS	23
Actions by the State Treasurer for		MISCELLANEOUS	24
Nonpayment of Loan Repayments.....	13		
Additional Bonds and Indebtedness.....	13	APPENDIX A: CERTAIN INFORMATION	
BONDHOLDERS' RISKS.....	14	CONCERNING DREXEL UNIVERSITY	
General.....	14	APPENDIX B: FINANCIAL STATEMENTS	
Tuition Revenues	14	OF DREXEL UNIVERSITY AND ITS	
Faculty	14	SUBSIDIARIES FOR THE YEARS ENDED	
Fund Raising	14	JUNE 30, 2017 AND 2016	
Additional Borrowings.....	15	APPENDIX C: SUMMARY OF LEGAL	
Additional Covenants.....	15	DOCUMENTS	
Potential Effects of Bankruptcy	15	APPENDIX D: PROPOSED FORM OF	
Covenant to Maintain Tax-Exempt		BOND COUNSEL OPINION	
Status of the 2017 Bonds	16	APPENDIX E: FORM OF CONTINUING	
Enforceability of Remedies.....	16	DISCLOSURE AGREEMENT	
Property Tax Assessments	16		
State and Federal Legislation.....	16		
Competition	17		
Fluctuations in Market Value of			
Investments	17		
Maintenance of the University's			
501(c)(3) Status.....	17		
Other Risk Factors	17		
TAX MATTERS.....	18		
Tax Exemption Opinion of Bond			
Counsel	18		
Alternative Minimum Tax	19		
Branch Profits Tax	19		
S Corporations with Passive			
Investment Income.....	20		

[THIS PAGE INTENTIONALLY LEFT BLANK]

\$124,020,000
PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY
(Commonwealth of Pennsylvania)
Drexel University Revenue Refunding Bonds, Series of 2017

INTRODUCTION

The purpose of this Official Statement of the Pennsylvania Higher Educational Facilities Authority (the “Authority”), 1035 Mumma Road, Wormleysburg, PA 17043, which includes the cover page and the Appendices, is to furnish certain information with respect to the Authority, Drexel University (the “University” or “Drexel”), and the Authority’s \$124,020,000 Drexel University Revenue Refunding Bonds, Series of 2017 (the “2017 Bonds”), to be issued under a Trust Indenture dated as of March 1, 1985, entered into by and between the Authority and The Bank of New York Mellon Trust Company, N.A., Pittsburgh, Pennsylvania, as successor trustee (the “Trustee”) as previously amended and supplemented between the Authority and the Trustee (the “Original Indenture”), and as further supplemented by a Twenty-Second Supplemental Trust Indenture dated as of December 1, 2017 (the “Twenty-Second Supplemental Indenture,” and together with the Original Indenture, the “Indenture”). Certain capitalized terms used herein have the same meaning as in the Indenture. Certain capitalized terms used but not defined herein are defined in **“APPENDIX C: SUMMARY OF LEGAL DOCUMENTS -DEFINITIONS.”**

See **“THE AUTHORITY”** herein for certain information concerning the Authority and **“APPENDIX A: CERTAIN INFORMATION CONCERNING DREXEL UNIVERSITY”** for certain information concerning the University. **APPENDIX B** contains the consolidated financial statements of the University. The University’s consolidated financial statements include financial information with respect to various subsidiaries of the University. None of such subsidiaries is obligated to make any payments with respect to debt service on the 2017 Bonds. See **“APPENDIX A: CERTAIN INFORMATION CONCERNING DREXEL UNIVERSITY – University Subsidiaries.”**

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

Plan of Finance. The Authority, pursuant to a Loan and Security Agreement dated as of March 1, 1985 with the University as previously amended and supplemented (the “Original Agreement”) and as further supplemented by a Twenty-Fourth Supplemental Loan and Security Agreement dated as of December 1, 2017 (the “Twenty-Fourth Supplemental Agreement”, and together with the Original Agreement, the “Loan Agreement”), will lend the proceeds of the 2017 Bonds to the University, which will apply such proceeds to the 2017 Project (as described below under **“PLAN OF FINANCE”**). The Authority will deposit the proceeds of the 2017 Bonds with the Trustee, and the Loan Agreement will provide for the University to repay the loan by paying directly to the Trustee amounts which, together with any other moneys available to the Trustee therefor, are designed to be sufficient, if timely paid in full, to pay the principal or redemption price of, and interest on, the 2017 Bonds and certain administrative costs of the Authority. Additionally, the Treasurer of the Commonwealth of Pennsylvania (the “State Treasurer”), the Authority and the University have entered into a Collateral Agreement dated as of March 1, 1985 as previously supplemented and as further supplemented by a Twenty-First Supplemental Collateral Agreement dated as of December 1, 2017, pursuant to which the State Treasurer agrees, in the event of a default by the University in the payment of loan repayments under the Loan

Agreement, to withhold certain appropriations from the Commonwealth of Pennsylvania payable to the University, if any, in an amount equal to any unpaid amount due under the Loan Agreement and to pay the same to the Authority, which has assigned its rights to receive such amounts to the Trustee. See **“SECURITY AND SOURCES OF PAYMENT – Actions by the State Treasurer for Nonpayment of Loan Repayments”** herein. For a description of the principal documents underlying the 2017 Bonds, see **“APPENDIX C: SUMMARY OF LEGAL DOCUMENTS.”**

The 2017 Bonds are being issued on a parity basis with the Authority’s Drexel University Variable Rate Revenue Bonds, Second Series of 2000 (the “Series 2000-2 Bonds”), its Drexel University Multi-Modal Revenue Bonds, Series B of 2002 (the “Series 2002-B Bonds”), its Drexel University Revenue Bonds, Series B of 2005 (the “Series 2005-B Bonds”), its Drexel University Revenue Bonds, Series B of 2007 (the “Series 2007-B Bonds”), its Drexel University Revenue Bonds Series A of 2011 (the “Series 2011 Bonds”), its Drexel University Revenue Bonds Series of 2012 (the “Series 2012 Bonds”) and its Drexel University Revenue Refunding Bonds Series of 2016 (the “Series 2016 Bonds”) and any Additional Bonds (as defined below) which may be issued hereafter. The 2017 Bonds will also be issued on a parity basis with the University’s payment obligations under an interest rate swap agreement entered into in connection with the Series 2005-B Bonds (the “2005B Swap”). See **“SECURITY AND SOURCES OF PAYMENT”** herein.

On December 1, 2017, there were \$22,500,000 principal amount of the Series 2000-2 Bonds, \$41,180,000 principal amount of the Series 2002-B Bonds, \$29,625,000 principal amount of the Series 2005-B Bonds, \$24,890,000 principal amount of the Series 2007-B Bonds, \$136,205,000 principal amount of the Series 2011 Bonds, \$15,635,000 principal amount of the Series 2012 Bonds, and \$117,130,000 principal amount of the Series 2016 Bonds Outstanding. As described herein under **“PLAN OF FINANCE,”** a portion of the 2017 Bonds will be applied to the advance refunding of \$128,175,000 of the Series 2011 Bonds (such portion of the Series 2011 Bonds being referred to herein as the “Refunded Bonds”); \$8,030,000 of the Series 2011 Bonds will remain Outstanding (the Series 2011 Bonds that will be Outstanding following the refunding of the Refunded Bonds, are referred to herein as the “Remaining 2011 Bonds”). See **“PRINCIPAL AND INTEREST REQUIREMENTS FOR THE 2017 BONDS AND THE PRIOR BONDS”** herein.

“Additional Bonds” shall mean any Bonds other than the Series 2000-2 Bonds, the Series 2002-B Bonds, the Series 2005-B Bonds, the Series 2007-B Bonds, the Remaining 2011 Bonds, the Series 2012 Bonds, the Series 2016 Bonds (the Series 2000-2 Bonds, the Series 2002-B Bonds, the Series 2005-B Bonds, the Series 2007-B Bonds, the Remaining 2011 Bonds, the Series 2012 Bonds and the Series 2016 Bonds are collectively referred to herein as, the “Prior Bonds”) and the 2017 Bonds.

Additional Bonds and Additional Debt. Upon compliance with the terms and conditions of the Loan Agreement, the University may incur additional debt on a parity with the 2017 Bonds with respect to the lien on the University’s Unrestricted Gross Revenues. See **“SECURITY AND SOURCES OF PAYMENT - Additional Bonds and Indebtedness”**.

Bondholders’ Risks. Certain risks associated with the purchase of the 2017 Bonds are set forth in the Section entitled **“BONDHOLDERS’ RISKS.”**

Forward-Looking Statements. Information included in this Official Statement includes forward-looking statements about the future that are necessarily subject to various risks and uncertainties (the “Forward-Looking Statements”). These Forward-Looking Statements are (i) based on the beliefs and assumptions of management of the University and on information currently available to such management; and (ii) generally identifiable by words such as “estimates”, “expects”, “anticipates”, “plans”, “believes” and similar expressions.

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

PLAN OF FINANCE

The 2017 Bonds are being issued for the benefit of the University to provide funds for a project consisting of: (i) the advance refunding of the Refunded Bonds; and (ii) the payment of costs of issuing the 2017 Bonds (collectively, the “2017 Project”).

A portion of the proceeds of the 2017 Bonds will be (a) deposited in an escrow fund established under an Escrow Deposit Agreement dated as of December 1, 2017 (the “Escrow Agreement”), among the Authority, the University and The Bank of New York Mellon Trust Company, N.A., as escrow agent, (b) invested in Government Obligations (as defined in the Indenture), and (c) applied to the payment of the principal of and interest on the Refunded Bonds to May 1, 2021, and the principal due, or redemption price of, the Refunded Bonds on May 1, 2021. See “**VERIFICATION**” herein.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth estimated sources and uses of funds, with respect to the 2017 Bonds, in connection with the 2017 Project:

Sources of Funds:	
Par Amount of the 2017 Bonds	\$124,020,000.00
Original Issue Premium	<u>17,730,374.75</u>
TOTAL SOURCES	\$141,750,374.75
Uses of Funds	
Refunding of Refunded Bonds	\$141,053,098.83
Costs of Issuance for 2017 Bonds*	<u>697,275.92</u>
TOTAL USES	\$141,750,374.75

*Includes Underwriters’ discount, the initial administrative fee of the Authority, the initial and first annual Trustee fee, fees and expenses of Bond Counsel, University Counsel, and Underwriters’ Counsel, verification agent, fee of the University’s financial advisor, printing, rating agency and miscellaneous expenses.

THE AUTHORITY

The Authority is a body corporate and politic, constituting a public corporation and a public instrumentality of the Commonwealth of Pennsylvania (the “Commonwealth”), created by the Pennsylvania Higher Educational Facilities Act of 1967 (the Act of December 6, 1967, P.L. 678 24 P.S. §§5501-5517, as amended (the “Act”). The Authority’s address is 1035 Mumma Road, Wormleysburg, Pennsylvania 17043.

Under the Act, the Authority consists of the Governor of the Commonwealth, the State Treasurer, the Auditor General, the Secretary of Education, the Secretary of the Department of General Services, the

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

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

As of September 30, 2017, revenue bonds and notes of the Authority issued to finance various projects in the Commonwealth were outstanding in the amount of \$5,798,821,929. None of the revenues of the Authority with respect to its revenue bonds and notes issued for the benefit of other institutions will be pledged as security for any bonds or notes issued for the benefit of the University. Further, no revenue bonds and notes issued for the benefit of other institutions will be payable from or secured by the revenues of the Authority or other moneys securing any bonds or notes issued for the benefit of the University.

The Authority has issued, and may continue to issue, other series of bonds for the purpose of financing other projects, including other educational facilities. Each such series of bonds to the extent issued to benefit educational institutions other than the University is or will be secured by instruments separate and apart from the Indenture securing the 2017 Bonds.

The Act provides that the Authority is to obtain from the Pennsylvania State Public School Building Authority ("SPSBA"), for a fee, those executive, fiscal and administrative services as may be required to carry out the functions of the Authority under the Act. Accordingly, the Authority and SPSBA share an executive, fiscal and administrative staff, which currently numbers nine people, and operate under a joint administrative budget.

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

Robert Baccon
Executive Director

Mr. Baccon has served as an executive with 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 present post, Mr. Baccon held financial management positions with multinational U.S. corporations and was Vice President - Finance for a major highway construction contractor.

David Player
Comptroller & Director of Financial Management

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

Beverly M. Nawa
Administrative Officer

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

THE AUTHORITY HAS NOT PREPARED OR ASSISTED IN THE PREPARATION OF THIS OFFICIAL STATEMENT, EXCEPT THE STATEMENTS UNDER THIS SECTION AND UNDER THE HEADING "LITIGATION – THE AUTHORITY," AND, EXCEPT AS AFORESAID, THE AUTHORITY DISCLAIMS RESPONSIBILITY FOR THE DISCLOSURES SET FORTH HEREIN MADE IN CONNECTION WITH THE OFFER, SALE AND DISTRIBUTION OF THE 2017 BONDS.

THE 2017 BONDS

Description of the 2017 Bonds

The 2017 Bonds shall be dated the date of their delivery. The 2017 Bonds will mature on the dates and in the amounts set forth on the inside cover page hereof, and shall bear interest, payable on May 1 and November 1 of each year commencing May 1, 2018, at the rates per annum set forth on the inside cover page hereof. The 2017 Bonds shall be subject to redemption prior to maturity as described below.

The 2017 Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. Purchases of the 2017 Bonds will be made in book entry only form, in denominations of \$5,000 or any integral multiple thereof. Beneficial Owners will not receive certificates representing their interest in the 2017 Bonds. So long as Cede & Co. is the registered owner, as nominee of DTC, references herein to the registered owners shall mean Cede & Co., and shall not mean the Beneficial Owners of the 2017 Bonds. See "Book Entry Only System" below.

Principal of and interest on the 2017 Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as Trustee. So long as DTC or its nominee, Cede & Co., is the registered owner of the 2017 Bonds, such payments will be made directly to it as registered owner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

Payments of Principal of, and Interest on, the 2017 Bonds

The Authority, the Trustee and the University will treat the registered owner of any 2017 Bond as the absolute owner of such 2017 Bond, whether such 2017 Bond shall be overdue or not, for the purpose of receiving payment of or on account of, the principal or redemption price, of, and interest on, such 2017

Bonds and for other purposes, and the Authority, the Trustee and the University shall not be affected by any notice to the contrary. All such payments so made to any such holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon such 2017 Bond to the extent of the sum or sums to be so paid.

Whenever the due date for payment of interest on or principal of the 2017 Bonds or the date fixed for redemption of any 2017 Bond shall be a Saturday, a Sunday, a legal holiday, or a day on which banking institutions in the Commonwealth or the city where the Trustee payment office is then located are authorized or required by law to close, then payment of such interest, principal or redemption price need not be made on such date, but may be made on the next succeeding day which is not a Saturday, Sunday, legal holiday, or a day upon which banks in the Commonwealth or the city where the Trustee payment office is then located are authorized or required by law to close, with the same force and effect as if made on the due date for payment of principal, interest, or redemption price, and no interest shall accrue thereon for any period after such due date.

Book Entry Only System

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

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2017 Bonds. The 2017 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the 2017 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect

Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2017 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2017 Bonds, except in the event that use of the book-entry system for the 2017 Bonds is discontinued.

To facilitate subsequent transfers, all 2017 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2017 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the 2017 Bonds may wish to ascertain that the nominee holding the 2017 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2017 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2017 Bonds and payment of proceeds of redemption of the 2017 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal and interest and redemption proceeds with respect to the 2017 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee,

disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2017 Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2017 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2017 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

THE AUTHORITY, THE TRUSTEE, THE UNDERWRITERS, AND THE UNIVERSITY CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE 2017 BONDS: (i) PAYMENTS OF PRINCIPAL, REDEMPTION PRICE OF OR INTEREST ON THE 2017 BONDS; (ii) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN 2017 BONDS; OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE 2017 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 UNDERWRITERS, THE UNIVERSITY NOR THE TRUSTEE SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A BONDHOLDER WITH RESPECT TO EITHER: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 2017 BONDS; (3) THE DELIVERY OR THE TIMELINESS OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO THE OWNER OF THE 2017 BONDS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

Transfer and Exchange

The 2017 Bonds may be transferred or exchanged upon the registration books maintained by the Trustee only upon delivery thereof to the Trustee, accompanied by a written instrument of transfer in form and with signature guarantee satisfactory to the Trustee, duly executed by the owner thereof or his attorney-in-fact or legal representative, and subject to such additional requirements as may be established by the Trustee. No transfer or exchange of any 2017 Bonds shall be effective until entered on the registration books maintained by the Trustee. The Trustee will not be required to issue, exchange or transfer any 2017 Bonds during a period beginning at the opening of business fifteen (15) days before the

date of mailing of a notice of redemption of 2017 Bonds selected for redemption, or to transfer or exchange any 2017 Bonds which have been selected or called for redemption in whole or in part, or to issue any 2017 Bonds which have been selected or called for redemption in whole or in part.

No service charge will be made to the owners of 2017 Bonds for any exchange or transfer, except for the payment of taxes or other governmental charges that may be imposed in relation thereto. In the event any 2017 Bond is mutilated, lost, stolen or destroyed, the Authority may execute and the Trustee may authenticate a new 2017 Bond of like tenor and denomination in accordance with the provisions of the Indenture and the Authority and the Trustee may charge the registered owner of such 2017 Bond with their reasonable fees and expenses and may require reasonable indemnity in connection therewith.

Redemption Provisions

Optional Redemption. The Bonds maturing on or after May 1, 2028 are subject to redemption prior to maturity at the option of the Authority as directed in writing by the University in whole or in part on any date on or after November 1, 2027. Such redemption may be in any order of maturity and in any principal amount within a maturity as selected by the Authority (as directed by the University) but within a maturity as chosen by the Trustee by lot and shall be at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to the date of redemption.

Mandatory Sinking Fund Redemption. The 2017 Bonds stated to mature on May 1, 2041 are subject to mandatory redemption at a Redemption Price equal to 100% of such 2017 Bonds to be redeemed, plus accrued interest to the redemption date, from sinking fund installments on May 1 in each of the years indicated below in the amounts indicated below:

<u>Redemption Date</u> <u>(May 1)</u>	<u>Principal Amount</u>
2038	\$5,580,000
2039	5,860,000
2040	6,150,000
2041*	6,220,000

* Maturity Date

Prior to each sinking fund redemption date referred to above (each, a “Sinking Fund Date”), the Trustee, at the written direction of the University, may enter into agreements to purchase from moneys deposited in the 2017 Bonds Sinking Fund established under the Indenture by the University for such purpose as many 2017 Bonds as can be purchased at the lowest prices offered at the time by the registered owners, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund, or if not so available therein from moneys deposited by the University). Prior to each Sinking Fund Date, so long as any 2017 Bonds shall remain Outstanding, or at such other time as shall suit the convenience of the Trustee and allow sufficient time to mail the notice of redemption, the Trustee shall draw by lot, for redemption on such dates, a principal amount of such 2017 Bonds as shall represent the difference between the principal amount of the 2017 Bonds fixed for redemption on such Sinking Fund Date, as shown above, and the principal amount thereof which the Trustee shall have purchased or agreed to purchase during the immediately preceding period, as described above.

Notice of any redemption, identifying the 2017 Bonds or portions thereof to be redeemed, will be given not more than 90 nor less than 30 days prior to the date fixed for redemption, by first class mail to the registered owners of the 2017 Bonds to be redeemed. Any defect in the notice or the mailing thereof with respect to any 2017 Bond will not affect the validity of the redemption as to any other 2017 Bonds.

No further interest will accrue on the principal of any 2017 Bonds called for redemption after the redemption date if payment of the redemption price thereof has been duly provided for, and the registered owners of such 2017 Bonds will have no rights with respect to such 2017 Bonds except to receive payment of the redemption price thereof and unpaid interest accrued to the date fixed for redemption. If the notice so specifies, a call for redemption may be conditioned on the deposit of funds for redemption by the date fixed for redemption, in the absence of which deposit the call for redemption would be of no effect.

Remainder of page left intentionally blank

**PRINCIPAL AND INTEREST REQUIREMENTS FOR THE 2017 BONDS
AND THE PRIOR BONDS**

Fiscal Year (June 30)	2017 Bonds Debt Service	Prior Bonds Debt Service^{*†}	Total Debt Service
2018	\$8,339,167	\$19,510,051	\$27,849,218
2019	7,442,200	16,000,362	23,442,562
2020	7,444,700	15,943,363	23,388,063
2021	11,632,950	15,916,944	27,549,894
2022	12,437,450	15,172,846	27,610,296
2023	10,681,700	17,655,508	28,337,208
2024	9,565,950	20,605,805	30,171,755
2025	9,546,700	20,679,563	30,226,263
2026	9,531,200	20,744,381	30,275,581
2027	9,503,700	20,822,301	30,326,001
2028	9,489,200	20,844,817	30,334,017
2029	7,906,450	22,469,027	30,375,477
2030	7,888,200	20,378,152	28,266,352
2031	7,859,450	20,684,940	28,544,390
2032	7,850,200	20,784,013	28,634,213
2033	7,823,950	20,888,794	28,712,744
2034	6,765,950	21,937,102	28,703,052
2035	6,773,950	21,958,502	28,732,452
2036	6,765,450	21,979,744	28,745,194
2037	6,771,250	21,992,202	28,763,452
2038	6,770,500	422,963	7,193,463
2039	6,771,500	424,850	7,196,350
2040	6,768,500	425,688	7,194,188
2041	<u>6,531,000</u>	<u>410,475</u>	<u>6,941,475</u>
TOTALS	\$198,861,267	\$398,652,390	\$597,513,656

* Assumes a rate of interest of 3.41405% for the Series 2005-B Bonds, which is the fixed rate payable by the University under the 2005B Swap, and a rate of interest of 3.5% on the other Prior Bonds that bear interest at a variable rate.

† Does not include debt service on the Refunded Bonds, which will be refunded with proceeds of the 2017 Bonds.

SECURITY AND SOURCES OF PAYMENT

Sources of Payment

The 2017 Bonds are limited obligations of the Authority, equally and ratably secured under the Indenture with the Prior Bonds and any Additional Bonds that may hereafter be issued under the Indenture, except with respect to moneys on deposit in any debt service reserve fund established for any series of Prior Bonds, which are pledged solely for the benefit of such series of Prior Bonds and moneys on deposit in any reserve fund or separate fund which are pledged solely for the benefit of any series of Additional Bonds and except with respect to any sinking funds established for the payment or redemption of any particular Bonds issued under the Indenture. The 2017 Bonds are payable solely from: (i) the Pledged Revenues, including payments received from the University under the Loan Agreement and under the Collateral Agreement, and (ii) monies held by the Trustee in funds established under the Indenture with the exception of funds and accounts held solely for a specific series of Bonds issued under the Indenture.

Neither the general credit of the Authority nor the credit or taxing power of the Commonwealth of Pennsylvania or any political subdivision thereof is pledged for the payment of the principal of, premium, if any, or interest on the 2017 Bonds, nor shall the 2017 Bonds be deemed to be general obligations of the Authority or obligations of the Commonwealth of Pennsylvania or any political subdivision thereof, nor shall the Commonwealth of Pennsylvania or any political subdivision thereof be liable for the payment of the principal, premium, if any, or interest on, the 2017 Bonds. The Authority has no taxing power.

Pledges of Revenues and other Collateral

The Loan Agreement is a general obligation of the University and the full faith and credit of the University is pledged to the payment of all sums due thereunder. The 2017 Bonds are equally and ratably secured on a parity with the Prior Bonds, and any Additional Bonds which may hereafter be issued under the Indenture (except as otherwise provided in the Indenture and described above) by an assignment to the Trustee of all the right, title and interest of the Authority in and to the Loan Agreement, which includes the right to receive loan repayments from the University. The University's obligations under the Loan Agreement are secured by a security interest in the University's Unrestricted Gross Revenues as defined in the Loan Agreement. In addition, the University's payment obligations under the 2005B Swap are secured on a parity basis with the University's payment obligations under the Loan Agreement with respect to the lien on the University's Unrestricted Gross Revenues. The University's pledge of Unrestricted Gross Revenues is subject to a prior pledge of certain revenues to secure existing indebtedness of the University. See **"APPENDIX A: CERTAIN INFORMATION CONCERNING DREXEL UNIVERSITY - Indebtedness"** for information concerning such indebtedness and the revenues pledged therefor. Furthermore, the pledge of Unrestricted Gross Revenues by the University pursuant to the Loan Agreement may in the future be subordinated with respect to revenue from specific facilities pledged to others to obtain and secure obligations bearing interest at below market rates by reason of governmental subsidies or grants. Pursuant to the Loan Agreement, the University may incur additional short-term and long-term debt with a lien on and security interest in the Unrestricted Gross Revenues on a parity with the 2017 Bonds and create liens and mortgages on other University Facilities. For a description of the terms and conditions under which such debt may be incurred see **"APPENDIX C: SUMMARY OF LEGAL DOCUMENTS - THE LOAN AGREEMENT."**

Under the Loan Agreement, the University pledges and agrees that whenever an Event of Default, as defined in the Loan Agreement, shall have occurred and is continuing, the University shall deliver daily to the Trustee, or permit the Trustee to collect directly, so far as practicable, all of the Unrestricted

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

Actions by the State Treasurer for Nonpayment of Loan Repayments

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

Although the University has no formal relationship with the Commonwealth of Pennsylvania, it has, pursuant to specific legislative appropriations, received sums from the Commonwealth for support of instruction and financial aid each year since 1959. Drexel received appropriations from the Commonwealth of \$8.3 million in fiscal year 2013, \$8.2 million in fiscal year 2014, \$8.1 million in fiscal year 2015, \$8.1 million in fiscal year 2016, and \$8.1 million in fiscal year 2017. The Commonwealth’s budget for fiscal year 2018 includes Commonwealth funding of \$7.9 million.

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

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

Additional Bonds and Indebtedness

The Authority may issue additional series of bonds under the Indenture on a parity with, and/or the University may incur certain additional debt on a parity with or subordinate to, the 2017 Bonds and the Prior Bonds. In order for such bonds to be issued or such debt to be incurred, the University must satisfy certain conditions as set forth in the Indenture and the Loan Agreement. For a further description of the conditions under which such bonds may be issued or such debt may be incurred, see “**APPENDIX C: SUMMARY OF LEGAL DOCUMENTS -THE INDENTURE - Additional Bonds; THE LOAN AGREEMENT - Limitations on Additional Indebtedness.**”

BONDHOLDERS' RISKS

General

There are risks in purchasing the 2017 Bonds, only some of which are outlined in this section of this Official Statement. The 2017 Bonds are special, limited obligations of the Authority and are payable solely from payments made pursuant to the Loan Agreement. In addition, the 2017 Bonds are payable from certain funds held by the Trustee pursuant to the Indenture.

The ability of the Authority to make timely payments of principal and interest on the 2017 Bonds depends on the ability of the University to make timely loan payments pursuant to the Loan Agreement. The University expects that revenues derived from its ongoing operations, when taken together with other funds available to the University for such purposes, will at all times be sufficient to make debt service payments, and the University has covenanted under the Loan Agreement to charge such fees and rates for its services to provide necessary net revenues. A number of factors, however, may adversely affect the University's ability to make timely debt service payments.

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

Future legislation, regulatory actions, economic conditions, changes in private philanthropy, competition, changes in the number of students in attendance at the University, or other factors could adversely affect the University's ability to generate revenues. Neither the Underwriter nor the Authority has made any independent investigation of the extent to which any of these factors could have an adverse impact on the revenues of the University.

Tuition Revenues

Tuition revenue is the principal revenue source for the University. While the University has been able to demonstrate a satisfactory level of student demand for its academic programs at current tuition levels, there is no assurance that it will be able to continue to do so throughout the term of the 2017 Bonds. Demand for attendance at the University may be subject to factors beyond its control, such as general economic and demographic conditions, funding levels at state-supported and competing private institutions and public and private funding of financial aid programs. The University currently subsidizes a majority of its students with scholarship and loan programs, which are subject to reduction and limitation. In addition, the academic reputation of the University is a critical factor in continued demand for attendance.

Faculty

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

Fund Raising

The University has demonstrated an ability to raise funds from a variety of benefactors to finance its operations and capital development programs and to increase its endowment. The University plans to continue those efforts in the future. There can be no assurance, however, that those efforts will be

successful. Such efforts may be adversely affected by a number of factors, including general economic conditions and tax law changes affecting the deductibility of charitable contributions.

Additional Borrowings

The Loan Agreement limits the amount of additional Long-Term Debt of the University and the circumstances under which it may be incurred. Although the University expects that any such additional debt may be readily serviced by net revenues of the University, the incurrence of any such debt may have the effect of diluting resources available to make loan payments under the Loan Agreement. The University secured its obligations in connection with the Prior Bonds and the 2005B Swap, and is securing the 2017 Bonds with a pledge of its Unrestricted Gross Revenues, as described in "SECURITY AND SOURCES OF PAYMENT." To the extent permitted under the Loan Agreement, additional debt incurred by the University may be secured by a pledge of Unrestricted Gross Revenues of the University or by a security interest in or lien on other University property. The existence and incurrence of any such additional secured debt may adversely affect the position of the holders of the 2017 Bonds in the event of any bankruptcy or insolvency proceedings involving the University. The incurrence of any such additional secured debt in the future may have an adverse effect on the market price of the 2017 Bonds.

Additional Covenants

The University has entered into loan agreements with certain banks which contain additional operating covenants and restrictions, including but not limited to a requirement to maintain a specified debt service coverage ratio, for the sole and exclusive benefit of such banks. Such additional covenants and agreements may be more restrictive than those in the Loan Agreement and compliance by the University with the terms thereof may be enforced or waived at the sole discretion of such banks. In addition, MBIA Insurance Corporation issued an interest rate swap agreement insurance policy insuring the 2005B Swap. See "**APPENDIX C: SUMMARY OF LEGAL DOCUMENTS – THE LOAN AGREEMENT -- Additional Covenant So Long as MBIA Insured Bonds or Swap are Outstanding**" for a description of the University's additional covenant so long as such interest rate swap agreement insurance policy is in effect.

Potential Effects of Bankruptcy

If the University were to file a petition for relief under the Federal Bankruptcy Code, its Unrestricted Gross Revenues and certain of its accounts receivable and other property acquired after the filing (and under certain conditions, some or all thereof acquired within 120 days prior to the filing) would not be subject to the security interests granted under the Loan Agreement. The filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the University and its property. If the bankruptcy court so ordered, the University's property, including its Unrestricted Gross Revenues, could be used for the benefit of the University despite the claims of its creditors (including the Trustee acting on behalf of the holders of the 2017 Bonds).

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

Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the plan are cast in

its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly. Such an approved plan could limit recoveries by the holders of the 2017 Bonds and/or reduce the collateral pledged as security therefor.

Covenant to Maintain Tax-Exempt Status of the 2017 Bonds

The tax-exempt status of the 2017 Bonds is based on the continued compliance by the Authority and the University with certain covenants contained in the Indenture, the Loan Agreement and certain other documents entered into by the Authority and the University. These covenants relate generally to restrictions on the use of facilities refinanced with proceeds of the 2017 Bonds, arbitrage limitations, rebate of certain excess investment earnings to the federal government and restrictions on the amount of issuance costs which may be financed with proceeds of the 2017 Bonds. Failure by the Authority or the University to comply with such covenants could cause interest on the 2017 Bonds to become subject to federal income taxation retroactive to the date of issuance of the 2017 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 2017 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.

Property Tax Assessments

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

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

State and Federal Legislation

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

or otherwise burden the activities of such corporations (including proposals to broaden or strengthen federal and local tax law provisions respecting unrelated business income of nonprofit corporations).

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

Competition

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

Fluctuations in Market Value of Investments

Earnings on investments have historically provided the University an important source of cash flow and capital appreciation to support its programs and services, to finance capital expenditure investments and to build cash reserves. Historically the value of both debt and equity securities has fluctuated and, in some instances, the fluctuations have been quite significant. Diversification of securities holdings may diminish the impact of these fluctuations. However, no assurances can be given that the market value of the investments of the University will grow, or even remain at current levels and there is no assurance that such market value will not decline.

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

The tax-exempt status of the 2017 Bonds presently depends upon the University's maintenance of its status as an organization described in Section 501(c)(3) of the Code.

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

Other Risk Factors

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

- (1) Lack of demand for on-campus housing at the University;
- (2) Changes in the demand for higher education in general or for programs offered by the University in particular;
- (3) A decline in the demographic pool of candidates who may elect to attend the University;
- (4) A decrease in student loan funds or other aids that permits many students the opportunity to pursue higher education;

- (5) Changes in management, personnel or the administration of the University, or in the University's strategic focus;
- (6) Increased costs and decreased availability of public liability insurance;
- (7) Employee strikes and other adverse labor actions that could result in a substantial reduction in revenues without corresponding decreases in costs;
- (8) Cost and availability of energy;
- (9) An increase in the costs of health care benefits, retirement plans or other benefit packages offered by the University to its employees;
- (10) A decrease in the market value of the University's investments or unrestricted net assets;
- (11) Reduced future University net tuition revenues as a result of a need to increase tuition discounting to attract students;
- (12) Reduced ability to attract future annual or capital campaign contributions, that may limit future projects or the ability to address deferred maintenance and/or the support of expenses related to faculty salaries and tuition discounting;
- (13) Reduced availability of qualified faculty to teach the programs offered by the University;
- (14) A downgrade in the University's bond rating to a level which prevents the University from being able to borrow at affordable rates in the future;
- (15) A rating change of the University's credit enhancers or liquidity providers which may adversely affect the interest costs on the University's variable rate debt or which may render such variable rate debt unmarketable;
- (16) Higher interest rates, which could prevent borrowing for needed capital expenditures;
- (17) Increasing costs of compliance with governmental regulations, including accommodations for handicapped or special needs students, and costs of compliance with the changes in such regulations;
- (18) The occurrence of natural disasters, including floods and hurricanes and pandemics and similar events, which might damage the facilities of the University, interrupt service to such facilities or otherwise impair the operation and ability of such facilities to produce revenue;
- (19) Counterparty risk related to swaps used by the University; and
- (20) An inability to retain students, resulting in enrollment losses and reduced revenues.

TAX MATTERS

Tax Exemption Opinion of Bond Counsel

The Internal Revenue Code of 1986, as amended (the "Code") contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the 2017 Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the 2017 Bonds and the rebate of certain investment earnings derived from such proceeds

to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the Authority and the University subsequent to the issuance and delivery of the 2017 Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The Authority and the University have made covenants to comply with such requirements.

In the opinion of Bond Counsel, interest on the 2017 Bonds [(including accrued original issue discount)] is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion of Bond Counsel is subject to the condition that the Authority and the University comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2017 Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the 2017 Bonds to be so includable in gross income retroactive to the date of issuance of the 2017 Bonds. The Authority and the University have covenanted to comply with all such requirements. Interest on the 2017 Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes; however, under the Code, to the extent that interest on the 2017 Bonds is a component of a corporate holder's "adjusted current earnings," a portion of that interest may be subject to the corporate alternative minimum tax. Bond Counsel expresses no opinion regarding other federal tax consequences relating to the 2017 Bonds or the receipt of interest thereon. See discussion of "Alternative Minimum Tax," "Branch Profits Tax," "S Corporations with Passive Investment Income," "Social Security and Railroad Retirement Benefits," "Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations," "Property or Casualty Insurance Company," and "Accounting Treatment of Amortizable Bond Premium" below.

In the opinion of Bond Counsel, under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof, the 2017 Bonds, and the interest thereon are free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2017 Bonds or the interest thereon. Profits, gains or income derived from the sale, exchange, or other disposition of the 2017 Bonds are subject to state and local taxation within the Commonwealth of Pennsylvania. Specifically, the 2017 Bonds are exempt from personal property taxes in Pennsylvania and interest on the 2017 Bonds is exempt from the Pennsylvania personal income tax and the Pennsylvania corporate net income tax.

Alternative Minimum Tax

The Code includes, for purposes of the corporate alternative minimum tax, a preference item consisting of, generally, seventy-five percent (75%) of the excess of a corporation's "adjusted current earnings" over its "alternative minimum taxable income" (computed without regard to this particular preference item and the alternative tax net operating loss deduction). Thus, to the extent that tax-exempt interest (including interest on the 2017 Bonds) is a component of a corporate holder's "adjusted current earnings," a portion of that interest may be subject to the alternative minimum tax.

Branch Profits Tax

Under the Code, foreign corporations engaged in a trade or business in the United States will be subject to a "branch profits tax" equal to thirty percent (30%) of the corporation's "dividend equivalent amount" for the taxable year. The term "dividend equivalent amount" includes interest on tax-exempt obligations.

S Corporations with Passive Investment Income

Section 1375 of the Code imposes a tax on the income of certain small business corporations for which an S Corporation election is in effect, and that have “passive investment income.” For purposes of Section 1375 of the Code, the term “passive investment income” includes interest on the 2017 Bonds. This tax applies to an S Corporation for a taxable year if the S Corporation has Subchapter C earnings and profits at the close of the taxable year and has gross receipts, more than twenty-five percent (25%) of which are “passive investment income.” Thus, interest on the 2017 Bonds may be subject to federal income taxation under Section 1375 of the Code if the requirements of that provision are met.

Social Security and Railroad Retirement Benefits

Under Section 86 of the Code, certain Social Security and Railroad Retirement benefits (the “benefits”) may be includable in gross income. The Code provides that interest on tax-exempt obligations (including interest on the 2017 Bonds) is included in the calculation of “modified adjusted gross income” in determining whether a portion of the benefits received are to be includable in gross income of individuals.

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

The Code, subject to limited exceptions not applicable to the 2017 Bonds, denies the interest deduction for indebtedness incurred or continued to purchase or carry tax-exempt obligations, such as the 2017 Bonds. With respect to banks, thrift institutions and other financial institutions, the denial to such institutions is one hundred percent (100%) for interest paid on funds allocable to the 2017 Bonds and any other tax-exempt obligations acquired after August 7, 1986.

Property or Casualty Insurance Company

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

Accounting Treatment of Amortizable Bond Premium

The 2017 Bonds are referred to as the “Premium Bonds” under this caption “Accounting Treatment of Amortizable Bond Premium”. An amount equal to the excess of the initial public offering price of a Premium Bond set forth on the inside cover page over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the purchaser’s basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed.

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

VERIFICATION

Samuel Klein and Company, Certified Public Accountants (the “Verification Agent”) will deliver to the Authority, on or before the date of the delivery of the 2017 Bonds, its report (the “Verification Report”) indicating that it has verified the mathematical accuracy of the information provided to the Authority and its representatives by the Underwriters with respect to the refunding requirements of the Refunded Bonds. Included within the scope of its engagement will be a verification of (a) the mathematical accuracy of the computations of the adequacy of the cash and maturing principal of the securities to be placed in an escrow account to meet the scheduled payment of principal of and interest on the Refunded Bonds until redemption and the payment of the redemption price of the Refunded Bonds on May 1, 2021, as described in “PLAN OF FINANCE” above; and (b) the mathematical accuracy of the computations supporting the conclusion of Bond Counsel that the 2017 Bonds are not “arbitrage bonds” under the Code and the regulations promulgated thereunder.

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

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the 2017 Bonds are subject to the approval of Saul Ewing Arnstein & Lehr LLP, Philadelphia, Pennsylvania, Bond Counsel, whose opinion will be delivered to the Underwriters at the time of the delivery of the 2017 Bonds. Certain legal matters will be passed upon for the Authority by its Counsel, Barley Snyder LLP, Lancaster, Pennsylvania; for the University by its Counsel, Ballard Spahr LLP, Philadelphia, Pennsylvania; and for the Underwriters by their Counsel, Dilworth Paxson LLP, Philadelphia, Pennsylvania.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements of the University and its subsidiaries as of June 30, 2017 and June 30, 2016 and for each of the two years in the period ended June 30, 2017, included in this Official Statement as **APPENDIX B**, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report thereon.

RATINGS

Moody’s Investor’s Services (“Moody’s”) has assigned a rating of “A3” (stable outlook) to the 2017 Bonds, and S&P Global Ratings, a Standard & Poor’s Financial Services LLC business (“S&P”) has assigned a rating of “A” (negative outlook) to the 2017 Bonds. Such ratings reflect only the view of Moody’s and S&P at the time the ratings were given, and neither the Authority, the University nor the Underwriters makes any representation as to the appropriateness of such ratings.

There is no assurance that any rating will continue for any given period of time or that it may not be raised, lowered or withdrawn entirely if, in the rating agency’s judgment, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the price at which the 2017 Bonds may be resold. Neither the Authority, the University nor the Underwriters have assumed any responsibility to advise the holders of the 2017 Bonds of any change in any rating on the 2017 Bonds or to maintain any particular rating on the 2017 Bonds.

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

UNDERWRITING

Wells Fargo Securities, Goldman Sachs & Co. LLC and Ramirez & Co., Inc. (collectively the "Underwriters") have agreed to purchase the 2017 Bonds from the Authority at an aggregate purchase price of \$141,477,970.33 which represents \$124,020,000. the par amount of the 2017 Bonds, less the Underwriters' discount of \$272,404.42 and plus original issue premium of \$17,730,374.75 from the initial offering prices set forth inside the inside cover page hereof.

Wells Fargo Securities is a trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), the lead underwriter of the Series 2017 Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the Series 2017 Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2017 Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Series 2017 Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

The obligation of the Underwriters to purchase the 2017 Bonds is subject to certain terms and conditions set forth in the contract for purchase of the 2017 Bonds, the approval of certain legal matters by Bond Counsel and certain other conditions. The terms of sale provide that the Underwriters will purchase all the 2017 Bonds, if any are purchased.

The Underwriters may offer and sell the 2017 Bonds to certain dealers (including dealers depositing the 2017 Bonds into investment trusts and others) at prices lower than such initial public offering prices as are stated inside the cover page hereof. The public offering prices may be changed from time to time by the Underwriters.

FINANCIAL ADVISOR

The University has retained PFM Financial Advisors LLC of Philadelphia, Pennsylvania, as Financial Advisor in connection with the issuance and sale of the 2017 Bonds. PFM Financial Advisors LLC is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this

Official Statement. PFM Financial Advisors LLC is an independent advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal securities or other public securities.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the University will enter into a Continuing Disclosure Agreement with The Bank of New York Mellon Trust Company, N.A., as dissemination agent for the benefit of the Registered Owners (as defined in such agreement) of the 2017 Bonds, to be dated the date of original delivery and payment for the 2017 Bonds, the form of which is annexed hereto as **APPENDIX E**.

The University entered into continuing disclosure agreements in connection with the issuance of bonds issued on behalf of the University pursuant to which it agreed to file with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system certain annual financial information and notice of certain events. During the past five years, the University failed to timely file an event notice related to an enhanced ratings change to ratings assigned to certain bonds issued on behalf of the University (related to the credit quality of the bond insurer) and the University was eleven days late filing certain annual financial information for fiscal year 2013. In addition, certain annual financial information which was timely filed on EMMA was not electronically linked to the CUSIP numbers associated with some of the outstanding bonds issued on behalf of the University. On December 6, 2017, the University updated its EMMA filings to electronically link its annual financial information to the CUSIP numbers for such outstanding bonds. The University also filed related failure to file notices on EMMA. The University has reviewed and updated its policies and procedures to help ensure future compliance with its continuing disclosure obligations.

LITIGATION

The Authority

There is no litigation of any nature pending or, to the Authority's knowledge, threatened against the Authority at the date of this Official Statement to restrain or enjoin the issuance, sale, execution or delivery of the 2017 Bonds, or in any way contesting or affecting the validity of the 2017 Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or the security provided for the payment of the 2017 Bonds or the existence or powers of the Authority.

The University

There are various legal actions pending against the University, which have arisen in the ordinary course of the University's business. **Certain litigation is described in further detail in "APPENDIX A: CERTAIN INFORMATION CONCERNING DREXEL UNIVERSITY – Litigation".**

CERTAIN RELATIONSHIPS

Saul Ewing Arnstein & Lehr LLP, which is serving as Bond Counsel, from time to time provides, and may in the future provide, legal services to the University. Joseph H. Jacovini, a partner at Dilworth Paxson LLP, counsel to the Underwriters, is on the Board of Trustees of the University and serves on its Executive Committee. Sean Gallagher, a Trustee of the University, is an employee of an affiliate of Goldman Sachs & Co. LLC, an underwriter of the 2017 Bonds. Neither Mr. Jacovini nor Mr. Gallagher voted on the University's resolution relating to the 2017 Bonds.

MISCELLANEOUS

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

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

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

The information contained in this Official Statement should not be construed as representing all of the conditions affecting the Authority, the University, or the 2017 Bonds.

Remainder of page left intentionally blank

The Authority and the University have authorized the execution and distribution of this Official Statement. The Authority has not assisted in the preparation of this Official Statement, except for the statements under the sections captioned “**THE AUTHORITY**” and “**LITIGATION – The Authority**” herein and, except for those sections, the Authority is not responsible for any statements made in this Official Statement. Except for the authorization, execution and delivery of documents required to effect the issuance of the 2017 Bonds, the Authority assumes no responsibility for the disclosures set forth in this Official Statement.

PENNSYLVANIA HIGHER EDUCATIONAL
FACILITIES AUTHORITY

By: /s/ Robert Baccon
Title: Executive Director

Approved:

DREXEL UNIVERSITY

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

CERTAIN INFORMATION CONCERNING DREXEL UNIVERSITY

[THIS PAGE INTENTIONALLY LEFT BLANK]

CERTAIN INFORMATION CONCERNING DREXEL UNIVERSITY¹

History and Philosophy of the University

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

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

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

Over the past fifteen years, Drexel has witnessed remarkable growth in the size and quality of its student body, research, scholarship, and faculty. It has seen the development of innovative, academic programs—on campus and online—including expansion into medical, nursing, public health, and legal education. It has also seen significant improvements to existing programs and colleges, and enhancements to its campus have produced a comprehensive research university that benefits from its diversity and distinctive fundamental commitment to experiential education and interdisciplinary practice. The Drexel University College of Medicine (“DUCOM”) came into existence in 2002 after a merger of institutions and is one of the largest private medical schools in the nation. On July 1, 2014, it was merged into Drexel University.² The Thomas R. Kline School of Law opened in fall, 2006. It was the first law school to open in

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

² The DUCOM was merged into Drexel University beginning fiscal year 2015 and for the purpose of this Appendix A, the DUCOM information has been included for fiscal years 2013 and 2014.

30 years at a nationally ranked private doctoral university, and it has been integrated into the Drexel community from its inception. In September 2011, the University established an affiliation with one of Philadelphia's most storied institutions, the Academy of Natural Sciences (the "Academy"), pursuant to which the University became the sole member of the Academy. Please see the "University Subsidiaries" section in this Appendix A for more information.

Governance of the University

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

Term Trustees. Term Trustees shall consist of not less than 20 or more than 49 persons, exclusive of any Commonwealth Trustees who may be appointed pursuant to the provisions Section 3 of Article II of the Bylaws. The Term Trustees shall be entrusted with the conduct and supervision of the affairs of the University, and shall have the power to make all needful and lawful rules and regulations for the administration of the University. The Term Trustees shall be divided into three classes each designated by the year in which its term expires. The term of office of each class shall continue for three years and shall expire upon the adjournment of the Annual Meeting of the Board held in May in successive years. At the expiration of the respective terms, the vacancies shall be filled by the remaining Term Trustees. A vacancy occurring from death, resignation or any other cause may be filled by election by the Term Trustees for the unexpired term. Ordinarily, elections shall take place at the Annual Meeting of the Board.

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

Emeritus Trustees. Emeritus Trustees shall consist only of such persons who have served with distinction as Term Trustees for at least two terms, have been nominated for such distinction by the Nominating and Governance Committee, and last served as a Trustee at least one (1) year (or one (1) annual meeting cycle) prior to election. They shall be elected by the Term Trustees and shall hold office for life or until resignation. They shall be invited to attend the Annual Meeting in May. They will receive all mailings and be invited to all events to which Term Trustees are invited.

Emeritus Trustees shall be eligible to serve on Committees at the request of the Chair and shall be entitled to vote at Committee meetings. They shall not be entitled to vote at a meeting of the Board of Trustees and shall not be considered in constituting a quorum, or for any

other purpose for which a certain number or proportion of Trustees is required at a meeting of the Board.

The Trustees and officers of the University are listed below.

Term Trustees

<u>Name</u>	<u>Affiliation</u>
Mrs. Renee J. Amoores ²	President & CEO, The Amoores Group
Mr. Peter A. Austen ²	CEO, Transportation NA, Willis Towers Watson
Mr. Paul “Mel” Baiada ¹	Partner, BaseCamp Ventures
Mr. Jeffrey A. Beachell ¹	Portfolio Manager, Veritable, LP
Mr. James Bean ^{1,2}	Vice President of Retail, Apple, Inc.
Ms. Sally J. Bellet, Esquire	President, Stein/Bellet Foundation
Mr. Gregory S. Bentley	Chief Executive Officer, Bentley Systems, Incorporated
Ms. Karen Dougherty Buchholz ⁴	Senior Vice President of Administration, Comcast Corporation
Mr. Randall S. Burkert ¹	Managing Partner, Mercer + BondCapital, a Quadrant Company
Mr. Thomas A. Caramanico ⁴	President, McCormick Taylor, Inc.
Mr. R. John Chapel, Jr. ¹	President and CEO, White Hall Capital, LLC
The Honorable Ida K. Chen	Judge, Philadelphia Court of Common Pleas
Mrs. Kathleen P. Chimicles ¹	President & CEO, GlenDevon Group, Inc.
Mrs. Abbie Dean ^{1,2}	President, ColdWaterFlat
Mr. Nicholas DeBenedictis ^{1,2,4}	Chairman, Aqua America, Inc.
Mr. Richard J. DePiano ^{1,2}	Executive Chairman of the Board, Escalon Medical Corp.
Mrs. Gerianne T. DiPiano ²	President, CEO & Founder, FemmePharma Global Healthcare, Inc.
Mr. Domenic M. DiPiero III	President, Newport Capital Group
Mr. Robert J. Drummond ^{1,2}	Co-Founder, Former President & CEO, Epsilon Data Management, Inc.
Mr. Michael Edwards	Former CEO, eBags
Mr. Brian R. Ford ^{2,3}	CEO, Persil Mangeur, LLC
Mr. Michael C. Forman	Chairman & CEO, FS Investments
Mr. John A. Fry ^{2,3}	President, Drexel University
Mr. Sean J. Gallagher ¹	Partner, Head of Value Equity Business Team & Chief Investment Officer, Goldman Sachs Asset Management
Mr. David R. Geltzer ¹	Chairman, CEO and Founder, Geltzer Family Foundation
Mr. Richard A. Greenawalt ^{1,2}	Principal, RMK Associates
Mr. Richard A. Hayne ²	CEO and Chairman of the Board, Urban Outfitters Incorporated
Ms. Mary R. (Nina) Henderson ^{1,2,3}	Director, CNO Financial Group, IWG PLC and Hikma Pharmaceuticals PLC
Mr. Richard C. Ill ¹	Director and Founder, The Triumph Group, Inc.
Mrs. Patricia H. Imbesi ^{1,2}	Partner, Patriarch Management
Mr. Joseph H. Jacovini, Esquire ²	Chairman of Strategic & Financial Planning, Dilworth Paxson LLP
Mr. David V. Kaganovsky ¹	Worldwide CIO & Head of Tech Consulting, Maxus
Mr. Thomas R. Kline, Esquire ²	Founding Partner, Kline & Specter P.C.
Mr. Lawrence M. Korman	Co-CEO, Korman Communities and President, AKA Hotel Residences
Mr. J. Michael Lawrie ^{1,2}	Chairman, President & CEO, DXC Technology

Term Trustees

<u>Name</u>	<u>Affiliation</u>
Dr. Raphael C. Lee ¹	Paul S. and Allene T. Russell Professor University of Chicago Medical Center
Mr. James “Jamie” Maguire, Jr.	Executive Chairman, Philadelphia Insurance Companies
Mr. Matthew S. Naylor	Chairman & CEO, Crumdale Partners
Mr. Denis P. O’Brien ^{1, 2}	Sr. Executive Vice President, Exelon Corporation; CEO, Exelon Utilities
Mr. Kevin J. O’Hara ¹	Executive Chairman, Congruex, LLC
Ms. Richelle Parham ^{1, 2}	General Partner, Camden Partners
Mr. D. Howard Pierce ^{1, 3}	Former President & CEO, ABB, Inc.
Mr. Charles P. Pizzi	Retired President & CEO, Tasty Baking Company
The Honorable Robert F. Powelson ⁴	Commissioner, Federal Energy Regulatory Commission
Mr. Michael A. Rashid ³	Former President & CEO, AmeriHealth Caritas Family of Companies
Mr. Phillip L. Rinaldi	Founder, Board Director, Retired Chairman & CEO, Philadelphia Energy Solutions
Mr. Stanley W. Silverman ^{1, 2, 3}	Retired, President & CEO, The PQ Corporation
Mr. Joseph P. Ujobai ¹	Founder & CEO, Silverman Leadership
Mr. Charles K. Valutas ^{1, 2, 3}	Executive Vice President, SEI Investments Company
Mr. Michael J. Williams ¹	Retired Sr. V.P & Chief Administrative Officer, Sunoco, Inc.
	Chairman and CEO, Prospect Holding Company, LLC

¹ Graduate of Drexel University

² Serves on Executive Committee

³ Serves on College of Medicine Advisory Board

⁴ Commonwealth Appointee

Emeritus Trustees

Mrs. Sylvia Merkel Brasler	Mr. James E. Marks
Mr. Robert R. Buckley	Mr. Robert McClements, Jr.
Mr. Barry C. Burkholder	Mr. John A. Nyheim
Mr. Robert L. Byers, Sr.	Mr. John J. Roberts
Mr. John G. Johnson, Jr.	Mr. Ray Westphal
Mr. George F. Krall, Jr.	Dr. E. Frederick Wheelock

Corporate Officers of the University

Mr. Richard A. Greenawalt	Chairman
Mr. Richard A. Hayne	Vice Chair of the Board of Trustees
Mr. Stanley W. Silverman	Vice Chair of the Board of Trustees
Mr. John A. Fry	President
Mrs. Helen Y. Bowman	Treasurer
Mr. Michael J. Exler, Esquire	Secretary

Principal Administrative Officers of the University

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

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

John A. Fry, President. Mr. Fry, Drexel University's 14th president, has served higher education for his entire professional life. Through his roles as a consultant, board member, chief operating officer and chief executive, he has acquired a deep and broad understanding of the challenges of leading a major educational institution. Mr. Fry set out to transform Drexel into the "modern urban research university of the future"—an institution that harnesses both its long-established and still-emerging strengths to serve its students, its neighborhood, its city and the nation. Under Fry's leadership, Drexel is setting a new standard for translational research, cooperative education, online learning, and becoming a powerful force for economic development in the Greater Philadelphia region. He led the University community's collaboration on a five-year strategic plan, launched in 2012, to guide the pursuit of those goals.

Mr. Fry came to Drexel from Franklin & Marshall College, where he served as president from 2002 through 2010 and was instrumental in the college's academic growth, campus and neighborhood development and improved finances. He raised the college's national profile and brought a renewed confidence to the institution.

From 1995 to 2002, Mr. Fry served as executive vice president of the University of Pennsylvania. He was a major force in developing and implementing Penn's "Agenda for Excellence," a comprehensive plan that guided strategic initiatives from 1996 to 2001. As the university's chief operating officer, he was responsible for finance, investments, human

resources, facilities and real estate, public safety, computing, technology transfer, research administration, corporate relations, auxiliary enterprises and internal audit and compliance.

In 2014, Mr. Fry began a three-year term as a member of the board of directors of the American Council on Education, representing his fellow university presidents in the nation's most influential higher education association. He also serves on the boards of Lafayette College, The Shipley School, the Greater Philadelphia Chamber of Commerce, where he is chair-elect, and US Squash, for which he serves as chairman. He also is a director of Community Health Systems, Delaware Investments, vTv Therapeutics and FS OneEquity Partners Co. L.P.

He previously served as chair of the NCAA Division III Presidents Council and on the Executive Committee of the NCAA. He was appointed by President George W. Bush to the Benjamin Franklin Tercentenary Commission, and co-chaired the transition team of Governor-Elect Edward Rendell of Pennsylvania. He also chaired the transition committee for Governor-elect Tom Wolf in 2014.

A native of Brooklyn, N.Y., Mr. Fry studied American civilization at Lafayette College and received the George Wharton Pepper Prize, the highest honor awarded to a graduating senior. In 1986, he earned a master's degree in business administration from the New York University Stern School of Business.

M. Brian Blake, PhD, Provost and Executive Vice President of Academic Affairs. Dr. Blake was named as Drexel's Provost and Executive Vice President of Academic Affairs in August 2015. He is the first person to hold that dual title at Drexel, which comes with a new level of executive oversight of the University's academic and research enterprise, including the DUCOM.

Dr. Blake came to Drexel from the University of Miami. In addition to teaching highly-rated classes even as he rose as an administrator, Dr. Blake has directed computer science labs funded by more than \$10 million in sponsored research awards; authored 170-plus publications and chaired six conferences; edited major journals including his current service as editor-in-chief of *IEEE Internet Computing*; and advised dozens of students at every level from postdoctoral fellowships through doctoral, master's and undergraduate studies.

At the University of Miami, Dr. Blake set research and teaching priorities and led faculty enhancement efforts as vice provost for academic affairs, and oversaw 155 graduate programs serving more than 5,700 students as dean of the Graduate School. Previously he was associate dean for research and graduate studies in the University of Notre Dame College of Engineering, and chaired the Georgetown University Department of Computer Science as it launched its first graduate program.

Dr. Blake spent six years as a software engineer and architect at Lockheed Martin, General Dynamics and The MITRE Corporation before entering academia full time. He also is a proud product of the cooperative education tradition, having completed his undergraduate studies at Georgia Tech before earning his master's degree from Mercer University and his doctorate from George Mason.

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

Ms. Bowman was promoted to Executive Vice President (EVP), Treasurer and Chief Operating Officer of Drexel University in September 2015. Previously, Ms. Bowman had been the Senior Vice President, Treasurer & Chief Financial Officer (CFO) since April 2011 and the EVP, Treasurer & CFO since November 2014. She oversees, manages and reports on over \$1.1 billion in revenue, \$2.1 billion in assets and an endowment of over \$677 million, and plays a vital role in providing strategic leadership and direction to all Drexel campuses. She directs all financial and investment planning and accounting practices for the University, all of its subsidiaries and related entities, manages resources, sets strategy regarding cash management, capital planning, investments, bonds and other treasury issues, and oversees critical administrative functions including human resources, compliance and privacy, internal audit, information technology, business services, facilities and real estate, equality and diversity and public safety. She also serves as the primary liaison for all University banking relationships and rating agencies and collaborates with key stakeholders within and outside of the University. Ms. Bowman is the Vice Chair and President/Chief Operating Officer of Academic Properties, Inc., and Director on the Board of Trustees of Drexel University Online.

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

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

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

Mr. Unruh came to Drexel with over two decades of higher education leadership experience and more than 15 years leading donor development and alumni relations initiatives. Mr. Unruh's professional experiences at institutions of higher learning have included serving as director of major gifts for Carnegie Mellon University, director of regional major gifts for The University of Pennsylvania, associate vice president of alumni relations and development at The University of Chicago and senior vice president for institutional advancement at Temple University.

Following his experience at Temple, Mr. Unruh became a senior member of leading philanthropic firm Grenzebach Glier and Associates (GG+A), where he served as co-lead of their education practice area and led the training practice. Focusing on higher education and health care, he managed a portfolio of active clients including Brandeis University, George Washington University, University of Maryland, Ohio State University, Penn State University, Wichita State University, and Nova Southeastern University.

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

Michael J. Exler, Esq., Senior Vice President, General Counsel and Board Secretary. Mr. Exler became Vice President, General Counsel and Board Secretary of Drexel in February 2008 immediately after having served as Vice President, Chief Counsel and Board Secretary at DUCOM, and became a Senior Vice President of Drexel in January 2011. Having worked in both private practice and in the non-profit sector since 1987, including two large academic medical centers, he has a wide range of experience in the business and legal affairs of universities and academic medical centers. Before coming to Drexel, he was Senior Counsel at the Johns Hopkins Health System where he also served as Board Secretary to Johns Hopkins HealthCare, LLC, The Johns Hopkins Medical Services Corporation, Johns Hopkins Employer Health Programs, Inc. and Priority Partners Health Plan. For the first seven years of his career, Mr. Exler was in private practice with the Pittsburgh law firm of Kabala & Geeseman (which subsequently merged into Fox Rothschild LLP). He received his B.A. degree from Dickinson College and his J.D. from the Duquesne University School of Law, where he was a member of the Law Review and served as Associate Article Editor. While in private practice, he served on the Healthcare Law Committee of the Allegheny County Bar Association, and is currently a member of the National Association of College and University Attorneys and the American Health Lawyers Association.

Randall C. Deike, PhD, Senior Vice President of Enrollment Management & Student Success. Dr. Deike has spent over 30 years in higher education as a university administrator and faculty member. Dr. Deike was named as the University's Senior Vice President of Enrollment Management & Student Success in September 2014. The Division of Enrollment Management & Student Success was created at that time to better align Drexel's administrative structure as part of the University's commitment to supporting Drexel students to be successful and to graduate.

Dr. Deike oversees key aspects of the Drexel student experience from the University's first contact with students through graduation, which include Admissions, Financial Aid, Cooperative Education and Career Development, Student Life, Institutional Research, Advising,

Registration and Billing, Academic Information and Systems, Enrollment Analytics, and Marketing and Communications for Enrollment Management and Student Success.

Dr. Deike was previously vice president of enrollment management at New York University, a large private university enrolling 53,000 students. Dr. Deike was also vice president of enrollment at Case Western Reserve University, and spent 15 years at Penn State University, a 24 campus system enrolling 86,000 students, rising to associate vice provost of enrollment management and undergraduate education while earning master's and doctoral degrees. He began his career working in residential life at his undergraduate alma mater Juniata College, where he eventually became associate dean of students.

Dr. Deike has a long track record of service to higher education including national committees such as the National Association for College Admission Counseling's Commission on the Use of Standardized Tests in Undergraduate Admission, and the College Board's Task Force on Admissions in the 21st Century. Dr. Deike is also a past chair of the College Board's Advanced Placement Higher Education Advisory Committee.

Susan C. Aldridge, PhD, Senior Vice President for Online Learning and President of Drexel University Online, LLC. Dr. Aldridge was named to the new position of Senior Vice President for Online Learning, and President of Drexel University Online, LLC, in October 2013.

Dr. Aldridge came to Drexel with 17 years of higher education leadership experience and has built an international reputation as one of the premier innovators in online and distance education. She is responsible for building an administrative division that provides comprehensive services focused on the unique needs of online students and pursues new approaches to online curricula, teaching and student tracking that improve retention and learning outcomes.

As senior fellow at the American Association of State Colleges and Universities, Dr. Aldridge researched and wrote about critical topics including university growth strategies, technology-mediated models of education, student enrollment and retention and adult education including education of military students and veterans. She is a frequent keynote speaker at domestic and international higher education conferences, and served as a consultant to university presidents, government officials and business leaders. Dr. Aldridge co-authored a book *Wired for Success: Real World Solutions for Transforming Higher Education* which was published by AASCU (2014).

From 2006 to 2012, Dr. Aldridge served as president of the University of Maryland University College ("UMUC"). Under her leadership, UMUC grew to serve 97,000 students in online, in-class and hybrid degree programs, becoming the nation's largest state university. Dr. Aldridge helped make UMUC a model for how to provide high-quality education in flexible formats around the world, with significant student populations in the United States, Asia and Europe. She launched new academic programs in areas of workforce shortage including cybersecurity, cyber forensics, data analytics, homeland security and STEM teaching, and led the redesign of all undergraduate courses to better map to industry requirements. Under Dr.

Aldridge's leadership, UMUC's revenue grew from \$220 million annually to \$428 million annually. UMUC also pioneered information systems to track student success.

Prior to UMUC, Dr. Aldridge was vice chancellor of Troy University's Global Campus, serving as chief executive for the university's degree programs in 17 states and 14 nations as well as its eCampus. She served on the faculty of the National University of Singapore, teaching management, organizational behavior and policy analysis and researching health and aging policy. For her research and leadership, she has received numerous national awards from some of the following organizations: US Department of Health and Human Services, US Social Security Administration, US Administration on Aging, the Governor of Colorado, the Washingtonian, and the US Distance Learning Association. She also held a series of governmental positions in Denver, Colorado. She is a graduate of Colorado Women's College and received both Master's and PhD from the University of Colorado at Denver.

Academic Units of the University

Drexel University, as a comprehensive urban research university, offers degrees at the bachelor's, master's, and doctoral levels. The University is comprised of 15 degree-granting academic units (colleges, schools and a center), the newly established Graduate College, and several institutes. Multi-disciplinary teaching and research programs take advantage of expertise across academic units to provide market-driven, career-oriented educational programs, engage in high-impact research and development, and translate discoveries to commercial products. The keystone of Drexel's undergraduate offerings is its co-operative education program, and this pedagogical approach is growing in graduate programs. Drexel has one of the oldest and largest co-operative education programs in the country, and approximately 91% of the Drexel undergraduates spend six-month periods working in major-related positions in business, industry, non-profit organizations, and government, enabling students to balance classroom theory with practical experience prior to graduation. Drexel students participate in other experiential learning activities, including civic engagement, research, entrepreneurship, and study abroad. Brief descriptions of each of Drexel's academic units are provided below.

Antoinette Westphal College of Media Arts & Design. The Antoinette Westphal College of Media Arts & Design, (the "Westphal College"), teaches design, media and performing arts by empowering undergraduate and graduate students with knowledge, skill, and confidence to succeed in highly competitive creative fields. The Westphal College's programs in Gaming, Fashion, Interiors and Design enjoy top national rankings. Most programs are studio-based with small classes and hands-on learning guided faculty members who are practicing artists and scholars, many with years of industry experience and highly-visible awards and honors. The educational experience of undergraduates includes co-op and encourages community-based and global experience, providing them with key advantages in achieving successful employment outcomes in highly competitive fields. Many of the programs reside in the URBN Center, which opened in 2012; this state-of-the-art design building inspires student and faculty research, scholarships, and creative work, and encourages collaboration and accomplishment. The College's stewardship of the Mandell Theater, the Pearlstein Gallery, DUTV (Drexel University television), WKDU (Drexel University Radio Station), and over 20 performing arts ensembles significantly enhances the University's cultural life and connects it to the artistic worlds of Philadelphia and beyond.

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

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

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

School of Education. The School of Education is a community of educators, leaders, scholars, students and researchers. They are committed to transforming and enhancing all stages of education, and preparing the next generation of leaders. With an early history of strong

teacher training, today's School of Education offers bachelor's, master's and doctoral degrees and a wide variety of certificate, certification and professional programs to meet the needs of educators and educational administrators. Students graduate with the knowledge and skills to enter education, government, corporations, and non-profit organizations. Placed within a premier technology university, the School of Education provides technologically-based curricula with strong orientation in sciences, technology, and math with experiential education as a foundation. The School's mission drives strong community and global outreach and partnerships, for example through the University-Assisted-Schools program where School of Education students tutor and work with local elementary school students to help them reach their goals.

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

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

Bennett S. LeBow College of Business. The Bennett S. LeBow College of Business has gained an international reputation for its Executive MBA program, as well as its other graduate and undergraduate programs. Its professional graduate programs continue to be emphasized along with an equally strong commitment to achieving a nationally recognized research agenda. Comprised of six departments and the School of Economics, faculty in the College are leaders in scholarship and in educating students across a broad array of academic programs at the undergraduate and graduate levels. In 2013, the College celebrated its move to Gerri C. LeBow Hall, which provides interactive, state-of-the-art space for faculty, professional staff and students. The College is leading Drexel's efforts in corporate and executive education, economics, corporate governance based in the Center for Corporate Governance, technology

management, business analytics, and business development, as discovery and innovation in engineering, the sciences, law, and medicine become more integrated and advance.

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

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

Thomas R. Kline School of Law. The Thomas R. Kline School of Law offers a comprehensive curriculum that trains students to practice and excel in any area of the law, building on and contributing to the University's traditional strengths in technology, experiential education, community engagement and interdisciplinary research, scholarship, and service, while uniquely integrating knowledge, skill development, and professionalism beginning with the student's first year of study. From its inception in 2006, the School has offered an exceptional and accomplished faculty, a challenging curriculum, and a variety of experiential learning opportunities in a vast range of practical settings. Drexel's law students have a unique opportunity to gain valuable experience in law practice through co-op and develop a deep understanding of the importance of public service as a component of ethical legal practice. In addition, every student is required to provide pro bono legal services prior to graduation. Besides being exceptional educators and mentors, the Kline School of Law faculty have a strong record of scholarly activity, publishing in top law reviews and journals as well as producing several

books. Recently the School launched offerings that include an accelerated two-year JD option, an LLM and a Master of Legal Studies program that will serve those interested in developing a knowledge base that will serve them in the rapidly growing compliance arena.

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

Pennoni Honors College. The Pennoni Honors College (the "Honors College") attracts the brightest undergraduate students in the University by offering them dual enrollment in a disciplinary college as well as in the Honors College engaging students across the University in research, academic, community, and social activities. The Honors College distinguishes itself from other honors colleges in the nation in the breadth of its programs, many serving pre-college as well as the entire undergraduate body including overseeing undergraduate research. The Honors College is home to the Custom-Designed Major, which enables highly motivated students whose interdisciplinary curiosity and career ambitions cannot be satisfied by a traditional major to pursue an individual course of study with high levels of mentorship.

Center for Food and Hospitality Management and Center for Sport Management. The Center for Hospitality and Sport Management was created in 2014 to consolidate programs related to hospitality, foods and sport previously housed in the Goodwin College. In July 2017, the center was divided into two new centers, the Center for Sport Management and the Center for Food and Hospitality Management. The Center for Sport Management programs are affiliated with the LeBow College of Business and house the BS and MS in Sport Management, along with associated minors. The Center for Food and Hospitality Management is affiliated with the College of Nursing and Health Professions and houses the BS programs in Culinary Arts and Science and Hospitality Management, and the MS programs in Food Science and Culinary Arts and Science, along with associated minors. Faculty of the centers are leaders in their fields and maintain a strong commitment to disciplinary and interdisciplinary research, impactful instruction incorporating experiential, entrepreneurial and globally relevant approaches, and industry innovation through collaboration. Both undergraduate and graduate programs therefore exemplify Drexel's outward-facing and civically-engaged model, and the Centers' significant cooperative learning opportunities, project-based real-world problem resolution, work in social justice and emphasis on industry immersion have all garnered national attention.

College of Medicine. The Drexel University College of Medicine integrates medical education, biomedical research and education, technology and quality clinical care in fulfillment of its mission: “Drexel University College of Medicine excels and innovates in education, research, and delivery of compassionate care in our culture of diversity, spirited inquiry, collaboration, and opportunity.” Today, as one of the largest private medical schools in the US, the DUCOM’s origins stem from the rich histories of Hahnemann Medical College and Medical College of Pennsylvania (formerly the Women’s Medical College of Pennsylvania). Formerly operating under the Philadelphia Health & Education Corporation, on July 1, 2014, the DUCOM was fully merged into Drexel University. Academically, the DUCOM is a leader in innovative curriculum development, its medical students are immersed in clinical reasoning, and medical education is enhanced by the advanced technology, including a state-of-the-art simulation center. Professionalism, lifelong learning and self-care skills are also taught throughout the curriculum. A commitment to celebrating diversity across the College of Medicine and extending care to underserved communities further support the College’s mission. In research, faculty and students are at the forefront of significant interdisciplinary research in areas such as Alzheimer's disease, HIV/AIDS, malaria, spinal cord injury and many other fields in science and medicine. In addition, the DUCOM’s clinical practices lead the way in pioneering treatments and providing exceptional care in areas of specialty including women's health, cardiovascular disease, sleep disorders, and pain management enhanced by collaborations across the University.

Accreditations and Memberships

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

Faculty of the University

As of November 1, 2017, Drexel University had 1,110 full-time faculty comprised of 600 tenured or tenure-track faculty and 510 faculty in teaching faculty positions. Approximately 86% of the full-time faculty hold terminal degrees in their respective fields of study. The University provides a competitive compensation program for its faculty and has a strong record of attracting individuals with outstanding qualifications.

Application and Admission Credentials

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

[Remainder of Page Intentionally Left Blank]

New Students: Applications, Acceptances, Enrollment

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Complete Applications:					
Undergraduate					
Full Time Freshmen	43,040	47,477	28,757	28,532	28,456
Full Time Transfers	<u>3,539</u>	<u>3,472</u>	<u>3,574</u>	<u>3,285</u>	<u>3,197</u>
Total Full Time	46,579	50,949	32,331	31,817	31,653
Part Time	<u>2,168</u>	<u>2,169</u>	<u>2,812</u>	<u>2,505</u>	<u>2,568</u>
Total Undergraduates	48,747	53,118	35,143	34,322	34,221
Graduates					
College of Medicine	10,548	11,615	11,003	11,533	13,833
Other	<u>14,486</u>	<u>13,763</u>	<u>12,656</u>	<u>12,033</u>	<u>12,271</u>
Total Graduate	<u>25,034</u>	<u>25,378</u>	<u>23,659</u>	<u>23,566</u>	<u>26,104</u>
Total Students	<u>73,781</u>	<u>78,496</u>	<u>58,802</u>	<u>57,888</u>	<u>60,325</u>
Acceptance:					
Undergraduates					
Full Time Freshmen	34,966	36,088	21,494	21,298	22,492
Full Time Transfers	<u>2,353</u>	<u>2,173</u>	<u>1,815</u>	<u>1,848</u>	<u>1,718</u>
Total Full Time	37,319	38,261	23,309	23,146	24,210
Part Time	<u>1,812</u>	<u>1,883</u>	<u>1,432</u>	<u>1,335</u>	<u>1,176</u>
Total Undergraduates	39,131	40,144	24,741	24,481	25,386
Graduates					
College of Medicine	653	623	531	653	707
Other	<u>6,740</u>	<u>6,660</u>	<u>6,171</u>	<u>5,578</u>	<u>5,856</u>
Total Graduate	<u>7,393</u>	<u>7,283</u>	<u>6,702</u>	<u>6,231</u>	<u>6,563</u>
Total Students	<u>46,524</u>	<u>47,427</u>	<u>31,443</u>	<u>30,712</u>	<u>31,407</u>
Ratio of Undergraduate					
Acceptances to Applications	80%	76%	70%	71%	74%
Ratio of Graduate Acceptances to					
Applications	30%	29%	28%	26%	25%
Enrolled:					
Undergraduate					
Full Time Freshmen	3,024	2,925	2,720	2,324	3,280
Full Time Transfers	<u>1,003</u>	<u>953</u>	<u>845</u>	<u>767</u>	<u>758</u>
Total Full Time	4,027	3,878	3,565	3,091	4,038
Part Time	<u>681</u>	<u>606</u>	<u>444</u>	<u>529</u>	<u>469</u>
Total Undergraduates	4,708	4,484	4,009	3,620	4,507
Graduates					
College of Medicine	264	261	234	257	260
Other	<u>2,708</u>	<u>2,650</u>	<u>2,363</u>	<u>2,309</u>	<u>2,528</u>
Total Graduate	<u>2,972</u>	<u>2,911</u>	<u>2,597</u>	<u>2,566</u>	<u>2,788</u>
Total Students	<u>7,680</u>	<u>7,395</u>	<u>6,606</u>	<u>6,186</u>	<u>7,295</u>
Ratio of Undergraduate					
Matriculants to Acceptances	12%	11%	16%	15%	18%
Ratio of Graduate Matriculants to					
Acceptances	40%	40%	39%	41%	42%
Mean SAT Scores (re-centered)	1195	1206	1210	1196	1249*
*New SAT scores not comparable to prior year average					

Enrollment

Approximately 75% of the University's undergraduates are from the Mid-Atlantic states (Pennsylvania, New Jersey, New York, Maryland, Delaware and the District of Columbia), 15% from all other states and 10% from foreign countries. The following table indicates the actual student enrollment by headcount and full-time equivalents for both undergraduate and graduate students for the fall term of the academic years indicated.

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

University Enrollment – Fall Term					
	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Head Count					
Full Time Undergraduate	13,977	14,365	14,101	13,296	13,569
Part Time Undergraduate	<u>2,639</u>	<u>2,531</u>	<u>2,363</u>	<u>2,203</u>	<u>1,929</u>
Total Undergraduate	16,616	16,896	16,464	15,499	15,498
Graduate	<u>9,516</u>	<u>9,463</u>	<u>9,131</u>	<u>8,733</u>	<u>8,692</u>
Total Enrollment	<u>26,132</u>	<u>26,359</u>	<u>25,595</u>	<u>24,232</u>	<u>24,190</u>
Full Time Equivalent					
Undergraduate	15,300	15,608	15,308	14,433	14,583
Graduate	<u>7,280</u>	<u>7,301</u>	<u>6,970</u>	<u>6,691</u>	<u>6,658</u>
Total Full Time Equivalent	<u>22,580</u>	<u>22,909</u>	<u>22,278</u>	<u>21,124</u>	<u>21,241</u>

Student Tuition, Fees and Competition

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

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Tuition & Fees	\$40,741	\$42,164	\$43,968	\$51,030	\$52,002
Room & Board	<u>14,415</u>	<u>14,367</u>	<u>14,367</u>	<u>14,367</u>	<u>13,890</u>
Total	<u>\$55,156</u>	<u>\$56,531</u>	<u>\$58,335</u>	<u>\$65,397</u>	<u>\$65,892</u>

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

<u>Institution</u>	Undergraduate Tuition, Fees and Room & Board 2016-17 Academic Year
New York University	\$ 66,640
Fordham University	\$ 65,918
Rensselaer Polytechnic Institute	\$ 65,427
Drexel University	\$ 65,397
Boston University	\$ 65,110
University of Rochester	\$ 65,032
George Washington University	\$ 64,450
Northeastern University	\$ 62,703
Villanova University	\$ 62,373
Lehigh University	\$ 61,010
Syracuse University	\$ 60,236

Student Financial Aid

During 2016-17, the last complete academic year, approximately 92% of the 13,296 full-time undergraduate students received some form of student financial aid. Sources of aid include University-funded assistance, primarily in the form of grants (both need and merit based), state and federal grants, and loans and funding from private organizations. As the Table below shows, the University has transitioned away from providing loans to providing more grants. The following table indicates the amounts received by University students, by type of grant or loan, during the academic years shown.

	Student Financial Aid				
	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18¹</u>
	(Dollars in thousands)				
Grants:					
University & Other	\$187,370	\$212,495	\$238,388	\$239,949	\$275,451
State	6,056	5,822	6,437	6,049	6,116
Federal	14,042	15,420	15,794	14,904	18,557
Private & Industrial	<u>1,143</u>	<u>903</u>	<u>1,244</u>	<u>1,040</u>	<u>1,650</u>
Total Grants	<u>\$208,610</u>	<u>\$185,823</u>	<u>\$261,863</u>	<u>\$261,942</u>	<u>\$301,775</u>
Loans:					
University & Other	\$ 377	\$ 442	\$ 146	\$ 0	\$ 0
Federal	62,762	64,096	58,463	57,342	56,112
State	3,268	2,925	3,225	2,781	2,014
Other	<u>51,625</u>	<u>46,978</u>	<u>46,704</u>	<u>40,857</u>	<u>30,257</u>
Total Loans	<u>\$118,033</u>	<u>\$111,835</u>	<u>\$108,537</u>	<u>\$100,981</u>	<u>\$88,413</u>

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

Student Housing

The University has 10 residence halls with a total bed capacity of 3,864 beds. The University developed a 2-Year Residency Program to provide a living environment that complements the student's educational experience; completes the transformation from a primarily commuter to a primarily residential campus; modernizes Drexel's student housing options; and encourages upperclassmen to move closer to campus as part of neighborhood revitalization initiatives.

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

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

Management Discussion

The University engages in multi-year planning and budgeting for its operating and capital structures. The process integrates academic programming, fiscal, and facilities planning. Program priorities are reviewed annually, along with enrollment, revenue and operating expense assumptions. Detailed budgets are then prepared at the department level, and submitted through deans and vice presidents to the Executive Vice President, Treasurer and Chief Operating Officer and then to the President. Throughout this process, the University's facilities requirements are reviewed and incorporated into a capital budget for the coming year. The University's Board of Trustees, through its various committees, is consulted regularly throughout the annual planning and budgeting process. Operating and capital budgets are formally presented and recommended to the Board's Finance Committee for its review prior to presentation to the Board of Trustees for consideration and approval.

The University's Board of Trustees and executive management team recognize this is a unique time of opportunity for the University, and its agility during these times serves it well as the financial pressures on the sector continue to rise. The University's proactive focus on key issues of access, affordability, outcomes, efficiency and overall value will allow it to thrive in the years ahead in this increasingly competitive environment. The University outlined a "Transforming the Modern Urban University" Strategic Plan (the "Strategic Plan") to guide the University into the next decade. This Strategic Plan was first created in 2012 and is fully operational and functioning. The Strategic Plan was completely "refreshed" in 2015, resulting in

a new plan that builds on Drexel's enduring values and mission while enabling Drexel to pivot on issues that have been rethought in light of the changing climate in higher education. The refreshed plan now extends through 2019, and is focused on five main themes: 1) Academic, Professional and Clinical Excellence; 2) Student Lifecycle Management; 3) Global Impact; 4) Research Innovation; and 5) Master Planning. The University will continually reevaluate and update the plan in order to ensure that its strategic mission is in alignment with the University's mission.

Expanding on the strategic plan, Drexel has implemented the initial phase of the new Student Lifecycle Management (SLM) model. SLM is focused on enhancing the student experience from our first interaction through graduation. The holistic approach addresses the academic (including cooperative education), administrative and social perspective. This implementation is part of a coordinated plan initiated over the past three years and includes a comprehensive University-wide expense review that serves as the springboard for this transformative change in enrollment strategy.

Through this process, the University has implemented a number of important initiatives designed to help identify and enroll right-fit students, including implementing holistic application review. The University is carefully evaluating its support of students academically, socially, financially and in terms of their professional development to position them for success. The University has adjusted its approach to awarding Drexel financial aid by moving more resources to support financial need, as opposed to primarily supporting academic merit. The University is critically evaluating its academic and administrative policies, practices and business processes to ensure that the University is supporting students by simplifying the University.

The most significant change is in the undergraduate application process. Since 2005, the freshman recruitment strategy has focused on increasing the number of applications to the University. As a result, a VIP application was implemented, an application designed to make applying to Drexel as simple as possible. The University experienced a 300%+ increase in applications from 2005 to 2014. However, many of those applications came from students with little knowledge of Drexel. Realizing the University was on an unsustainable path and wanting to focus on right-fit applicants becoming right-fit students, Drexel eliminated the VIP application by becoming a Common Application exclusive institution, and implemented an application fee currently at \$65, the first application fee in recent history. The University wanted to ensure that prospective students were taking time to learn about Drexel before they applied. By design, this has resulted in fewer, but much stronger, applications to Drexel. For the class beginning in fall 2015, the University experienced a 48% decline in applications to 28,757 and it has remained at that level through the fall of 2017. It was the University's expectation that these changes would result in a concomitant increase in yield. The yield for the fall 2015 was 11.4%, which compares to an increase yield of 13.2% for the fall 2017 freshman class. This is a manifestation of admitting applicants with a better understanding of and commitment to Drexel.

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

already seeing improved outcomes as a result of these efforts. The University saw a retention rate of 89.4% for the 2016 cohort entering fall 2017.

Drexel has long been known for its co-operative education programs, through which students mix periods of full-time, career-related experience with their studies. This co-operative education program is a key component of Drexel's career-oriented programs, and is part of Drexel's broader program of career preparation for all students. The University believes that the co-op experience is a tremendous benefit to our students. About 92% of all Drexel undergraduate students are enrolled in the University's co-operative education programs; in the academic year 2016-17, over 5,500 students secured co-op positions with an employment rate of 98.2%. Currently, Drexel utilizes over 1,600 active employer hiring locations in 30 different states and 46 international locations for its co-operative education programs.

Over the past 25 years, Drexel University has assembled ten (10) acres of contiguous real estate between 30th Street Station and 32nd Street on Market Street and JFK Boulevard. The assemblage is adjacent to Amtrak's 30th Street Station, the nation's third busiest passenger rail facility, and serves as the gateway to Drexel's campus and to University City. Located in West Philadelphia, University City is the home for one of the nation's largest concentrations of institutions of higher education, medical facilities and research activities.

Drexel is transforming this assemblage into Schuylkill Yards – a next-generation innovation community, intentionally designed and holistically created from the ground up through a partnership with Brandywine Realty Trust, the recently named master developer. As part of the larger Philadelphia innovation ecosystem expanding on both sides of the Schuylkill River, the location is unmatched because of its connection between the city's economic and education centers, while sitting at the region's major transportation hub. This nexus will drive economic activity and growth for the city, and is buoyed by access to talent and capital.

Endowment and Similar Funds

The University's Endowment and Similar Funds' fair market value as of June 30, 2017, was \$620 million excluding the Academy of Natural Sciences endowment. The University's Endowment Fund is comprised of investments in marketable assets, which include domestic and global equities and bonds, and non-marketable assets, which include private equity and real assets. The Endowment Fund is overseen by the University's investment subcommittee of the Board of Trustees. The largest fund is its pooled endowment fund, which was managed by 39 external investment managers as of June 30, 2017. Its non-pooled funds are unitrusts, life income contracts and separately invested endowment funds pursuant to the expressed wishes of the donors. For the fiscal year ended June 30, 2017 the University's pooled fund had a positive return of 12.50%. Indicated in the table below is the market value of the University's total Endowment and Similar Funds.

[Remainder of Page Intentionally Left Blank]

	Fiscal Year Ended June 30				
	(Dollars in thousands)				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Endowment and Similar Funds					
Pooled Endowment	\$494,939	\$554,462	\$558,131	\$542,132	\$595,418
Non-pooled Endowment	<u>24,236</u>	<u>46,814</u>	<u>28,353</u>	<u>25,438</u>	<u>24,594</u>
Total Endowment & Similar Funds	<u>\$519,175</u>	<u>\$601,276</u>	<u>\$586,484</u>	<u>\$567,570</u>	<u>\$620,012</u>

The preliminary market value¹ at October 31, 2017 was \$632.5 million which represents \$607.4 million in the pooled endowment and \$25.1 million in the non-pooled endowment. Invested pooled assets were distributed across the following asset classes: U.S. Equity (25.9%), International Developed Equity (21.8%), Emerging Markets Equity (5.1%), Fixed Income (12.6%), Marketable Real Assets (13.8%), Private Real Assets (5.2%), Private Equity (9.0%) and Cash (6.7%).

Labor Unions

There are 71 employees of the University that are represented by Local 115 - Maintenance Employees of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen, and Helpers of America. The University currently has a contract with this union that expires on June 30, 2021.

There are 181 full-time and 21 part-time employees of the University that are represented by Local 115 - Custodial, Grounds and Transportation Employees of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen, and Helpers of America. The University currently has a contract with this union that expires on February 7, 2022.

There are 47 employees of the University that are represented by Local 835 of the International Union of Operating Engineers. The University currently has a contract with this union that expires on September 30, 2018.

Retirement Plans

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

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

if the participant is 50 or older. Benefits are determined on an individual basis at the time of retirement, depending upon the accumulated value of the investment in the participant's account.

The University also pays into other retirement plans that provide benefits for certain union employees in accordance with their union contracts. The University's policy is to fund pension costs accrued for these plans. The total retirement plan expense for all plans was \$43.2 million and \$42.1 million in fiscal years 2017 and 2016, respectively.

The Academy of Natural Sciences has both a defined benefit pension plan and a defined contribution pension plan, which were frozen to new members as of December 31, 2009. The Academy's policy is to contribute annually an amount as required by the Employee Retirement Income Security Act of 1974. At June 30, 2017, the Projected Benefit Obligation was \$20.0 million. During 2010 a new Defined Contribution 403(b) Retirement Plan was established that does not provide for a predefined employer contribution. Effective January 2016, the Academy's 403(b) plan was merged into Drexel University Defined Contribution 403(b) plan where the University matches participant deferrals up to the first 6 percent and then contributes an additional 3 percent if the participant is under the age of 50 or an additional 5 percent if the participant is 50 or older. Benefits are determined on an individual basis at the time of retirement, depending upon the accumulated value of the investment in the participant's account.

Post-Retirement Benefit Costs

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

In 1994, the University implemented the provisions of the Statement of Financial Accounting Standards ("SFAS") No. 106, Employers' Accounting for Post-Retirement Benefits other than Pensions, which requires recognition of the related expense over the service life of an employee. In accordance with provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 715, the University elected to recognize the transition obligation of \$7.9 million over the estimated service life of the then current employees (21 years). As of June 30, 2017, the recorded accrued post-retirement benefit liability totaled \$44.0 million, which is equal to the total accumulated post-retirement benefit obligation.

Institutional Advancement

The Office of Institutional Advancement is responsible for all activities pertaining to philanthropic activity including: planning, implementing and coordinating all efforts involving fundraising, alumni relations, corporate and foundation relations for the University. Having successfully concluded the prior campaign "*-Dream it. Do it. Drexel – A Campaign for the Future,*" in November, 2013, raising \$455 million on a goal of \$400 million, the University is

now in the public phase of the next campaign “- **The Future Is a Place We Make: The Campaign for Drexel**”, with a goal of \$750 million over a seven-year period. As of November 30, 2017, more than \$410 million¹ has been raised against the goal thus far.

The campaign priorities will emphasize the endowment and include initiatives to ensure student success, support faculty efforts, enhance research capabilities and provide funding for select capital projects.

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

Private Gifts and Grants					
	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
	(Dollars in thousands)				
Type of Gift					
Unrestricted	\$ 4,588	\$ 3,566	\$ 2,450	\$ 1,681	\$ 3,768
Restricted	<u>60,373</u>	<u>71,507</u>	<u>75,449</u>	<u>61,163</u>	<u>63,282</u>
Total	<u>\$64,961</u>	<u>\$75,073</u>	<u>\$77,899</u>	<u>\$62,844</u>	<u>\$67,050</u>
Source of Gift					
Alumni	\$19,127	\$31,208	\$41,802	\$16,581	\$13,650
Parents & Other Individuals	26,788	23,395	15,912	23,832	21,182
Corporations	9,860	8,226	8,032	8,381	8,390
Foundations & Other Organizations	<u>9,186</u>	<u>12,244</u>	<u>12,154</u>	<u>14,050</u>	<u>23,828</u>
Total	<u>\$64,961</u>	<u>\$75,073</u>	<u>\$77,900</u>	<u>\$62,844</u>	<u>\$67,050</u>

Sponsored Research

The University is strongly committed to faculty research in support of faculty scholarship and its educational programs. Expenditures from externally-funded grants and contracts for fiscal year 2017 are \$104 million. The decrease in externally sponsored research funding experienced since 2013 is due to the decade-long decrease in federal funding of research and development (“R&D”). The passage of the fiscal year 2017 federal budget reversed this decade-long decline in federal R&D funding. The focus for research at the University is to provide better support for faculty grant proposals as well as developing large-scale, interdisciplinary research initiatives that involve teams of researchers. Recent examples include: (i) the establishment of the Advanced Functional Fabrics of American Fabric Discovery Center that will leverage \$75 million of funding from the Department of Defense’s Revolutionary Fibers and Textiles Manufacturing Innovation Institute initiative; (ii) a \$30 million Promise Neighborhood award

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

from the U.S. Department of Education to improve public schooling efforts; and (iii) a \$12 million Our Planet, Our Health award from Wellcome Trust to study how governance, design, organization and environmental of Latin American cities affect population health, as well as health inequities within cities. Simultaneously, our efforts to partner with the private sector applied research have increased, especially in the areas of electronic materials, which have uses in a variety of technological areas.

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

Sponsored Research Activity					
	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
	(Dollars in thousands)				
Federal	\$ 87,438	\$ 86,768	\$ 77,534	\$ 74,770	\$ 77,436
State & Local Gov.	5,887	6,108	4,823	5,906	6,415
Foundations	10,885	10,128	10,024	14,096	14,474
Other Industry	<u>4,010</u>	<u>5,957</u>	<u>5,526</u>	<u>5,730</u>	<u>5,786</u>
Total	<u>\$108,220</u>	<u>\$108,961</u>	<u>\$ 97,000</u>	<u>\$100,502</u>	<u>\$104,111</u>
No. Projects Submitted	1,018	1,038	1,066	1,146	1,059

Accounting Matters

In the opinion of the University, there has been no material adverse change in the financial condition of the University since June 30, 2017.

Commonwealth Appropriations to the University

Although the University has no formal relationship with the Commonwealth of Pennsylvania, it has, pursuant to specific legislative appropriations, received sums from the Commonwealth for support of instruction and financial aid each year since 1959. Drexel received appropriations from the Commonwealth of \$8.3 million in fiscal year 2013, \$8.2 million in fiscal year 2014, \$8.1 million in fiscal year 2015, \$8.1 million in fiscal year 2016, and \$8.1 million in fiscal year 2017. The Commonwealth's budget for fiscal year 2018 includes funding of \$7.9 million for the University.

Insurance Program

The University procures and maintains commercial insurance covering four key types of risk to which it is exposed: 1) liability for bodily injury and property damage (i.e., general liability, professional liability, international liability, automobile liability and excess liability); 2) liability for financial loss (i.e., educators legal liability (including trustees and officers liability, employment practice liability, failure to educate), cyber liability and fiduciary liability); 3) loss of or damage to University property (i.e., property, crime, fine arts); and 4) workers'

compensation and employer's liability. This insurance is either required by law or considered by the University to be prudent and customary for an institution of higher education of its size and character. The University self-insures its medical malpractice through a self-insurance trust and has fully insured layers of coverage in excess of the self-insured retention limits through Dragon Risk Limited, Co.

Indebtedness of University and Subsidiaries

Long-term Bonds and Notes Payable as of June 30, 2016 and 2017 (Dollars in thousands)

	<u>2016</u>	<u>2017</u>
Fixed-Rate Long-Term Bonds		
Dormitory Bonds of 1969	\$ 220	\$ 150
Pennsylvania Higher Educational Facilities Authority Revenue Bonds		
Series A of 2005 ¹	24,490	0
Series A of 2007 ¹	92,335	0
PHEC Series of 2007 ¹	18,730	0
Series A of 2011 ²	142,620	136,455
Series of 2012	19,790	15,635
Series of 2016	0	117,130
Total Fixed-Rate Long-Term Bonds	<u>\$298,185</u>	<u>\$269,370</u>
Variable-Rate Long-Term Bonds		
Pennsylvania Higher Educational Facilities Authority Revenue Bonds		
Second Series of 2000	\$ 22,500	\$ 22,500
Series B of 2002	41,505	41,180
Series B of 2005	29,625	29,625
Series B of 2007	25,635	24,890
Total Variable-Rate Long-Term Bonds	<u>\$119,265</u>	<u>\$118,195</u>
New Market and Historical Tax Credit Program³		
11 th Street Family Health Services Inc.		
The Reinvestment Fund, Inc.	\$ 9,500	\$ 9,500
3509 Spring Garden, LP		
Philadelphia Industrial Development Corp.	6,790	6,790
U.S. Bank Corp Community Development Entity	3,250	3,250
Total New Market Tax Credit Program	<u>\$ 19,540</u>	<u>\$ 19,540</u>
TOTAL	<u>\$436,990</u>	<u>\$407,105</u>

¹ These bonds were refunded by the Series of 2016 Bonds

² A portion of these bonds are being advanced refunded by new 2017 Bonds

³ Drexel is only obligated to pay if the Special Purpose entity defaults

Short-term Notes Payable
as of June 30, 2016 and 2017
(Dollars in thousands)

	<u>2016</u>	<u>2017</u>
Variable-Rate Short-Term Notes		
Term Note - Line of Credit Amounts Outstanding ¹	0	0
TOTAL	<u>0</u>	<u>0</u>

Existing Letters of Credit

<u>Series</u>	<u>Par Amount Outstanding</u>	<u>Final Maturity of the Bonds</u>	<u>LOC Provider</u>	<u>LOC Provider Ratings</u>	<u>LOC Expiration Date</u>
Second Series of 2000	\$22,500,000	11/01/2025	JP Morgan Chase Bank, N.A.	Aa3/A+/AA-	06/01/2019
Series B of 2002	\$41,180,000	05/01/2032	JP Morgan Chase Bank, N.A.	Aa3/A+/AA-	06/01/2019
Series B of 2005	\$29,625,000	05/01/2030	TD Bank, N.A.	A2/AA-/AA-	09/30/2019
Series B of 2007	\$24,890,000	05/01/2037	Wells Fargo Bank, N.A.	Aa2/AA-/AA-	10/30/2018

Derivative Instruments and Hedging Activities

The University entered into a variable-to-fixed swap agreement with Wells Fargo Bank, N.A. that converts the Series B of 2005 bonds to a fixed interest rate of 3.414% through the maturity of the bonds. The fair value of the interest rate swap agreement was a liability of \$3,996,000 and \$6,101,000, respectively, at June 30, 2017 and 2016.

Litigation

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

Capital Health System. On November 24, 2015, in the United States District Court for the District of New Jersey, Capital Health System, Inc. (the “Plaintiff”) sued Erol Veznedaroglu, M.D., Kenneth Lieberman, M.D., Zacaria Hakma, M.D., Mandy Binning, M.D., Gerald Eckhardt, M.D., Vikas Rao, M.D. (each in her or his individual capacity), Global Neuroscience Institute (“GNI”) and the University. On June 17, 2016, Plaintiff served its Second Amended Complaint in which it alleges, among other things, that one or more of the defendants misappropriated a toll-free 24/7 transfer hotline number to divert patients from the Plaintiff’s hospitals, improperly solicited five neurologists to leave Plaintiff’s employ, violated and/or improperly facilitated violations of non-compete restrictions and On-Call agreements, and falsely advertised in

violation of the Lanham Act. Plaintiff alleges the following counts against the University (i) false advertising in violation of the Lanham Act, (ii) unfair competition, (iii) tortious interference with prospective economic advantage and contract, (iv) conversion, (v) tortious interference with Dr. Veznedaroglu contracts, (vi) conspiracy to commit tort, (vii) unjust enrichment, (viii) tortious interference with on-call agreements; (ix) tortious interference with employment contracts. Plaintiff also asserts a variety of additional counts, which do not assert claims against the University but focus solely on claims against the other defendants. Plaintiff's Prayer for Relief in its Second Amended Complaint requests an award of compensatory damages in excess of \$80,000,000 plus punitive damages in an unspecified amount for the alleged loss of Plaintiff's good-will and reputation.

On July 8, 2016, the University filed a Motion to Dismiss all claims against it. Drexel's co-defendants filed a partial motion to dismiss, as well as a separate lawsuit against Plaintiff and its Chief Executive Officer, which case Plaintiff and its CEO moved to dismiss. District Judge Michael A. Shipp consolidated the two lawsuits and, on February 27, 2017, issued an opinion primarily denying all parties' motions to dismiss except Drexel's motion to dismiss Plaintiff's conversion claim was granted and that claim was dismissed without prejudice.

Discovery is now in its early stages, with the parties having exchanged written discovery requests, made document productions, and started taking depositions. Plaintiff has not yet produced information sufficient for Drexel to assess Plaintiff's \$80 million damages estimate. Similarly, it is too early in discovery to determine the likelihood that Plaintiff will prevail on any of its claims, and, if it does, the extent of the damages it could prove. Drexel's risk of liability will be better understood as the factual record regarding the relationship between Drexel, Dr. Vez, and GNI is developed. Drexel believes that it has good defenses to Plaintiff's claims and intends to continue to vigorously pursue evidence substantiating those defenses as discovery unfolds.

It is not possible, at the present time, to determine whether there will be an adverse determination in this case, nor is it possible at the present time to determine whether an adverse result would have a material adverse effect on the operations or financial condition of the University.

Sodexo. On September 27, 2016, SodexoMAGIC, LLC ("Sodexo") filed suit against Drexel in the United States District Court for the Eastern District of Pennsylvania, which suit alleges claims that Drexel fraudulently induced it to execute an Agreement dated as of May 21, 2015 (the "Management Agreement") to manage and operate campus dining and food services at the University for eleven years. It also claims that Drexel breached the Management Agreement by failing to comply with its purported obligation to negotiate in good faith when its freshmen enrollment failed to increase by two percent. Sodexo attempts to state an alternative claim for unjust enrichment.

In support of these causes of action, Sodexo claims to have been awarded the Management Agreement after responding to a Request for Proposal ("RFP"). According to Sodexo, it based its Proposal and subsequent Best and Final Offer, which was submitted in August 2014, upon projections of freshman enrollment for the 2014-2015 academic year and for subsequent years provided in the RFP. Additionally, in Section 9.2, the Management Agreement

provided that "[Drexel] recognizes that [Sodexo] made certain assumptions in preparing the financial package offered in this Agreement and understands that changes to the financial assumptions below may have an adverse economic impact on [Sodexo]; in such cases, [Drexel] shall work with [Sodexo] in good faith to mutually agree upon solutions in an effort to counter such impact." One of the specified assumptions is that "University growth is a critical factor in calculating the investments afforded under this Agreement and it has been projected by [Sodexo] that this growth will realize an increase of 2% per year in the freshman class year over year."

While Sodexo's claims are vague and have metamorphosed over the course of the litigation, the suit appears presently to claim that Drexel knew its freshman class enrollment would decline in the 2015-2016 academic year at the time it executed the Management Agreement and failed to disclose this information to Sodexo. Sodexo's breach of contract claims are based upon allegations that Drexel refused to negotiate in good faith after Sodexo sought "solutions" to the freshman enrollment decline.

Sodexo recently supplemented its Complaint to add a claim that Drexel agreed to increase the daily meal plan rate specified in the Management Agreement and to provide other consideration to induce Sodexo to continue to provide dining services during the Fall 2016 after the Management Agreement was terminated. Sodexo claims that Drexel refused to honor this Agreement and only paid it in accordance with the terms of the Management Agreement.

Sodexo seeks more than \$30 million in compensatory damages, including: (i) the difference in the revenue forecasts upon which its Proposal was supposedly based and the actual revenues it generated during Fiscal Years 2014-15 and 2015-16 and for the fall quarter 2016; and (ii) the profits it forecast over the remaining life of the Management Agreement. At the same time, in its Supplemental Complaint, Sodexo demands the difference between what it claims Drexel agreed to pay for dining services during the Fall 2016 and the payments Drexel made under the Management Agreement. Sodexo furthermore asserts claims for punitive damages.

Drexel challenges Sodexo's claims and damage calculations. It moved to dismiss the Complaint, which the Court denied without prejudice to raise the arguments made therein later in the case. Drexel plans to renew those arguments in a motion for summary judgment. Drexel then filed a Motion to Dismiss the Supplemental Complaint on the grounds that it fails to plead facts sufficient to state a plausible claim that Drexel ever agreed to pay more than specified in the Management Agreement. That Motion remains pending.

Drexel also denies the material allegations of the Complaint. It affirmatively asserts that it repeatedly advised Sodexo that any enrollment information provided in the RFP merely reflected plans that could not be relied upon and that its freshman enrollment in the next few years was highly unpredictable and that it publicly disclosed its 2015-2016 freshman enrollment decline promptly after it realized this would occur. Drexel furthermore offered Sodexo numerous solutions to address the enrollment decline.

Drexel has filed Counterclaims against Sodexo. The counterclaims are for: (1) breach of contract for Sodexo's failure to perform Sodexo's obligations under the Management Agreement; and (2) fraud in the inducement, based on misrepresentations that Sodexo made in its Best and

Final Offer in the 2014 contract bid process that Drexel believes and alleges Sodexo could not and never intended to honor, but on which Drexel relied in awarding the dining services contract.

The parties are now conducting discovery. While fact discovery had been scheduled to close on December 1, 2017, the parties are continuing to engage in depositions. Expert discovery will close by January 22, 2018. Dispositive motions are due by March 23, 2018. Trial, if necessary, is scheduled for August 2018 or thereafter.

Formerly Employed Physician. A physician formerly employed by Drexel University pleaded guilty to three misdemeanor counts of indecent assault and four misdemeanor counts of harassment in Philadelphia Municipal Court on November 21, 2017. Several of his former patients, all represented by the same law firm, have sued the University and other institutions. Only a Writ of Summons, which provides notices that a lawsuit is being commenced, has been filed, and no specific claims or allegations are included in that filing. A different law firm has notified the University of its representation of a different patient, but it has not sued the University. The University cannot predict the outcome of these claims or any other potential future claims that may be brought.

University Subsidiaries

THE FOLLOWING SUBSIDIARIES OF THE UNIVERSITY ARE NOT OBLIGATED TO MAKE PAYMENTS UNDER THE LOAN AGREEMENT OR OTHERWISE WITH RESPECT TO DEBT SERVICE ON THE 2017 BONDS. For the fiscal year ended June 30, 2017, the impact of the University's Subsidiaries, on a combined basis, on the total change in net assets was an increase of \$8.3 million. The impact of the University's Subsidiaries, on a combined basis, on the total change in net assets was a reduction of \$1.3 million for the fiscal year ended June 30, 2016. For additional information, please see "Selected University Annual Financial Data" herein and Appendix B "Financial Statements of the University".

Academic Properties, Inc. Drexel owns through another wholly-owned subsidiary, Academic Assets, Inc., 100% of Academic Properties, Inc. ("API"), a tax exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code. The purpose of API is to acquire and manage properties of strategic importance for Drexel University. Currently, API owns over 137 individual student apartments and one commercial building. Included in the latter is One Drexel Plaza, a 535,302 rentable square foot commercial facility located adjacent to the Drexel campus. All apartments are currently 93% leased. One Drexel Plaza is currently 97% leased with 9 tenants with leases with various expiration terms. On October 13, 2017, the University completed the initial conveyance for Schuylkill Yards project involving the transfer of 3001 and 3025 Market Street to Brandywine Realty Trust, sole general partner of Brandywine Operating Partnerships LP.

Drexel University Online, LLC. On July 1, 2015, Drexel e-Learning, Inc., a for-profit wholly owned subsidiary of Drexel University specializing in innovative, internet-based distance education programs, merged with and into Drexel University Online, LLC ("DUO"), now a non-profit organization. DUO markets and recruits working professionals for 150 online academic programs and certificates. Over 1,000 companies have signed letters of understanding paving the

way for their employees to use company tuition dollars toward a Drexel degree. DUO's purpose is to help working adults pursue their higher education dreams and gain skills to advance in their profession. DUO also assists corporations by offering cost-effective education programs that attract and retain good employees and enhance job satisfaction and employee performance. Over 7,000 online students, in 50 states and 20 countries, are enrolled.

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

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

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

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

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

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

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

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

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

Academy of Natural Sciences. The Academy is America’s oldest natural history museum and a world leader in biodiversity and environmental research. For 200 years, the Academy has explored the remarkable diversity of our natural world, sharing these discoveries with the public through extraordinary collections, innovative exhibits, educational programming, and publications. Drexel University and the Academy of Natural Sciences signed an affiliation agreement with the effective date of September 30, 2011, pursuant to which the University became the sole member of the Academy. The Academy is now a non-profit affiliate of the University known as the Academy of Natural Sciences of Drexel University. This unique

academic affiliation unites two of Philadelphia's most respected research institutions and promotes discovery, learning, and civic engagement in the natural and environmental sciences. Benefits of the affiliation include the enhancement of exhibits, the opportunity to work with Drexel educators to improve programming for students of all ages, access to additional resources, and innovative, new ways to access the Academy's rich collections and science. Another product of the affiliation is the addition of a new department at Drexel called Biodiversity, Earth and Environmental Sciences (BEES), which accepted its first students in September 2012. The department brings Academy and Drexel scientists together with a focus on the natural and environmental sciences.

Selected University Annual Financial Data

The following Condensed Consolidated Balance Sheets as of June 30, 2013 through 2017, and Condensed Consolidated Statement of Activities for the fiscal years ended June 30, 2013 through 2017, were derived from the financial statements of the University. The Condensed Consolidated Balance Sheets and Condensed Consolidated Statement of Activities are summaries only and should be read in conjunction with the audited financial statements of the University for the fiscal years ended June 30, 2017 and 2016, and related notes to such statements and accompanying information, which financial statements and accompanying information are included as Appendix B to this Official Statement (the "Financial Statements").

Condensed Consolidated Balance Sheet					
Fiscal Year ended June 30					
(Dollars in Thousands)					
	<u>2013¹</u>	<u>2014¹</u>	<u>2015¹</u>	<u>2016</u>	<u>2017</u>
Total assets	\$1,855,537	\$1,996,793	\$2,077,548	\$2,107,075	\$2,105,604
Total liabilities	\$801,671	\$849,403	\$866,919	\$886,589	\$850,273
Total net assets	\$1,053,866	\$1,147,390	\$1,210,629	\$1,220,486	\$1,255,331
Total net assets consist of:					
Unrestricted net assets	\$508,375	\$575,745	\$631,177	\$623,656	\$635,729
Temporarily restricted net assets	\$255,460	\$261,203	\$255,432	\$236,774	\$244,750
Permanently restricted net assets	\$290,031	\$310,442	\$324,020	\$360,056	\$374,852

¹ Certain amounts related to fiscal years 2016 and 2017 were reclassified and are not comparable to fiscal years 2013 through 2015, however, these amounts are not material.

[Remainder of Page Intentionally Left Blank]

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Unrestricted net assets activity					
Operating revenues:					
Tuition and Fees (net of institutional financial aid)	\$571,079	\$ 599,586	\$ 627,933	\$ 618,981	\$ 599,917
Patient care activities	101,991	109,364	103,199	99,789	99,102
State appropriations	8,210	8,179	8,064	8,074	8,113
Grants, contracts, and similar agreements	109,635	109,146	104,259	118,184	117,574
Contributions	7,156	5,495	6,658	2,155	4,580
Endowment income	11,680	11,602	11,076	10,570	8,754
Auxiliary enterprises	83,237	86,134	89,841	86,872	78,059
Other income	22,381	17,984	29,203	33,917	32,559
Net assets released from restrictions	<u>49,516</u>	<u>61,735</u>	<u>71,095</u>	<u>55,214</u>	<u>46,984</u>
Total operating revenue and support	964,885	1,009,225	1,051,328	1,033,756	995,642
Total operating expense	<u>896,418</u>	<u>965,018</u>	<u>978,899</u>	<u>1,006,804</u>	<u>1,018,927</u>
Change in net assets from operating activities	68,467	44,207	72,429	26,952	(23,285)
Change in net assets from non-operating activities	<u>10,945</u>	<u>23,163</u>	<u>(16,997)</u>	<u>(34,473)</u>	<u>35,358</u>
Increase (decrease) in unrestricted net assets	79,412	67,370	55,432	(7,521)	12,073
Increase (decrease) in temporarily restricted net assets	14,582	5,743	(5,771)	(18,658)	7,976
Increase in permanently restricted net assets	<u>13,539</u>	<u>20,411</u>	<u>13,578</u>	<u>36,036</u>	<u>14,796</u>
Total change in net assets	<u>\$107,533</u>	<u>\$ 93,524</u>	<u>\$ 63,239</u>	<u>\$ 9,857</u>	<u>\$ 34,845</u>

[Remainder of Page Intentionally Left Blank]

APPENDIX B

**FINANCIAL STATEMENTS OF DREXEL UNIVERSITY AND
ITS SUBSIDIARIES FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

[THIS PAGE INTENTIONALLY LEFT BLANK]

**Drexel University and
Subsidiaries**
Consolidated Financial Statements
For the Years Ended June 30, 2017 and 2016

Drexel University and Subsidiaries
Index
June 30, 2017 and 2016

	Page(s)
Report of Independent Auditors.....	1-2
Consolidated Financial Statements	
Statements of Financial Position	3
Statements of Activities.....	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-43



Report of Independent Auditors

To the Board of Trustees
Drexel University

We have audited the accompanying consolidated financial statements of Drexel University and its subsidiaries (the "University"), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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



Opinion

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

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania

October 25, 2017

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

Drexel University and Subsidiaries
Consolidated Statements of Financial Position
June 30, 2017 and 2016

<i>(in thousands)</i>	2017	2016
Assets		
Cash and cash equivalents		
Operating	\$ 51,459	\$ 116,559
Restricted	12,263	12,277
Accounts receivable, net		
Tuition	67,540	75,181
Grants, contracts and other	68,769	62,666
Patients	7,753	7,848
Tenet Healthcare Corporation	<u>1,335</u>	<u>2,127</u>
Total accounts receivable, net	145,397	147,822
Contributions receivable, net	100,003	117,762
Other assets	30,334	26,174
Funds held by trustees	313	1,804
Student loans receivable, net	30,484	31,026
Malpractice insurance trust	8,991	9,398
Beneficial interests in trusts	48,727	48,212
Investments	726,315	663,881
Land, buildings and equipment, net	<u>951,318</u>	<u>932,160</u>
Total assets	<u><u>\$ 2,105,604</u></u>	<u><u>\$ 2,107,075</u></u>
Liabilities		
Accounts payable	\$ 67,289	\$ 59,174
Accrued expenses	112,691	114,481
Deposits and deferred revenue	156,973	160,594
Capital lease	2,677	2,741
Government advances for student loans	29,625	29,360
Post-retirement and pension benefits	53,464	78,539
Bonds and notes payable	<u>427,554</u>	<u>441,700</u>
Total liabilities	850,273	886,589
Net assets		
Unrestricted	635,729	623,656
Temporarily restricted	244,750	236,774
Permanently restricted	<u>374,852</u>	<u>360,056</u>
Total net assets	<u>1,255,331</u>	<u>1,220,486</u>
Total liabilities and net assets	<u><u>\$ 2,105,604</u></u>	<u><u>\$ 2,107,075</u></u>

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

Drexel University and Subsidiaries
Consolidated Statement of Activities
For the Year Ended June 30, 2017

<i>(in thousands)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue				
Tuition and fees	\$ 878,879	\$ -	\$ -	\$ 878,879
Less: Institutional financial aid	(278,962)			(278,962)
Net student revenue	599,917	-	-	599,917
Patient care activities	99,102			99,102
State appropriations	8,113			8,113
Government grants and contracts	96,808			96,808
Private grants and contracts	20,766	842		21,608
Private gifts	4,580	16,521		21,101
Endowment payout under spending formula	8,754	17,839		26,593
Investment income	2,697	598		3,295
Sales and services of auxiliary enterprises	78,059			78,059
Other sources	29,862	855		30,717
Net assets released from restrictions	46,984	(53,083)	6,099	-
Total operating revenue	995,642	(16,428)	6,099	985,313
Operating expense				
College programs	361,408			361,408
Research and public service	121,494			121,494
Academic support	31,875			31,875
Student services	64,659			64,659
Institutional support	142,334			142,334
Scholarships and fellowships	13,185			13,185
Auxiliary enterprises	39,405			39,405
Total education and general	774,360	-	-	774,360
Patient care activities	118,778			118,778
Other operating expense	63,185			63,185
Interest	14,737			14,737
Depreciation and amortization	47,867			47,867
Total operating expense	1,018,927	-	-	1,018,927
Change in net assets from operating activities	(23,285)	(16,428)	6,099	(33,614)
Non-operating activities				
Endowment and other gifts			2,696	2,696
Realized/unrealized net gain on investments, net of endowment payout	23,959	24,404	6,001	54,364
Other non-operating activities	11,399	-	-	11,399
Change in net assets from non-operating activities	35,358	24,404	8,697	68,459
Change in net assets	12,073	7,976	14,796	34,845
Net assets				
Beginning of year	623,656	236,774	360,056	1,220,486
End of year	\$ 635,729	\$ 244,750	\$ 374,852	\$ 1,255,331

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

Drexel University and Subsidiaries
Consolidated Statement of Activities
For the Year Ended June 30, 2016

<i>(in thousands)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue				
Tuition and fees	\$ 888,564	\$ -	\$ -	\$ 888,564
Less: Institutional financial aid	(269,583)			(269,583)
Net student revenue	618,981	-	-	618,981
Patient care activities	99,789			99,789
State appropriations	8,074			8,074
Government grants and contracts	94,077			94,077
Private grants and contracts	24,107	92		24,199
Private gifts	2,155	40,233		42,388
Endowment payout under spending formula	10,570	14,866	169	25,605
Investment income	2,068	668		2,736
Sales and services of auxiliary enterprises	86,872			86,872
Other sources	31,849	844		32,693
Net assets released from restrictions	55,214	(55,694)	480	-
Total operating revenue	1,033,756	1,009	649	1,035,414
Operating expense				
College programs	369,432			369,432
Research and public service	117,292			117,292
Academic support	27,926			27,926
Student services	49,628			49,628
Institutional support	143,243			143,243
Scholarships and fellowships	17,804			17,804
Auxiliary enterprises	39,100			39,100
Total education and general	764,425	-	-	764,425
Patient care activities	117,601			117,601
Other operating expense	64,894			64,894
Interest	16,278			16,278
Depreciation and amortization	43,606			43,606
Total operating expense	1,006,804	-	-	1,006,804
Change in net assets from operating activities	26,952	1,009	649	28,610
Non-operating activities				
Endowment and other gifts	1,577		40,970	42,547
Realized/unrealized net loss on investments, net of endowment payout	(25,023)	(19,667)	(5,583)	(50,273)
Other non-operating activities	(11,027)			(11,027)
Change in net assets from non-operating activities	(34,473)	(19,667)	35,387	(18,753)
Change in net assets	(7,521)	(18,658)	36,036	9,857
Net assets				
Beginning of year	631,177	255,432	324,020	1,210,629
End of year	\$ 623,656	\$ 236,774	\$ 360,056	\$ 1,220,486

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

Drexel University and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended June 30, 2017 and 2016

<i>(in thousands)</i>	2017	2016
Cash flow from operating activities		
Increase in net assets	\$ 34,845	\$ 9,857
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	46,853	44,956
Loss on extinguishment of debt	4,484	-
Provision for uncollectible accounts	5,497	6,645
Loss on disposal of equipment	922	2,319
Change in market value in beneficial interests in trusts	(515)	5,295
Contributions restricted for long-term investment	(6,675)	(17,926)
Non-cash contributions received	(952)	(1,480)
Proceeds from sale of donated securities	908	1,254
Actuarial change on annuity liabilities	(73)	1,859
Realized/unrealized (gain) / loss on investments	(80,442)	19,373
Changes in operating assets and liabilities		
Accounts receivable	(2,615)	1,855
Contributions receivable	17,340	(28,874)
Other assets	(4,160)	5,180
Accounts payable and accrued expenses	5,085	5,758
Post-retirement and pension benefits	(25,075)	14,339
Deposits and deferred revenue	(3,621)	19,207
Net cash (used) / provided by operating activities	<u>(8,194)</u>	<u>89,617</u>
Cash flow from investing activities		
Purchase of investments	(155,481)	(58,886)
Proceeds from sales and maturities of investments	173,506	56,775
Change in malpractice insurance trust	407	1,201
Change in restricted cash	14	(4,936)
Proceeds from student loan collections	6,437	6,549
Student loans issued	(6,353)	(2,547)
Purchase of land, buildings and equipment	(64,349)	(82,231)
Change in funds held by trustees	29	4,041
Net cash used in investing activities	<u>(45,790)</u>	<u>(80,034)</u>
Cash flow from financing activities		
Contributions restricted for endowments	6,675	17,926
Proceeds from sales of donated securities	414	313
Payments on annuity obligations	(526)	(572)
Government advances for student loans	265	847
Repayment of long-term debt	(17,944)	(10,995)
Net cash (used) / provided by financing activities	<u>(11,116)</u>	<u>7,519</u>
Net (decrease) / increase in cash and cash equivalents	<u>(65,100)</u>	<u>17,102</u>
Cash and cash equivalents		
Beginning of year	<u>116,559</u>	<u>99,457</u>
End of year	<u>\$ 51,459</u>	<u>\$ 116,559</u>
Supplemental information		
Gifts-in-kind	\$ 33	\$ 154
Cash paid for interest	16,128	16,682
Amounts accrued for purchase of land, buildings and equipment	10,767	14,267
Donated securities	1,338	1,637

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

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

1. Nature of Organization and Summary of Significant Accounting Policies

Basis of Consolidated Financial Statements

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

Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. All revenues received and expenditures paid prior to the end of the fiscal year which relate to the following fiscal year are recorded and reflected as deferred revenues and prepaid expenses, respectively.

Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into the categories as shown below.

Permanently Restricted

Net assets explicitly required by the donor to be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on these assets. Such assets are included in the University’s permanent endowment funds.

Temporarily Restricted

Net assets subject to donor-imposed restrictions that can be fulfilled by actions of the University in accordance with those stipulations or by the passage of time. Endowment income and contributions with donor-imposed restrictions are reported as temporarily restricted and are reclassified to unrestricted net assets when the donor-imposed restrictions have been met.

Unrestricted

Net assets not subject to donor-imposed stipulations that may be designated for specific purposes by action of the Board of Trustees. Expenses are shown as decreases in unrestricted net assets. Expirations of donor-imposed stipulations are reported as net assets released from restrictions. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless explicit donor stipulation or law restricts their use.

Academy of Natural Sciences of Philadelphia

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

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

Academic Properties, Inc.

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

Drexel University Online, LLC

The University previously owned 100% of the issued and outstanding stock of Drexel e-Learning, Inc. ("DeL"), a for-profit entity. DeL was created to provide educational products and services through distance learning. On July 1, 2015, DeL merged with and into Drexel University Online, LLC ("DUO"), a non-profit, Delaware, single-member, limited liability company whose sole member is Drexel University. On that date, DUO became the surviving entity and will carry on all the operations previously performed by DeL. Accordingly, as of July 1, 2015, the DeL legal entity ceased to exist.

Dragon Risk Limited, Co.

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

11th Street Family Health Services, Inc.

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

1200 Chestnut Street I, Limited Partnership

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

1200 Chestnut Street General Partner, Inc.

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

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

Drexel Global Initiatives LLC

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

3509 Spring Garden, Limited Partnership

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

3509 Spring Garden, General Partner, Inc.

3509 Spring Garden, General Partner, Inc., (“3509 GP”) a Pennsylvania corporation, is the sole general partner in 3509 LP. 3509 GP is a wholly owned subsidiary of the University. The officers of 3509 GP are also the officers and senior leadership of Drexel University. As part of the New Market Tax Credit and Historic Tax Credit transactions, a for-profit single purpose entity was needed to own the property and to own the 3509 LP QALICB. The 3509 LP QALICB was established, with 3509 GP acting as the general partner and holding a 90% interest. 3509 GP follows a calendar based fiscal year.

3509 Spring Garden, Master Tenant, Limited Partnership

3509 Spring Garden, Master Tenant, Limited Partnership (“3509 MTLP”) a Pennsylvania limited partnership, was formed on August 21, 2013 to lease, manage and operate property owned by 3509 LP. 3509 MTLP has made an equity investment in 3509 LP and is also a partner with a 10% interest. 3509 MTLP consists of a general partner with 0.01% interest and a limited partner with a 99.99% interest. 3509 MTLP and 3509 LP have executed a historic tax credit pass-through agreement pursuant to which 3509 LP will elect under Section 50 of the Internal Revenue Code to pass through to the Partnership the federal tax credits to which it is entitled because of the historic buildings rehabilitation project. 3509 MTLP follows a calendar based fiscal year.

3509 Spring Garden, Master Tenant Manager, Inc.

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

Cash and Cash Equivalents

Cash and cash equivalents represent demand deposits and other investments with an initial maturity date not exceeding 90 days. At June 30, 2017 and 2016, the University had cash balances in financial institutions, which exceed federal depository insurance limits. Management believes the credit risks related to these deposits to be minimal. Cash and cash equivalents are carried at cost, which approximates fair value. Restricted cash includes funds related to the Perkins Loan program and uninvested restricted gifts.

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

Contributions Receivable

Contributions and unconditional pledges are recorded at the present value of their expected future cash flows. Unconditional pledges that are expected to be collected within one year are recorded at their estimated net realizable value. Conditional pledges are not included as revenue until the conditions are substantially met. Contributions are reported as an increase in the appropriate net asset category.

Beneficial Interests in Trusts

The University is the beneficiary of the income of certain trusts, but has neither possession nor control of the investments. Beneficial interests in trusts are classified as Level 3. (See Note 7 for investment level definitions). The trusts are valued based on the underlying securities held by the trusts and are primarily composed of equity and fixed income securities that have readily determinable values. The primary unobservable inputs used in the fair value measurement of the trusts are the present value of expected future cash flows. Significant fluctuation in the securities held in the trusts could result in a material change in fair value. Liabilities to beneficiaries are revalued annually based on the current interest rate tables from the Society of Actuaries, and are categorized as Level 3.

Fair Value of Financial Instruments

The University applies fair value measurements to contributions receivable in the year of receipt, beneficial interests in trusts, investments, self-insurance escrow funds, internally held real estate of the endowment, funds held by trustees, interest rate swaps, and annuities. A reasonable estimate of the fair value of student loans receivable under government loan programs and refundable federal student loans cannot be made because the loans cannot be sold and can only be assigned to the U.S. Government or its designees. These loans are recorded at cost, less an allowance for doubtful accounts and the carrying value of the loans receivable from students under Drexel's loan programs approximate fair value. (Notes 6, 7, 8, and 12 for additional fair value disclosures).

Patient Care Activities

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

Patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payers, and others for services rendered. The University provides care to patients under various reimbursement arrangements, including Medicare and Medicaid. These arrangements provide payment for covered services at agreed-upon rates under certain fee schedules and various discounts. Provisions have been made in the consolidated financial statements to estimate contractual adjustments, representing the difference between the customary charges for services rendered and agreed upon rates.

Contributions

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

Contributed property and equipment are recorded at fair value as of the date of the donation. If the donor restricts how long the asset must be used or how the asset is used, the contributions are recorded as restricted. In the absence of stipulations, these contributions are recorded as unrestricted.

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

Non-operating Activities

Non-operating activities include permanently restricted contributions, realized and unrealized gains and losses on investments, net of payouts under the endowment spending policies, post-retirement benefit plan and defined benefit pension plan adjustments, restructuring costs, distributions to special purpose tax credit entities and costs related to the dissolution of DeL and the formation of DUO.

Non-operating activities are detailed as follows:

<i>(in thousands)</i>	2017	2016
Endowment and other gifts	\$ 2,696	\$ 42,547
Realized/unrealized net gain (loss) on investments, net of endowment payout	54,364	(50,273)
Post-retirement and pension plan adjustments	27,519	(9,669)
Restructuring costs	(12,569)	(2,217)
US Bank contribution to 1200 Chestnut I, LP	1,321	-
US Bank contribution to 3509 Spring Garden entities	-	1,147
Loss on extinguishment of debt	(4,484)	-
Other expenses	(388)	(288)
Change in net assets from non-operating activities	<u>\$ 68,459</u>	<u>\$ (18,753)</u>

Use of Estimates

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

Income Taxes

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

The University and its affiliates engage in activities that are subject to unrelated business income taxes for which appropriate income tax returns are filed (Note 15).

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

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

Accounting for Derivative Instruments and Hedging Activities

The University entered into a variable-to-fixed swap agreement with Wells Fargo Bank, N.A. that converts the Series B of 2005 bonds to a fixed interest rate of 3.414% through the maturity of the bonds. The agreement resulted in a gain of \$2,105,000 in 2017 and a loss of \$1,534,000 in 2016. The fair value of the interest rate swap agreement was a liability of \$3,996,000 and \$6,101,000, respectively, at June 30, 2017 and 2016.

The swap agreement is used by the University to reduce exposure to the volatility in variable interest rates on long-term debt (Note 11). There were no other swap agreements in effect as of June 30, 2017 or 2016. The fair value of the swap agreements is reported within accrued expenses in the consolidated statements of financial position. The change in the estimated fair value of terminating the interest rate swap agreement is included in realized and unrealized net loss / gain on investments in the non-operating section (Note 1) of the consolidated statements of activities.

Recently Adopted Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. ASU No. 2015-03 requires that debt issuance costs be presented on the balance sheet as a direct deduction from the carrying value of the debt. The amortization of these costs will remain under the interest method and continue to be recorded as interest expense. The provisions of ASU No. 2015-03 became effective for fiscal years beginning after December 15, 2016, and requires retrospective application to all periods presented. Effective June 30, 2017, the University has adopted ASU No. 2015-03. The adoption of ASU No. 2015-03 resulted in \$3,511,000 and \$5,493,000 of unamortized bond issuance costs at June 30, 2017 and 2016, respectively, that was previously recorded as other assets, to be presented as a direct deduction from the carrying value of the debt. At June 30, 2017 and 2016, the University did not have any unamortized debt issuance costs related to line of credit arrangements.

In May 2015, the FASB issued ASU No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. ASU No. 2015-07 removes the requirement to categorize all investments measured at fair value using the net asset value per share practical expedient within the fair value hierarchy. The provisions of ASU No. 2015-07 became effective for fiscal years beginning after December 15, 2016, and requires retrospective application to all periods presented. The University has adopted ASU No. 2015-07 as of June 30, 2017. Note 7 provides details on the changes to the leveling resulting from utilizing the net asset value per share practical expedient within the fair value hierarchy at June 30, 2017 and 2016.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which is meant to enhance the reporting model for financial instruments and provide more useful information to users of financial statements. The guidance is effective for annual fiscal periods beginning after December 15, 2018. The University has adopted ASU No. 2016-01 permitting the omission of fair value disclosures for financial instruments reported at amortized cost.

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

Recently Issued Accounting Pronouncements

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606)*. The core principle of ASU No. 2015-14 is that revenue be recognized in manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be compensated in exchange for those goods or services. The guidance is effective for annual fiscal periods beginning after December 15, 2017. The standard permits the use of either retrospective or cumulative effect transition method. The University has not yet selected a transition method and is currently evaluating the standard and is in the process of assessing the impact the standing will have on its financial statements.

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

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, which revises the not-for-profit financial reporting model. ASU No. 2016-14 is meant to reduce the complexity of and add clarity to net asset reporting, add additional disclosure regarding nature of self-imposed limits on unrestricted net assets and donor restricted net assets, and add reporting requirements related to nature of expenses. ASU No. 2016-14 is effective for fiscal years beginning after December 15, 2017. The University is currently evaluating the standard to determine the impact it will have on its financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU No. 2016-15 aims to reduce the diversity in practice that has resulted from the lack of consistent principles on this topic. ASU No. 2016-15 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. Entities must apply the guidance retrospectively to all periods presented but may apply it prospectively from the earliest date practicable if the retrospective application would be impracticable. The University is currently evaluating the standard to determine the impact it will have on its financial statements.

2. Reclassification of Prior Year Presentation

The deposits and deferred revenue categories on the Statement of Financial Position have been consolidated due to their similar characteristics and to provide consistency with presentation in the higher education industry.

The University has reclassified its bond issuance costs from the other assets category to the bonds and notes payable category on the Statement of Financial Position in accordance with ASU No. 2015-03 which requires retrospective application and is considered a change in accounting principle.

The University has reclassified its investment leveling using the net asset value as a practical expedient in Note 7 in accordance with ASU No. 2015-07.

Drexel University and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

3. Net Assets

Net assets included the following:

(in thousands)

	2017	2016
Unrestricted		
Undesignated	\$ (384,772)	\$ (350,763)
Designated for colleges, departments and student loans	138,092	134,298
Physical plant	633,419	612,718
Quasi-endowment funds	252,458	236,256
Reclassification for endowments with deficiencies	(3,468)	(8,853)
Total unrestricted	<u>635,729</u>	<u>623,656</u>
Temporarily restricted		
Funds for instruction, scholarships and capital expenditures	112,986	128,715
Endowment realized and unrealized gain	127,574	99,811
Reclassification for endowments with deficiencies	2,601	6,981
Life income and term endowment funds	1,589	1,267
Total temporarily restricted	<u>244,750</u>	<u>236,774</u>
Permanently restricted		
Endowment principal	328,846	315,208
Reclassification for endowments with deficiencies	866	1,871
Beneficial interests in trusts	37,622	35,313
Student loans and others	7,518	7,664
Total permanently restricted	<u>374,852</u>	<u>360,056</u>
Total net assets	<u><u>\$ 1,255,331</u></u>	<u><u>\$ 1,220,486</u></u>

4. Accounts Receivable

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

Drexel University and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

Accounts receivable, net of allowances, as of June 30, were as follows:

<i>(in thousands)</i>	2017	2016
Tuition	\$ 83,404	\$ 101,206
Grants, contracts, and other	72,651	65,771
Patient, net of contractual allowance	12,048	12,835
Tenet Healthcare Corporation	<u>1,335</u>	<u>2,127</u>
	169,438	181,939
Allowance for doubtful accounts:		
Tuition	(15,864)	(26,025)
Grants, contracts, and other	(3,882)	(3,105)
Patient	<u>(4,295)</u>	<u>(4,987)</u>
Accounts receivable, net	<u>\$ 145,397</u>	<u>\$ 147,822</u>

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

The availability of funds for loans under Federal government revolving loan programs is dependent on reimbursements to the pool from repayments of outstanding loans. Funds advanced by the federal government of \$29,625,000 and \$29,360,000 at June 30, 2017 and 2016, respectively, are ultimately refundable to the government and are classified as liabilities in the statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available to loan and a decrease in the liability to the government.

At June 30, 2017 and 2016, student loans consisted of the following:

<i>(in thousands)</i>	2017	2016
Federal government loan programs		
Perkins loan program	\$ 21,369	\$ 20,138
Health professions student loans and loans for disadvantaged students	2,982	3,590
Nursing student loans	<u>24</u>	<u>34</u>
Federal government loan programs	24,375	23,762
Institutional loan programs	<u>9,027</u>	<u>9,979</u>
	33,402	33,741
Less: Allowance for doubtful accounts	<u>(2,918)</u>	<u>(2,715)</u>
Student loans receivable, net	<u>\$ 30,484</u>	<u>\$ 31,026</u>

Drexel University and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

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

5. Contributions Receivable

Unconditional pledges are reported as contributions receivable and revenue in the appropriate net asset category. Contributions receivable with a payment more than a year from the pledge date are recorded net of a discount using rates as of June 30, 2017 and June 30, 2016 that range between 0.07% to 2.31% and 0.07% to 1.49%, respectively. The University considers these discount rates to be a Level 3 input in the context of ASC No. 820-10 (Note 7).

Net contributions receivable at June 30 were as follows:

<i>(in thousands)</i>	2017	2016
Amounts due in		
Less than one year	\$ 12,785	\$ 10,605
One to five years	47,511	58,646
Greater than five years	<u>60,203</u>	<u>69,567</u>
Gross contributions receivable	120,499	138,818
Less:		
Allowance for uncollectibles	(336)	(336)
Discounts to present value	<u>(20,160)</u>	<u>(20,720)</u>
Total contributions receivable, net	<u>\$ 100,003</u>	<u>\$ 117,762</u>

The following table summarizes the change in net contributions receivable as of June 30:

<i>(in thousands)</i>	2017	2016
Net contributions receivable at beginning of year	\$ 117,762	\$ 88,888
New pledges	9,796	51,042
Collections and adjustments	(28,115)	(23,557)
Decrease in allowance for uncollectibles	-	312
Net increase/(decrease) in present value discounts	<u>560</u>	<u>1,077</u>
Net contributions receivable at end of year	<u>\$ 100,003</u>	<u>\$ 117,762</u>

Drexel University and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

6. Investments and Investment Return

At June 30, 2017 and 2016, the fair value of the malpractice insurance trust and investments included the following:

<i>(in thousands)</i>	Fair value	
	2017	2016
U.S. equity	\$ 148,327	\$ 139,175
Global equity	159,189	137,801
Fixed income securities and bond funds	54,670	45,417
Hedge funds	26,040	40,280
Private equity	71,279	62,072
Real estate and real assets funds	66,571	59,209
Directly-held real estate	130,555	124,460
Money market funds	20,763	11,629
Total endowment investments	677,394	620,043
Self-insurance escrow funds (Note 14)	48,921	43,838
Total investments	726,315	663,881
Malpractice insurance trust	8,991	9,398
Total investments and malpractice insurance trust	<u>\$ 735,306</u>	<u>\$ 673,279</u>

Self-insurance escrow funds are comprised of money market funds, mutual funds, and fixed income securities and bond funds that trade on active markets with readily observable prices. Malpractice insurance trust funds are comprised of domestic US treasuries with readily observable prices.

The following summarizes the University's total investment return and its classification in the financial statements for the years ended June 30, 2017 and 2016:

<i>(in thousands)</i>	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investment income, net of expenses	\$ 2,050	\$ 4,076	\$ 626	\$ 6,752
Realized/unrealized gains and (losses)	30,663	38,167	5,375	74,205
Endowment payout under spending formula	(8,754)	(17,839)	-	(26,593)
Realized/unrealized gain on investments, net of endowment payout	23,959	24,404	6,001	54,364
Operating investment income	2,697	598	-	3,295
Total return on investments	<u>\$ 26,656</u>	<u>\$ 25,002</u>	<u>\$ 6,001</u>	<u>\$ 57,659</u>

<i>(in thousands)</i>	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investment income, net of expenses	\$ 2,343	\$ 4,387	\$ 466	\$ 7,196
Realized/unrealized gains and (losses)	(16,796)	(9,188)	(5,880)	(31,864)
Endowment payout under spending formula	(10,570)	(14,866)	(169)	(25,605)
Realized/unrealized loss on investments, net of endowment payout	(25,023)	(19,667)	(5,583)	(50,273)
Operating investment income	2,068	668	-	2,736
Total return on investments	<u>\$ (22,955)</u>	<u>\$ (18,999)</u>	<u>\$ (5,583)</u>	<u>\$ (47,537)</u>

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

7. Fair Value of Financial Instruments

The three-level hierarchy for fair value measurements is based on observable and unobservable inputs to the valuation of an asset or liability at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants ("exit price") at the measurement date.

The University maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. When available, fair value is based on actively-quoted market prices. In the absence of actively-quoted market prices, price information from external sources, including broker quotes and industry publications, is used. If pricing information from external sources is not available, or if observable pricing is not indicative of fair value, judgment is required to develop the estimates of fair value. In those cases, prices are estimated based on available historical financial data or comparable investment vehicles that reflect widely accepted market valuation practices.

In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. In those cases, the lowest level input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset. Fair value measurements are categorized as Level 3 when a significant number of price or other inputs, considered to be unobservable, are used in their valuations. The fair value hierarchy and inputs to valuation techniques are as follows:

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

As a practical expedient, the University estimates the fair value of an investment in an investment company fund at the measurement date using the reported net asset value (NAV). The fair values of alternative investments represent the University's ownership interest in the net asset value (NAV) of the respective fund. Investments held by the funds consist of marketable securities, as well as, securities that do not have readily determinable fair values. The fair values of the securities held that do not have readily determinable fair values are based on historical cost, appraisals, or

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issue, and subsequent developments concerning the companies to which the securities relate.

New FASB Guidance on Investments Using NAV as a Practical Expedient

Accounting standard ASU No. 2015-07, *Fair Value Measurement (Topic 820)*, allows reporting entities to exclude investments using Net Asset Value as the existing practical expedient from the fair value hierarchy.

Investments using NAV as fair value, and not a practical expedient for fair value, will still be listed in the fair value hierarchy. For example, investments where NAV per share is determined and published and the basis for current transactions is fair value. These are shown in the hierarchy below under Investments, Level 1.

The investments that fit under the new guidance are Level 2 and 3 investments previously listed in the fair value hierarchy. These include: Equity, Fixed Income, Alternative Investments, and Real Estate and Real Assets Funds. Because investments measured at NAV as a practical expedient will no longer be included in the fair value hierarchy, they will no longer appear in the associated disclosures, including the roll forward of Level 3 investments.

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

As of June 30, 2017, assets at fair value were as follows:

(in thousands)	2017			Investments at NAV	Total
	Level 1	Level 2	Level 3		
Assets					
Funds held by trustees	\$ 313	\$ -	\$ -	\$ -	\$ 313
Beneficial interest in trusts	-	-	48,727	-	48,727
Malpractice insurance trust	8,991	-	-	-	8,991
Investments					
U.S. Equity	148,327	-	-	-	148,327
Global Equity	108,733	-	-	49,440	158,173
Fixed Income securities and bond funds	29,347	1,179	-	25,160	55,686
Hedge funds	-	-	-	26,040	26,040
Private Equity	-	-	-	71,279	71,279
Real estate and real assets funds	-	-	7,179	59,392	66,571
Directly-held real estate	-	-	130,555	-	130,555
Money market funds	20,763	-	-	-	20,763
Investments held in endowment	307,170	1,179	137,734	231,311	677,394
Self-insurance escrow funds (Note 14)	48,921	-	-	-	48,921
Total investments	356,091	1,179	137,734	231,311	726,315
Total assets at fair value	\$ 365,395	\$ 1,179	\$ 186,461	\$ 231,311	\$ 784,346
Liabilities					
Interest rate swaps (Note 1)	\$ -	\$ 3,996	\$ -	\$ -	\$ 3,996
Split-interest agreements	-	-	1,790	-	1,790
Annuities	-	-	6,432	-	6,432
Total liabilities at fair value	\$ -	\$ 3,996	\$ 8,222	\$ -	\$ 12,218

(in thousands)	2016			Investments at NAV	Total
	Level 1	Level 2	Level 3		
Assets					
Funds held by trustees	\$ 1,804	\$ -	\$ -	\$ -	\$ 1,804
Beneficial interest in trusts	-	-	48,212	-	48,212
Malpractice insurance trust	9,398	-	-	-	9,398
Investments					
U.S. Equity	139,175	-	-	-	139,175
Global Equity	102,320	-	-	35,481	137,801
Fixed Income securities and bond funds	10,933	-	-	34,484	45,417
Hedge funds	-	-	-	40,280	40,280
Private Equity	-	-	-	62,072	62,072
Real estate and real assets funds	647	-	9,946	48,615	59,209
Directly-held real estate	-	-	124,460	-	124,460
Money market funds	11,629	-	-	-	11,629
Investments held in endowment	264,705	-	134,406	220,932	620,043
Self-insurance escrow funds (Note 14)	43,838	-	-	-	43,838
Total investments	308,543	-	134,406	220,932	663,881
Total assets at fair value	\$ 319,745	\$ -	\$ 182,618	\$ 220,932	\$ 723,295
Liabilities					
Interest rate swaps (Note 1)	\$ -	\$ 6,101	\$ -	\$ -	\$ 6,101
Split-interest agreements	-	-	1,584	-	1,584
Annuities	-	-	6,711	-	6,711
Total liabilities at fair value	\$ -	\$ 6,101	\$ 8,295	\$ -	\$ 14,396

Drexel University and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

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

(in thousands)	2017			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period (If Applicable)
Multi-Strategy Hedge Funds (a)	\$ 2,303		Annual/Quarterly	45-60/65 days
Distressed Debt Hedge Funds (b)	2,283		Annual/Quarterly	90 days
Fixed Income and Related Hedge Funds (c)	21,260		Quarterly	45 days
Private Capital Funds-Secondaries (d)	10,139	3,401		
Private Capital Funds-Venture Capital (e)	1,891	1,720		
Private Capital Funds - Distressed Assets (f)	4,901	737		
Private Capital Funds-Buy-out (g)	17,195	39,820		
Real Asset Funds (h)	16,830	10,703		
Real Estate Funds (i)	8,108	19,484		
Long/Short Equity Hedge Funds (j)	193	-	Annual	95 days
Private Capital Funds-Hedge Fund Seeder (k)	3,597	222		
Private Capital Funds-Mezzanine Debt (l)	8,620	7,942		
	<u>\$ 97,320</u>	<u>\$ 84,029</u>		

- a. This category invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. As of June 30, 2017, and 2016, respectively, the composite portfolio includes approximately 67% and 48% in distressed investments with a liquidation period of 1 to 3 years, 4% and 25% arbitrage opportunities, 20% and 14% in cash, 0% and 11% long/short equity and 9% and 2% in private equity investments which can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets in the portfolio. If these investments were held, it is estimated that the underlying assets would be liquidated over the next 1 to 3 years. The fair values of the investments have been estimated using the reported net asset value per share of the hedge fund. This category includes investments in hedge funds that invest in debt of companies in or facing bankruptcy. The investment managers seek to liquidate these investments in 1 to 3 years. The fair value has been estimated using the reported net asset value per share of the hedge fund.

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

- b. This category includes investment in hedge funds that invest in U.S. mortgage backed securities. The fair values of the investments have been estimated using the reported net asset value per share of the hedge fund.
- c. This category includes investments in private equity funds that invest in the secondary market. The private equity secondary market refers to the buying and selling of pre-existing investor commitments to private equity and other alternative investment funds. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2017, it is estimated that the underlying assets of the fund would be liquidated over the following periods: 46% in 1 to 4 years; 54% in 5 to 7 years; and 0% in 8 to 10 years. At June 30, 2016, the liquidation periods were expected to be: 56% in 1 to 4 years; 44% in 5 to 7 years; and 0% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the private capital fund.
- d. This category includes investments in private equity funds that invest primarily in technology and healthcare companies in the U.S. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2017, it is estimated that the underlying assets of the fund would be liquidated over the following periods: 9% in 1 to 4 years; and 0% in 5 to 7 years, and 91% in 8 to 10 years. At June 30, 2016, the liquidation periods were expected to be: 40% in 1 to 4 years; 60% in 5 to 7 years; and 0% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the private capital fund.
- e. This category includes investments in private equity funds that invest in the distressed asset and middle market corporate distressed markets. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2017, it is estimated that the underlying assets of the fund would be liquidated over 1 to 4 years, unchanged from June 30, 2016. The fair value has been estimated using the reported net asset value per share of the private capital fund.
- f. This category includes investments in private equity funds that invest in buy-outs. A buy-out is a purchase of a company or a controlling interest of a corporation's shares or product line or some business. These investments are diversified across industries and primarily in the U.S. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2017, it is estimated that the underlying assets of the fund would be liquidated over the following periods: 8% over 1 to 4 years; 31% in 5 to 7 years; and 61% over 8 to 10 years. At June 30, 2016, the liquidation periods were expected to be: 23% in 1 to 4 years; 0% in 5 to 7 years; and 77% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the private capital fund.
- g. This category includes investments in private equity funds that invest primarily in real assets (e.g. investments with intrinsic value, such as real estate or commodities). These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2017, it is estimated that the underlying assets of the fund would be liquidated over the following periods: 55% in 1 to 4 years; 45% in 5 to 7 years; and 0% in 8 to 10 years. At June 30, 2016, the liquidation periods were expected to be: 66% in 1 to 4 years; 29% in 5 to 7 years; and 5% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the real asset fund.

Drexel University and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

- h. This category includes investments in private equity funds that invest in U.S. commercial real estate. These investments can never be redeemed. Instead, distributions are received through the liquidation of the underlying assets of the fund. At June 30, 2017, it is estimated that the fund's underlying assets would be liquidated over the following time frames: 75% in 1 to 4 years; 25% in 5 to 7 years; and 0% in 8 to 10 years. At June 30, 2016, the liquidation periods were expected to be: 91% in 1 to 4 years; 0% in 5 to 7 years; and 9% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the real estate fund.
- i. This category includes investments in hedge funds that invest primarily in U.S. common stocks with both long and short strategies. Management of the hedge funds can shift investments from value to growth strategies, from small to large capitalization stocks and from a net long position to a net short position. The fair values of the investments have been estimated using the reported net asset value per share of the hedge fund.
- j. This category includes investments in private equity funds that invest in newly-started hedge funds that pursue multiple strategies. The fund provides start-up funding to hedge funds of various strategies with the potential to share in the appreciation of the investment, as well as to share in the management fees gathered by the underlying start-up hedge funds. As of June 30, 2017, and 2016, respectively, the fund's underlying investments were 30% and 46% long/short global equity, 11% and 12% in macro and commodity trading, 59% and 30% in diversified credit, 0% and 2% in arbitrage opportunities, and 0% and 10% in global event-driven opportunities. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. It is estimated that the underlying assets would be liquidated in 1 to 4 years at June 30, 2017 and 5 to 7 years at June 30, 2016. The fair value has been estimated using the reported net asset value per share of the private capital fund.
- k. This category includes investments in private equity funds that provide mezzanine debt financing to middle market firms. Mezzanine debt differs from mortgage debt in that the mezzanine debt is backed by equity interests in the borrowing firm, versus mortgage financing which is backed by the asset. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. At June 30, 2017, it is estimated that the fund's underlying assets would be liquidated over the following time frames: 63% in 1 to 4 years; 37% in 5 to 7 years; and 0% in 8 to 10 years. At June 30, 2016, the liquidation periods were expected to be: 0% in 1 to 4 years; 100% in 5 to 7 years; and 0% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the private capital fund.

Investment in real estate and real estate funds reflect the fair value of the specific assets or the underlying ventures' net assets. The valuations of real estate investments are updated periodically through valuation estimates prepared by an independent valuation expert or by estimates prepared by the underlying real estate holding entity's General Partner for real estate funds.

The University owns partnership interests in a real estate portfolio classified real estate and real estate funds as a Level 3 asset. The interests have a fair market value of \$7,179,000 net of \$1,791,000 in outstanding debt. The valuation of these investment properties is prepared annually by an independent appraiser.

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

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

8. Endowment Funds

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

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

For the years ended June 30, 2017 and 2016, the University had an endowment spending rule that limited the spending of endowment resources to 4.75% of the average fair value of the pooled endowment portfolio for the prior seven fiscal years, except for ANS. For the years ended June 30, 2017 and 2016, ANS had an endowment spending rule that limited the spending of endowment resources to 6.5% of the fair market value of the pooled endowment assets for the prior seven fiscal years. This rule was applied except in cases where the spending rate had been stipulated by the donor agreement (typically 5.0%).

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

Interpretation of Relevant Law

The Board of Trustees has interpreted Pennsylvania Act 141 ("PA Act 141") as requiring the preservation of the fair value of the original gift as specified in the individual trust instruments. Because of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) earnings of the endowment made in accordance with the direction of the applicable donor designation. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by PA Act 141.

Drexel University and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

Endowment composition by type of fund as of June 30 was as follows:

(in thousands)	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 22,875	\$ 135,076	\$ 327,811	\$ 485,762
Board-designated endowment funds	213,804	-	-	213,804
Total assets	<u>\$ 236,679</u>	<u>\$ 135,076</u>	<u>\$ 327,811</u>	<u>\$ 699,566</u>

(in thousands)	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 24,021	\$ 111,900	\$ 317,198	\$ 453,119
Board-designated endowment funds	191,020	-	-	191,020
Total assets	<u>\$ 215,041</u>	<u>\$ 111,900</u>	<u>\$ 317,198</u>	<u>\$ 644,139</u>

Changes in the University's endowment assets for the years ended June 30, 2017 and 2016 were as follows:

(in thousands)	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment at beginning of year	\$ 215,041	\$ 111,900	\$ 317,198	\$ 644,139
Investment income, net of fees	2,050	4,076	610	6,736
Net realized gain	6,880	13,094	1,572	21,546
Net unrealized gain	15,573	28,023	4,227	47,823
Transfer for funds with deficiencies	5,386	(4,381)	(1,005)	-
Total endowment return	29,889	40,812	5,404	76,105
Contributions	-	-	2,696	2,696
Use of endowment assets:				
Endowment payout used in operations	(8,197)	(15,709)	(2,687)	(26,593)
Other	(54)	(1,927)	5,200	3,219
Total uses	(8,251)	(17,636)	2,513	(23,374)
Endowment at end of year	<u>\$ 236,679</u>	<u>\$ 135,076</u>	<u>\$ 327,811</u>	<u>\$ 699,566</u>

(in thousands)	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment at beginning of year	\$ 233,557	\$ 131,093	\$ 277,308	\$ 641,958
Investment income, net of fees	2,343	4,386	409	7,138
Net realized gain	1,251	2,347	530	4,128
Net unrealized (loss)	(7,767)	(16,500)	(2,344)	(26,611)
Transfer for funds with deficiencies	(6,396)	5,237	1,159	-
Total endowment return	(10,569)	(4,530)	(246)	(15,345)
Contributions	-	73	42,633	42,706
Use of endowment assets:				
Endowment payout used in operations	(10,570)	(14,866)	(169)	(25,605)
Other	2,623	130	(2,328)	425
Total uses	(7,947)	(14,736)	(2,497)	(25,180)
Endowment at end of year	<u>\$ 215,041</u>	<u>\$ 111,900</u>	<u>\$ 317,198</u>	<u>\$ 644,139</u>

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

Endowment Funds with Deficiencies

From time to time, the fair value of some assets associated with individual donor-restricted endowment funds may fall below the level that donors require to be retained as a perpetual fund. The aggregate amount of funds with deficiencies is reported in unrestricted net assets in the consolidated statement of activities. Subsequent investment gains will be used to restore the balance to the fair market value of the original amount of the gift. Subsequent gains above that amount will be recorded as temporarily restricted net assets. Aggregate deficiencies were \$3,439,000 and \$8,824,000 as of June 30, 2017 and 2016, respectively.

9. Land, Buildings and Equipment

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

The University determined that there were legal obligations to retire certain facilities and equipment. The total asset retirement cost and obligation was \$1,427,000 and \$3,578,000 at June 30, 2017 and \$3,061,000 and \$5,836,000 at June 30, 2016, respectively, and is included in buildings and improvements and accrued expenses, respectively, on the consolidated statements of financial position. In 2017 and 2016, depreciation and accretion expense amounted to (\$671,000) and \$29,000, respectively, and \$402,000 and \$259,000, respectively. The demolition of the University City High School and removal of its hazardous substances significantly reduced the University's asset retirement obligation resulting in a significant credit to the depreciation expenses to recognize the elimination of this obligation.

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

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

<i>(in thousands)</i>	2017	2016
Works of art	\$ 10,441	\$ 11,030
Land and improvements	147,211	133,094
Buildings and improvements	1,020,995	970,196
Equipment, software and library books	218,035	209,138
Construction in progress	63,067	72,155
	<u>1,459,749</u>	<u>1,395,613</u>
Less: Accumulated depreciation	<u>(508,431)</u>	<u>(463,453)</u>
Total land, buildings and equipment	<u>\$ 951,318</u>	<u>\$ 932,160</u>

Drexel University and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

10. Leases

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

(in thousands)

June 30,	
2018	\$ 18,298
2019	16,819
2020	15,698
2021	15,230
2022	15,171
Thereafter	<u>7,772</u>
Total minimum lease payments	<u>\$ 88,988</u>

Total rent expense for operating leases amounted to \$19,338,000 and \$19,360,000 for the years ended June 30, 2017 and 2016, respectively.

The University leases educational, research, and medical office space from Tenet Healthcare Corporation ("Tenet") under an operating lease expiring June 30, 2022. The future minimum payments are included in the table above. Total rent expense for the Tenet operating lease was \$7,991,000 for each of the years ended June 30, 2017 and 2016.

The University entered into an agreement with the Commonwealth of Pennsylvania (the "Commonwealth") on August 1, 2002 to lease space in the Armory Building (the "Armory") at no cost for an initial period of fifty years during which time the University agreed to complete certain improvements to the Armory at the University's expense. Thereafter, the lease may be renewed for two, additional twenty-year periods at fair value. In the event the Commonwealth should desire to sell the property during the initial or additional lease periods, the University has the option to purchase the Armory for \$1,700,000, adjusted for inflation. There were \$5,032,000 and \$371,000, respectively, capitalized for improvements in fiscal years 2017 and 2016. Estimated costs for the required improvements amounted to \$2,678,000 and \$2,741,000 at June 30, 2017 and 2016, respectively. These costs have been capitalized and a comparable capital lease liability recorded.

On January 23, 2012, the University and ACC OP (Chestnut PA), LLC, an affiliate of American Campus Communities ("ACC"), entered a triple net ground lease structure governing the conveyance of the land area located on 3200 Chestnut Street with a base lease term of forty years and three, ten-year option periods. In consideration for the right to develop, own, and operate the proposed project referred to as "Chestnut Square" on the University's campus, ACC pays the University annual ground rent of \$254,000. Chestnut Square includes 360,000 square feet of residential space, housing approximately 863 students. The facility also includes 36,000 square feet of retail and office space along the Chestnut Street frontage. The structures consist of two eight story low-rise buildings and a nineteen story high-rise residential tower at the corner of 32nd and Chestnut Streets. A 101,500-square foot parking structure containing 267 spaces is also included for the south side of the existing Creese Student Center. The University bears no cost of the Chestnut Square project. At the end of the lease (40-70 years), the asset reverts to the University.

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

On August 30, 2013, the University entered into a land purchase agreement with 3175 JFK Associates, LP and L-A 31, LP, both affiliates of ACC, whereby ACC contributed land, air rights and a subsurface parcel it owned contiguous to Drexel's campus (i.e. 3175 JFK Boulevard) to the University as a gift, without any purchase consideration, but retained the ownership of the "University Crossings" building and improvements erected on this land. The University Crossings property consists of 1.15 acres of land and a 17-story, 452,483 square foot building with 261 units and a total bed capacity of 1,016. As a condition of the land purchase agreement, Drexel and ACC also entered into a ground lease agreement whereby Drexel leased the land back to ACC for no consideration other than reimbursement of property tax that Drexel would be required to pay as the land owner. The term of the lease is forty years with an option to renew for three consecutive ten-year terms. Payments to the University from ACC are recorded as a cost recovery of property taxes. Within five years from the effective date, ACC is required to complete no less than \$22,327,000 in capital improvements. The University's financial statements include a ground lease liability for the sub-parcel and air rights at June 30, 2017, and 2016 of \$10,850,000 and \$11,150,000 respectively. The University recognized \$300,000 of ground lease income related to this agreement during fiscal years 2017 and 2016.

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

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

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

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

On December 17, 2014, the University entered into a ground lease agreement with Study Philadelphia Holding, LLC (“SPHLLC”) to build an upscale hotel, “The Study”, on University property located at 3301 Chestnut Street and 20-40 South 33rd Street. The hotel features a ground floor restaurant and retail space, a conference center, approximately 212 hotel rooms, and accessory hotel amenities, with a main entrance on 33rd Street. The hotel includes a ten-story building, totaling 145,000 square feet of space. The base term of the lease is fifty years with two, ten-year renewal options. The commencement date is twenty-four months from the date of the lease or the opening date whichever is earlier. Upon the expiration of the lease, the leased premises will become the property of the University. The University recognized \$154,000 of ground lease income related to this agreement during fiscal years 2017 and 2016.

On October 2, 2015, the University entered into a ground lease agreement with RPG 32 Race, LP (“RPG”) for University property located at 3201 Race Street. RPG intends to lease the property and develop a 178,00-square foot multi-storied, mixed-use facility, consisting of 164 “Class A” rental apartment units, 13,800 square foot childcare center, ancillary amenities and improvements including a café and rooftop sundeck, 27 on-site parking spaces, accommodation for customer curbside drop-off for use in connection with the childcare center. Nobel Learning Communities, Inc. is the approved childcare operator. The annual rent commencement date is defined as twelve months following the substantial completion of the project. The initial term of the lease is seventy-five years with the option to extend the lease for one additional term of twenty-four years. The University recognized ground lease income of \$215,000 and \$161,000 related to this agreement during fiscal years 2017 and 2016.

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

11. Bonds and Notes Payable

<i>(in thousands)</i>		Project	Final Maturity	Effective Interest Rate at June 30, 2017	2017	2016
Fixed rate debt obligations						
Drexel University						
Dormitory Bonds of 1969		Calhoun Hall	2014-2019	3.00%	\$ 150	\$ 220
Pennsylvania Higher Education Facilities Authority (PHEFA)						
Series A of 2005		Capital improvements and equipment	2014-2034	3.20-5.00%	-	24,490
Series A of 2007		Capital improvements and equipment	2030-2037	4.50-5.00%	-	92,335
Series of 2007		Capital improvements and equipment	2014-2037	3.75-5.00%	-	18,730
Series A of 2011		Capital improvements and equipment	2014-2041	2.00-5.25%	136,455	142,620
Series of 2012		Refunding	2014-2032	1.00-5.00%	15,635	19,790
Series of 2016		Refunding	2022-2037	2.00-5.00%	117,130	-
11th Street Family Health Services Inc.						
The Reinvestment Fund, Inc.		New Market Tax Credit Program	2043	1.297%	2,717	2,717
The Reinvestment Fund, Inc.		New Market Tax Credit Program	2043	1.297%	6,783	6,783
3509 Spring Garden, LP						
Philadelphia Industrial Development Corporation		New Market Tax Credit Program	2044	1.517%	1,964	1,964
Philadelphia Industrial Development Corporation		New Market Tax Credit Program	2044	1.517%	4,826	4,826
U.S. Bank Corp Community Development Entity		New Market Tax Credit Program	2044	1.00%	1,045	1,045
U.S. Bank Corp Community Development Entity		New Market Tax Credit Program	2044	1.00%	2,205	2,205
Variable rate debt obligations						
Drexel University						
Second Series of 2000		Capital improvements and equipment	2019-2026	Variable	22,500	22,500
Series B of 2002		Capital improvements and equipment	2015-2032	Variable	41,180	41,505
Series B of 2005		Advance refunding	2019-2030	Variable	29,625	29,625
Series B of 2007		Capital improvements and equipment	2014-2037	Variable	24,890	25,635
Total outstanding bonds and notes payable					407,105	436,990
Unamortized original issue premiums/discounts and cost of issuance, net					20,449	4,710
Total bonds and notes payable					<u>\$ 427,554</u>	<u>\$ 441,700</u>

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

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

The Dormitory bonds of 1969 are collateralized by first mortgages on the associated buildings and first liens on, and pledges of, the net revenues derived from the building operations.

In August 2016, the University issued Pennsylvania Higher Educational Facilities Authority, Drexel University Revenue Refunding Bonds, Series of 2016 in the amount of \$117,130,000. The primary purpose of this issue was the refunding of all the outstanding Series of 2005A, 2007A, and the College of Medicine 2007 bonds. The 2016 bonds will be maturing between May 1, 2022 through May 1, 2037. The bonds were issued on a parity basis with the University's other outstanding Authority bonds and on a parity basis with the interest rate swap agreement in connection with the Series of 2005B bonds.

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

Debt maturities for the fiscal years ending are as follows:

<i>(in thousands)</i>	Maturities	Remarketed Debt	Total Debt
2018	10,864	1,105	11,969
2019	7,180	1,150	8,330
2020	8,695	5,170	13,865
2021	7,505	4,045	11,550
2022	9,070	5,770	14,840
Thereafter	269,556	100,955	370,511
			<u>\$ 431,065</u>
Cost of issuance			<u>(3,511)</u>
			<u><u>427,554</u></u>

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

<i>(in thousands)</i>	Remarketed Debt
June 30,	
2018	20,983
2019	50,560
2020	39,246
2021	7,406
2022	-
Thereafter	-
	<u><u>\$ 118,195</u></u>

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

Lines of Credit

Only July 1, 2014, the University assumed a line of credit previously held by the Pennsylvania Health and Education Corporation (PHEC) as part of the merger of PHEC into Drexel on that date. The line of credit is a term note for a total of \$3,500,000 for equipment purchases that accrues interest based on Libor plus 1.25%. Advances are available with equal payments of principal and interest due sixty months thereafter. The line of credit is secured by a lien and security interest in deposits or other sums held by the lender or its affiliates. There were no amounts outstanding at June 30, 2017 and 2016.

Total unsecured Revolving Credit Facilities ("Facilities") of \$55,000,000 matures on December 31, 2017, and accrues interest based on Intercontinental Exchange Benchmark Administration "ICE" (subject to a floor of 0.75%) for the University. It can be extended annually based upon the agreement of the University and the bank maintaining the Facilities. At June 30, 2017, the interest rate was 0.75% and there were no amounts outstanding.

12. Retirement Plans

Defined Benefit and Defined Contribution Plans

The University established the Drexel University Defined Contribution Retirement Plan ("DU DC") effective April 1, 1972. The DU DC was most recently amended and restated, effective March 1, 2016, to (i) reflect the merger of the Academy of Natural Sciences Defined Contribution Retirement Plan ("ANS DC") with the DU DC and the transfer of its assets and liabilities to the DU DC. Drexel University is the DU DC administrator. The trustees of the DU DC are Teachers Insurance and Annuity Association - College Retirement Equities Fund, as agent for JP Morgan Chase Bank, N.A. ("TIAA-CREF"), Vanguard Fiduciary Trust Company ("Vanguard") and Fidelity Management Trust Company ("Fidelity").

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

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

The University also participates in a contributory retirement plan which provides benefits for certain union employees. The policy is to fund pension costs accrued for these plans. Total retirement plan expense for all plans was \$43,211,125 and \$42,141,525 in 2017 and 2016, respectively.

Drexel University and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

ANS also maintains a defined benefit pension plan. This plan was frozen by the ANS Board of Trustees effective December 31, 2009, prior to the affiliation agreement with Drexel University on September 30, 2011. The assumptions for the pension liabilities, the accumulated benefit obligation, change in projected benefit obligation, and change in plan assets are as follows:

<i>(in thousands)</i>	2017	2016
Weighted average assumptions as of June 30		
Discount rate	3.90 %	3.90 %
Expected return on plan assets	6.25 %	6.25 %
Accumulated benefit obligation		
Accumulated benefit obligation at June 30	\$ 20,037	\$ 19,908
Change projected in benefit obligation		
Net benefit obligation at June 30	\$ 19,908	\$ 17,562
Service costs	160	130
Interest costs	759	790
Actuarial loss	495	2,163
Gross benefits paid	(1,285)	(737)
Net benefit obligation at June 30	<u>\$ 20,037</u>	<u>\$ 19,908</u>

<i>(in thousands)</i>	2017	2016
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 10,582	\$ 10,430
Actual return on plan assets	510	231
Employer contributions	832	658
Gross benefits paid	(1,285)	(737)
Fair value of plan assets at June 30	<u>\$ 10,639</u>	<u>\$ 10,582</u>
Fair value of plan assets	\$ 10,639	\$ 10,582
Benefit obligation	<u>20,037</u>	<u>19,908</u>
Net amount recognized at June 30*	<u>\$ (9,398)</u>	<u>\$ (9,326)</u>

* These amounts are recognized in the financial statements including the statement of financial position in the "Post-retirement and pension benefits" classification.

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

The components of net periodic benefit cost are noted below:

<i>(in thousands)</i>	2017	2016
Weighted average assumptions used to determine net periodic benefit costs		
Discount rate	3.90 %	4.60 %
Expected return on plan assets	6.25 %	6.50 %
Components of net periodic benefit costs		
Service costs	\$ 160	\$ 130
Interest costs	759	790
Expected return on assets	(664)	(678)
Amortization of actuarial loss	649	2,610
Net periodic benefit cost	<u>\$ 904</u>	<u>\$ 2,852</u>

As of June 30, 2017, and 2016, the pension plan had a projected benefit obligation and an accumulated benefit obligation in excess of plan assets. Both the projected and accumulated benefit obligations were \$20,037,000 and \$19,908,000 at June 30, 2017 and 2016, respectively. The fair value of the plan assets was \$10,639,000 and \$10,582,000 as of June 30, 2017 and 2016, respectively.

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

Expected benefit payments *(in thousands)*

June 30,	
2018	\$ 996
2019	1,082
2020	1,120
2021	1,152
2022	1,174
2023-2027	6,158

Plan Assets

The ANS pension plan weighted-average asset allocations at June 30, 2017 and 2016 by asset category are as follows:

	2017	2016
Asset category		
Equity securities	49.0 %	37.7 %
Fixed income securities	30.8 %	37.4 %
Hedge fund and alternative investments	19.2 %	20.7 %
Cash	1.0 %	4.2 %
	<u>100.0 %</u>	<u>100.0 %</u>

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

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

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

The following tables present the ANS pension plan assets at fair value as of June 30, 2017 and 2016 according to the valuation hierarchy reflecting the updated accounting guidance outlined in ASU 2015-07:

(in thousands)	2017				
	Level 1	Level 2	Level 3	Investments at NAV	Total
Assets at fair value					
Cash equivalents	\$ 112	\$ -	\$ -	\$ -	\$ 112
Mutual funds	9,784	-	-	-	9,784
Alternative investments	-	-	-	743	743
	<u>\$ 9,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 743</u>	<u>\$ 10,639</u>

(in thousands)	2016				
	Level 1	Level 2	Level 3	Investments at NAV	Total
Assets at fair value					
Cash equivalents	\$ 443	\$ -	\$ -	\$ -	\$ 443
Mutual funds	8,442	-	-	-	8,442
Alternative investments	-	-	-	1,697	1,697
	<u>\$ 8,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,697</u>	<u>\$ 10,582</u>

Defined Contribution Plan Merger and Asset Transfers

Effective March 1, 2016, the ANS DC plan was merged into the DU DC plan. ANS DC's transfer into the DU DC plan included participant-directed investments at fair value of \$2,564,804.

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

13. Other Post-Retirement Benefits

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

Effective June 30, 2017, except for eligible tenured faculty who made a valid election under the University Retirement Incentive Plan for Tenured Faculty prior to January 1, 2017 to retire from service on August 31, 2017 under the University's One-time Early Retirement Incentive Window Plan, the plan was amended to provide the cost of coverage for eligible retirees who retire from employment prior to July 1, 2017. The University shares the cost of coverage for medical plan options under this Plan with eligible retirees. Retirees must pay the difference between the monthly cost for the health plan in which they are enrolled and the University's retiree allowance. For eligible retirees who retired from employment prior to September 1, 2014, the retiree allowance is \$400 per month for an eligible retiree and up to an additional \$400 per month for his or her spouse or same-sex domestic partner. For eligible retirees who retire from employment on or after September 1, 2014 but before July 1, 2017, the retiree allowance is \$300 per month for an eligible retiree and up to an additional \$300 per month for his or her spouse or same-sex domestic partner. The University reserves the right to change the level of the retiree allowance at any time. For eligible retirees who retire from employment after June 30, 2017, there is no retiree allowance and eligible retirees must pay the entire cost of medical coverage under this Plan. The retirees have a choice of various providers. The post-retirement health care plan is contributory, and the life insurance plan is noncontributory. On January 1, 2015, the plan was amended to include actively employed College of Medicine faculty and professional staff who had 15 years of consecutive full-time service (since 1998), and were at least 60 years of age.

The net periodic post-retirement benefit costs and related funded status as of June 30 are shown below. Adjustments to the unfunded status amounted to (\$28,423,000) and \$6,817,000 respectively, for the years ended 2017 and 2016 and are reflected in the consolidated statements of activities and included in post-retirement benefits in the consolidated statements of financial position.

Drexel University and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

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

Plans Funded Status

(in thousands)

	2017	2016
Change in benefit obligation		
Benefit obligation, beginning of year	\$ 69,198	\$ 56,942
Service cost	2,443	3,059
Interest cost	2,469	2,651
Plan amendments	(25,414)	10,145
Actuarial (loss)/gain	(1,950)	(1,835)
Plan participant contributions	272	183
Actual benefits paid	<u>(2,952)</u>	<u>(1,947)</u>
Benefit obligation, end of year	<u>44,066</u>	<u>69,198</u>
Change in plan assets		
Fair value of plan assets, beginning of year	-	-
Employer contributions	2,680	1,765
Plan participant contributions	272	182
Actual benefits paid	<u>(2,952)</u>	<u>(1,947)</u>
Fair value of plan assets, end of year	<u>-</u>	<u>-</u>
Unfunded status of the plan	<u>\$ 44,066</u>	<u>\$ 69,198</u>

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

Discount rate	4.03%	4.30%
Ultimate retiree health care cost trend	4.50%	5.00%
Year ultimate trend rate is achieved	2026	2023

The liabilities and post-retirement benefit expenditures associated with the 2016 plan activity include the January 1, 2015 plan amendment. This amendment resulted in an additional \$10,145,000 prior service cost associated with the addition of these employees. The 2015 liabilities and post-retirement expenditures reflects a reduction of \$6,900,000 related to plan amendments enacted on September 1, 2013 related to plan eligibility and benefit amounts.

For measurement purposes, a 7.5% and an 8.5% annual rate of increase in the per capita cost of covered health care benefits for those over 65 and under 65, respectively, was assumed for 2017 grading down to ultimate rates of 4.5% in the year 2026 and thereafter:

Drexel University and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

Net Periodic Benefit Cost

(in thousands)

	2017	2016
Components of net periodic benefit cost		
Service cost	\$ 2,443	\$ 3,059
Interest cost	2,469	2,651
Amortization of:		
Prior service credit	(288)	125
Net loss	<u>1,347</u>	<u>1,368</u>
Net periodic benefit cost	<u>\$ 5,971</u>	<u>\$ 7,203</u>
Other changes recognized in unrestricted net assets		
Net actuarial (gain) loss	\$ (1,950)	\$ (1,835)
Prior service credit	(25,414)	10,145
Amortization of:		
Prior service cost	288	(125)
Net gain	<u>(1,347)</u>	<u>(1,368)</u>
Total recognized in unrestricted net assets	<u>\$ (28,423)</u>	<u>\$ 6,817</u>
Amounts not yet reflected in net periodic benefit cost and included in unrestricted net assets		
Prior service credit	\$ (21,318)	\$ 3,808
Actuarial loss	<u>21,992</u>	<u>25,289</u>
Amounts in unrestricted net assets, end of year	<u>\$ 674</u>	<u>\$ 29,097</u>
Amounts in unrestricted net assets expected to be recognized in net periodic benefit cost in fiscal 2017		
Prior service credit	\$ (1,536)	
Actuarial loss	\$ 1,306	

For the fiscal years ended June 30, 2017 and 2016, the effect of a 1% change in the health care cost trend rate is as follows:

(in thousands)	2017		2016	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Effect on net periodic benefit cost	\$ 50	\$ (45)	\$ 47	\$ (43)
Effect on postretirement benefit obligation	339	(318)	302	(293)

Contributions

Expected contributions for the 2018 fiscal year are \$3,753,000.

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

Estimated future benefit payments:

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

(in thousands)

June 30,	
2018	3,753
2019	3,740
2020	3,752
2021	3,621
2022	3,493
Thereafter	15,608

14. Professional Liability Insurance

Starting July 1, 2014, Drexel established a Self-Insurance Trust ("SIT") to provide primary coverage for known claims medical professional liability coverage. The SIT provides primary coverage of \$500,000 for physicians and midwives and up to \$1,000,000 for other health professions and entity coverage. Physicians and midwives also participate in the Pennsylvania Medical Care Availability and Reduction of Error Fund ("Mcare") that covers from \$500,000 to \$1,000,000. In addition, Drexel self-insures a layer of excess of up to \$2,000,000 above the Mcare Fund.

The Dragon Risk Limited, Co. provides excess coverage above the self-insured layer of an additional \$17,000,000.

For self-insured retention amounts for both reported claims and claims incurred but not reported at June 30, 2017 and 2016, the University and its subsidiaries recorded gross combined reserves of \$39,284,000 and \$36,054,000, respectively and related recoveries from third party insurers of \$9,567,000 and \$6,668,000 at June 30, 2017 and 2016, respectively. For fiscal years 2017 and 2016, the reserves were discounted at 2% for the layers retained by the University and excess carriers. Such reserves and reinsurance recoveries are included in accrued expenses and grants, contracts and other receivables, respectively, in the accompanying 2017 and 2016 consolidated statements of financial position. Under the self-insurance program, the University is required by the Commonwealth of Pennsylvania to maintain a malpractice trust fund. At June 30, 2017 and 2016, escrow funds of \$23,524,000 and \$22,580,00, respectively and balanced index funds of \$34,390,000 and \$31,096,000, respectively, were available to fund incurred but not reported liabilities (Note 7).

15. Commitments and Contingencies

Healthcare Legislation and Regulation

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements and reimbursement for patient services. Federal government activity has continued with respect to investigations and allegations concerning possible violation of billing regulations by healthcare providers. Violations of these regulations could result in the imposition of significant fines and penalties and have a significant effect on reported activities or cash flow.

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

The University believes it is in compliance with applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Litigation

There is pending litigation between SodexoMAGIC and the University in relation to the former food services agreement.

The nature of the educational and healthcare industries is such that, from time to time, claims will be presented on account of alleged negligence, acts of discrimination, medical malpractice, breach of contract or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational and healthcare services at a large institution. In the opinion of the University, after consultation with legal counsel, the ultimate disposition of these matters will not have a materially adverse effect on the financial condition or results of operations.

Other Commitments and Contingencies

The University maintains a letter of credit in the amount of \$225,000, as required by the Department of Environmental Protection, in connection with the disposal of nuclear medical waste and is renewed annually. There were no amounts outstanding as of June 30, 2017 and 2016.

The University maintains three letters of credit totaling \$2,055,000 associated with workers' compensation insurance. The agreements are renewable annually. There were no amounts outstanding as of June 30, 2017 and 2016.

The University has the following letters of credit for bonds having remarketing terms:

- The Second Series of 2000 bond has a letter of credit in an amount not to exceed \$22,500,000, plus required interest coverage, which will expire June 1, 2018.
- The Series B of 2002 bond has a letter of credit in an amount not to exceed \$42,140,000, plus required interest coverage, which will expire June 1, 2018.
- The Series B of 2005 bond has a letter of credit in an amount not to exceed \$30,047,055 which will expire September 30, 2019.
- The Series B of 2007 bond has a letter of credit in an amount not to exceed \$29,879,704, plus required accrued interest, which will expire October 30, 2018.

There were no amounts outstanding on these bond-related letters of credit as of June 30, 2017 and 2016.

The University also maintains a letter of credit in an amount not to exceed \$287,253 as required by the U.S. Department of Education in connection with Federal student loans. It will expire on May 1, 2018 and is automatically renewed annually unless notified by the University of an election not to renew. There was no amount outstanding as of June 30, 2017.

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

Business Income Taxes

As referenced in Note 1 - Income Taxes, the University is a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code. The University and its non-profit affiliates are not subject to taxation for activities and income related to its exempt purpose. Unrelated business income (UBI) is defined by the Internal Revenue Service (IRS) as income generated in a trade or business that is regularly carried on and is not substantially related to further the exempt purpose of the organization. The University is subject to federal UBI tax related to the net income generated from consulting, conference services and investment income held in the endowment fund for which the investment manager has reported unrelated business income on an IRS Schedule K-1 for which it files an IRS Form 990-T, Exempt Organization Business Tax Return, annually. The University makes quarterly estimated tax payments to the IRS and submits any additional tax payment with the final submission of its return in the subsequent fiscal year.

The University is also subject to the City of Philadelphia Business Income and Receipts Tax. The University files an annual Business Income and Receipts Tax return and submits estimated tax payments for the subsequent fiscal year at the time of filing its return to the City of Philadelphia.

For the fiscal years ended June 30, 2017 and 2016, the University recorded \$949,000 and \$906,000 as income tax expenses and assigned a functional expense category of institutional support for these expenditures.

16. Related Party Transactions

Prior to July 1, 2014, PHEC had various operating agreements with Tenet which have continued with the University as a result of the merger. Under these agreements, the University acts both as a purchaser and provider of services. Total services purchased from Tenet for the years ended June 30, 2017 and 2016 were \$12,259,000 and \$11,999,000, respectively. These services include charges for various personnel, administrative and support services related to operating the College of Medicine and rent. Services provided to Tenet include administrative, supervisory and teaching services connected with faculty physician and residency programs and services and support provided by physicians to support hospital operations. Total charges to Tenet for these services amounted to \$22,534,000 and \$23,138,000 for the years ended June 30, 2017 and 2016, respectively, and are mainly included in patient care activities revenue in the accompanying consolidated statements of activities.

Schuylkill Yards

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

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

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

Two initial parcels in Phase 1 were conveyed on October 13, 2017 and BRT will immediately commence construction of a large public realm area on one parcel with completion on or about the second quarter of fiscal year 2019, and the repositioning and re-tenanting of an existing building on the second parcel, immediately afterwards. (Note 18) The development timing for the remaining two parcels in Phase 1 and subsequent phases will depend on market conditions, timing of conveyances, FAR values of buildings to be constructed, and municipal approvals. The business structure for each transaction will be either a discounted prepaid 99-year ground lease with BRT, an equity position in the BRT entity developing the structure or a combination of both structures.

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

Drexel University/Ben Franklin Technology Partners Seed Fund

On November 15, 2015, the University and Ben Franklin Technology Partners of Southeastern Pennsylvania ("Ben Franklin") signed a ten year agreement ending November 15, 2025, to establish a jointly funded initiative "the Fund", managed by Ben Franklin in conjunction with the University that establishes four program areas: 1) seed investments from a jointly capitalized pool into University spin-outs and other agreed upon Drexel-based ventures, 2) post-investment portfolio management services, 3) appropriate counseling and support for all invested companies and access to all Ben Franklin services and programs, and 4) joint efforts to place Drexel talent with invested enterprises. The University has authorized an amount up to \$5,000,000 to be raised from donors and used for the program elements. Ben Franklin has also authorized up to \$5,000,000 to be allocated over the life of the initiative from available investment resources. All loans and/or investments made by the Fund will be made with equal participation between the University and Ben Franklin. All loans and/or investment administration will be handled by Ben Franklin. The University and Ben Franklin will share equally in the revenue, income and/or other forms of return from each loan/investment. Upon termination of the agreement, any uncommitted University funds, net of costs associated with any outstanding loan or investment will be returned to the University by Ben Franklin within 45 days of termination.

17. Operating Expenses

Expenses for the operation and maintenance of plant, depreciation and interest are not included in the University's patient care and education and general expense categories in the consolidated statements of activities. The allocation of those expenses, based on the space assigned to each, is as follows:

<i>(in thousands)</i>	2017	2016
College programs	\$ 38,908	\$ 41,371
Research and public service	13,492	11,694
Academic support	3,544	2,294
Student services	15,305	14,557
Institutional support	8,011	9,024
Auxiliary enterprises	41,702	41,226
Patient care activities	4,827	4,612
	<u>\$ 125,789</u>	<u>\$ 124,778</u>

Drexel University and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

The allocation of operating expenses at June 30, 2017 and 2016, reflects annual space inventory data using the University space management system. The space inventory includes all space at the Academy of Natural Sciences, Center City, and Queen Lane Campuses, and University City campuses. The allocation at June 30, 2017 and 2016 is based on a total 5,427,000 and 5,362,000 net usable square feet, respectively.

18. Subsequent Events

The University evaluated events subsequent from June 30, 2017 through October 25, 2017.

Tenet Affiliation

On September 1, 2017, Tenet announced that they have signed a definitive agreement to sell its two Philadelphia medical centers — Hahnemann University Hospital, St. Christopher's Hospital for Children — to American Academic Health System ("AAHS"), a newly formed affiliate of Paladin Healthcare, for \$170,000,000. The transaction is expected to be completed early next year, subject to regulatory approvals and other closing conditions. Drexel University's current affiliation agreement will be assigned to the new owner and runs through June 30, 2022 unless the new owner or Drexel give notice of termination in June 2019, in which event agreement will terminate on June 30, 2021. Drexel and AAHS intend to work closely together after closing to develop a vision for the academic medical programs, with the goal of entering into a new long-term affiliation agreement.

Schuylkill Yards

On October 13, 2017, the University completed the initial conveyance for the Schuylkill Yards project involving the transfer of 3001 and 3025 Market Street to Brandywine Realty Trust ("BRT"), the sole general partner of Brandywine Operating Partnership, LP. The total fair value of these properties included in the endowment as of June 30, 2017 is \$52,000,000. The University anticipates two additional parcels will be conveyed during fiscal year 2018 which will result in a favorable net outcome to the endowment for the first conveyances of the project. BRT will commence construction of a large public realm area on the 3001 Market Street parking lot with completion on or about the second quarter of fiscal year 2019 to be followed immediately by the commencement of remodeling and re-tenanting of the 3025 Market Street building. The surface rights for 3001 Market were conveyed through a ground lease in consideration for \$100, as the University agreed to provide the land for a park to define and significantly enhance the value of the entire project. The 3025 Market Street parcel was conveyed through a 99-year prepaid ground lease combined with the conveyance of the vertical improvements and the subterranean rights of 3001 Market Street for \$35,000,000. The proceeds from both parcels will be invested in the University's endowment portfolio replacing the real estate values for the 3001 and 3025 Market Street parcels. In addition to the conveyance transactions BRT provided \$370,000 for access to the property management staff at Academic Proprieties Inc., a Drexel subsidiary, to assist with the repositioning and re-tenanting of the 3025 Market Street property.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C
SUMMARY OF LEGAL DOCUMENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

SUMMARY OF LEGAL DOCUMENTS

The following are descriptions of the definitions of certain terms used in this Official Statement (including the summaries of documents which follow) and in the Indenture, the Loan Agreement and the Collateral Agreement and summaries of certain provisions of the Loan Agreement, the Indenture and the Collateral Agreement. The summaries should not be regarded as full statements of the documents themselves or of the portions summarized. For complete statements of the provisions thereof, reference is made to the documents in their entireties, copies of which will be available for inspection at the principal corporate trust office of the Trustee and, during the offering period, at the offices of the Underwriter.

DEFINITIONS

The following definitions apply to the summaries of the Indenture and the Loan Agreement hereinafter set forth, and to the terms not otherwise defined in the Official Statement.

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

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

"Alternative Debt" shall mean that Long-Term Debt, other than the Bonds, which the University is permitted to incur to finance University Facilities, and which shall be equally and ratably secured with the Bonds with respect to the Unrestricted Gross Revenues to the extent provided in Section 8.05(a) of the Loan Agreement.

"Annual Administrative Fee" shall mean the annual fee for the general administrative services of the Authority with respect to each series of Bonds Outstanding.

"Architect" shall mean an architect, engineer, firm thereof, or other Person, appointed by the University and not unsatisfactory to the Authority and Trustee, who shall, in the case of a Project involving construction of a new facility, be Independent, and shall in any case be registered in the Commonwealth, and qualified to pass upon architectural or engineering questions related to the University Facilities, and may include a registered engineer as well as a registered architect.

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

"Authority Board" shall mean the governing body of the Authority.

"Bond" or *"Bonds"* shall mean any bonds, notes or other obligations issued under the Indenture.

"Bond Insurer" shall mean MBIA Insurance Corporation.

"Bondholder" or *"holder of Bonds"* shall mean the Registered Owner of any Bond.

"Capital Additions" shall mean real and personal property of any kind, constituting additions and improvements to the University Facilities acquired or constructed by or for the University, or financed in whole or in part with the proceeds of Bonds issued under the Indenture or with monies held in any funds created under the Indenture or with the proceeds of Alternative Debt which is used or useful in connection with the University Facilities, and the Cost of which is properly chargeable to plant or property accounts under Generally Accepted Accounting Principles, including, without limiting the generality of the foregoing, land, easements, rights of way, leaseholds, other interests in real property, replacements of property retired, permanent additions and Extraordinary Repairs.

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

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

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

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"Collateral" shall mean the Unrestricted Gross Revenues of the University, under and subject, however, to Permitted Encumbrances; provided that such pledge may thereafter be subordinated with respect to future pledges of revenues from specific facilities comprising a portion of the University Facilities made to others on or after the date of the Loan Agreement solely to secure obligations which bear interest at lower than prevailing market interest rates by reason of governmental subsidies and grants and only if such rates, subsidies or grants would not be available without such a specific future pledge.

"Collateral Agreement" shall mean the Original Collateral Agreement as amended and supplemented by the First Supplemental Collateral Agreement, the Second Supplemental Collateral Agreement, the Third Supplemental Collateral Agreement, the Fourth Supplemental Collateral Agreement, the Fifth Supplemental Collateral Agreement, the Sixth Supplemental Collateral Agreement, the Seventh Supplemental Collateral Agreement, the Eighth Supplemental Collateral Agreement, the Ninth Supplemental Collateral Agreement, the Tenth Supplemental Collateral Agreement, the Eleventh Supplemental Collateral Agreement, the Twelfth Supplemental Collateral Agreement, the Thirteenth Supplemental Collateral Agreement, the Fourteenth Supplemental Collateral Agreement, the Fifteenth Supplemental Collateral Agreement, the Sixteenth Supplemental Collateral Agreement, the Seventeenth Supplemental Collateral Agreement, the Eighteenth Supplemental Collateral Agreement, the Nineteenth Supplemental Collateral Agreement, the Twentieth Supplemental Collateral Agreement and the Twenty-First Supplemental Collateral Agreement.

"Commonwealth" shall mean the Commonwealth of Pennsylvania.

"Consultant" shall mean a Person, who shall be Independent, appointed by the University or the Authority, as the case may be, and not unsatisfactory to the other party or the Trustee, who is generally recognized as being expert as to matters as to which his or its Certificate or advice is required or contemplated by the Indenture or the Loan Agreement.

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

- (1) Amounts payable to contractors and costs incident to the award of contracts;
- (2) Cost of labor, facilities and services furnished by or for the University or the Authority and their employees or others, materials and supplies purchased by the University or the Authority or others, and permits and licenses obtained by the University, the Authority or others;
- (3) Engineering, legal, accounting and other professional and advisory fees;
- (4) Premiums for surety bonds and insurance during construction and costs on account of personal injuries and property damage in the course of construction and insurance against the same;
- (5) Interest during construction;
- (6) The Authority's initial fee and the Annual Administrative Fee and Administrative Expenses;
- (7) Printing, engraving and other expenses of financing, including but not limited to the fees of Bond Counsel, University Counsel and Trustee, and expenses incurred in connection with obtaining municipal bond ratings, municipal bond insurance, letters of credit and standby take-outs or credit agreements;
- (8) Costs, fees and expenses in connection with the acquisition of real and personal property or rights therein, including premiums for title insurance;
- (9) Cost of equipment purchased by the University and necessary for the completion and proper operation of any Project or property in question;
- (10) Amounts required to repay temporary loans or advances from other funds of the University made to finance the Costs of any Project;
- (11) Cost of acquisition of real estate, construction and prior construction and/or site costs and improvements performed by the University in anticipation of any Project;
- (12) Moneys necessary to fund the Funds created under the Indenture; and
- (13) Amounts required to purchase the First Mortgage Notes.

In the case of Projects for refunding or redeeming any Bonds or Long-Term Debt, *"Cost"* includes, without limiting the generality of the foregoing, the items listed in (c), (f), (g) and (l) above, advertising and other expenses related to the redemption of the Bonds or Long-Term Debt to be redeemed, and the Redemption Price thereof (and the accrued interest payable on redemption to the extent not otherwise provided for). Whenever Costs are required to be itemized, such itemization shall, to the extent practicable, correspond with the items listed above. Whenever Costs are to be paid under the Indenture, such payment may be made by way of reimbursement to the University, the Authority or others who have paid the same.

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

"Debt Service Requirements," with reference to a specified period, shall mean:

- (1) interest payable on Long-Term Debt during the period, excluding (i) interest funded from the proceeds thereof and (ii) interest on Long-Term Debt to be redeemed during such period through any sinking fund account which would otherwise accrue after the redemption date;
- (2) amounts required to be paid into any mandatory sinking fund account for Long-Term Debt during the period;
- (3) amounts required to pay the principal of Long-Term Debt, other than the Non-Amortizing Principal of Non-Amortizing or Partially Amortizing Debt, maturing during the period and not to be redeemed prior to maturity through any mandatory sinking fund account; and
- (4) in the case of Long-Term Debt in the form of a lease capitalized under Generally Accepted Accounting Principles, the lease rentals payable during the period;

provided, however, that (i) *"Debt Service Requirements"* shall not include payments of principal of and interest on obligations to the extent that such obligations are paid or to be paid with moneys not constituting revenues for the purposes of determining *"Net Revenues,"* (ii) in the case of interest which carries a variable rate, interest shall be calculated, in any projection of Debt Service Requirements, at the rate which was or would have been in effect on the last day of the calendar month preceding the date of such calculation, and (iii) interest payable shall be reduced by the amount of any interest subsidy which a Federal, state or local government is irrevocably committed to pay for the period in question.

"Eighth Supplemental Agreement" shall mean the Eighth Supplemental Loan and Security Agreement dated as of September 15, 1999 between the University and the Authority and assigned to the Trustee.

"Eighth Supplemental Collateral Agreement" shall mean the Eighth Supplemental Collateral Agreement dated as of September 15, 1999 by and among the Pennsylvania State Treasurer, the Authority, the University and the Trustee.

"Eighth Supplemental Indenture" shall mean the Eighth Supplemental Trust Indenture dated as of September 15, 1999 between the Authority and the Trustee.

"Eighteenth Supplemental Agreement" shall mean the Eighteenth Supplemental Loan and Security Agreement dated as of September 15, 2008 between the University and the Authority and assigned to the Trustee.

"Eighteenth Supplemental Collateral Agreement" shall mean the Eighteenth Supplemental Collateral Agreement dated as of May 1, 2011 by and among the Pennsylvania State Treasurer, the Authority, the University and the Trustee.

"Eighteenth Supplemental Indenture" shall mean the Eighteenth Supplemental Trust Indenture dated as of September 15, 2008 between the Authority and the Trustee.

"Eleventh Supplemental Agreement" shall mean the Eleventh Supplemental Loan and Security Agreement dated as of December 1, 2002 between the University and the Authority and assigned to the Trustee.

"Eleventh Supplemental Collateral Agreement" shall mean the Eleventh Supplemental Collateral Agreement dated as of December 1, 2002 by and among the Pennsylvania State Treasurer, the Authority, the University and the Trustee.

"Eleventh Supplemental Indenture" shall mean the Eleventh Supplemental Trust Indenture dated as of December 1, 2002 between the Authority and the Trustee.

"Extraordinary Repairs" shall mean alterations, repairs, renewals, improvements and/or replacements with respect to the University Facilities which are necessary or desirable for proper operation and maintenance thereof and which are a type which ordinarily would not be made by the University out of current revenues as current operating expenses.

"Expendable Resources" shall mean unrestricted net assets, less unrestricted net investment in property, plant and equipment, plus temporarily restricted net assets, all as determined in accordance with Generally Accepted Accounting Principles.

"Fifteenth Supplemental Agreement" shall mean the Fifteenth Supplemental Loan and Security Agreement dated as of January 15, 2005 between the University and the Authority and assigned to the Trustee.

"Fifteenth Supplemental Collateral Agreement" shall mean the Fifteenth Supplemental Collateral Agreement dated as of January 15, 2005 by and among the Pennsylvania State Treasurer, the Authority, the University and the Trustee.

"Fifteenth Supplemental Indenture" shall mean the Fifteenth Supplemental Trust Indenture dated as of January 15, 2005 between the Authority and the Trustee.

"Fifth Supplemental Agreement" shall mean the Fifth Supplemental Loan and Security Agreement dated as of April 15, 1997 between the University and the Authority and assigned to the Trustee.

"Fifth Supplemental Collateral Agreement" shall mean the Fifth Supplemental Collateral Agreement dated as of April 15, 1997 by and among the Pennsylvania State Treasurer, the Authority, the University and the Trustee.

"Fifth Supplemental Indenture" shall mean the Fifth Supplemental Trust Indenture dated as of April 15, 1997 between the Authority and the Trustee.

"First Supplemental Agreement" shall mean the First Supplemental Loan and Security Agreement dated as of June 15, 1987 between the University and the Authority and assigned to the Trustee.

"First Supplemental Collateral Agreement" shall mean the First Supplemental Collateral Agreement dated as of June 15, 1987 by and among the Pennsylvania State Treasurer, the Authority, the University and the Trustee.

"First Supplemental Indenture" shall mean the First Supplemental Indenture dated as of June 15, 1987 between the Authority and the Trustee.

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

"Fourteenth Supplemental Agreement" shall mean the Fourteenth Supplemental Loan and Security Agreement dated as of January 15, 2005 between the University and the Authority and assigned to the Trustee.

"Fourteenth Supplemental Collateral Agreement" shall mean the Fourteenth Supplemental Collateral Agreement dated as of January 15, 2005 among the State Treasurer of the Commonwealth of Pennsylvania, the University and the Trustee.

"Fourteenth Supplemental Indenture" shall mean the Fourteenth Supplemental Indenture dated as of January 15, 2005 between the Authority and the Trustee.

"Fourth Supplemental Agreement" shall mean the Fourth Supplemental Loan and Security Agreement dated as of March 15, 1993 between the University and the Authority and assigned to the Trustee.

"Fourth Supplemental Collateral Agreement" shall mean the Fourth Supplemental Collateral Agreement dated as of March 15, 1993 among the State Treasurer of the Commonwealth of Pennsylvania, the University and the Trustee.

"Fourth Supplemental Indenture" shall mean the Fourth Supplemental Trust Indenture dated as of March 15, 1993 between the Authority and the Trustee.

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

"Government Obligations" shall mean direct obligations of, or obligations the timely payment of principal of and interest on which is unconditionally guaranteed by, the United States of America.

"Indenture" shall mean the Original Indenture as amended or supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, the Tenth Supplemental Indenture, the Eleventh Supplemental Indenture, the Twelfth Supplemental Indenture, the Thirteenth Supplemental Indenture, the Fourteenth Supplemental Indenture, the Fifteenth Supplemental Indenture, the Sixteenth Supplemental Indenture, the Seventeenth Supplemental Indenture, the Eighteenth Supplemental Indenture, the Nineteenth Supplemental Indenture, the Twentieth Supplemental Indenture, the Twenty-First Supplemental Indenture and the Twenty-Second Supplemental Indenture and as further amended and supplemented from time to time.

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

"Insurance Consultant" shall mean a Person who shall be Independent, appointed by the University and not unsatisfactory to the Authority or the Trustee, qualified to survey risks and to

recommend insurance coverage for higher educational facilities and services and organizations engaged in like operations and having a favorable reputation for skill and experience in such surveys and such recommendations, and who may be a broker or agent with whom the University regularly transacts business.

"Investment Securities" shall mean and include, in connection with the investment of the proceeds of any Bonds other than the MBIA Insured Bonds or Swap, any of the following securities if and to the extent the same are at the time legal for investment of Authority funds:

- (1) Government Obligations;
- (2) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies or other like governmental or government-sponsored agencies which may be hereafter created: Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Financing Bank; Federal Home Loan Bank System; Export-Import Bank of the United States; Farmers Home Administration; Small Business Administration; Inter-American Development Bank; International Bank for Reconstruction and Development; Federal Land Banks; the Federal National Mortgage Association; the Government National Mortgage Association; or the Tennessee Valley Authority;
- (3) Direct and general obligations of any state of the United States or any municipality of the Commonwealth, to the payment of the principal of and interest on which the full faith and credit of such state or municipality is pledged, if, at the time of their purchase, such obligations are rated in the A+ or a higher, or A-1 or a higher, rating category by Standard & Poor's Corporation or Moody's Investors Services, Inc., respectively, or in a similar rating category subsequently adopted by such services, or upon the discontinuance of either or both of such services, in equivalent rating categories of such other nationally recognized rating service or services, as the case may be, satisfactory to the Authority;
- (4) Negotiable or non-negotiable certificates of deposit, time deposits or other similar banking arrangements, issued by any bank or trust company (including the Trustee) the deposits of which are insured by the Federal Deposit Insurance Corporation or by any savings and loan association the deposits of which are insured by the Federal Savings and Loan Insurance Corporation, such securities to be secured as to principal by the securities listed in subsections (a), (b) or (c) above;
- (5) Repurchase agreements or similar arrangements: (i) with banking institutions, including the Trustee if applicable, having or the parent company of which shall have a current Standard & Poor's Corporation or Moody's Investors Service, Inc. rating for any purpose, including outstanding indebtedness, of at least "A", pursuant to which there shall have been delivered to the Trustee, or its designee, Investment Securities of the types set forth in subsections (a) and/or (b) above having at all times a fair market value of at least 100% of the value of such agreement; or (ii) with banking institutions, including the Trustee if applicable, not meeting the rating requirements of (i) above pursuant to which there shall have been delivered to the Trustee or its designee, Investment Securities of the types set forth in subsection (a) and/or (b) above and at all times having a fair market value of at least 101% of the value of such agreement;
- (6) Shares of an open-end, diversified investment company which is registered under the Investment Company Act of 1940 and which (i) invests exclusively in Investment Securities of the types set forth in subsection (a), (b), or (d) (e) above, (ii) seeks to maintain a constant net asset value per share in accordance with regulations of the Securities and Exchange Commission, and (iii) has aggregate net assets of not less than \$10,000,000 on the date of purchase; provided that the purchase of such shares shall be limited to an aggregate amount owned at any time of \$1,000,000;

(7) Commercial paper of the highest credit rating of Standard & Poor's Corporation and Moody's Investors Services, Inc. or their respective successors, if any, and having a maturity at the time of purchase not to exceed six months; and

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

Notwithstanding the foregoing, "*Investment Securities*" shall mean and include in connection with the investment of the proceeds of any MBIA Insured Bonds or Swap as long as any MBIA Insured Bonds or Swap are Outstanding, only the following:

(1) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(2) Bond, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies (full faith and credit agencies):

- (A) U.S. Export-Import Bank
Direct obligations or fully guaranteed certificates of beneficial ownership
- (B) Farmers Home Administration
Certificates of beneficial ownership
- (C) Federal Financing Bank
- (D) Federal Housing Administration Debentures
- (E) General Services Administration
Participation certificates
- (F) Government National Mortgage Association ("GNMA")
GNMA - guaranteed mortgage-backed bonds
GNMA - guaranteed pass-through obligations
- (G) U.S. Maritime Administration
Guaranteed Title XI financing
- (H) New Communities Debentures
U.S. government guaranteed debentures
- (I) U.S. Public Housing Notes and Bonds
U.S. government guaranteed public housing notes and bonds

(3) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following U.S. Government agencies (non-full faith and credit agencies):

- (A) Federal Home Loan Bank System
Senior debt obligations

- (B) Federal Home Loan Mortgage Corporation
Participation certificates
- (C) Federal National Mortgage Association
Mortgage-backed securities and senior debt obligations
- (D) Student Loan Marketing Association
Senior debt obligations

(4) Certificates of deposit secured at all times by collateral described in (a) and/or (b) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks.¹

(5) Certificates of deposit, savings accounts or deposit accounts which are fully insured by FDIC or FSLIC.

(6) Investment agreements acceptable to the Bond Insurer, including guaranteed investment contracts.

(7) Repurchase Agreements ("Repos") must satisfy the following criteria or be approved by the Bond Insurer.

Repurchase Agreements provide for the transfer of securities from dealer bank or securities firm (seller/borrower) to municipal entity (buyer/lender), and the transfer of cash from municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

(A) Repos must be between the Authority and a dealer bank or securities firm:

(1) Primary dealers on the Federal Reserve reporting dealer list, or

(2) Banks or savings and loan associations rated A or above by Standard & Poor's Corporation and Moody's Investors Service.

(B) Maximum amount of funds which may be committed to a repo by municipal entity: All of bond proceeds may be invested in a Repo provided the criteria described herein are satisfied.

(C) The written Repo contract must include the following items:

(1) Securities which are acceptable for transfer:

(a) Direct U.S. government obligations, or

¹ An opinion from a nationally recognized law firm must be delivered to the Authority when collateralized investments are used. The legal opinion must state that the collateral has been delivered to the municipal entity, trustee or a third party acting as agent for the trustee, that the bondholders have a perfected first security interest in the collateral and that the collateral is free and clear of all liens, claims and encumbrances, except those of the trustee for the benefit of the bondholders. In addition, the collateral must be marked-to-market daily with 2% over-collateralization.

(b) Obligations of federal agencies backed by the full faith and credit of the U.S. government.

(2) The term of the Repo may be up to 30 days.

(3) Control of collateral:

(a) if the dealer bank or securities firm supplies the collateral pursuant to the Repo, it may not retain possession of such collateral.

(b) The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before or simultaneous with payment with perfection of a security interest by possession of certificated securities.

(4) Valuation of Collateral:

(a) The securities must be valued weekly, marked-to-market at current market plus accrued interest

(b) The value of collateral must be equal to the amount of cash transferred by the municipal entity to the dealer bank or security firm under the Repo plus accrued interest. If the value of securities held as collateral slips below 100% of the value of the cash transferred by the municipality, then additional cash and/or acceptable securities must be transferred.

(5) Substitution:

(a) Only securities listed in (C)(1) above may be used in the event of substitution.

(6) Default criteria and procedures:

(a) A default occurs when there is a failure to value collateral weekly (marked-to-market).

(b) The municipal entity must close out its position with the dealer bank or securities firm in the event of a default.

(D) Legal opinions which must be delivered to the municipal entity:

(1) Repo meets guidelines under state law for legal investment of public funds.

(2) A perfected first security interest in the securities subject to the Repo has been granted to the municipal entity or the trustee or the trustee's agent holding the securities on behalf of the municipal entity and that such obligations are free and clear of any adverse third party claims.

This opinion may be rendered by counsel to the municipal entity or counsel to the trustee or trustee's agent.

(8) Shares of a tax-exempt money market mutual fund registered under the Investment Company Act of 1940, as amended, and whose shares are registered under the Securities Act of 1933, as amended, and are rated at all times in the highest rating category by Standard & Poor's Corporation or Moody's Investors Service.

(9) Tax-exempt obligations issued by any state, in the United States which obligations are rated at least AA by both Standard & Poor's Corporation and Moody's Investors Service.

(10) Tax-exempt obligations issued by any state or local government or political subdivision thereof, which obligations are insured by a policy of municipal bond insurance and are rated at all times in the highest rating category by both Standard & Poor's Corporation and Moody's Investors Service.

Notwithstanding the foregoing, "*Investment Securities*" shall mean and include, in connection with the investment of the proceeds of the 2005A Bonds, only the following:

(1) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(2) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

- (A) U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
- (B) Farmers Home Administration (FmHA)
Certificates of beneficial ownership
- (C) Federal Financing Bank
- (D) Federal Housing Administration Debentures (FHA)
- (E) General Services Administration
Participation certificates
- (F) Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA - guaranteed mortgage-backed bonds
GNMA - guaranteed pass-through obligations
(not acceptable for certain cash-flow sensitive issues.)
- (G) U.S. Maritime Administration
Guaranteed Title XI financing

- (H) U.S. Department of Housing and Urban Development (HUD)
 Project Notes
 Local Authority Bonds
 New Communities Debentures - U.S. government guaranteed debentures
 U.S. Public Housing Notes and Bonds - U.S. government guaranteed
 public housing notes and bonds

(3) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

- (A) Federal Home Loan Bank System
 Senior debt obligations
- (B) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
 Participation Certificates
 Senior debt obligations
- (C) Federal National Mortgage Association (FNMA or "Fannie Mae")
 Mortgage-backed securities and senior debt obligations
- (D) Student Loan Marketing Association (SLMA or "Sallie Mae")
 Senior debt obligations
- (E) Resolution Funding Corp. (REFCORP) obligations
- (F) Farm Credit System
 Consolidated systemwide bonds and notes

(4) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AA-Am-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2, including, without limitation, provided the foregoing requirements are satisfied, the JP Morgan Money Market Mutual Funds or any other mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (1) the Trustee or an affiliate of the Trustee receives fees from such funds for services rendered and (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.

(5) Certificates of deposit secured at all times by collateral described in (1) and/or (2) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

(6) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

(7) Investment Agreements, including GIC's, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to the Bond Insurer (from time to time herein also called "MBIA") (Investment Agreement criteria is available upon request).

(8) Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P.

(9) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

(10) 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 "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.

(11) Repurchase Agreements for 30 days or less must follow the following criteria. Repurchase Agreements which exceed 30 days must be acceptable to MBIA (criteria available upon request)

Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

(A) Repos must be between the municipal entity and a dealer bank or securities firm

(1) Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor's Corporation and Moody's Investor Services, or

(2) Banks rated "A" or above by Standard & Poor's Corporation and Moody's Investor Services.

(B) The written repo contract must include the following:

(1) Securities which are acceptable for transfer are:

(a) Direct U.S. governments, or

(b) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)

(2) The term of the repo may be up to 30 days

(3) The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

(4) Valuation of Collateral

(a) The securities must be valued weekly, marked-to-market at current market price plus accrued interest

(a) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

(C) Legal opinion which must be delivered to the municipal entity:

(1) Repo meets guidelines under state law for legal investment of public funds.

(12) Any state administered pool investment fund in which the issuer is statutorily permitted or required to invest will be deemed a permitted investment.

"Loan Agreement" shall mean the Original Agreement as amended and supplemented by the First Supplemental Agreement, the Second Supplemental Agreement, the Third Supplemental Agreement, the Fourth Supplemental Agreement, the Fifth Supplemental Agreement, the Sixth Supplemental Agreement, the Seventh Supplemental Agreement, the Eighth Supplemental Agreement, the Ninth Supplemental Agreement, the Tenth Supplemental Agreement, the Eleventh Supplemental Agreement, the Twelfth Supplemental Agreement, the Thirteenth Supplemental Agreement, the Fourteenth Supplemental Agreement, the Fifteenth Supplemental Agreement, the Sixteenth Supplemental Agreement, the Seventeenth Supplemental Agreement, the Eighteenth Supplemental Agreement, the Nineteenth Supplemental Agreement, the Twentieth Supplemental Agreement, the Twenty-First Supplemental Agreement, the Twenty-Second Supplemental Agreement, the Twenty-Third Supplemental Agreement and the Twenty-Fourth Supplemental Agreement and as further amended and supplemented from time to time.

"Long-Term Debt" shall mean all obligations for the payment of money, incurred, assumed or guaranteed by the University, whether due and payable in all events, or upon the performance of work, the possession of property as lessee or the rendering of services by others, except:

- (1) Short-Term Debt;
- (2) Current obligations payable out of current revenues, including current payments for the funding of pension plans;
- (3) Obligations under contracts for supplies, services, and pensions, allocable to current operating expenses of future years in which the supplies are to be furnished, the services rendered, or the pensions paid;
- (4) Rentals payable in future years under leases not required to be capitalized under Generally Accepted Accounting Principles;
- (5) Debt of the University incurred to finance the construction or acquisition of a facility, provided that such debt is not a general obligation of the University and is secured only by and payable solely from the revenues derived from the operation or sale of such facility or a security interest in the real and personal property comprising such facility; and
- (6) Student Loan Guarantees complying with the requirements of Section 8.06 of the Original Agreement, except to the extent includable as Long-Term Debt under the provisions thereof.

"MBIA Insured Bonds or Swap" shall mean, on the date of issuance of the 2017 Bonds, the interest rate swap agreement insurance policy entered into in connection with the 2005B Bonds.

"Net Revenues" shall mean for any period the Unrestricted Gross Revenues after deduction of Operating Expenses and exclusion of the effect of any recognized changes in the market value of unrestricted investments, as determined in accordance with Generally Accepted Accounting Principles.

"Ninth Supplemental Agreement" means the Ninth Supplemental Loan and Security Agreement dated as of March 1, 2000 between the University and the Authority and assigned to the Trustee.

"Ninth Supplemental Collateral Agreement" means the Ninth Supplemental Collateral Agreement dated as of March 1, 2000 by and among the Pennsylvania State Treasurer, the Authority, the University and the Trustee.

"Ninth Supplemental Indenture" means the Ninth Supplemental Trust Indenture dated as of March 1, 2000 between the Authority and the Trustee.

"Nineteenth Supplemental Agreement" means the Nineteenth Supplemental Loan and Security Agreement dated as of September 15, 2009 between the University and the Authority.

"Nineteenth Supplemental Collateral Agreement" shall mean the Nineteenth Supplemental Collateral Agreement dated as of November 1, 2012 by and among the Pennsylvania State Treasurer, the Authority, the University and the Trustee.

"Nineteenth Supplemental Indenture" shall mean the Nineteenth Supplemental Trust Indenture dated as of May 1, 2011 between the Authority and the Trustee.

"Non-Amortizing Debt" shall mean Long-Term Debt all of the principal of which matures in the final year and which does not have the benefit of a mandatory sinking fund.

"Non-Amortizing Principal" shall mean the principal of Non-Amortizing Debt and, with respect to Partially Amortizing Debt, shall mean that portion of such principal or sinking fund payments exceeding that of the immediately preceding year by 25% or more in amount, exclusive of principal projected to be paid from funds held in a debt service reserve fund.

"Officer's Certificate" shall mean a certificate signed by a Responsible Officer.

"Operating Expenses" shall mean all unrestricted operating expenses and expenses/deductions from unrestricted non-operating activities, exclusive of depreciation, amortization and other non-cash charges, expenditures related to net assets released from restriction and interest on Long-Term Debt, as determined in accordance with Generally Accepted Accounting Principles.

"Original Agreement" shall mean the Loan and Security Agreement dated as of March 1, 1985 between the University and the Authority and assigned to the Trustee.

"Original Collateral Agreement" shall mean the Collateral Agreement dated as of March 1, 1985 by and among the Pennsylvania State Treasurer, the Authority, the University and the Trustee.

"Original Indenture" shall mean the Trust Indenture between the Authority and the Trustee dated as of March 1, 1985.

"Outstanding," in connection with Long-Term Debt, shall mean, as of the time in question, all Bonds authenticated and delivered under the Indenture or in the case of other Long-Term Debt, all such Long-Term Debt issued under the particular debt-incurring instrument, except such thereof as:

- (1) is cancelled or required to be cancelled under the terms of the debt-incurring instrument;
- (2) for the payment, redemption, or purchase of which monies or Government Obligations or certificates of deposit issued by the Trustee or any bank, trust company or savings and loan association

(the deposits of which are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation), such certificates being fully secured by a pledge of Government Obligations, the principal of and interest on which Government Obligations or certificates, when due, will provide sufficient money to fully pay such Long-Term Debt or portion thereof in accordance with the debt-incurring instrument, shall have been or shall concurrently be deposited with the Trustee, the obligee or trustee under any debt-incurring instrument or an escrow agent appointed for such purpose; provided that, if such Long-Term Debt is being redeemed, the required notice of redemption shall have been given or provision satisfactory to the Trustee or other appropriate party shall have been made therefor, and that if such Long-Term Debt, or any part thereof, is being purchased, there shall be a firm commitment for the purchase and sale thereof, provided, however, that for the MBIA Insured Bonds or Swap only the deposit of cash or direct, noncallable U.S. Government obligations into an irrevocable escrow fund shall result in such Bonds no longer being Outstanding; or

(3) in substitution for which other Long-Term Debt has been authenticated and delivered pursuant to the debt-incurring instrument.

"Partially Amortizing Debt" shall mean Long-Term Debt which in any one year requires principal or sinking fund payments which exceed such payments in the immediately preceding year by at least 25% (excluding principal to be paid from funds held in a debt service reserve fund and excepting from such calculation the first year in which such payments are required).

"Permitted Encumbrances" shall mean, with respect to the Collateral and the Project Facilities as of any particular time, (i) the Indenture and the Loan Agreement; (ii) liens for ad valorem taxes, special assessments and other governmental charges not then delinquent; (iii) utility, access or other easements and rights-of-way, mineral rights, restrictions and exceptions of record, none of which will materially interfere with or impair the ability of the University to meet its payment obligations under the Loan Agreement; (iv) "transfers" and liens permitted under Sections 6.02(i), 8.06, 9.07 and 9.08 of the Loan Agreement; (v) mortgage liens on Nesbitt Hall and Myers Hall securing the First Mortgage Notes; (vi) liens to secure the 1985 Bonds; (vii) liens or security interests as set forth in the title insurance information certificate issued in connection with the issuance of the 1985 Bonds or securing indebtedness of the University outstanding on the date of issuance of the 1985 Bonds as listed in Exhibit B to the Original Agreement; (viii) such minor defects, encroachments, irregularities, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the University Facilities and do not in the aggregate, in the opinion of Counsel to the University, materially impair the ability of the University to meet its payment obligations under the Loan Agreement; (ix) liens and judgments of record against the University Facilities the validity of which is being contested in good faith and by appropriate proceedings, provided that neither the University Facilities nor any rent or income therefrom or interest therein would be in any immediate danger of being sold, forfeited, attached or lost; (x) the interest of the General State Authority as owner/lessor of MacAlister Hall and Mandell Theater subject to the capital lease expiring June 30, 2004; and (xi) a mortgage with respect to Creese Student Center securing Drexel Activities Center Bonds as of May 1, 1961.

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

"Pledged Revenues" shall mean all amounts payable by the University to the Authority under the Loan Agreement (except those representing the Annual Administrative Fee and Administrative Expenses of the Authority) including the First Mortgage Note held as security for such payments and all amounts payable to the Authority pursuant to the Collateral Agreement.

"Project" shall mean acquiring, holding, constructing, improving, maintaining and operating, by the University, of grounds, premises, buildings, and other property constituting "educational facilities" as defined in the Act and used or useful in providing instruction, housing, recreation, or other services related to higher education and related activities, including the financing of the Cost thereof by the Authority and the refinancing by the Authority of the cost of educational facilities previously financed, so long as it has been financed or refinanced by the proceeds of Bonds or with moneys held in any funds created under the Indenture, including any replacement or restoration of the Project Facilities to the extent that damage is not covered by insurance. *"Project"* shall also include refunding or redeeming any Outstanding Bonds or Alternative Debt.

"Project Facilities" shall mean the land, buildings, improvements, equipment and other property constituting a part of the University Facilities, the acquisition and/or construction of which is hereafter financed or otherwise provided from funds under the Indenture as part of a Project, as such items may be amended by the University from time to time by addition, deletion or substitution, all Capital Additions (in each case other than those consisting of renovations or Extraordinary Repairs to property) and all facilities acquired with the proceeds of property disposed of pursuant to Section 9.08 of the Original Agreement.

"Project Fund" shall mean any fund or funds so designated to be established from time to time by the Trustee as provided in Section 5.01 of the Original Indenture.

"Receipts from Students" shall mean those monies, not constituting Unrestricted Gross Revenues, which are received by the University in connection with the sale of assets or furnishing of services by the University to its students, the cost of which to the University was financed from the proceeds of Long-Term Debt incurred by the University.

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

"Registered Owner," in connection with a Bond, shall mean the Person or Persons in whose name or names the Bond is registered on the books of the Authority kept for that purpose in accordance with the Indenture and the Bonds.

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

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

"Second Supplemental Agreement" shall mean the Second Supplement Loan and Security Agreement dated as of April 1, 1988 between the University and the Authority and assigned to the Trustee.

"Second Supplemental Collateral Agreement" shall mean the Second Supplemental Collateral Agreement dated as of April 1, 1988 by and among the Pennsylvania State Treasurer, the Authority and the University.

"Second Supplemental Indenture" shall mean the Second Supplemental Indenture dated as of April 1, 1988 between the Authority and the Trustee.

"Seventh Supplemental Agreement" shall mean the Seventh Supplemental Loan and Security Agreement dated as of April 1, 1998 between the University and the Authority and assigned to the Trustee.

"Seventh Supplemental Collateral Agreement" shall mean the Seventh Supplemental Collateral Agreement dated as of April 1, 1998 by and among the Pennsylvania State Treasurer, the Authority, the University and the Trustee.

"Seventh Supplemental Indenture" shall mean the Seventh Supplemental Trust Indenture dated as of April 1, 1998 between the Authority and the Trustee.

"Seventeenth Supplemental Agreement" shall mean the Seventeenth Supplemental Loan and Security Agreement dated as of October 1, 2007 between the University and the Authority and assigned to the Trustee.

"Seventeenth Supplemental Collateral Agreement" shall mean the Seventeenth Supplemental Collateral Agreement dated as of October 1, 2007 by and among the Pennsylvania State Treasurer, the Authority, the University and the Trustee.

"Seventeenth Supplemental Indenture" shall mean the Seventeenth Supplemental Trust Indenture dated as of October 1, 2007 between the Authority and the Trustee.

"Short-Term Debt" shall mean all obligations of the University for the repayment of borrowed money payable upon demand or having a final maturity of less than two years from the date incurred, excluding the current portion of any Long-Term Debt.

"Sixth Supplemental Agreement" shall mean the Sixth Supplemental Loan and Security Agreement dated as of February 1, 1998 between the University and the Authority and assigned to the Trustee.

"Sixth Supplemental Collateral Agreement" shall mean the Sixth Supplemental Collateral Agreement dated as of February 1, 1998 by and among the Pennsylvania State Treasurer, the Authority, the University and the Trustee.

"Sixth Supplemental Indenture" shall mean the Sixth Supplemental Trust Indenture dated as of February 1, 1998 between the Authority and the Trustee.

"Sixteenth Supplemental Agreement" shall mean the Sixteenth Supplemental Loan and Security Agreement dated as of October 1, 2007 between the University and the Authority and assigned to the Trustee.

"Sixteenth Supplemental Collateral Agreement" shall mean the Sixteenth Supplemental Collateral Agreement dated as of October 1, 2007 by and among the Pennsylvania State Treasurer, the Authority, the University and the Trustee.

"Sixteenth Supplemental Indenture" shall mean the Sixteenth Supplemental Trust Indenture dated as of October 1, 2007 between the Authority and the Trustee.

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

"Tenth Supplemental Agreement" shall mean the Tenth Supplemental Loan and Security Agreement dated as of November 15, 2000 between the University and the Authority and assigned to the Trustee.

"Tenth Supplemental Collateral Agreement" shall mean the Tenth Supplemental Collateral Agreement dated as of November 15, 2000 by and among the Pennsylvania State Treasurer, the Authority and the University.

"Tenth Supplemental Indenture" shall mean the Tenth Supplemental Trust Indenture dated as of November 15, 2000 between the Authority and the Trustee.

"Third Supplemental Agreement" shall mean the Third Supplemental Loan and Security Agreement dated as of May 1, 1990 between the University and the Authority and assigned to the Trustee.

"Third Supplemental Collateral Agreement" shall mean the Third Supplemental Collateral Agreement dated as of May 1, 1990 by and among the Pennsylvania State Treasurer, the Authority and the University.

"Third Supplemental Indenture" shall mean the Third Supplemental Indenture dated as of May 1, 1990 between the Authority and the Trustee.

"Thirteenth Supplemental Agreement" shall mean the Thirteenth Supplemental Loan and Security Agreement dated as of December 1, 2003 between the University and the Authority and assigned to the Trustee.

"Thirteenth Supplemental Collateral Agreement" shall mean the Thirteenth Supplemental Collateral Agreement dated as of December 1, 2003 by and among the Pennsylvania State Treasurer, the Authority and the University.

"Thirteenth Supplemental Indenture" shall mean the Thirteenth Supplemental Trust Indenture dated as of December 1, 2003 between the Authority and the Trustee.

"Trustee" shall mean The Bank of New York Trust Company, N.A. (successor Trustee to J.P. Morgan Trust Company, National Association, Chase Manhattan Trust Company, National Association, Mellon Bank, N.A. and Mellon Bank (East) National Association) or its successor for the time being in the trust created by the Indenture.

"Twelfth Supplemental Agreement" shall mean the Twelfth Supplemental Loan and Security Agreement dated as of January 15, 2003 between the University and the Authority and assigned to the Trustee.

"Twelfth Supplemental Collateral Agreement" shall mean the Twelfth Supplemental Collateral Agreement dated as of January 15, 2003 by and among the Pennsylvania State Treasurer, the Authority, the University and the Trustee.

"Twelfth Supplemental Indenture" shall mean the Twelfth Supplemental Trust Indenture dated as of January 15, 2003 between the Authority and the Trustee.

"Twentieth Supplemental Agreement" shall mean the Twentieth Supplemental Loan and Security Agreement dated as of May 1, 2011 between the University and the Authority.

"Twentieth Supplemental Collateral Agreement" shall mean the Twentieth Supplemental Collateral Agreement dated as of August 1, 2016 by and among the Pennsylvania State Treasurer, the Authority, the University and the Trustee.

"Twentieth Supplemental Indenture" shall mean the Twentieth Supplemental Trust Indenture dated as of November 1, 2012 between the Authority and the Trustee.

"Twenty-First Supplemental Agreement" shall mean the Twenty-First Supplemental Loan and Security Agreement dated as of May 1, 2011 between the University and the Authority and assigned to the Trustee.

"Twenty-First Supplemental Collateral Agreement" shall mean the Twenty-First Supplemental Collateral Agreement dated as of December 1, 2017 by and among the Pennsylvania State Treasurer, the Authority, the University and the Trustee.

"Twenty-First Supplemental Indenture" shall mean the Twenty-First Supplemental Trust Indenture dated as of August 1, 2016 between the Authority and the Trustee.

"Twenty-Second Supplemental Indenture" shall mean the Twenty-Second Supplemental Trust Indenture dated as of December 1, 2017 between the Authority and the Trustee.

"Twenty-Second Supplemental Agreement" shall mean the Twenty-Second Supplemental Loan and Security Agreement dated as of November 1, 2012 between the University and the Authority and assigned to the Trustee.

"Twenty-Third Supplemental Agreement" shall mean the Twenty-Third Supplemental Loan and Security Agreement dated as of August 1, 2016 between the University and the Authority and assigned to the Trustee.

"Twenty-Fourth Supplemental Agreement" shall mean the Twenty-Fourth Supplemental Loan and Security Agreement dated as of December 1, 2017 between the University and the Authority and assigned to the Trustee.

"University" shall mean Drexel University, an institution of higher education, organized and existing under the laws of the Commonwealth, or its successors and assigns.

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

"University Facilities" shall mean the buildings, structures, real estate and any appurtenant facilities and fixtures previously acquired or to be acquired by the University and used by or useful to the

University in connection with or incidental to its functioning as an institution of higher learning and shall include the Project Facilities.

"Unrestricted Assets" shall mean all assets of the University, exclusive of net investment in plant and equipment, not restricted as to use and legally available for the payment when due of the principal of, premium, if any, and interest on the Outstanding Bonds. References to the amount or value of Unrestricted Assets shall mean such amount or value at the market value thereof with respect to marketable securities, and such amount or value at the cost or appraised value thereof with respect to all other assets.

"Unrestricted Gross Revenues" shall mean all unrestricted operating revenues and all additions/revenues from unrestricted non-operating activities as determined in accordance with Generally Accepted Accounting Principles exclusive of:

- (1) net assets released from restriction;
- (2) gifts, grants, bequests, donations and contributions designated at the time of making by the donor as being for specific purposes and not otherwise available for payment of Debt Service Requirements on the Bonds;
- (3) revenues from specific facilities comprising a portion of the University Facilities pledged to others on or after the date hereof, but only to secure obligations which bear interest at lower than prevailing interest rates by reason of governmental subsidies and grants and without such specific pledge such rates, subsidies or grants would not be available; and
- (4) receipts, revenues, income and other moneys received by the University which, subsequent to the receipt thereof, are so designated or restricted by the University, and income derived therefrom to the extent required by such designation, restriction or by-law, provided that the University shall make no such designation which will cause the University to fail to meet or to otherwise default under its rate covenant set forth in Section 9.01 of the Loan Agreement.

"2000-2 Bonds" shall mean the Authority's Drexel University Revenue Bonds, Second Series of 2000.

"2002A Bonds" shall mean the Authority's Drexel University Revenue Bonds, Series A of 2002.

"2002B Bonds" shall mean the Authority's Drexel University Multi-Modal Revenue Bonds, Series B of 2002.

"2005B Bonds" shall mean the Authority's Drexel University Revenue Bonds, Series B of 2005.

"2007B Bonds" shall mean the Authority's Drexel University Revenue Bonds, Series B of 2007.

"2011A Bonds" shall mean the Authority's Drexel University Revenue Bonds, Series A of 2011.

"2012 Bonds" shall mean the Authority's Drexel University Revenue Bonds, Series A of 2012.

"2016 Bonds" shall mean the Authority's Drexel University Revenue Refunding Bonds, Series of 2016.

"2017 Bonds" shall mean the Authority's Drexel University Revenue Refunding Bonds, Series of 2017.

"2017 Project" shall mean the Project financed with the proceeds of the 2017 Bonds.

All words importing persons include firms, associations and corporations, and all words importing the singular number include the plural number and vice versa.

THE LOAN AGREEMENT

The Agreement is between the Authority, as lender, and the University, as borrower, and provides for, among other things, the loan of the proceeds of Bonds by the Authority to the University.

The 2017 Project

The component parts of the 2017 Project for which the 2017 Bonds are being issued are described in this Official Statement under the heading "PLAN OF FINANCE."

Acquisition of Project Facilities and Other Projects

Payment for the costs of any Project shall be made by the Trustee in accordance with the terms of the Indenture. The University shall enforce any construction contracts and purchase orders relating to a Project and cause the Project Facilities to be completed substantially in accordance with any plans and specifications which may have been prepared therefor, subject to such changes as may be made pursuant to the Loan Agreement; provided that such change order issued by the University has the necessary approvals, verifications and notifications required by the Loan Agreement. The University will not do or refrain from doing any act which would release any surety on any bond from its obligations. The University will use its best efforts to cause the Project Facilities to be completed in accordance with the schedule contained in the Loan Agreement or as soon thereafter as may be practicable, except for delays incident to strikes, riots, acts of God or the public enemy, or other causes beyond the reasonable control of the University. However, if completion of any Project or any component part thereof is delayed beyond said date, there shall be no diminution or postponement of the loan repayments required of the University under the Loan Agreement.

The University may amend the plans and specifications for a Project at any time prior to its completion if, because of presently unanticipated circumstances, in the University's judgment moneys allocated to the Project in the Project Fund will not be sufficient to complete all components of the Project or it would be uneconomical or otherwise undesirable to proceed with any component of a Project. No such changes shall, however, be made if they would result in a failure of the Project Facilities to qualify as educational facilities eligible for assistance by the Authority under the Act. The University is required to notify the Authority and the Trustee of any substantial change in the Project Facilities and to furnish the Authority and the Trustee with such information relating thereto as they may reasonably request. The University may undertake an additional Project with the unused balances in a Project Fund, provided that the University complies with the foregoing requirements with respect to changes in a Project, and the Authority approves of the undertaking as being duly authorized under the Act.

The University is required to maintain builder's risk insurance upon work done or materials furnished (except excavations, foundations and other structures not customarily covered), worker's compensation insurance, employer's liability insurance and public liability, comprehensive automobile liability insurance and property insurance with respect to construction of new facilities.

Pledge of General Credit; Security; Assignment

The Loan Agreement is a general obligation of the University and the full faith and credit of the University are pledged to the payment of all sums due thereunder.

To secure the payment of amounts payable under the Loan Agreement and the performance of its obligations thereunder, the University has pledged, assigned and granted to the Authority, subject to Permitted Encumbrances, a lien on and a security interest in its Unrestricted Gross Revenues. The University has agreed to pay or to cause the Unrestricted Gross Revenues to be paid directly to the Trustee upon an Event of Default.

The Authority has assigned the Loan Agreement and payments payable thereunder to the Trustee, in trust, to be held and applied pursuant to the Indenture. The University has (a) consented to such assignment and accepted notice thereof, (b) agreed to pay directly to the Trustee all payments payable thereunder, without any defense, set-off or counterclaim arising out of any default of the Authority under the Loan Agreement or any transaction between the University and the Authority, and (c) agreed that the Trustee may exercise all rights granted the Authority thereunder.

Loan Repayments and Additional Sums

In addition to amounts required to be paid under the Original Agreement, as supplemented, with respect to the Debt Service Requirements on the Bonds previously issued and outstanding under the Indenture and for so long as the 2017 Bonds are Outstanding, the University agrees to pay the Trustee, for deposit in the Debt Service Fund, on or before April 25 and October 25 of each year, an amount which, together with other available funds under the Indenture, will be sufficient to pay the interest due on the 2017 Bonds on the next succeeding May 1 and November 1, and to pay to the Trustee, for deposit in the Debt Service Fund, on or before April 25 of each year, an amount which, together with other available funds on deposit with the Trustee, will be sufficient to pay the principal of the 2017 Bonds becoming due (at stated maturity or through sinking fund redemption) on the next succeeding May 1.

The University has agreed to pay directly to the Trustee reasonable compensation for its services under the Indenture as well as reasonable expenses and disbursements and to pay directly to the Authority the Authority's Annual Administrative Fee and Administrative Expenses.

In lieu of the portion of the loan repayments payable with respect to principal of the Bonds becoming due (at stated maturity or through sinking fund redemption) on the next following principal or sinking fund payment date, the University, or at its direction the Authority, may, on or before the 45th day prior to such principal or sinking fund payment date, purchase on the open market Bonds of the maturity becoming due and present such Bonds to the Trustee for cancellation. The Bonds so presented to the Trustee shall be credited to the principal amount of the next payment due at 100% of the principal amount of such Bonds.

The University may make advance payments and may make optional prepayments as required or permitted by the Loan Agreement.

Insurance

The University covenants to provide and maintain the following:

(1) Insurance against loss and/or damage to the Project Facilities covering such risks as are ordinarily insured against by similar educational institutions.

(2) Public liability and property damage insurance, automobile liability insurance and, if applicable, special hazards insurance, in amounts not less than \$500,000 for injury to any one person or entity and \$500,000 in the aggregate for each accident.

(3) Worker's compensation and employer's liability insurance meeting the University's statutory obligations with a minimum of \$100,000 purchased if the University becomes an approved self-insured.

(4) Boiler and machinery coverage with respect to the Project Facilities (direct damage) on a replacement cost basis when deemed advisable by the Authority or when required by ordinance or law.

(5) Excess liability coverage, either straight excess or umbrella excess, covering excess over limits of liability in paragraph (b) as it relates to public liability insurance (other than property damage) to be maintained in force so that the total coverage available under the aforementioned paragraph and under this paragraph is not less than \$1,000,000 for any one occurrence and \$2,000,000 in the aggregate per annum for personal injury.

(6) Fidelity bonds on all officers and employees of the University who collect or have custody of or access to revenues, receipts, or any other funds of the University.

The University shall carry adequate insurance on the University Facilities not constituting Project Facilities including fire and extended coverage insurance provision) with responsible companies against all such hazards as are usually insured against by institutions of higher education for their facilities in urban areas, or shall see to the adequacy of such insurance on University Facilities for which other parties have undertaken the responsibility to insure, if any.

The University covenants to furnish to the Authority and the Trustee annually an Insurance Consultant's Certificate setting forth amounts and types of insurance then in force with respect to the Project Facilities, stating whether in the opinion of the Insurance Consultant such insurance is in compliance with the requirements of the Loan Agreement, and stating the amounts and types of insurance to be maintained during the next Fiscal Year. Policies of insurance required above shall be for the benefit of the Authority, the University or the Trustee, as their respective interests may appear. The proceeds of all such insurance and any condemnation award shall be applied as provided in the Loan Agreement.

Additional Authority Financing

The University may request the Authority to provide monies for the acquisition or construction of Capital Additions with respect to the Project Facilities, undertaking any other Project, completion of a Project, refunding Outstanding Bonds or Alternative Debt or obtaining additional financing to complete a Project. Upon receipt of such request, the Authority may, but shall have no obligation to, provide the amounts requested by issuance and sale of Additional Bonds under the Indenture.

Limitations on Additional Indebtedness

The University may not incur or assume by indebtedness for money borrowed except as follows:

(1) debt incurred to finance the acquisition or construction of a facility which is not a general obligation of the University but which is secured by and payable solely from the revenues derived from the operation and sale of such facility or a security interest in the real and personal property comprising such facility;

(2) equipment loans as described below;

(3) Student Loan Guarantees as described below;

(4) Long-Term Debt issued to refund other Long-Term Debt in which, after giving effect to the retirement of the Long-Term Debt being refunded, neither the average annual Debt Service Requirements on Long-Term Debt nor the amount of such Debt on a parity with the Bonds as to Unrestricted Gross Revenues will be increased, and which does not create any Non-Amortizing Principal;

(5) other Long-Term Debt for any lawful purpose of the University so long as no event of default under the Loan Agreement has occurred and there shall be delivered to the Trustee and the Authority, inter alia, (i) an acceptable Certified Public Accountant's Certificate stating that the University was in compliance with the tuition and fees covenant (described herein under the caption "Additional Covenants of the University") for the Fiscal Year immediately preceding the incurrence or assumption thereof, and (ii) an acceptable Consultant's Certificate stating that, for the first full Fiscal Year following completion of a revenue-producing facility Project to be financed, or following the date of incurring or assuming such Long-Term Debt in all other cases, (I) the Net Revenues forecasted will be not less than 100% of the actual Debt Service Requirements (which by definition excludes Non-Amortizing Principal) for such Fiscal Year, and (II) in the case of Non-Amortizing Debt or Partially Amortizing Debt, that the Non-Amortizing Principal to be Outstanding as of the commencement of such Fiscal Year shall not exceed an amount equal to then existing Unrestricted Assets plus 25% of Unrestricted Gross Revenues for the immediately preceding Fiscal Year; provided, however, that if the amount of Long-Term Debt to be incurred or assumed, when added to any Long-Term Debt incurred with respect to equipment loans, as described below, in the current fiscal year, is equal to or less than 2-1/2% of Unrestricted Gross Revenues for the immediately preceding Fiscal Year, the certifications described in this paragraph may be satisfied by an Officer's Certificate of the University; and provided, however, that in the case of Long-Term Debt to refund other Long-Term Debt in which neither the average annual Debt Service Requirements on Long-Term Debt nor the amount of such debt on a parity with the Bonds as to Unrestricted Gross Revenues will be increased and which does not create any Non-Amortizing Principal, the above-described certificates need not be delivered.

(6) Short-Term Debt may be incurred or assumed by the University in an amount which at any time shall not exceed 20% of Unrestricted Gross Revenues for the Fiscal Year preceding the date of the borrowing, provided that for a period of 30 consecutive days in every Fiscal Year Short-Term Debt outstanding shall be not more than 10% of Unrestricted Gross Revenues.

The University may incur obligations in the form of Student Loan Guarantees of loans made to students pursuant to governmental programs to provide aid to students for tuition, room, board and other expenses of University attendance, where such programs require the University to execute its Student Loan Guarantee. In the case of such programs which are fully funded, as determined by the certificate of the issuing government agency or a Consultant, no part of the obligations guaranteed by the University shall constitute Long-Term Debt. To the extent that a program is not fully funded, the amount by which the liabilities of such program exceed the assets thereof, to the extent that such liabilities are guaranteed by the University, shall constitute Long-Term Debt for all purposes under the Loan Agreement.

The University may also incur Long-Term Debt in the form of equipment loans to acquire equipment and/or furnishing for University Facilities in an amount in any Fiscal Year not to exceed 1/2 of 1% of the Unrestricted Gross Revenues for the prior Fiscal Year, provided that (i) the amount of such loans at any time outstanding shall not exceed 5% of the Unrestricted Gross Revenues for the prior Fiscal Year; and (ii) no event of default under the Loan Agreement has occurred is continuing.

In addition, so long as any Bonds insured by the Bond Insurer shall be Outstanding, the University shall not incur any Long Term Debt (1) unless the University is then in compliance with the Expendable Resources test described below under "Additional Covenant So Long as MBIA Insured

Bonds or Swap are Outstanding," and (2) unless there shall be delivered to the Trustee a Certificate of a Certified Public Accountant to the effect that upon the issuance of such Long Term Debt, the maximum annual Debt Service Requirements of the University shall not exceed 10% of the University's Unrestricted Gross Revenues. For purposes of the calculation of the University's Debt Service Requirements in accordance with clause (2) of the preceding sentence, (1) the interest rate on any Long Term Debt bearing interest at a variable rate shall be the lesser of the maximum rate on such Long Term Debt or the 30-Year Revenue Bond Index published by The Bond Buyer in the week of such calculation, and (2) the Debt Service Requirements in any year on any Long Term Debt which is projected to be paid from amounts available for such purpose in a debt service reserve fund securing such Long Term Debt shall be reduced by the amount of such projected payment. The covenant described in this paragraph may be amended or modified at any time with the consent of the Bond Insurer or may be waived in whole or in part by the Bond Insurer.

Security for University Indebtedness

Indebtedness of the University may be secured only as follows:

(1) In the case of Long-Term Debt constituting Alternative Debt incurred to finance additional University Facilities, by a lien on and security interest in the Unrestricted Gross Revenues ranking on a parity (except as provided in clause (4) hereof) with the lien and security interest granted in the Loan Agreement; or

(2) In the case of all other Long-Term Debt:

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

(B) by a purchase money security interest in fixtures and equipment made part of the University Facilities; or

(C) in the case of Long-Term Debt hereafter incurred to finance microcomputers or other property for sale or lease to students, by a security interest in such computers or other property and the revenues therefrom; or

(D) in the case of Long-Term Debt (which may constitute Alternative Debt) hereafter incurred to finance University Facilities, by a lien or mortgage upon University Facilities, provided that the amount of such Long-Term Debt so secured shall not exceed an amount equal to 30% of the gross book value of the University's plant, property and equipment excluding any such Long-Term Debt so secured if a parity lien on such University Facilities shall have been granted to the Trustee to secure the University's obligations under the Loan Agreement; or

(E) in the case of obligations under the Loan Agreement which bear interest at lower than prevailing market rates because of governmental subsidies and grant programs, by a security interest in that portion of the Unrestricted Gross Revenues derived from the specific facilities pledged to secure such obligations which may be prior to the security interest therein of the Authority; or

(F) in the case of equipment loans referred to in the Loan Agreement, by a purchase money security interest in the property acquired with the proceeds thereof.

If, in connection with the issuance of Alternative Debt referred to in clause (1) above the University grants a mortgage on or a security interest in any part of the Project Facilities, the University shall grant to

the Trustee a mortgage and/or a security interest covering the same property of equal priority to secure the University's obligations under the Loan Agreement.

(3) Any Short-Term Debt incurred pursuant to the Loan Agreement, as referenced above in "Limitations on Additional Indebtedness" subsection (6), may be secured solely by: (i) a purchase money security interest in personal property acquired with the proceeds thereof; or (ii) a lien or mortgage against any real or personal property not constituting Project Facilities; or (iii) a security interest in the Unrestricted Gross Revenues, on a parity with that of the Authority under the Loan Agreement; provided that the amount of such Short-Term Debt so secured alone or in the aggregate at any time outstanding shall not exceed 10% of Unrestricted Gross Revenues for the prior Fiscal Year.

(4) In no event shall any other indebtedness other than Additional Bonds be secured by a lien on amounts payable to the Authority or the Trustee under the Collateral Agreement, or the monies and investments held by the Trustee in the funds created under the Indenture, except as otherwise set forth in the Indenture or the Loan Agreement.

Certain Additional Covenants of the University

The University covenants that it will operate its facilities as an institution of higher education within the meaning of the Act, and fix, charge and collect tuition, charges and fees from all full-time and part-time students, and other rates, fees and charges for its services and where appropriate, for the use of the University Facilities, which will provide Net Revenues, together with other funds available for the payment of debt service on the Bonds, in each Fiscal Year of the University during the term of the Loan Agreement in an amount at least equal to the Debt Service Requirements on the Bonds and other Long-Term Debt for such Fiscal Year.

If, in any two consecutive Fiscal Years, the University fails to meet the foregoing covenant, it shall immediately request the Consultant to make a report and recommendation with respect to such rates, fees and charges. The University further covenants that upon receipt of such report and recommendation from the Consultant, the University shall cause copies thereof to be filed with the Trustee and the Authority, and the University shall, to the extent permitted by law, accept and implement such recommendations of the Consultant. No Event of Default shall occur under the Loan Agreement due to failure of the University to comply with its covenant so long as there is no default by the University with respect to payments due under the Loan Agreement.

The University covenants to keep accurate records and books and annually have an examination made of its financial statements by a Certified Public Accountant. The University covenants that all actions taken by the University to acquire and carry out any Project have been and will be in full compliance with all applicable laws, ordinances, rules, regulations and orders of all Regulatory Bodies having jurisdiction. In connection with the operation, maintenance, repair and replacement of the University Facilities, the University covenants that it shall keep and maintain the University Facilities in good order, repair and operating conditions, except with respect to such University Facilities that, in the opinion of the University become obsolete, undesirable or unnecessary, and that it shall comply with all applicable ordinances, laws, rules, regulations and orders and any requirement of any fire underwriters or insurance company writing insurance on the University Facilities. The University further covenants that the Project Facilities are in compliance with all applicable zoning, subdivision, building, land use and similar laws and ordinances, and that it shall not take any action which would cause the Project Facilities to be in violation of such laws or ordinances.

The University covenants to preserve and to maintain its existence as a not-for-profit corporation under the laws of the Commonwealth, to maintain its status as an institution of higher education in the Commonwealth within the meaning of the Act, and to preserve and maintain its authority to operate its

facilities as an institution of higher education in the Commonwealth. The University covenants that during the term of the Loan Agreement it will not initiate any actions to dissolve, liquidate or terminate its existence as a corporation except to consolidate or to merge with or sell or transfer substantially all of its assets to any other corporation as provided in the Loan Agreement.

Additional Covenant So Long as MBIA Insured Bonds or Swap are Outstanding

So long as any Bonds or interest rate swaps insured by the Bond Insurer shall be Outstanding and the Financial Guaranty Insurance Policies related to such Bonds or interest rate swaps shall be in full force and effect and the Bond Insurer shall be in compliance with its obligations thereunder, the following additional covenants shall be applicable to the University:

(A) The University shall not incur or assume additional Long Term Debt (including in connection with the issuance of any Additional Bonds) (1) unless the University is then in compliance with the Expendable Resources test under the Loan Agreement, and (2) unless there shall be delivered to the Trustee a Certificate of a Certified Public Accountant to the effect that upon the issuance of such Long Term Debt, the maximum annual Debt Service Requirements of the University shall not exceed 10% of the University's Unrestricted Gross Revenues. For purposes of the calculation of the University's Debt Service Requirements in accordance with clause (2) of the preceding sentence, the interest rate on any Long Term Debt bearing interest at a variable rate shall be the lesser of the maximum rate on such Long Term Debt or the 30-Year Revenue Bond Index published by *The Bond Buyer* in the week of such calculation, and the Debt Service Requirements in any year on any Long Term Debt which is projected to be paid from amounts available for such purpose in any debt service reserve fund securing such Long Term Debt shall be reduced by the amount of such projected payment.

(B) All amendments to the Agreement requiring the consent of the holders of the Bonds insured by the Bond Insurer shall also require the consent of the Bond Insurer.

(C) The University and its Affiliates, on a consolidated basis, shall maintain as of June 30 in each Fiscal Year, Expendable Resources in an amount not less than 50% of the Outstanding Long Term Debt of the University and its Affiliates.

(D) The University shall provide to the Bond Insurer and the Trustee, the following:

(1) Promptly upon receipt thereof, copies of its audited financial statements for each Fiscal Year;

(2) Annually, within 75 days of each June 30, an Officer's Certificate of the University setting forth in reasonable detail the amount of Expendable Resources of the University and its Affiliates (valued as set forth in (c) above) and the amount of Long Term Debt of the University and its Affiliates then Outstanding;

(3) A copy of its budget for each Fiscal Year when prepared and, within 75 days of each December 31, a report of the University's chief financial officer indicating the actual financial results of the University for the first six months of such Fiscal Year as compared to the budgeted results for such Fiscal Year; and

(4) Such other information with respect to its operations and financial condition as the Bond Insurer shall reasonably request.

(E) Any of the covenants and agreements of the University and the Authority described under this heading "Additional Covenants So Long as MBIA Insured Bonds or Swap are

Outstanding" may be modified or amended by agreement of the University and the Authority, with the consent of the Bond Insurer, and may be waived in whole or in part by the Bond Insurer.

The University shall not enter into any agreement nor shall it consent to or participate in any arrangement pursuant to which Bonds are tendered or purchased for any purpose other than the redemption and cancellation or legal defeasance of such Bonds without the prior written consent of the Bond Insurer.

Transfer and Release of Property

The Loan Agreement permits the University to (a) transfer property constituting a portion of the Project Facilities in order to secure obligations bearing interest at lower than prevailing market rates by reason of governmental subsidies and grant programs as described in the Loan Agreement; provided that the Authority receives an opinion of Counsel that such a transfer will not adversely affect the treatment of interest to be paid on the Bonds under Federal and Commonwealth tax laws and regulations; (b) if no event of default under the Loan Agreement has occurred and is continuing, transfer easements, licenses, or rights-of-way with respect to any property included in the Project Facilities, release existing easements, licenses, rights-of-way and other rights or privileges; (c) transfer any property which has been replaced in the ordinary course of operations; (d) transfer any tangible personal property, fixtures or equipment from the Project Facilities in the ordinary course of business, provided that the net book value of the same shall not exceed \$100,000 and that the aggregate amount of such transactions in any Fiscal Year shall not exceed \$250,000; (e) transfer any property by sale for consideration which is not less than the fair market value upon a determination by the University Board that the property is not necessary for the continued operation of the University Facilities and specifying other educational facilities to be acquired with such proceeds, provided a copy of such action be filed with the Authority (if the proceeds of the sale shall exceed \$250,000, or if the University does not elect to acquire additional educational facilities, the proceeds shall be deposited in the Bond Redemption and Improvement Fund under the Indenture to be applied to the constructions or acquisition of educational facilities constituting a Project or purchase or redemption of Bonds or Alternative Debt as provided in the Indenture; or (f) lease or license the use of a part or parts of the Project Facilities to any person for use in performing services related to education.

Amendments to Loan Agreement

The Loan Agreement permits the Authority and the University to enter into any written amendments to the Loan Agreement which do not adversely affect the rights of or the security of the holders of the Bonds, only for the following purposes: to cure any ambiguity, defect, or inconsistency or omission herein or in any amendment hereto; or to grant to or confer upon the Authority any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon it; or to reflect a change in applicable law; or to provide terms not inconsistent with the Indenture or the Loan Agreement; provided, however, that the Loan Agreement as so amended or supplemented provides at least the same security for holders of Bonds issued under the Indenture as the Loan Agreement. All other amendments must be approved by the Trustee and, if the Indenture must be amended with the Bondholders' consent, by the Bondholders also, in the same manner and to the same extent as is set forth in the Indenture.

Events of Default and Remedies

"Events of Default", as defined in the Loan Agreement, include the failure by the University: (a) to make loan repayments required by the Loan Agreement when the same shall become due and payable, (b) to make any other payment required by the Loan Agreement and the continuation of such failure for 10 days after the Authority gives notice thereof, (c) to perform any of its other covenants and such failure

continues for more than 60 days after the Authority gives notice thereof; provided, however, that if performance requires work to be done, actions to be taken, or conditions to be remedied which cannot reasonably be done, taken or remedied, as the case may be, within such 60 day period, no Event of Default shall be deemed to have occurred so long as the University shall commence such performance within such 60 day period and shall diligently and continuously prosecute the performance to completion, or (d) to cure any Event of Default which has occurred under the Indenture or under any instrument evidencing indebtedness secured by a lien prior to or on a parity with the lien of the Loan Agreement on any of the Collateral.

An Event of Default also occurs (1) if the University files a voluntary petition in bankruptcy, or is adjudicated a bankrupt or insolvent, or files any petition or answer in any action or proceeding seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under a present or future statute or law whether federal, state or local, or seeks or consents to or acquiesces in the appointment of any trustee, receiver or liquidator of the University or of all or substantially all of its properties or of the Project Facilities; and (2) if within 60 days after the commencement of any proceeding against the University seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any federal, state or other statute or law, such proceeding shall not have been dismissed, or, within 60 days after the appointment, without the consent or acquiescence of the University, or any trustee, receiver or liquidator of the University or of all or substantially all of its properties or of the Project Facilities, such appointment shall not have been vacated or stayed on appeal or otherwise, or, within 60 days after the expiration of any such date, such appointment shall not have been vacated.

Upon the occurrence of an Event of Default, if the Trustee declares the Outstanding Bonds immediately due and payable pursuant to the Indenture, the Authority may, in addition to its other remedies at law or in equity or as provided in the Loan Agreement, with the prior written consent of the Trustee, declare all amounts payable under the Loan Agreement to be immediately due and payable, and then there shall become due as current damages of the Authority under the Loan Agreement an amount equal to the principal of all Bonds so declared due and payable, plus accrued interest to the date of payment thereof, and all other amounts then due under the Loan Agreement. Until said amount is paid by the University, the Authority shall continue to have all of its rights, powers and remedies under the Loan Agreement and the University's obligations thereunder shall continue in full force and effect.

THE INDENTURE

The 2017 Bonds are being issued under and subject to the provisions of the Indenture, to which reference is made for complete details of the terms of the 2017 Bonds.

Pledge and Assignment

Under the Indenture, the Pledged Revenues payable to the Authority from the University under the Loan Agreement or from the Commonwealth under the Collateral Agreement and all income and receipts earned on funds held by the Trustee under the Indenture, with the exception of funds and accounts held solely for a specific series of Bonds issued under the Indenture, have been pledged to the Trustee. The rights of the Authority under the Loan Agreement have been assigned to the Trustee to secure the payment of the Bonds and the performance and observance of the covenants in the Indenture.

Moneys and investments from time to time in the various funds of the Indenture shall be held by the Trustee, in trust, for the benefit of the Owners of Bonds issued under the Indenture, except that moneys and investments held in any debt service reserve fund or any sinking fund or redemption account established for any series of Bonds shall be held for the benefit of Owners thereof only.

Redemption of the 2017 Bonds

The 2017 Bonds are subject to redemption as described in this Official Statement under the heading "THE 2017 BONDS--Redemption Provisions."

Additional Bonds

Pursuant to supplemental indentures, the Authority may issue additional series of Bonds for the purpose of (a) lending proceeds to the University to pay or complete payment of the Cost of any Project or to reimburse expenditures of the University for such costs or to refinance such Cost by retiring, refunding or acquiring obligations incurred by the University for such purpose, (b) paying the Cost of refunding any Outstanding Bonds and any other Long-Term Debt. Such additional series of Bonds shall be on a parity with the 2017 Bonds except that Owners of any Additional Bonds shall have no claim against moneys held in any debt service reserve fund, sinking fund or redemption account established for the benefit of any other series of Bonds, and except as otherwise provided in the Indenture or the Supplemental Indenture authorizing the issuance of such series.

The Trustee, at the request of the Authority, shall authenticate the Additional Bonds and deliver them but only upon receipt of, among other things (except in the case of Bonds issued for the refunding purposes in which neither the average annual Debt Service Requirements nor the amount of Long-Term Debt on a parity with the Bonds with respect to the lien on the Collateral will be increased and which does not create any Non-Amortizing Principal) a Consultant's Certificate stating (i) that the Net Revenues as forecast, in the case of a revenue-producing Project or Capital Additions, for the first full Fiscal Year following completion of the Project or Capital Additions to be financed with the proceeds of the Additional Bonds, or, in the case of Additional Bonds issued for any other purpose for the first full Fiscal Year following the date on which the same are issued, will equal not less than 100% of the actual Debt Service Requirements for such Fiscal Year, and (ii) in the case of Additional Bonds representing Non-Amortizing Debt or Partially Amortizing Debt, that the Non-Amortizing Principal to be Outstanding following the issuance of such Bonds will not exceed an amount equal to the then-existing Unrestricted Assets plus 25% of the Unrestricted Gross Revenues for the immediately preceding Fiscal Year. If the amount of Additional Bonds to be issued, when added to any Long-Term Debt of the University incurred or to be incurred or assumed for the next Fiscal Year under like provisions of the Loan Agreement, is less than 2-1/2% of Unrestricted Gross Revenues for the immediately preceding Fiscal Year, the certifications described in this paragraph may be satisfied by an Officer's Certificate of the University. The issuance of Additional Bonds is subject to further conditions imposed by bond insurers and set forth in the Loan Agreement, as described above.

The contents of the other required items, including, inter alia, certified resolutions of the Authority and the University and opinions of counsel, are fully described in the Indenture, to which reference is made for more complete details.

Projects to Conform to Plans and Specifications; Changes

The Authority will cause the University to proceed with reasonable dispatch to complete the construction and acquisition of Project Facilities and any Capital Additions or Extraordinary Repairs involving construction for which Additional Bonds are issued, in accordance with the plans and specifications therefor. The Authority shall allow the University to issue change orders under construction contracts, provided each change order is in writing, is promptly verified by the Architect and is filed with the Authority and the Trustee.

Revenue Fund

All revenues of the Authority from the University or from the Commonwealth, as provided for in the Indenture, the Loan Agreement, or the Collateral Agreement, shall be initially deposited by the Trustee in the Revenue Fund.

The Trustee shall transfer sums from the Revenue Fund to other funds established under the Indenture in accordance with the requirements of the Indenture.

Debt Service Fund; Sinking Fund

The Trustee has established a Debt Service Fund which consists of such funds deposited therein pursuant to the provisions of the Indenture from which shall be paid interest and principal of the Bonds as the same becomes payable. The Trustee may establish separate additional accounts within the Debt Service Fund for separate series of Bonds of particular dates. The Trustee shall use the sinking fund account for each series of Bonds to purchase or redeem such Bonds in accordance with the redemption dates and procedures set forth in the Indenture.

Debt Service Reserve Fund

The Indenture provides that in connection with the issuance of a series of Bonds, the Authority may establish a debt service reserve fund pledged solely for the benefit of such series of Bonds. No Debt Service Reserve Fund has been established for the 2017 Bonds.

Bond Redemption and Improvement Fund

The Trustee has established a Bond Redemption and Improvement Fund which shall consist of such funds as may be deposited therein pursuant to the provisions of the Indenture or the Loan Agreement. The Trustee shall use such Fund, except for moneys exclusively deposited for the redemption of Bonds, to make up deficiencies in the Debt Service Fund, including any mandatory sinking fund account therein, and to make up any deficiencies in any debt service reserve fund. At any time when there is no deficiency in the Debt Service Fund, including any mandatory sinking fund account therein, and no unreimbursed deficiency in any debt service reserve fund, and when no Event of Default under the Indenture has occurred and is continuing, the Trustee shall use the Bond Redemption and Improvement Fund, at the request of the Authority, as directed by the University, to pay the Cost of an additional Project, to make up any deficiency in a Project Fund, or to purchase or redeem Bonds of any series or Alternative Debt. In the absence of a direction by the University to reserve amounts to pay the Cost of an additional Project or of Capital Additions or for Project Fund deficiencies, the Trustee is required to apply such amounts to the redemption of Bonds then subject to redemption.

Investment of Funds

All monies received by the Trustee under the Indenture for deposit in any Fund established thereunder shall be considered trust funds, shall not be subject to lien or attachment and shall, except as therein provided, be deposited with the Trustee, and all such deposits shall, to the extent not insured, be fully secured as to principal by Government Obligations, to the extent permitted by law, or if not so permitted, then secured as provided by law for such trust deposits. Under certain conditions the Trustee may deposit such moneys in other authorized depositories, where they shall be secured, to the extent not insured, as to principal and interest by Government Obligations, to the extent permitted by law, or if not so permitted, then secured as provided by law for such trust deposits, or as provided for in the Indenture. Such security shall be deposited with a Federal Reserve Bank, with the trust department of the Trustee as

authorized by law with respect to trust funds in the Commonwealth, or with a bank or trust company having a combined net capital and surplus of not less than \$50,000,000.

The Trustee, at the direction of the University, shall invest moneys held in the Debt Service Fund and moneys held in the Bond Redemption and Improvement Fund specifically designated for redemption of Bonds, only in Government Obligations or certificates of deposit, time deposits or other similar banking arrangements, issued by the Trustee and/or any bank trust company or savings and loan association, the deposits of which are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, such deposits to the extent not insured to be fully secured, to the extent permitted by law, by Government Obligations. The Trustee shall invest moneys held in any Project Fund, any Debt Service Reserve Fund and in the Bond Redemption and Improvement Fund to the extent not specifically designated for the redemption of Bonds, only in Investment Securities. The Trustee shall make such investments at the direction of the University. Absent specific instructions from the University all investments shall be made pursuant to written directions from the Authority, and absent such instructions from the Authority the Trustee may invest such moneys subject in all cases, however, to the limitations contained in the Indenture.

The interest and income received upon such investments and any interest paid by the Trustee or any other depository with respect to any monies in any fund established under the Indenture held and any profit or loss resulting from the sale of securities shall be added or charged to such fund, except that the earnings on any Debt Service Reserve Fund shall remain in such Fund only to the extent necessary to make up any deficiency therein and any excess shall be deposited in the Debt Service Fund; subject to the defeasance provisions of the Indenture. Interest and income with respect to funds on deposit to construct or acquire any future Project shall be treated in accordance with the Supplemental Indenture authorizing Additional Bonds for such future Project.

The Trustee shall not make any investments of moneys held in any fund inconsistent with the provisions of the Indenture relating to "arbitrage bonds." Neither the Trustee or the Authority shall be accountable for any depreciation in the value of any security or any loss resulting from the sale thereof.

Valuation of Funds

In computing the assets of any fund or account, investments and accrued interest thereon shall be deemed a part thereof, subject to the above provisions. Such investments shall be valued at the face value or the current market value thereof, whichever is the lower, or at the redemption price thereof, if then redeemable at the option of the holder, except that investments in the Debt Service Reserve Fund shall be valued at the amortized value (as defined in the Indenture) thereof or, if then redeemable at the option of the holder, at the redemption price thereof, if lower. However, in the event of any transfer of funds from the Debt Service Reserve Fund to cure a deficiency in the Debt Service Fund, the investments remaining in the Debt Service Reserve Fund shall be revalued at the market value thereof on the date of transfer, if lower.

Covenants of the Authority

The Authority shall, among other things, promptly pay the interest on and the principal of the Bonds according to the terms thereof, but only out of the Pledged Revenues of the Authority. Except as permitted by the Indenture or the Loan Agreement the Authority will not permit the University to sell, lease, pledge or otherwise dispose of or encumber (except for Permitted Encumbrances) the Project Facilities or the Unrestricted Gross Revenues.

The Authority covenants that it will make no investment or other use of the proceeds of any series of Bonds issued under the Indenture that would cause such series of Bonds to be "arbitrage bonds" as the

term is defined in Section 148 of the Code, and the Trustee shall make no investments inconsistent with such covenant.

Default and Remedies

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

- (a) if payment of an installment of interest is not made when it becomes due and payable; or
- (b) if payment of the principal or Redemption Price of any Bond is not made when it becomes due and payable or if any required transfer is not made when due into any sinking fund account established under the Indenture; or
- (c) if there is a default in making the loan repayments or other payments under the Loan Agreement or any amendment or supplement thereto which would give the Authority the right to declare an event of default under such Loan Agreement; or
- (d) if the Authority fails to comply with any provisions of the Act, or for any reason is rendered incapable of fulfilling its obligations under said Act or the Indenture; or
- (e) if the Project Facilities, or any part thereof necessary for the efficient operation of the University Facilities, are destroyed, damaged or rendered unusable to such extent that the University Facilities cannot yield revenues sufficient to make payments required under the Indenture and the damage is not promptly repaired in accordance with the terms of the Indenture for any reason whatsoever; or
- (f) if the University proposes or makes an assignment for the benefit of creditors or a composition agreement with all or part of its creditors, or a trustee, receiver, executor, conservator, liquidator, sequestrator or other judicial representative, similar or dissimilar, is appointed for the University or any of its assets or revenues, or there is commenced any proceeding in liquidation, bankruptcy, reorganization, arrangement of debts, debtor rehabilitation, creditor adjustment or insolvency, local, state or federal, by or against the University and if such is not vacated, dismissed or stayed on appeal within 60 days; or
- (g) if the Authority defaults in the due and punctual performance of any other covenant in the Bonds or the Indenture or the Loan Agreement, and such default continues for 60 days after written notice requiring the same to be remedied shall have been given by the Trustee, which may give the same in its discretion and shall be obliged to give the same at the written request of the Owners of not less than 25% in principal amount of Bonds then Outstanding; provided, however, that if such performance requires work to be done, actions to be taken, or conditions to be remedied, which by their nature cannot reasonably be done, taken, or remedied, as the case may be, within such 60-day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, the Authority shall cause the University to commence such performance within such 60-day period and the Authority and the University shall diligently prosecute the same to completion; or
- (h) if any event of default occurs under any instrument evidencing Alternative Debt as such event of default is defined in such instrument, or any instrument evidencing Long-Term Debt or Short-Term Debt secured by a prior lien or parity lien on any of the Collateral or a lien on the Project Facilities.

If any Event of Default has occurred and is continuing, the Trustee may and, upon written request of the Owners of 25% in principal amount of the Bonds then Outstanding, shall, by notice in writing to the Authority, declare the principal of all Bonds then Outstanding to be immediately due and payable and upon such declaration the said principal, together with interest accrued thereon, shall become due and payable immediately at the place of payment provided therein, anything in the Indenture or in the Bonds to the contrary notwithstanding, unless the University cures such event of default. Such declaration and its consequences may be annulled by the Owners of a majority in principal amount of the Bonds then Outstanding in the manner provided for in the Indenture if after such declaration the Authority pays all arrears of interest upon the Bonds and the principal of all Bonds then Outstanding which have matured, except the principal of any Bonds due solely because of such declaration, and the interest accrued on the Bonds since the last interest payment date, performs all other things with respect to which it may have been in default, and pays the reasonable charges of the Trustee, the Owners of Bonds and any trustees appointed under the Act.

If any Event of Default has occurred and is continuing, the Trustee, before or after declaring the principal of the Bonds immediately due and payable, (a) may enforce each and every right granted the Authority under the Loan Agreement, and (b) may, by its agents or attorneys, with or without process of law, enter upon and take and maintain possession of all or any part of the Project Facilities and may hold the Project Facilities and manage and operate the Project Facilities and collect the amounts payable by reason of such operation. The Trustee shall apply those revenues as provided in the Indenture.

The credit facility issuers are considered the holders of the 2000-2 Bonds, the 2002B Bonds, the 2005B Bonds and the 2007B Bonds for purposes of directing the Trustee to take certain actions with respect thereto including, in each case, granting consents or waivers in connection with the default and remedy provisions of the Indenture.

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

If the University shall default in the payment of any installment of the loan repayments or additional amounts payable under the Loan Agreement, the Authority and the Trustee, as the Authority's assignee under the Collateral Agreement shall take all such action as may be required to enforce the provisions of the Act and the Collateral Agreement so that the amount of defaulted payments shall be withheld from any Commonwealth appropriation due the University and be paid over to the Trustee.

Limitations on Actions by Owners of Bonds

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

Amendments and Supplements

The Indenture may be amended or supplemented in connection with the issuance of Additional Bonds or at any other time, without the consent of the Owners of Bonds, by a Supplemental Indenture, for one or more of the following purposes: (a) to set forth any or all of the matters in connection with the issuance of Additional Bonds, (b) to add additional covenants of the Authority or to surrender any right or power in the Indenture conferred upon the Authority, (c) to make appropriate provision for the issuance of Bonds in bearer form with coupons should such issue be available without causing the interest on such

Bonds to become taxable for Federal income tax purposes, (d) to cure any ambiguity or to cure, correct or supplement any defective provision of the Indenture in such manner as shall not be inconsistent with the Indenture and shall not impair the security thereof or adversely affect the Owners of Bonds, (e) to the extent required to maintain the federal income tax exemption of interest payable on any series of Bonds, and (f) to reflect changes in Generally Accepted Accounting Principles affecting institutions of higher learning or non-profit organizations.

The Indenture may be amended by a Supplemental Indenture approved by the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding and affected by such amendment except with respect to (a) interest payable on any Bonds, (b) the dates of maturity, sinking fund and redemption provisions of any Bonds, (c) the amendment provisions of the Indenture, or (d) the security provisions under the Indenture.

Defeasance

If the Authority deposits with the Trustee funds sufficient to pay the principal or Redemption Price of any Bonds becoming due, either at maturity or by call for redemption or otherwise, together with all interest accruing thereon the due date, interest on such Bonds shall cease to accrue on the due date and all liability of the Authority with respect to such Bonds shall likewise cease, except as provided below. Thereafter, such Bonds shall be deemed not to be Outstanding and the holders of such Bonds shall be restricted exclusively to the funds so deposited for any claim of whatsoever nature with respect to such Bonds, and the Trustee shall hold such funds in trust for such holders.

Monies so deposited with the Trustee which remain unclaimed five (5) years after the date payment thereof becomes due shall, upon request of the Authority, if the Authority is not at the time to the knowledge of the Trustee in default with respect to any covenant in the Indenture or the Bonds and if the University is not at the time to the knowledge of the Trustee in default with respect to any covenant contained in the Loan Agreement, be paid to the Authority; and the holders of the Bonds for which the deposit was made shall thereafter be limited to a claim against the Authority.

When interest on, and principal or Redemption Price (as the case may be) of, all Bonds issued under the Indenture have been paid, or there shall have been deposited with the Trustee an amount, evidenced by moneys, Government Obligations, or certificates of deposit issued by the Trustee or any bank or trust company or savings and loan association (the deposits of which are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation), such certificates to be fully secured by Government Obligations, and the principal of and interest on such cash or securities, when due, will provide sufficient moneys to fully pay all Bonds issued under the Indenture, as well as all other sums payable thereunder by the Authority, all right, title and interest of the Trustee shall thereupon cease and the Trustee, on demand of the Authority, shall release the Indenture and shall execute such documents to evidence such release as may be reasonably required by the Authority and shall turn over to the Authority or to such person, body or authority as may be entitled to receive the same, all balances remaining in any funds thereunder.

THE COLLATERAL AGREEMENT

Under the Collateral Agreement, the State Treasurer of the Commonwealth unconditionally agrees with the Authority that, upon receipt of written notice from the Authority of the failure of the University to pay when due sums owing under the Loan Agreement, the State Treasurer will in accordance with the provisions of the Act promptly (a) notify the University of its obligations under the Loan Agreement and withhold out of any state appropriations payable to the University an amount equal to the sums owing under the Loan Agreement and (b) notify the Auditor General of such actions and request that a warrant be issued for the payment to the Authority of the amount so withheld.

The University waives all rights or claims to any amounts withheld from any state appropriation by the State Treasurer pursuant to the Collateral Agreement and consents to the payment of any such amount to or for the account of the Authority upon the failure of the University for any reason to pay loan repayments or other sums due the Authority under the Loan Agreement.

All covenants and agreements made by the parties in the Collateral Agreement are made for the benefit of the Bondholders and are to be binding upon the State Treasurer and the University and their successors and permitted assigns until the payment of the entire principal of, premium, if any, and interest on the Bonds and any Additional Bonds issued under the Indenture shall have been duly made or provided for under the Indenture. Concurrently with the execution of the Collateral Agreement, the Authority will assign all of its right, title and interest therein to the Trustee as additional security for the Bonds.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

[THIS PAGE INTENTIONALLY LEFT BLANK]

[FORM OF OPINION OF BOND COUNSEL]

_____, 2017

PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY
(COMMONWEALTH OF PENNSYLVANIA)
\$124,020,000 DREXEL UNIVERSITY REVENUE REFUNDING BONDS
SERIES OF 2017

TO THE PURCHASERS OF THE ABOVE-ENTITLED BONDS:

We have acted as Bond Counsel in connection with the issuance by the Pennsylvania Higher Educational Facilities Authority (the “Authority”) of its \$124,020,000 aggregate principal amount Drexel University Revenue Refunding Bonds, Series of 2017 (the “Bonds”). The Bonds are issued in accordance with the provisions of the Pennsylvania Higher Educational Facilities Authority Act of 1967 (Act of December 6, 1967, P.L. 678), as amended (the “Act”), a Resolution of the Authority adopted on December 7, 2017 (the “Resolution”) and under and pursuant to a Trust Indenture dated as of March 1, 1985, as supplemented and amended through and including the Twenty-Second Supplemental Indenture dated as of December 1, 2017 (the “Twenty-Second Supplemental Indenture”) (collectively, the “Indenture”), each between the Authority and The Bank of New York Mellon Trust Company, N.A. (successor trustee to J.P. Morgan Trust Company, National Association, Chase Manhattan Trust Company, National Association, Mellon Bank, N.A. and Mellon Bank (East) National Association, respectively), as trustee (the “Trustee”).

Pursuant to the Resolution and the Indenture, the Authority has determined to undertake a financing (the “Financing”) for the benefit of Drexel University (the “University”) consisting of: (i) the advance refunding of a portion of the Authority’s outstanding Drexel University Revenue Bonds Series A of 2011; and (ii) the payment of costs of issuing the Bonds.

In connection with the Financing, the proceeds of the Bonds will be loaned by the Authority to the University pursuant to a Loan and Security Agreement dated as of March 1, 1985, as supplemented and amended through and including the Twenty-Fourth Supplemental Loan and Security Agreement dated as of December 1, 2017 (the “Twenty-Fourth Supplemental Loan Agreement”) (collectively, the “Loan Agreement”).

Under the Loan Agreement, the University is obligated to make payments in amounts sufficient to pay, *inter alia*, the principal of and premium, if any, and interest on the Bonds. The Authority has assigned its interest in the Loan Agreement (except its right to receive certain administrative fees and expenses) to the Trustee for the benefit of the registered owners of the Bonds and all other bonds previously and hereafter issued and outstanding under the Indenture.

As additional security for the Bonds, the University, the Authority and the Treasurer of the Commonwealth of Pennsylvania (the “State Treasurer”) have entered into a Collateral Agreement dated as of March 1, 1985, as supplemented and amended through and including the Twenty-First Supplemental Collateral Agreement dated as of December 1, 2017 (the “Twenty-First Supplemental Collateral Agreement”) (collectively, the “Collateral Agreement”), under which the State Treasurer

has agreed, upon the failure of the University to make payments under the Loan Agreement, to withhold out of state appropriations to the University (if any), amounts due under the Loan Agreement.

The Authority and the University have made certain factual representations in the Indenture, the Loan Agreement and certain certificates delivered on the date hereof that are material to the opinions expressed herein, including representations as to the qualification of the University as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code") and the reasonable expectations of the University and the Authority on the date hereof as to the use of the proceeds of the Bonds. We have not undertaken to verify these factual representations by independent investigation.

In our capacity as Bond Counsel, we have examined a record of the proceedings relating to the issuance of the Bonds, including original counterparts or certified copies of the Indenture, the Resolution, the Loan Agreement, the Collateral Agreement and such other certificates (including the certificates described above), documents, records, proceedings, statutes and decisions as we have deemed necessary to enable us to express the opinions set forth below. We have also examined a specimen of a fully executed Bond and a certificate of the Trustee, upon which we have relied, with respect to the authentication by the Trustee of the Bonds. We have also examined the opinion of Ballard Spahr LLP, counsel to the University, on which we have relied as to the exemption from federal income tax of the University under Section 501(a) of the Code. In rendering our opinions, we have relied upon the genuineness, authenticity, truthfulness and completeness of all documents, records and other instruments examined. We have not undertaken to verify the factual matters set forth therein by independent investigation. Except as set forth in paragraph 5 below, our opinions are given only with respect to the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof.

Based on and subject to the foregoing and the additional qualifications and limitations stated below, we are of the opinion that:

1. The Authority is a body corporate and politic, validly existing under the laws of the Commonwealth of Pennsylvania, with full power and authority thereunder to undertake the Financing, to execute and deliver the Twenty-Second Supplemental Indenture, the Twenty-Fourth Supplemental Loan Agreement and the Twenty-First Supplemental Collateral Agreement, and to issue and sell the Bonds.

2. The Twenty-Second Supplemental Indenture, the Twenty-Fourth Supplemental Loan Agreement and the Twenty-First Supplemental Collateral Agreement have been duly authorized, executed and delivered by the Authority, and each constitutes a valid and binding obligation of the Authority enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, moratorium and other similar laws and equitable principles affecting the rights and remedies of creditors generally and by the exercise of judicial discretion in accordance with general principles of equity. All right, title and interest of the Authority in and to the Twenty-Fourth Supplemental Loan Agreement and the amounts payable

thereunder (except for certain amounts payable with respect to administrative expenses and fees) have been validly assigned to the Trustee.

3. The Bonds have been duly executed and delivered by the Authority and are the valid and binding limited obligations of the Authority enforceable in accordance with their terms, except as their enforcement may be limited by bankruptcy, insolvency, moratorium and other similar laws and equitable principles affecting the rights and remedies of creditors generally and by the exercise of judicial discretion in accordance with general principles of equity.

4. Under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof, the Bonds and the interest thereon are free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Bonds, or the interest thereon.

5. The interest on the Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion set forth in the preceding sentence is subject to the condition that the Authority and the University comply with all applicable federal income tax requirements that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so includable in gross income retroactive to the date of issuance of the Bonds. The Authority and the University have covenanted to comply with all such requirements. Interest on the Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes; however, we call to your attention that under the Code, to the extent that interest on the Bonds is a component of a corporate holder's "adjusted current earnings," a portion of that interest may be subject to the corporate alternative minimum tax. We express no opinion regarding other federal tax consequences relating to the Bonds or the receipt of interest thereon.

We call your attention to the fact that the Bonds are limited obligations of the Authority, payable only out of the Pledged Revenues (as such term is defined in the Indenture) of the Authority and certain other moneys available therefor as provided in the Indenture, and that the Bonds do not pledge the credit or taxing power of the Commonwealth of Pennsylvania or any political subdivision thereof.

We express no opinion herein with regard to, and we assume no responsibility for the accuracy or completeness of the Official Statement prepared in connection with the offer and sale of the Bonds.

Very truly yours,

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

[THIS PAGE INTENTIONALLY LEFT BLANK]

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of December 26, 2017, by and between DREXEL UNIVERSITY (the “University”) and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as dissemination agent (the “Dissemination Agent”).

WITNESSETH:

WHEREAS, the Pennsylvania Higher Educational Facilities Authority (the “Issuer”) is issuing for and on behalf of the University its \$124,020,000 Drexel University Revenue Refunding Bonds, Series of 2017 (the “Bonds”) pursuant to a Bond Purchase Agreement dated December 13, 2017 by and among the University, the Issuer and Wells Fargo Bank, N.A., for itself and on behalf of Goldman, Sachs & Co., Inc. and Ramirez & Co., Inc. (collectively, the “Underwriters”); and

WHEREAS, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (the “Rule”), provides that a Participating Underwriter (as defined in the Rule) shall not purchase or sell municipal securities in connection with an Offering (as defined in the Rule) unless the Participating Underwriter has reasonably determined that an issuer of municipal securities, or an obligated person for whom financial or operating data is presented in the final official statement has undertaken, either individually or in combination with other issuers of such municipal securities or obligated persons, in a written agreement or contract for the benefit of holders of such securities, to provide, either directly or indirectly through an indenture trustee or a designated agent, certain specified financial information and operating data and notices of certain material events; and

WHEREAS, the University currently is the only obligated person with respect to the Bonds for purposes of the Rule; and

WHEREAS, in order to enable the Underwriters to comply with the requirements of the Rule, the University, as such obligated person, agrees to undertake to provide the information and notices required by the Rule.

NOW, THEREFORE, in consideration of the premises, the University, intending to be legally bound hereby, agrees as follows:

Section 1. Covenants of the University. The University covenants to comply with all requirements of the Rule in furtherance of the foregoing and without limiting the generality thereof:

(a) So long as any of the Bonds are outstanding, the University shall deliver to the Dissemination Agent in such format as is required by the Rule and the Municipal Securities Rulemaking Board (“MSRB”), and in sufficient time to allow the Dissemination Agent to file within 180 days after the end of each fiscal year of the University (the “Filing Date”), commencing with the fiscal year ending June 30, 2018, the following information (the “Annual Disclosure”):

(i) the University's annual audited financial statements, which shall be prepared in conformity with generally accepted accounting principles consistently applied as applicable to universities in the Commonwealth of Pennsylvania; provided, however, in the event that audited financial statements are not available within 180 days after the close of the applicable fiscal year, the Annual Disclosure will contain unaudited financial statements and the audited financial statements will be provided for filing when available;

(ii) unless included in such financial statements, operating data with respect to the University and its operations of the type found in the following tables in Appendix A to the Official Statement for the Bonds dated December 13, 2017: (1) the table captioned "New Students: Applications, Acceptances, Enrollment" in the section captioned "Application and Admission Credentials"; (2) the table captioned "University Enrollment - Fall Term" in the section captioned "Enrollment"; (3) the first table in the section captioned "Student Tuition, Fees and Competition"; (4) the table captioned "Student Financial Aid" in the section captioned "Student Financial Aid"; (5) the table in the section captioned "Endowment and Similar Funds"; (6) the table captioned "Private Gifts and Grants" in the section captioned "Institutional Advancement"; (7) the table captioned "Sponsored Research Activity" in the section captioned "Sponsored Research"; and (8) the table captioned "Existing Letters of Credit" under the caption "Indebtedness".

If any of the tables listed in Section I(a)(ii) above reflect information that is no longer calculated and available or relevant because of changes in operations, the University will provide notice of such change in the first annual disclosure filing after such changes are undertaken; the format of the tables may also be altered.

(b) The Dissemination Agent shall promptly upon receipt thereof file the reports described in paragraph (a) with MSRB, through MSRB's Electronic Municipal Market Access System (www.emma.msrb.org) ("EMMA") or through alternate means as so provided by MSRB.

(c) If the Dissemination Agent has not received the Annual Disclosure by 12:00 noon on the first business day following the Filing Date for such report, the University irrevocably directs the Dissemination Agent to immediately file a notice with MSRB, through EMMA or through alternate means as so provided by MSRB, of such failure.

(d) The University shall, in a timely manner (but in no event later than the date necessary to enable the Dissemination Agent to file with MSRB, as hereinafter provided, within ten (10) business days after the occurrence of the event), deliver to the Dissemination Agent notice, in such format as is required by the Rule and MSRB, of any of the following events with respect to the Bonds (each a "Reportable Event"), and the Dissemination Agent shall, immediately upon receipt of the University's notice, file with MSRB through EMMA (or through alternate means as so provided by MSRB) notice of the occurrence of any of such events:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) Modifications to rights of bondholders, if material;

(viii) Optional or unscheduled redemptions of Bond, if material, and tender offers;

(ix) Defeasance of all or any portion of the Bonds;

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

(xi) Rating changes;

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

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

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

(e) The University agrees to provide information required in subsection (a) or (d) above for all persons who are determined by it to be "Obligated Persons" under the Rule.

(f) The University agrees that the provisions of this Section 1 shall be for the benefit of the holders and beneficial owners of the Bonds, and shall be enforceable by any holders or beneficial owners of the Bonds, or by the Dissemination Agent on their behalf, in accordance with the provisions of Section 4 herein.

Section 2. Duties of Dissemination Agent.

(a) The Dissemination Agent shall retain copies, which may be in electronic or digital format, of all annual information and notices of Reportable Events provided by the University hereunder until all of the Bonds have been fully paid.

(b) The Dissemination Agent shall have no responsibility or liability in connection with the University's filing or other obligations under this Continuing Disclosure Agreement. The Dissemination Agent shall have only those duties specifically set forth in this Disclosure Agreement and no other duties shall be implied. The University agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents (collectively, the "Indemnitees"), from and against any and all claims, liabilities, losses, damages, fines, penalties, and expenses, including out-of-pocket expenses, incidental expenses, legal fees and expenses, the allocated costs and expenses of in-house counsel and legal staff and the costs and expenses of defending or preparing to defend against any claim ("Losses") that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction or other direction upon which the Dissemination Agent is authorized to rely pursuant to the terms of this Disclosure Agreement. In addition to and not in limitation of the immediately preceding sentence, the University also covenants and agrees to indemnify and save the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Dissemination Agent's performance under this Disclosure Agreement provided the Dissemination Agent has not acted with gross negligence or in violation of this Disclosure Agreement or engaged in willful misconduct. The provisions of this Section 2(b) shall survive the termination of this Disclosure Agreement and the resignation or removal of the Dissemination Agent for any reason. Anything in this Disclosure Agreement to the contrary notwithstanding, in no event shall the Dissemination Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Dissemination Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

Section 3. Termination of Reporting Obligations. The University's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the University's obligations with respect to the payment of the Bonds are assumed in full by some other entity, such other entity shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the University's, and the University shall have no further responsibility hereunder, except as provided in Section 7 hereof. In addition, the University's obligation to provide information and notices as specified in Section 1 hereof shall terminate (i) at such other times as such information and notices (or any portion thereof) are no longer required to be provided by the Rule as it applies to the Bonds, (ii) in the event of a repeal or rescission of the Rule or (iii) upon a determination by a court of competent jurisdiction that the Rule is invalid or unenforceable.

Section 4. Amendment. The University and the Dissemination Agent may amend this Disclosure Agreement and waive any of the provisions hereof, but no such amendment or waiver shall be executed and effective unless (i) the amendment or waiver is made in connection with a change in legal requirements, change in law or change in the identity, nature or status of the

University or the operations conducted by the University, (ii) this Disclosure Agreement, as modified by the amendment or waiver complies with the requirements of the Rule, and (iii) the amendment or waiver does not materially impair the interests of the registered Owners of the Bonds. Prior to executing any requested amendment, the University shall provide an opinion of counsel knowledgeable in federal securities laws to the effect that the proposed amendment satisfies the requirements described above. In the event of any amendment or waiver of a provision of this Disclosure Agreement, the University shall describe such amendment in its next annual report delivered pursuant to Section 1(a) hereof, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the financial information or operating data being presented by the University. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i.e., changes other than those prescribed by generally accepted accounting principles), (i) notice of such change shall be given pursuant to the Reportable Event notice requirements as set forth in this Disclosure Agreement; and (ii) the annual report for the year in which the change is made will present a comparison between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. To the extent that the Rule requires or permits an approving vote of beneficial owners of the Bonds in connection with an amendment, the approving vote of beneficial owners of Bonds constituting more than 50% of the aggregate principal amount of the then outstanding Bonds shall constitute such approval. The University shall direct the Dissemination Agent, in writing, to provide notice of any amendment to this Disclosure Agreement to MSRB and to the registered holders of the Bonds.

Section 5. Remedies for Default. In the event of a breach or default by the University of its covenants to provide annual financial information and notices as provided in Section 1 hereof, the Dissemination Agent, the Underwriter, or any holder or beneficial owner of Bonds shall have the right to bring an action in a court of competent jurisdiction to compel specific performance by the University. A breach or default under this Disclosure Agreement shall not constitute an event of default under the Bonds or any other agreement. The Dissemination Agent shall be under no obligation to enforce this Disclosure Agreement but may do so and may require that it be furnished with indemnity and security for expenses satisfactory to it.

Section 6. Electronic Filing Authorized. All filings with MSRB pursuant to this agreement; (a) shall be made in an electronic format as prescribed by MSRB; and (b) shall be accompanied by identifying information as prescribed by MSRB. Reference is made to Commission Release No. 34-59062, dated December 8, 2008 (the "Release"), relating to EMMA. To the extent applicable to its obligations pursuant to this Agreement, the University shall comply with the Release and with EMMA. Unless and until otherwise prescribed by MSRB, all documents provided to MSRB in compliance with this Agreement shall be submitted through EMMA in the format prescribed by MSRB.

Section 7. Indemnification of the Issuer. The Issuer shall have no responsibility or liability for the University's compliance with this Disclosure Agreement, or in connection with the University's obligations under this Disclosure Agreement or for the compliance of this Disclosure Agreement or the contents of the annual financial or other information filed or notices provided in accordance with Section 1 hereof with the requirements of the Rule. The University agrees to indemnify and save the Issuer, its members, officers, employees and agents, harmless

against any claim, loss, expense (including reasonable attorneys' fees and expenses) or liability arising from or based upon (i) any breach by the University of this Disclosure Agreement or (ii) any information or notices provided under this Disclosure Agreement or any omission therefrom.

Section 8. Removal. The Dissemination Agent may be removed at any time by the University upon thirty days' written notice and the Dissemination Agent may resign by giving written notice to the University; provided, however, that such removal shall not become effective until either a successor Dissemination Agent has been appointed and has accepted the duties of the Dissemination Agent hereunder or the University has chosen to act as its own Dissemination Agent. In the event that no appointment of a successor Dissemination Agent shall have been made by the University or the University has not chosen to act as its own Dissemination Agent pursuant to the foregoing provisions of this Section within forty five (45) days after written notice of resignation of the Dissemination Agent has been given to the University, any retiring Dissemination Agent may apply to any court of competent jurisdiction for the appointment of a successor Dissemination Agent, and such court may thereupon, after such notice, if any, as it shall deem proper, appoint a successor Dissemination Agent.

Section 9. Miscellaneous.

(a) *Binding Nature of Undertaking*. This Disclosure Agreement shall be binding upon and inure to the benefit of the Underwriters, and their respective successors and assigns. In addition, registered owners of the Bonds, which for the purposes of this Section 9 includes the holders of a book-entry credit evidencing an interest in the Bonds, from time to time shall be third party beneficiaries hereof and shall be entitled to enforce the provisions hereof as if they were parties hereto; but no consent of beneficial owners of the Bonds shall be required in connection with any amendment of this Disclosure Agreement, except as required by the Rule. Holders of book-entry credits evidencing an interest in the Bonds may file their names and addresses with the University for the purposes of receiving notices or giving direction under this Disclosure Agreement.

(b) *Notices*. Except with respect to the electronic submission of information to MSRB through EMMA, as permitted by this Disclosure Agreement, and except as set forth in (c) below, all notices and other communications required or permitted under this Disclosure Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

(i) If to the Dissemination Agent:

The Bank of New York Mellon Trust Company, N.A.
Attention: Corporate Trust - Public
500 Ross Street, 12th Floor
Pittsburgh, PA 15262-0001
Phone: 412-234-7984

(ii) If to the University:

Drexel University
3141 Chestnut Street
Philadelphia, PA 19104
Attention: Executive Vice President, Treasurer and
Chief Operating Officer

(iii) If to MSRB:

Municipal Services Rulemaking Board
1300 I Street, NW
Suite 1000
Washington DC 20005-3314
Attn: CDI
Telecopy No. (202) 898-1500

Any party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provisions of this Section.

(c) *Email and Facsimile Direction.* The Dissemination Agent shall have the right to accept and act upon instructions ("Instructions") given pursuant to this Disclosure Agreement and delivered using email, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Dissemination Agent, or another methods or system specified by the Dissemination Agent as available for use in connection with its services hereunder ("Electronic Means"); provided, however, that the University shall provide to the Dissemination Agent an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the University whenever a person is to be added or deleted from the listing. If the University elects to give the Dissemination Agent Instructions using Electronic Means and the Dissemination Agent in its discretion elects to act upon such Instructions, the Dissemination Agent's understanding of such Instructions shall be deemed controlling. The University understands and agrees that the Dissemination Agent cannot determine the identity of the actual sender of such Instructions and that the Dissemination Agent shall conclusively presume the directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Dissemination Agent have been sent by such Authorized Officer. The University shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Dissemination Agent and that the University and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the University. The Dissemination Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Dissemination Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written Instruction. The University agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Dissemination Agent, including without limitation the risk of the Dissemination Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting

Instructions to the Dissemination Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the University; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Dissemination Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

(d) *Controlling Law.* This Disclosure Agreement and all questions relating to its validity, interpretation, performance and enforcement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania and the Rule.

(e) *Successor and Assigns.* Notwithstanding anything herein to the contrary, any successor trustee under the Indenture (as defined in the Official Statement) shall automatically succeed to the rights of the Dissemination Agent under this Disclosure Agreement.

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

DREXEL UNIVERSITY

By:

Name: Helen Y. Bowman
Title: Executive Vice President, Treasurer
and Chief Operating Officer

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

By:

Authorized Signatory



