

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the Series A Bonds is excluded from gross income of the owners thereof for purposes of federal income taxation. This opinion of Bond Counsel is subject to continuing compliance by the Authority and the University with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable regulations thereunder. In the further opinion of Bond Counsel, interest on the Series A Bonds is not treated as a preference item for purposes of the alternative minimum tax that may be imposed by the Code on individuals and corporations; such interest, however, may be included in adjusted current earnings in computing alternative minimum tax that may be imposed by the Code on corporations. Bond Counsel is also of the opinion that under the laws of the Commonwealth of Pennsylvania (the "Commonwealth") as presently enacted and construed, the Bonds are exempt from personal property taxes in Pennsylvania and the interest on the Bonds is exempt from the Pennsylvania personal income tax and the Pennsylvania corporate net income tax. For further information concerning federal and state tax matters relating to the Bonds, see "TAX MATTERS" herein.

\$90,300,000

PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY
University of the Sciences in Philadelphia Revenue Bonds, Series 2015

Consisting of

\$83,670,000

**University of the Sciences in Philadelphia Revenue Bonds,
Series 2015A**

\$6,630,000

**University of the Sciences in Philadelphia Revenue Bonds,
Series 2015B (Federally Taxable)**

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

University of the Sciences in Philadelphia Revenue Bonds, Series 2015A (the "Series A Bonds") and University of the Sciences in Philadelphia Revenue Bonds, Series 2015B (Federally Taxable) (the "Series B Bonds" and, together with the Series A Bonds, the "Bonds") are being issued by the Pennsylvania Higher Educational Facilities Authority (the "Authority") under a Trust Indenture dated as of January 1, 2005, between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), as previously amended and supplemented (as so amended and supplemented, the "Original Indenture") and as further supplemented in connection with the issuance of the Bonds by a Fourth Supplemental Trust Indenture dated as of February 1, 2015 (the "Fourth Supplemental Trust Indenture" and, together with the Original Indenture, the "Indenture"). Pursuant to a Loan and Security Agreement dated as of January 1, 2005 between the Authority and University of the Sciences in Philadelphia, Philadelphia, Pennsylvania (the "University"),



University of the Sciences in Philadelphia

as previously amended and supplemented (as so amended and supplemented, the "Original Loan Agreement") and as further supplemented in connection with the issuance of the Bonds by a Fourth Supplemental Loan and Security Agreement dated as of February 1, 2015 (the "Fourth Supplemental Loan Agreement" and, together with the Original Loan Agreement, the "Loan Agreement"), the proceeds of the Bonds will be loaned to the University to provide funds, together with other funds available to the University, for the Project (as defined herein).

The Bonds will be dated the date of initial issuance and delivery thereof. The Bonds will mature on November 1 of the years and bear interest from their delivery date at the rates shown on the inside cover page hereof, calculated on the basis of a year of 360 days consisting of twelve 30-day months. Interest on the Bonds will be payable on each May 1 and November 1, commencing on November 1, 2015.

The Bonds will be issued only as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and not the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein.

Principal, premium, if any, and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., Pittsburgh, Pennsylvania, as Trustee. So long as DTC or its nominee, Cede & Co., is the Bondholder, such payments will be made directly to Cede & Co. 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, as more fully described herein.

The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS – Redemption Provisions" herein.

THE BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM THE TRUST ESTATE (AS DEFINED IN THE INDENTURE). NEITHER THE GENERAL CREDIT OF THE AUTHORITY NOR THE CREDIT OR TAXING POWER OF THE COMMONWEALTH OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE BONDS, NOR SHALL THE BONDS BE DEEMED GENERAL OBLIGATIONS OF THE AUTHORITY OR OBLIGATIONS OF THE COMMONWEALTH OR OF ANY POLITICAL SUBDIVISION THEREOF. THE AUTHORITY HAS NO TAXING POWER.

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 the making of an informed investment decision.

The Bonds are offered when, as and if issued by the Authority and received by the Underwriter subject to the approving legal opinion of Fox Rothschild LLP, Philadelphia, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the University by its counsel, Duane Morris LLP, Philadelphia, Pennsylvania; for the Authority by its counsel, Buchanan Ingersoll & Rooney PC, Pittsburgh, Pennsylvania; and for the Underwriter by its counsel, Dilworth Paxson LLP, Philadelphia, Pennsylvania. It is expected that the Bonds in definitive form will be available for delivery through the facilities of DTC on or about February 26, 2015.

BofA Merrill Lynch

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS/ PRICES, CUSIPS[†]**University of the Sciences in Philadelphia Revenue Bonds, Series 2015A****\$64,400,000 Serial Bonds**

<u>Maturity (November 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP[‡]</u>
2018	\$1,315,000	5.000%	1.130%	70917SLZ4
2019	2,480,000	5.000%	1.380%	70917SMA8
2020	2,745,000	5.000%	1.660%	70917SMB6
2021	3,235,000	5.000%	1.920%	70917SMC4
2022	3,395,000	5.000%	2.130%	70917SMD2
2023	3,575,000	5.000%	2.310%	70917SME0
2024	3,755,000	5.000%	2.470%	70917SMF7
2025	3,950,000	5.000%	2.610%	70917SMG5
2026	4,150,000	5.000%	2.710%*	70917SMH3
2027	2,000,000	3.000%	3.030%	70917SMJ9
2027	2,340,000	5.000%	2.810%*	70917SMS9
2028	2,250,000	3.000%	3.180%	70917SMK6
2028	2,380,000	5.000%	2.860%*	70917SMT7
2029	2,250,000	3.125%	3.300%	70917SML4
2029	2,690,000	5.000%	2.960%*	70917SMU4
2030	2,500,000	3.250%	3.410%	70917SMM2
2030	2,645,000	5.000%	3.010%*	70917SMV2
2031	2,500,000	3.250%	3.450%	70917SMN0
2031	2,870,000	5.000%	3.060%*	70917SMW0
2032	5,570,000	3.250%	3.510%	70917SMP5
2033	5,805,000	5.000%	3.160%*	70917SMQ3

\$19,270,000, 5.000% Term Bonds due November 1, 2036, Yield: 3.260%*, CUSIP[‡] 70917SMR1

University of the Sciences in Philadelphia Revenue Bonds, Series 2015B (Federally Taxable)**\$6,630,000 Serial Bonds**

<u>Maturity (November 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP[‡]</u>
2015	\$ 965,000	0.850%	100%	70917SMX8
2016	2,290,000	1.100%	100%	70917SMY6
2017	2,315,000	1.500%	100%	70917SMZ3
2018	1,060,000	1.800%	100%	70917SNA7

[†] Copyright 2015, American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Owners of the Bonds only at the time of issuance of the Bonds and none of the Authority, the University or the Underwriters makes any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

*Priced to first optional redemption date on November 1, 2025.

PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY

1035 Mumma Road
Wormleysburg, Pennsylvania 17043

Board Members

Honorable Thomas W. Wolf Governor of the Commonwealth of Pennsylvania	Board Member
Honorable Lloyd K. Smucker Designated by the President Pro Tempore of the Senate	Board Member
Honorable Andrew E. Dinniman Designated by Minority Leader of the Senate	Vice President
Honorable Robert M. McCord State Treasurer	Treasurer
Honorable Mike Turzai Speaker of the House of Representatives	Board Member
Honorable Curt Topper Acting Secretary of General Services	Board Member
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 Rivera Acting Secretary of Education	Board Member

EXECUTIVE DIRECTOR

Robert Baccon

AUTHORITY COUNSEL

(Appointed by the Office of General Counsel)
Buchanan Ingersoll & Rooney PC
Pittsburgh, Pennsylvania

TRUSTEE

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

BOND COUNSEL

(Appointed by the Office of General Counsel)
Fox Rothschild LLP
Philadelphia, Pennsylvania

UNDERWRITER

Merrill Lynch, Pierce, Fenner & Smith Incorporated
New York, New York

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

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

The information set forth herein has been obtained from the Pennsylvania Higher Educational Facilities Authority (the "Authority"), the University of the Sciences in Philadelphia (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: "INTRODUCTION—THE AUTHORITY;" "THE AUTHORITY;" AND "LITIGATION—THE AUTHORITY." THE AUTHORITY HAS ONLY REVIEWED THE INFORMATION CONTAINED HEREIN UNDER THE SECTIONS: "INTRODUCTION—THE AUTHORITY;" "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 Bonds, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy any of the Bonds in any jurisdiction in which it is unlawful to make such an offer, solicitation, or sale.

The Bonds 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	Parity Debt	15
Purpose of the Official Statement	1	BONDHOLDERS' RISKS	15
The Authority	1	General	15
The University	1	Uncertainty of University Revenues and Expenses	15
Plan of Financing for the Bonds	1	Covenant to Maintain Tax-Exempt Status of the	
Security and Sources of Payment for the Bonds	2	Series A Bonds	15
The Mortgage	3	Enforceability of Remedies	16
Additional Bonds and Parity Debt	3	Potential Effects of Bankruptcy	16
Financial Statements	3	Other Risk Factors Relating to the Finances and	
Bondholders' Risks	4	Operations of the University	16
Continuing Disclosure	4	TAX MATTERS	17
Forward Looking Statements	4	Certain Federal Income Tax Matters	17
Definitions and Summaries of Documents	4	Certain Pennsylvania Tax Matters	18
THE AUTHORITY	4	Changes in Federal and State Tax Law	18
PLAN OF FINANCING	6	LEGAL MATTERS	19
The Project	6	FINANCIAL STATEMENTS	19
Sources and Uses of Funds	6	OTHER FINANCIAL INFORMATION	19
THE BONDS	7	VERIFICATION	19
General	7	RATINGS	20
Book-Entry-Only System	8	UNDERWRITING	20
Redemption Provisions	11	LITIGATION	21
SECURITY AND SOURCES OF PAYMENT FOR		The Authority	21
THE BONDS	12	The University	21
Limited Obligations	12	FINANCIAL ADVISOR	21
The Indenture	12	CONTINUING DISCLOSURE	21
The Loan Agreement	13	MISCELLANEOUS	22
The Mortgage	14		
APPENDIX A:		INFORMATION CONCERNING UNIVERSITY OF THE SCIENCES IN	
		PHILADELPHIA	
APPENDIX B:		FINANCIAL STATEMENTS OF UNIVERSITY OF THE SCIENCES IN	
		PHILADELPHIA AS OF JUNE 30, 2014 AND 2013	
APPENDIX C:		DEFINITIONS OF TERMS AND SUMMARIES OF CERTAIN PROVISIONS OF	
		PRINCIPAL DOCUMENTS	
APPENDIX D:		FORM OF CONTINUING DISCLOSURE AGREEMENT	
APPENDIX E:		PROPOSED FORM OF OPINION OF BOND COUNSEL	

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OFFICIAL STATEMENT

\$90,300,000

PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY University of the Sciences in Philadelphia Revenue Bonds, Series 2015

Consisting of

\$83,670,000

**University of the Sciences in Philadelphia Revenue
Bonds, Series 2015A**

\$6,630,000

**University of the Sciences in Philadelphia Revenue
Bonds, Series 2015B (Federally Taxable)**

INTRODUCTION

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

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page and the Appendices, is to furnish certain information relating to: (1) the Pennsylvania Higher Educational Facilities Authority (the “Authority”); (2) the Authority’s University of the Sciences in Philadelphia Revenue Bonds, Series 2015, in the aggregate principal amount of \$90,300,000 consisting of University of the Sciences in Philadelphia Revenue Bonds, Series 2015A (the “Series A Bonds”) in the aggregate principal amount of \$83,670,000 and University of the Sciences in Philadelphia Revenue Bonds, Series 2015B (Federally Taxable) in the aggregate principal amount of \$6,630,000 (the “Series B Bonds” and, together with the Series A Bonds, the “Bonds”); and (3) University of the Sciences in Philadelphia (the “University”).

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 Authority Act of 1967 (Act No. 318 of the General Assembly of the Commonwealth, approved December 6, 1967), as amended (the “Act”).

The University

The University is a private, nonprofit corporation, founded in 1821 and incorporated under the laws of the Commonwealth. The University was previously named Philadelphia College of Pharmacy and Science; in 1998, the University changed its name to University of the Sciences in Philadelphia. The University provides undergraduate, professional and graduate education in the health professions and natural sciences. The University’s campus is situated in Philadelphia, Pennsylvania. APPENDIX A contains certain information on the history, organization, operations, and financial condition of the University. APPENDIX B contains the audited financial statements of the University as of June 30, 2014 and June 30, 2013.

Plan of Financing for the Bonds

The Bonds are being issued by the Authority for the benefit of the University to finance a project (the “Project”) generally consisting of: (i) the refinancing of all of the Authority’s \$40,545,000 original aggregate principal amount of University of the Sciences in Philadelphia Revenue Bonds, Series 2005A

(the “2005A Bonds”); (ii) the refinancing of all of the Authority’s \$67,400,000 original aggregate principal amount of the University of the Sciences in Philadelphia Revenue Bonds, Series 2008 (the “2008 Bonds” and, together with the 2005A Bonds, the “Refunded Bonds”); and (iii) the payment of the costs and expenses incurred in connection with the issuance of the Bonds. See “PLAN OF FINANCING” herein.

The Project is being undertaken pursuant to the Act, a Resolution adopted by the Authority on December 18, 2014, and a Trust Indenture dated as of January 1, 2005 (the “Original Indenture”) between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “Trustee”), as amended and supplemented by the First Supplemental Trust Indenture dated as of May 15, 2006 (the “First Supplemental Trust Indenture”), a Second Supplemental Trust Indenture dated as of May 1, 2008 (the “Second Supplemental Trust Indenture”), a Third Supplemental Trust Indenture dated as of September 1, 2012 (the “Third Supplemental Trust Indenture”) and as further supplemented in connection with the issuance of the Bonds by a Fourth Supplemental Trust Indenture dated as of February 1, 2015 (the “Fourth Supplemental Trust Indenture” and together with the Original Indenture, the First Supplemental Trust Indenture, the Second Supplemental Trust Indenture and the Third Supplemental Trust Indenture, referred to herein collectively as the “Indenture”), and that certain Loan and Security Agreement dated as of January 1, 2005 (the “Original Loan Agreement”) by and between the Authority and the University, as amended and supplemented by the First Supplemental Loan and Security Agreement dated as of May 15, 2006 (the “First Supplemental Loan Agreement”), a Second Supplemental Loan and Security Agreement dated as of May 1, 2008 (the “Second Supplemental Loan Agreement”), a Third Supplemental Loan and Security Agreement dated as of September 1, 2012 (the “Third Supplemental Loan Agreement”), and as further supplemented in connection with the issuance of the Bonds by a Fourth Supplemental Loan and Security Agreement dated as of February 1, 2015 (the “Fourth Supplemental Loan Agreement” and together with the Original Loan Agreement, the First Supplemental Loan Agreement, the Second Supplemental Loan Agreement and the Third Supplemental Loan Agreement, referred to herein collectively as the “Loan Agreement”). The Authority will issue the Bonds for the purpose of providing funds to make a loan to the University to finance the Project pursuant to the Loan Agreement.

Security and Sources of Payment for the Bonds

The Bonds are being issued on a parity basis with the Authority’s University of the Sciences in Philadelphia Revenue Bonds, Series 2012, currently outstanding in the aggregate principal amount of \$31,000,000 (the “2012 Bonds”), and any Parity Debt under the Loan Agreement incurred by the University after the issuance of the Bonds.

The Bonds are special, limited obligations of the Authority, payable solely from and secured by a pledge and assignment to the Trustee of the Loan Agreement and the rights of the Authority to receive Loan Payments (as defined in APPENDIX C) thereunder (excluding certain fees and expenses and certain indemnity payments), and not from any other fund or source of the Authority.

Under the Loan Agreement, the University is obligated to make payments which are sufficient, together with other funds available for such purpose, to pay when due the principal of, premium, if any, and interest on the Bonds. Pursuant to the Indenture, the Authority assigns to the Trustee, for the benefit and security of the owners of the Bonds, substantially all of the rights of the Authority in the Loan Agreement (excluding the Authority’s rights to indemnification and payment of fees and expenses and certain other unassigned rights), including all Loan Payments payable under the Loan Agreement. The Bonds, the 2012 Bonds, and any Parity Debt and obligations treated as Parity Debt as provided in the Loan Agreement incurred by the University after the issuance of the Bonds are equally and ratably secured under the Indenture, except as otherwise provided therein.

As security for its obligations under the Loan Agreement, the University has pledged and granted to the Authority a lien on and security interest in the University's Unrestricted University Revenues (as defined under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledge of Unrestricted University Revenues") and the proceeds thereof. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Neither the general credit of the Authority nor the credit or the taxing power of the Commonwealth or any political subdivision thereof is pledged for the payment of the principal of, premium, if any, or interest on the Bonds, nor shall the Bonds be or be deemed to be obligations of the Commonwealth or any political subdivision thereof, nor shall the Commonwealth or any political subdivision thereof be liable for the payment of the principal of, premium, if any, or interest on the Bonds. The Authority has no taxing power. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The Mortgage

The University's obligations relating to the 2008 Bonds and the 2012 Bonds and pursuant to the Original Loan Agreement, the Second Supplemental Loan Agreement and the Third Supplemental Loan Agreement currently are secured by an Amended and Restated Open-End Mortgage dated as of May 1, 2008 between the University and the Trustee, as amended and restated by an Amended and Restated Open-End Mortgage dated as of September 1, 2012 (as so amended and restated, the "Existing Mortgage"), granting a mortgage lien on certain property of the University (the "Mortgaged Property"). The University is entitled to release and terminate the Existing Mortgage upon the defeasance of all of the 2008 Bonds, provided that the University delivers written notice thereof to the Trustee. In connection with the issuance of the Bonds, the University will provide notice to the Trustee and the Existing Mortgage will be terminated and will not provide security for the 2012 Bonds and the Bonds. The University has covenanted in the Loan Agreement, subject to certain limited exceptions, not to grant a lien on the Unrestricted University Revenues or any property of the University to secure future debt obligations unless a parity security interest is also granted to the Authority and the Trustee, for the benefit of the Bondholders, in order to secure Loan Payments under the Loan Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS-Negative Covenant Regarding Additional Debt" herein and APPENDIX C – Definitions of Terms and Summaries of Certain Provisions of Principal Documents.

Additional Bonds and Parity Debt

Upon compliance with the terms and conditions of the Indenture, the Authority may issue Additional Bonds for the purpose of financing or refinancing any project, which would be equally and ratably secured with the Bonds and the 2012 Bonds. Upon compliance with the provisions of the Loan Agreement, the University may incur debt (including in connection with Additional Bonds issued under the Indenture) that may be secured on a parity with the Bonds and the 2012 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS-PARITY DEBT" herein and APPENDIX C – Definitions of Terms and Summaries of Certain Provisions of Principal Documents.

Financial Statements

The financial statements of the University as of June 30, 2014 and 2013, included in APPENDIX B to this Official Statement, have been audited by KPMG LLP, independent auditors, as stated in their report appearing therein.

Bondholders' Risks

There are risks involved in the purchase of the Bonds. See "BONDHOLDERS' RISKS" herein for a description of certain of such risks.

Continuing Disclosure

In accordance with Rule 15c2-12 promulgated by the Securities and Exchange Commission, the University, the Trustee and Digital Assurance Certificate, L.L.C. will enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") pursuant to which the University will covenant to provide disclosure of certain financial and operating information on an ongoing basis. The Continuing Disclosure Agreement will require the University to submit (a) audited annual financial statements of the University and certain annual operating information pertaining to the University and (b) notice of the occurrence of certain specified events. See "CONTINUING DISCLOSURE" and APPENDIX D – Form of Continuing Disclosure Agreement.

Forward Looking Statements

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

Definitions and Summaries of Documents

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

THE AUTHORITY

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

Under the Act, the Authority consists of the Governor of the Commonwealth, the State Treasurer, the Auditor General, the Secretary of Education, the Secretary of the Department of General Services, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Minority Leader of

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

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

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

The Act provides that the Authority is to obtain from the Pennsylvania State Public School Building Authority (the “SPSBA”), for a fee, those executive, fiscal and administrative services which are not available from the colleges and universities, as may be required to carry out the functions of the Authority under the Act. Accordingly, the Authority and the SPSBA share an executive, fiscal and administrative staff, which currently numbers ten (10) 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 of both the Authority and the SPSBA since 1984. He is a graduate of St. John’s University with a bachelor’s degree in management and holds a master’s degree in international business from the Columbia University Graduate School of Business. Prior to joining the Authority, Mr. Baccon held financial management positions with multinational U.S. corporations and was Vice President – Finance for a major highway construction contractor.

David Player, Comptroller & Director of Financial Management. Mr. Player serves as the Comptroller & Director of Financial Management of both the Authority and the SPSBA. He has been with both Authorities since 1999. Prior to his present position, he served as Senior Accountant for both

the Authority and the SPSBA and as an auditor with the Pennsylvania Department of the Auditor General. Mr. Player is a graduate of The Pennsylvania State University and a Certified Public Accountant.

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 "ABSENCE OF LITIGATION: BELOW IN RESPECT OF THE AUTHORITY, AND, EXCEPT AS AFORESAID, THE AUTHORITY DISCLAIMS RESPONSIBILITY FOR THE DISCLOSURES SET FORTH HEREIN MADE IN CONNECTION WITH THE OFFER, SALE AND DISTRIBUTION OF THE BONDS.

PLAN OF FINANCING

The Project

The proceeds of the Bonds will be applied to the Project generally consisting of: (i) the refinancing of the 2005A Bonds; (ii) the refinancing of the 2008 Bonds; and (iii) the payment of costs and expenses incurred in connection with the issuance of the Bonds.

A portion of the net proceeds of the Bonds shall be held by the Trustee in a separate account in the Bond Redemption Fund established under the Indenture and applied to the payment of the redemption price of the 2005A Bonds which have been called for redemption on May 1, 2015 at a redemption price of 100% of the principal of the 2005A Bonds, plus accrued interest to the redemption date. Upon deposit of the necessary funds with the Trustee, the 2005A Bonds will no longer be deemed to be Outstanding under the Indenture.

In connection with the advance refunding of the Refunded Bonds, on the date of issuance of the Bonds, a portion of the proceeds of the Bonds will be irrevocably deposited with The Bank of New York Mellon Trust Company, N.A., as escrow agent under an Escrow Agreement dated as of February 1, 2015 between the Authority and such escrow agent and invested in securities which will mature and earn interest at such rates as will provide sufficient funds to pay principal of and interest on the 2008 Bonds through and including the redemption date of November 1, 2018, and to redeem the 2008 Bonds on such date.

Sources and Uses of Funds

The following is a summary of the estimated sources of funds and the uses of such funds in connection with the Bonds:

Estimated Sources:

	<u>Series A Bonds</u>	<u>Series B Bonds</u>	<u>Total</u>
Principal Amount	\$ 83,670,000.00	\$6,630,000.00	\$90,300,000.00
Net Original Issue Premium	11,691,757.10		11,691,757.10
Available Funds under the Debt Service Reserve			
Fund relating to the 2008 Bonds	4,889,338.10	519,221.74	5,408,559.84
Available Funds from Termination of an			
Investment Agreement relating to the Debt			
Service Reserve Fund for the 2008 Bonds	<u>375,793.02</u>	<u>39,907.22</u>	<u>415,700.24</u>
Total Sources:	<u>\$100,626,888.22</u>	<u>\$7,189,128.96</u>	<u>\$107,816,017.18</u>

Estimated Uses:

Deposit to Redemption Fund for Current			
Refunding of 2005A Bonds	\$ 32,514,115.63		\$ 32,514,115.63
Deposit to Escrow Fund for the 2008 Bonds	67,328,290.09	\$7,140,211.95	74,468,502.04
Costs of Issuance ¹	<u>784,482.50</u>	<u>48,917.01</u>	<u>833,399.51</u>
Total Uses:	<u>\$100,626,888.22</u>	<u>\$7,189,128.96</u>	<u>\$107,816,017.18</u>

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

THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is hereby made to the Bonds in their entirety for the detailed provisions thereof.

General

The Bonds will be dated and will bear interest from the delivery date at the rate set forth on the cover page hereof payable on May 1 and November 1 of each year, commencing November 1, 2015. The Bonds shall be subject to redemption prior to maturity as stated below. Interest shall be payable on each interest payment date to the registered owner of Bonds as appears on the registration books maintained by the Trustee on each regular record date, which is the close of business on the 15th day of the calendar month (whether or not a Business Day) immediately preceding each interest payment date. Interest accruing on the Bonds shall be calculated on the basis of a 360-day year of twelve 30-day months.

The Bonds are issuable only as fully registered bonds in denominations of \$5,000 and any integral multiple thereof. The Authority has established a book-entry-only system of registration for the Bonds (the "Book-Entry System"). Except as otherwise provided in the Indenture, The Depository Trust Company, New York, New York, or its successor as securities depository (the "Securities Depository" or "DTC") (or its nominee) will be the registered owner of the Bonds. By acceptance of a confirmation of purchase, delivery or transfer, each Beneficial Owner (defined herein) of an interest in the Bonds will be deemed to have consented to the Book-Entry System. The Securities Depository (or its nominee), as

registered owner of the Bonds, will be the registered owner or holder of the Bonds for all purposes of the Indenture. See “Book-Entry-Only System” below.

So long as the Bonds are held in the Book-Entry System, the principal, premium, if any, and interest on the Bonds will be paid through the facilities of the Securities Depository. Interest on the Bonds is payable by check mailed to the Owner of record; provided that upon the written request of an Owner of record of at least \$1,000,000 aggregate principal amount of Bonds received by the Trustee at least 10 Business Days prior to the corresponding regular record date, interest accrued on such Bonds will be paid by wire transfer, in immediately available funds, to a bank account within the continental United States specified in such written notice.

If sufficient funds for the payment of interest becoming due on any interest payment date are not on deposit with the Trustee on a regular record date, the interest so becoming due shall cease to be payable to the Owner of record otherwise entitled thereto as of the applicable regular record date. If sufficient funds thereafter become available for the payment of such overdue interest, the Trustee shall establish a special record date for the payment of such overdue interest, which will not be more than 15 nor fewer than 10 days prior to the date of the proposed payment, and shall mail a notice of the proposed payment and of the special record date to the Owners of all Bonds at least 10 days prior to the special record date, and thereafter interest shall be payable to the persons listed on the registration books of the Trustee as the Owners of the Bonds at the close of business on the special record date.

If the Book-Entry System is discontinued and the Bonds are issued in certificated form, the Bonds may be transferred or exchanged for an equal total amount of Bonds of such series of other authorized denominations upon surrender of such Bonds at the Delivery Office of The Bank of New York Mellon Trust Company, N.A., as Bond Registrar (the “Bond Registrar”), in East Syracuse, New York, duly endorsed for transfer or accompanied by an assignment executed by the Owner or the Owner’s duly authorized attorney and with a guaranty of signature satisfactory to the Trustee. Except as provided in the Indenture, the Bond Registrar will not be required to register the transfer or exchange of (i) any Bonds during the period of 15 days preceding any interest payment date, or (ii) any Bond after such Bond has been selected for redemption in whole or in part. Registration of transfers and exchanges shall be made without charge to the Owners, except that the Bond Registrar may require the Owner requesting registration of transfer or exchange to pay any required tax or governmental charge.

Book-Entry-Only System

Portions of the following information concerning DTC and DTC’s book-entry only system have been obtained from DTC. The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the Authority, the University and the Underwriters believe to be reliable; however, the Authority, the University and the Underwriters take no responsibility for the accuracy thereof and make no representation as to the accuracy of such information.

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

DTC, the world’s largest securities depository, is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions

of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 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 and www.dtc.org. Purchases of Bonds under the DTC system must be made by or through direct participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "beneficial owner") is in turn to be recorded on the direct and indirect participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase. Beneficial owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participant through which the beneficial owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of direct and indirect participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in Series, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain

steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Payments of principal, premium, if any, and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Bond Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds 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 Authority or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium, if any, and interest on the 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 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

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

NONE OF THE AUTHORITY, THE UNIVERSITY OR THE TRUSTEE SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A BONDHOLDER WITH RESPECT TO: (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 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 BONDS OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

Redemption Provisions

Optional Redemption-Series A Bonds. The Series A Bonds are subject to redemption prior to maturity by the Authority, at the direction of the University, on or after November 1, 2025 in whole at any time or in part from time to time, in such order of maturity as specified by the Authority at the direction of the University and within a maturity by lot, at the redemption price of 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption.

Optional Redemption-Series B Bonds. The Series B Bonds are subject to redemption upon the direction of the Authority, at the direction of the University, in whole or in part on any business day at a redemption price equal to the Make-Whole Redemption Price, plus accrued interest to the redemption date.

“Make-Whole Redemption Price” means when used with respect to any Series B Bond (or the portion thereof) to be redeemed, the greater of the following:

(1) 100% of the principal amount of the Series B Bond (or portion thereof) to be redeemed;
or

(2) the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series B Bond (or portion thereof), not including interest accrued and unpaid as of the redemption date, discounted to the redemption date at the Adjusted Treasury Rate (as defined below) plus twenty (20) basis points, such discounting to be on a semiannual basis assuming a 360-day year consisting of twelve 30-day months.

For purposes of determining the Make-Whole Redemption Price for any Series B Bond to be redeemed, the term “Adjusted Treasury Rate” means the yield to maturity of United States Treasury securities (excluding inflation-indexed securities) with a constant maturity most nearly equal to the period from the redemption date to the maturity date of such Series B Bond; provided, however, that if the period from the redemption date to such maturity date is less than one year, a constant maturity of one year will be used. The yield to maturity on United States Treasury securities shall be determined by reference to Federal Reserve Statistical Release H.15, as published on the most recent date that is at least two business days prior to the redemption date or, if such Release is no longer published, by reference to such publicly available index as the Trustee, in its reasonable judgment, shall deem reasonably comparable.

Scheduled Mandatory Redemption of Series A Bonds. The Series A Bonds maturing on November 1, 2036 are subject to scheduled mandatory redemption by the Authority on November 1 in the years set forth below in the amounts set forth below at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption.

<u>Year</u>	<u>Principal Amount</u>
2034	\$6,105,000
2035	6,420,000
2036*	6,745,000

*Stated maturity

Notice of Redemption. Any redemption described in the preceding paragraphs is required to be made as provided in the Indenture upon no more than 60 nor fewer than 30 days' notice by mailing a copy of the redemption notice by first class mail, postage prepaid to the registered owner thereof at the address shown on the registration books maintained by the Trustee; provided, however, that failure to mail any notice or any defect therein or in the mailing thereof, as it affects any particular Bond, will not affect the validity of the proceedings for redemption of any other Bonds. If the Authority deposits funds with the Trustee in an amount sufficient to pay the redemption price of all or any portion of the Bonds, together with interest accrued to the redemption date, as provided in and limited by the terms of the Indenture, interest on such Bonds to be redeemed will cease to accrue on the redemption date and thereafter such Bonds will be payable as to principal and interest only out of the funds so deposited.

Any notice of optional redemption of any Bonds may specify that the redemption is contingent upon the deposit of moneys with the Trustee in an amount sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

So long as DTC or its nominee is the registered owner of the Bonds, any failure on the part of DTC or failure on the part of a nominee of a beneficial owner (having received notice from a DTC Participant or otherwise) to notify the beneficial owner affected by any redemption of such redemption will not affect the validity of the redemption. So long as DTC or its nominee is the registered owner of the Bonds, if less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed will be selected by lot by DTC, the DTC Participants and Indirect Participants in such manner as they may determine.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

The Bonds are special, limited obligations of the Authority, payable solely from and secured by a pledge and assignment to the Trustee of the Loan Agreement and the rights of the Authority to receive Loan Payments thereunder (excluding certain fees and expenses and certain indemnity payments). Neither the general credit of the Authority nor the credit or taxing power of the Commonwealth or of any political subdivision thereof is pledged for the payment of the Bonds, nor shall the Bonds be or be deemed general obligations of the Authority or obligations of the Commonwealth or of any political subdivision thereof. The Authority has no taxing power.

The Indenture

In order to secure the payment of the principal of and redemption premium, if any, and interest on the Bonds, the Authority is assigning to the Trustee, under the Indenture, all of its right, title and interest in, to and under the Loan Agreement, including the Unrestricted University Revenues (defined below) pledged by the University thereunder to the extent provided in the Loan Agreement, and all payments received or receivable by the Authority from the University under the Loan Agreement (but excluding the Authority's rights to payment of certain fees and expenses and certain indemnity payments). The Bonds, the 2012 Bonds and any Parity Debt and obligations treated as Parity Debt as provided in the Loan Agreement incurred by the University after the issuance of the Bonds are equally and ratably secured under the Indenture, except as otherwise provided therein. See "DEFINITIONS OF TERMS AND SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS — The Indenture" in APPENDIX C.

The Loan Agreement

Loan Payments. Under the Loan Agreement, the University is required to make Loan Payments to the Trustee in amounts sufficient (i) to pay when due the principal of, premium if any, and interest on the Bonds, as well as the principal of, premium if any, and interest on the 2012 Bonds; and (ii) to redeem the Bonds if the University exercises its right to redeem any Bonds under any provision of the Indenture or if any Bonds are required to be redeemed under any provision of the Indenture, and to make certain other payments. The Loan Agreement provides that the University is required to pay all Loan Payments and additional payments without notice or demand, and without abatement, deduction, set-off, counterclaim, recoupment or defense or any right of termination or cancellation arising from any circumstances whatsoever.

Pledge of Unrestricted University Revenues. The University's obligation under the Loan Agreement to make Loan Payments is a general obligation of the University. The Bonds, the 2012 Bonds and any Parity Debt are equally and ratably secured by the pledge of the Unrestricted University Revenues, pursuant to the provisions of the Loan Agreement. "Unrestricted University Revenues" means all revenues, income and other moneys (both operating and non-operating) received by the University that properly would be recorded as additions to Unrestricted Net Assets during the period being measured. However, "Unrestricted Net Assets" does not include assets that are subject to donor-imposed stipulations, as recorded on the annual financial statements of the University or the equivalent as estimated by the University. See APPENDIX C - Definitions of Terms and Summaries of Certain Provisions of Principal Documents for a complete definition of "Unrestricted University Revenues."

The existence of such pledge and security will not prevent the expenditure, deposit or commingling of the Unrestricted University Revenues by the University so long as all required payments under the Loan Agreement are made when due. In the event of a failure to make payments when due or an Event of Default shall have occurred and be continuing, the Trustee shall have and may exercise all of its statutory rights as a secured party, and the University covenants thereafter to pay directly to the Trustee, or permit the Trustee to collect for the equal and ratable benefit of the owners of the Bonds, the 2012 Bonds and the holders of any Parity Debt as provided in the Loan Agreement, all Unrestricted University Revenues to the extent necessary to cure the payment default. See Appendix C - Definitions of Terms and Summaries of Certain Provisions of Principal Documents.

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

To the extent that a security interest can be perfected in the Unrestricted University Revenues by the filing of financing statements, such action will be taken. The security interest in the Unrestricted University Revenues may not be enforceable against third parties unless such Unrestricted University Revenues are actually transferred to the Trustee or are subject to exceptions under the UCC as enacted in the Commonwealth. Under the current law, such security interest may be further limited by the following: (1) statutory liens; (2) rights arising in favor of the United States of America or any agency thereof; (3) present or future prohibitions against assignment contained in any Pennsylvania or federal statutes or regulations; (4) constructive trusts, equitable liens or other rights impressed or conferred by any

Pennsylvania or federal court in the exercise of its equitable jurisdiction; (5) federal bankruptcy laws or state laws dealing with fraudulent conveyances affecting assignments of revenues and assets; and (6) any defect in the filing of, or any failure to file, appropriate continuation statements pursuant to the UCC.

Covenants Regarding Unrestricted University Revenues and Expendable Financial Resources.

The University covenants in each fiscal year that it will fix, charge and collect rates, fees and charges for the services it provides such that Unrestricted University Revenues, together with other funds available to pay debt service, exceed Unrestricted University Expenses by an amount that is not less than 110% of the University's Debt Service Requirements for such fiscal year. The University also covenants to maintain Expendable Financial Resources as of the end of each fiscal year equal to at least 50% of the University's Long-Term Debt Outstanding, subject to adjustment for investment losses.

If the University fails to meet either of the financial covenants described above for two consecutive fiscal years, the University is required to hire a consultant and advise the Authority and the Trustee of the actions, if any, the University plans to take upon the report and recommendation of the consultant. The failure to comply with such covenant will not constitute an event of default so long as the University takes the necessary action with respect to the consultant and its report. See "APPENDIX C - Definitions of Terms and Summaries of Certain Provisions of Principal Documents—The Loan Agreement" for definitions of Unrestricted University Expenses, Debt Service Requirements, Expendable Financial Resources, Long-Term Debt Outstanding and other undefined terms and a summary of covenants applicable to the University.

Upon compliance with the provisions of the Loan Agreement, the University may incur debt (including in connection with Additional Bonds issued under the Indenture) that may be secured on a parity with the Bonds. See APPENDIX C - Definitions of Terms and Summaries of Certain Provisions of Principal Documents.

Negative Covenant Regarding Additional Debt. Any additional debt may be secured by a lien on and security interest in the Unrestricted University Revenues and any property or interest in property, real, personal, or mixed, of the University provided that a parity security interest in such property or interest in property is also granted to the Authority or the Trustee to secure Loan Payments under the Loan Agreement. However, no such debt (other than Additional Bonds) may be secured by the moneys and investments held by the Trustee in any funds created under the Indenture. See APPENDIX C - Definitions of Terms and Summaries of Certain Provisions of Principal Documents.

The Mortgage

The University's obligations with respect to the 2008 Bonds and the 2012 Bonds pursuant to the Original Loan Agreement, the Second Supplemental Loan Agreement and the Third Supplemental Loan Agreement currently are secured by the Existing Mortgage. The Existing Mortgage grants a mortgage lien, subject to Permitted Encumbrances (see the definition of Permitted Encumbrances in APPENDIX C), on the Mortgaged Property, which includes the Athletic Recreation Center and the Science and Technology Center. The University is entitled to release and terminate the Existing Mortgage upon the defeasance of all of the 2008 Bonds, provided that the University delivers written notice thereof to the Trustee. In connection with the issuance of the Bonds, the University will provide notice to the Trustee and the Existing Mortgage will be terminated and will not provide security for the 2012 Bonds and the Bonds. The University has covenanted in the Loan Agreement, subject to certain limited exceptions, not to grant a lien on the Unrestricted University Revenues or any property of the University to secure future debt obligations unless a parity security interest is also granted to the Authority and the Trustee, for the benefit of the Bondholders, in order to secure Loan Payments under the Loan Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS-Negative Covenant Regarding

Additional Debt” above and APPENDIX C – Definitions of Terms and Summaries of Certain Provisions of Principal Documents.

Parity Debt

The University may incur Parity Debt, including Additional Bonds, that is equally and ratably secured with the Bonds and the 2012 Bonds. In order for such Additional Bonds to be issued, the University must satisfy certain conditions as set forth in the Loan Agreement, including the delivery of an opinion of counsel and a debt incurrence certificate certifying that the University has met the applicable financial tests required to issue Additional Bonds. For a description of such conditions, see APPENDIX C — Definitions of Terms and Summaries of Certain Provisions of Principal Documents.

BONDHOLDERS’ RISKS

General

The Bonds are special limited obligations of the Authority payable solely from amounts payable by the University under the Loan Agreement. Future revenues and expenses of the University are subject to change, and no representation or assurance can be given to the effect that the University will be able to generate sufficient revenues to meet its obligations, including its obligations to make payments under the Loan Agreement. The paragraphs below discuss certain Bondholders’ risks but are not intended to be a complete enumeration of all of the risks associated with the Bonds and the University. Neither the Underwriter nor the Authority has made any independent investigation of the extent to which any of these risk factors may have an adverse impact on the revenues of the University.

Uncertainty of University Revenues and Expenses

There are a number of factors affecting institutions of higher education, including the University, that could have an adverse effect on the University’s financial position and its ability to make the payments required under the Loan Agreement. Without intending to limit the generality of the foregoing, these factors include: competition from other educational institutions; an economic downturn, locally or in the regions served by the University; shortfalls in sources of University revenue other than tuition and fees, such as capital campaigns and other general donor contributions, grants, or appropriations from governmental agencies (including changes in federally guaranteed student financial aid programs); a decrease in student loan opportunities, as may impact enrollment; investment losses in endowment and other funds; 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; future legislation, regulatory, and judicial or administrative determinations affecting colleges and universities and their exemptions from various taxes; and future economic and other conditions which are unpredictable.

Covenant to Maintain Tax-Exempt Status of the Series A Bonds

The tax-exempt status of the Series A Bonds is based on the continued compliance by the Authority and the University with certain covenants contained in the Indenture, the Loan Agreement, and other documents executed by the Authority and the University. These covenants are aimed at satisfying applicable requirements of the Internal Revenue Code and relate generally to the use of the proceeds of the Series A Bonds, maintenance of the status of the University as an organization meeting the requirements of Section 501(c)(3) of the Code, arbitrage limitations, rebate of certain excess investment earnings to the federal government and restrictions on the amount of issuance costs financed with the proceeds of the Series A Bonds. Failure to comply with such covenants could cause interest on the Series

A Bonds to become subject to federal income taxation retroactive to the date of issuance of the Series A Bonds.

Enforceability of Remedies

The remedies available to Bondholders upon an event of default under the Indenture and Loan Agreement are in many respects dependent upon judicial action which may be subject to discretion or delay. In addition, under existing law and judicial decisions, including specifically the United States Bankruptcy Code, the remedies (including, without limitation, specific performance) specified in the Indenture and Loan Agreement may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the original delivery of the Bonds will be qualified as to enforceability of the various legal instruments (including the Indenture and Loan Agreement) by a number of limitations, including those imposed by the bankruptcy, reorganization, insolvency or other similar laws affecting creditors' rights and by the application of equitable principles.

Potential Effects of Bankruptcy

Under existing law, if the University were to file a petition for relief under Title 11 of the United States Code, as amended (the "Bankruptcy Code"), 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 revenues, could be used for the benefit of the University despite the claims of its creditors (including the Trustee).

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, would bind all creditors who had notice or knowledge of the plan and discharge 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.

In case of financial difficulties, the University may also commence state court receivership proceedings.

There can be no assurance that Bondholders or Beneficial Owners will receive all or any amount as payment with respect to the Bonds under any plan or court order resulting from the bankruptcy, receivership or other similar court action.

Other Risk Factors Relating to the Finances and Operations of the University

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

1. Increased costs and decreased availability of malpractice and/or public liability insurance; see APPENDIX A – "Property/Liability Insurance;"

2. Changes in the demand for higher education in general or for programs offered by the University in particular;
3. Cost and availability of energy;
4. Future interest rates, which could prevent borrowing or restrict the amount of borrowing for needed capital expenditures;
5. A decrease in student loan funds or other aid that provides many students with the opportunity to pursue higher education; see APPENDIX A – “Student Financial Aid;”
6. An increase in the costs of health care benefits, retirement plan, or other benefit packages offered by the University to its employees and retirees; see APPENDIX A — “Accounting Matters – Pension Program” for a discussion of the costs of the University’s pension plans;
7. A significant decrease in the value of the University’s investments caused by market or other external factors; see APPENDIX A — “Endowment and Similar Funds” for a discussion of the University’s investments;
8. Unknown litigation, regulatory actions or other similar claims regarding the University or any of its affiliates; see Appendix A – “Litigation;”
9. Elimination or reduction of external funding for research; see APPENDIX A — “Gifts, Contributions and Grants” for a discussion of funding of research at the University; and
10. A reduction in charitable pledges and other fundraising support of the University; see APPENDIX A — “Gifts, Contributions and Grants” for a description of fundraising activities at the University.

TAX MATTERS

Certain Federal Income Tax Matters

Series A Bonds

On the date of delivery of the Series A Bonds, Fox Rothschild LLP (“Bond Counsel”) will issue an opinion to the effect that under existing statutes and court decisions as of the date of initial delivery of the Series A Bonds, interest on the Series A Bonds is excluded from gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although interest on the Series A Bonds is taken into account for purposes of computing alternative minimum tax that may be imposed by the Code on certain corporations. The opinion of Bond Counsel will assume the accuracy of certifications made by the Authority and the University and will be subject to the condition that the Authority and the University comply with all requirements of the Code. Failure to comply with such requirements could cause the interest on the Series A Bonds to be included in gross income prospectively and/or retroactively to the date of issuance of the Series A Bonds.

Notwithstanding the general exclusion of interest on the Series A Bonds from gross income and the exemption of the Series A Bonds and the interest thereon from certain taxes, ownership of the Series A Bonds may result in certain other federal income tax consequences to certain taxpayers, including, without limitation, certain foreign corporations doing business in the United States that are subject to the

branch profits tax imposed by the Code, financial institutions, property and casualty insurance companies, certain subchapter S corporations with substantial passive income and Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise eligible for the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series A Bonds. Bond Counsel will express no opinion as to such other tax consequences, and prospective purchasers of the Series A Bonds should consult their tax advisors as to all matters relating to the acquisition, ownership and disposition of the Series A Bonds.

The Series A Bonds maturing on November 1, 2018 through and including November 1, 2026, the Series A Bonds bearing interest at 5.000% per annum and maturing on November 1, 2027 through and including November 1, 2031, the Series A Bonds bearing interest at 5.000%, and the Series A Bonds maturing November 1, 2036 were sold to the public in the initial offering at prices greater than the stated redemption price of such Series A Bonds at maturity (that is, greater than par or the stated principal amount), the difference being “original issue premium.” Generally, original issue premium is amortizable ratably over the term of the obligation through reductions in the holder’s tax basis for purposes of determining taxable gain or loss upon the sale or other disposition of such obligation prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the obligation rather than creating a deductible expense or loss. The Code provides specific rules for the amortization of original issue premium on tax-exempt obligations for Federal income tax purposes. Prospective purchasers of the Series A Bonds being sold with original issue premium should consult their tax advisors for further information.

The initial public offering prices of the Series A Bonds bearing interest at 3.000% per annum and maturing on November 1, 2027 and November 1, 2028, the Series A Bonds bearing interest at 3.125% per annum and maturing on November 1, 2029, and the Series A Bonds bearing interest at 3.250% per annum and maturing on November 1, 2030 through and including November 1, 2032 are less than the amount payable at maturity. The difference between the initial public offering prices and the amounts payable at maturity constitutes “original issue discount.” Bond Counsel is of the opinion that the appropriate portion of such original issue discount allocable to the original and each subsequent holder will, upon sale, exchange, redemption, or payment at maturity, be treated as interest and excluded from gross income for federal income tax purposes to the same extent as the stated interest on the Series A Bonds.

Series B Bonds

Interest on the Series B Bonds is includable in the gross income of the owners thereof for federal income tax purposes.

Certain Pennsylvania Tax Matters

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

Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Series A Bonds or otherwise prevent holders of the Series A Bonds from realizing the full benefit of the tax exemption of interest on the Series A Bonds. Further, such proposals may impact the marketability or

market value of the Series A Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Series A Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series A Bonds would be impacted thereby.

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

LEGAL MATTERS

Legal matters incident to the authorization, issuance, and sale of the Bonds will be passed upon by Fox Rothschild LLP, Philadelphia, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the Authority by its Counsel, Buchanan Ingersoll & Rooney PC, Pittsburgh, Pennsylvania, and for the Underwriter by its Counsel, Dilworth Paxson LLP, Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the University by its Counsel, Duane Morris LLP, Philadelphia, Pennsylvania.

FINANCIAL STATEMENTS

The financial statements of the University as of June 30, 2014 and 2013, included in APPENDIX B to this Official Statement, have been audited by KPMG LLP, independent auditors, as stated in their report appearing therein.

OTHER FINANCIAL INFORMATION

According to University officials, there have been no adverse material changes in the financial condition of the University from the date of the financial information for the fiscal year ended June 30, 2014 to the date of this Official Statement.

VERIFICATION

Causey Demgen & Moore P.C., a firm of independent public accountants (the "Verification Agent"), will deliver to the University, on or before the date of the delivery of the Bonds, its report indicating that it has verified that, subject to a portion of the proceeds of the Bonds being deposited with the Escrow Agent pursuant to the Escrow Agreement, the maturing principal amounts of the investments in the Escrow Fund and the interest income to be realized thereon are adequate to pay the principal of and interest on the 2008 Bonds through and including the redemption date of the 2008 Bonds, and to redeem the 2008 Bonds on such date.

The verification performed by the Verification Agent will be based solely upon data, information and documents provided to the Verification Agent by the University and its representatives. The Verification Agent's report of this agreed upon procedures engagement performed under standards established by the American Institute of Certified Public Accountants will state that the Verification

Agent has no obligation to update the report for events occurring, or data or information coming to their attention, subsequent to the date of the report.

RATINGS

Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch") have assigned ratings to the Bonds of "A3" and "A-", respectively. Such ratings reflect only the views of the rating agency and any explanation as to the significance of the ratings should be obtained from the rating agency. The above ratings are not a recommendation to buy, sell, or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agency. Any downward revision or withdrawal of any such ratings may have an adverse effect on the market price or the marketability of the Bonds.

UNDERWRITING

Pursuant to a Bond Purchase Agreement, Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter"), has agreed to purchase the Series A Bonds at a Purchase Price of \$94,892,368.40 (representing the principal amount of the Series A Bonds plus net original issue premium of \$11,691,757.10 and less an Underwriter's discount of \$469,388.70). The Underwriter has agreed to purchase the Series B Bonds at a Purchase Price of \$6,592,805.70 (representing the principal amount of the Series B Bonds less an Underwriter's discount of \$37,194.30). The initial public offering prices set forth on the inside cover page of this Official Statement may be changed from time to time by the Underwriter without any requirement of prior notice. The Underwriter reserves the right to join with other dealers in offering the Bonds to the public. The Bonds may be offered and sold to other dealers (including Bonds for deposit into investment trusts, certain of which may be sponsored or managed by the Underwriter) at prices other than the public offering price stated on the cover page of this Official Statement.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriter and its affiliates may have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Authority and the University for which they received or will receive customary fees and expenses.

In the ordinary course of its various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority and the University.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

LITIGATION

The Authority

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

The University

As of the date hereof, to the University's knowledge, there is no litigation of any nature pending, or, to the University's knowledge, threatened against the University to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, to affect the ability of the University to carry out its obligations under the Loan Agreement, or in any way contesting or affecting the validity of the Bonds or any proceedings of the University taken with respect to the issuance or sale thereof, the pledge or application of any moneys or the security provided for the payment of the Bonds or the existence or powers of the University, or in which an adverse decision could reasonably be expected to have a material adverse effect on the properties, financial condition or operations of the University.

FINANCIAL ADVISOR

Fairmount Capital Advisors, Inc., Philadelphia, Pennsylvania, has served as financial advisor to the University with respect to the sale of the Bonds. Fairmount Capital Advisors, Inc., is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness or fairness of the information contained in this Official Statement. The financial advisor has assisted in matters relating to the planning, structuring and issuance of the Bonds, and has provided other financial advice. Fairmount Capital Advisors, Inc. is a financial advisory and consulting organization and is not engaged in the underwriting, marketing or trading of municipal securities or other negotiable instruments.

CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Bonds and will not provide any such information to or for the benefit of purchasers or holders of the Bonds in the future. In connection with the offering of the Bonds, the University has undertaken the responsibilities set forth in the Continuing Disclosure Agreement (defined herein), and the Authority has no responsibility or liability to the holders of the Bonds or any other person with respect to such disclosure.

In order to enable the Underwriter to comply with the requirements of Rule 15c2-12 promulgated by the Securities Exchange Commission (the "Rule"), the University will enter into the Continuing Disclosure Agreement with the Trustee and Digital Assurance Certification, L.L.C., as dissemination agent (the "Dissemination Agent"), for the benefit of the Registered Owners (as defined in such agreement) from time to time of the Bonds to annually provide, through the Dissemination Agent, certain financial information and operating data to the Municipal Securities Rulemaking Board (the "MSRB"),

and to provide notice to the MSRB of certain events, pursuant to the requirements of the Rule. The Authority has no liability to the owners of the Bonds or any other person with respect to the Rule. See APPENDIX D — “Form of Continuing Disclosure Agreement.”

In connection with the issuance of the 2005A Bonds, the 2008 Bonds and the 2012 Bonds, the University executed continuing disclosure agreements (the “Undertakings”), similar to the Continuing Disclosure Agreement, which require the University to file its annual audited financial statements and an update of financial and operating (the “Annual Report”) within 200 days of the University’s fiscal year end. For fiscal years 2009, 2010, 2011 and 2012, the University filed its Annual Report 811 days, 448 days, 301 days and 216 days, respectively, after the end of the applicable fiscal years, which filings were late under the Undertakings. For fiscal years 2013 and 2014, the University timely filed its Annual Report.

The University also failed to file notice on EMMA of a downgrade in the enhanced Moody’s rating on the 2008 Bonds on January 17, 2013, and of a withdrawal of the enhanced Fitch rating on the 2008 Bonds on February 24, 2010. In connection with the anticipated issuance of the Bonds, the University identified the failure to file notice of these rating actions under its prior continuing disclosure undertakings in effect at the time of such rating actions and now has filed notice of such rating actions on EMMA.

The University intends to fully comply with all current and future continuing disclosure undertakings, compliance of which will be overseen by the Controller of the University. The University has put in place internal procedures to ensure all future filings are completed on a timely basis in accordance with the Rule and has adopted formal disclosure policies and procedures. Additionally, the University has engaged Digital Assurance Certification, L.L.C. to assist in the monitoring of the University’s continuing disclosure obligations (including its obligations with respect to the Bonds) and the filing on a timely basis of all financial information, operating data and notice of certain listed events described in the undertakings.

A failure by the University to comply with the Continuing Disclosure Agreement will not constitute a default or Event of Default under the Indenture or the Loan Agreement, and the holders of the Bonds only will have the remedies set forth in the Continuing Disclosure Agreement itself. Nevertheless, a failure to make an annual filing under the Continuing Disclosure Agreement must be reported in accordance with the Rule and may be expected to be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

MISCELLANEOUS

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

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

The Authority 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 “INTRODUCTION – The Authority,” “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 and the Authority assumes no responsibility for the disclosures set forth in this Official Statement.

PENNSYLVANIA HIGHER EDUCATIONAL
FACILITIES AUTHORITY

/s/ Robert Baccon

Robert Baccon
Executive Director

Approved:

UNIVERSITY OF THE SCIENCES IN
PHILADELPHIA

By: /s/ John E. Vitali

John E. Vitali
Vice President for Finance and Administration

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APPENDIX A

INFORMATION CONCERNING UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Table of Contents

	Page
History of the University	1
Governance of the University	1
Administration	3
Accreditation and Memberships	6
Academic Programs	7
University Facilities	8
University Strategic Plan	9
Enrollment.....	11
Recruitment and Admission of Students.....	12
Student Fees and Competition	14
Student Financial Aid	15
Faculty, Administrative and Support Staff	16
Accounting Matters.....	17
Historical Operating Results.....	17
Financial Management Discussion	18
Endowment and Similar Funds	19
Net Assets	20
Gifts, Contributions and Grants	21
Long-Term Indebtedness	22
Litigation.....	23
Property/Liability Insurance	23

History of the University

University of the Sciences in Philadelphia (the “University” or “USciences”) was founded in 1821 as Philadelphia College of Pharmacy, the oldest college of pharmacy in North America, by a group of 68 Philadelphia apothecaries who wanted to establish improved scientific standards and to train more competent apprentices and students. From the beginning, the institution emphasized the biological and chemical sciences as mainstays of the curriculum in pharmacy. Later, separate curricula in bacteriology, biology, and chemistry were instituted. In 1921, the name was changed to Philadelphia College of Pharmacy and Science, with authorization from the Commonwealth of Pennsylvania (“Commonwealth”) to grant not only the baccalaureate degree but also the master’s and doctorate in all four disciplines. In February 1997, the Commonwealth approved the institution’s application for university status, and on July 1, 1998, the institution’s name was changed to University of the Sciences in Philadelphia to reflect a broader range of health science programs. The University consists of four colleges: Philadelphia College of Pharmacy, Misher College of Arts and Sciences, Samson College of Health Sciences, and Mayes College of Healthcare Business and Policy. The University is an independent, nonsectarian, co-educational institution of higher education located in the University City area of Philadelphia, Pennsylvania. The University is incorporated in the Commonwealth of Pennsylvania as a non-profit corporation and is qualified under section 501(c)(3) of the Internal Revenue Code as a tax-exempt charitable organization.

Throughout its history, the University has benefited from the involvement of leaders of the pharmaceutical industry such as C. Mahlon Kline, one of the founders of what is now known as GlaxoSmithKline Corporation, who served as Chairman of the Board of Trustees. In addition, alumni of the University include some of the most recognizable names in pharmacy. Robert McNeil, Jr. graduated from the University in 1876 (as did his son and grandson in later years) and went on to found McNeil Pharmaceuticals. Josiah Kirby Lilly and his son, Eli Lilly, graduated from the University in 1882 and 1907, respectively, and founded Eli Lilly and Company. Other graduates whose names are identified with the pharmaceutical industry include William Warner (a founder of Warner Lambert), Gerald F. Rorer (a founder of Rhone-Poulenc Rorer), John Wyeth (a founder of Wyeth-Ayerst Laboratories), and Silas Burroughs and Sir Henry S. Wellcome (the founders of Burroughs Wellcome Company).

Governance of the University

The University is governed by a Board of Trustees, which consists of not more than twenty-five voting members. For the 2014-15 academic year there were twenty-three voting members residing on the Board. Additionally, the University is operationally governed by four corporate officers: the President, the Provost, Vice President of Finance and Administration and Vice President of Institutional Advancement. The four officers of the University serve as non-voting ex-officio members of the Board of Trustees. Each voting trustee is elected by the majority vote of the trustees at the annual meeting of the Board of Trustees and serves a three-year term. Three of the voting trustees, who are members of the Board of Directors of the Alumni Association, are appointed to a three-year term by the President of the Alumni Association of the University with the concurrence of the Board of Directors of the Alumni Association.

Meetings of the Board of Trustees are held quarterly during the months of February, May, September and November. The May meeting is the annual meeting of the Board of Trustees.

The Board of Trustees elects officers of the University at its annual meeting. These officers serve for a term of one year, or until their respective successors have been duly elected and qualified, but are subject to removal upon the vote of two-thirds of the Trustees.

Board of Trustees of the University, 2014-15

Name	First Elected in	Affiliations
Dr. Stephanie Bean, BS, DPT	2013	Clinic Director Physiotherapy Associates
Dr. Aminta Hawkins-Breaux, PhD	2011	Vice President for Student Affairs Millersville University
Dr. John M. Daly, MD	2013	Emeritus Dean, School of Medicine Temple University
Mr. Andrew J. Ferrara, BS ^{(1) (2) (3)}	2010	CEO & Chairman Boston Healthcare
Mr. Richard M. Hall IV, MBA ⁽²⁾	2012	Retired
Mr. Richard Howard, BS ^{(1) (2)}	2007	Managing Director BLH Strategies, LLC
Ms. Rose Mary B. Hoy, RPh	2010	Executive Director, Pharmacy & Distribution Merck
Dr. Leonard S. Jacob, MD, PhD ⁽²⁾	2010	Chairman Antares Pharma, Inc.
Rev. Cedric H. Jones, Jr. MBA, MDiv, DMin, PhD ⁽²⁾	2013	Senior Pastor Mount Zion Baptist Church
Ms. Robin Keyack, BS	2011	Director of Pharmacy Shore Memorial Hospital
Dr. Raj Lakhanpal, MD ⁽²⁾	2008	President & CEO SpectraMD
Dr. Kent E. Lieginger, PharmD	2013	Retired
Ms. Lucy Malmberg ^{(1) (3)}	2008	Senior Executive Vice President Wedgewood Pharmacy
Mr. Dominic Marasco, RPh	2009	Global Commercial Lead, Biosimilars Amgen
Dr. Kathleen R. Mayes, PharmD, Board Vice Chair ⁽¹⁾	2004	Founder (Retired) Applied Clinical Communications, Inc.
Mr. Richard P. Miller, MBA ⁽²⁾	2007	President & CEO Virtua Health
Mr. Kenneth L. Murtha, BS ⁽¹⁾	2004	Retired
Mr. Mark Oley, BS	2010	CEO/President & Founder Westwood Pharmacy

Dr. Donald J. Phillips, PharmD ^{(1) (3)}	2009	CEO & Principal Vox Medica Holdings, Inc.
Mr. James J. Rivard, P'81, MBA	2014	Senior Vice President of Support Services Virtua Health
Mr. Marvin Samson, Board Chairman ⁽¹⁾	1991	Interim President of the University CEO Samson Medical Technologies

(1) Member of the Executive Committee
 (2) Member of the Finance Committee
 (3) Member of the Audit Committee

Administration

The University is administered on a day-to-day basis by the President and the other principal administrative officers of the University listed below.

Marvin Samson assumed the role of Interim President following the departure of Dr. Helen Giles-Gee in December 2014 for personal reasons. Mr. Samson has been a committed advocate of University of the Sciences since joining its Board of Trustees in 1991. He has served as chairman of USciences' Board of Trustees since 2011 and was the University's Interim President for the 2011-12 academic year.

Mr. Samson is the founder and CEO of Samson Medical Technologies, LLC, a company specializing in injectable drug delivery systems and programs for hospital and alternate site pharmacists. A native of Philadelphia, Mr. Samson received his bachelor of science in chemistry from Temple University.

In 1967, Mr. Samson helped to found Elkins-Sinn, today, West-Ward Pharmaceuticals, and was its president and CEO for 18 years. Following that, he was the founder, president, and CEO of Marsam Pharmaceuticals; joined SICOR as president and CEO and following Sicor's acquisition by Teva was Teva's group VP of worldwide injectables; was board chairman and CEO of Qualitest Pharmaceuticals; and was board chairman of JHP Pharmaceuticals.

Mr. Samson holds five U.S. patents pertaining to pharmaceutical manufacturing. He also is active on numerous charitable and industry boards. He is a member of the board of directors of Virtua Health System, NanoPass Technologies, Flynn Pharma, The Franklin Institute, Cooper Rowan Medical School, and Antares Pharma Inc.

A recipient of various awards for business leadership, Mr. Samson continues to serve the community through charitable support of educational institutions, hospitals, healthcare research and development, and children's programs.

Dr. Heidi Anderson was appointed *Provost and Vice President of Academic Affairs* in July 2013 and is also a professor in pharmacy. Prior to coming to the University, Dr. Anderson was at the University of Kentucky for 11 years, where she served as Vice President for Institutional Effectiveness. From 2006-2012 she served as Associate Provost for Faculty Affairs at Kentucky. From 2002-2006, she served as Assistant Dean for Education Innovation at Kentucky's College of Pharmacy.

As an academic leader she has received several notable distinctions including being named a fellow in the charter class of the American Association of Colleges of Pharmacy (AACP) Academic Leadership Fellows Program as well as a fellow of The American Pharmacists Association. One of her most laudable honors is being appointed as a member of the Accreditation Council on Pharmacy Education (ACPE) Board of Directors from 2002-2012 in addition to serving as ACPE President in 2010 and 2011.

Dr. Anderson received her BS, MS, and PhD from Purdue.

Mr. John Vitali, was appointed *Vice President of Finance and Administration, Chief Financial Officer* in July 2013. Mr. Vitali came to the University from the Brooklyn Public Library (BPL) in Brooklyn, NY where for the greater part of 13 years he served as executive vice president for finance and administration and CFO. While at the BPL he played a large role in managing the system's 58 neighborhood libraries, a business library, and its flagship Central Library with a combined \$100 million operating budget and \$62 million capital budget.

In addition to his time at BPL, Mr. Vitali served in financial and administrative roles for the New York Restaurant School, Queens College/CUNY, and Saint Peter's College. He holds a MEd in higher education administration from Rutgers University.

Ms. Carrie Collins was appointed *Vice President of Institutional Advancement* in January 2012. Prior to coming to the University, Ms. Collins was the Executive Director, Gift Planning and Stewardship at Duquesne University in Pittsburgh, Pennsylvania, where she had direct responsibility for the Offices of Gift Planning and Stewardship, as well as oversight of Advancement Services and Advancement Communications. She was also an Assistant Legal Counsel of the University, providing guidance and direction on complex gift structures and tax implications.

Before entering the world of development, Ms. Collins was an attorney in private practice, focusing on estate planning and corporate law, with experience in a wide array of estate, tax and business succession planning matters. She obtained her bachelor's degree from the University of Pittsburgh, a master's degree from Duquesne University, and her juris doctor from the University of Pittsburgh, School of Law.

Dr. Lisa A. Lawson was appointed *Dean, Philadelphia College of Pharmacy* in 2010. She is also the Barbara H. Korberly Professor in Women's Leadership and Health in the Department of Pharmacy Practice and Pharmacy Administration. She joined the faculty at the University in 1982 as an Assistant Professor and served as Drug Information Consultant at the Philadelphia Veterans Administration Medical Center and Adjunct Assistant Professor of Clinical Pharmacy in Medicine at University of Pennsylvania for several years. She has held several administrative positions including director of the doctor of pharmacy program (1989-1994), assistant dean of pharmacy (1994-2006), associate dean (2006-2008), vice dean (2008), and interim dean. Recent awards include the Paul F. Parker Award from the University of Kentucky and the KE Career Achievement Award from Kappa Epsilon Fraternity. Dr. Lawson received a Bachelor of Science (Pharmacy) in 1977 from the University of Nebraska, a Doctor of Pharmacy in 1980 from the University of Kentucky, College of Pharmacy, and completed an ASHP accredited Residency in Hospital Pharmacy at the Albert B. Chandler Medical Center,

1977-1980. Prior to her service at the University, she served as an Assistant Professor at the University of Kentucky College of Pharmacy from 1980-81 and as Clinical Coordinator of Pharmacy Services at Crozer-Chester Medical Center and Clinical Assistant Professor of Pharmacy at the University from 1981-82.

Dr. Laurie N. Sherwen was appointed *Dean, Samson College of Health Sciences* and *Professor of Health Sciences*, in 2008. Prior to coming to the University, Sherwen served as the Dean, College of Health Professions at Hunter College, CUNY (2000-2008) and as the Dean, School of Nursing at The College of New Jersey (1995-2000). She previously was the Nurse Researcher for the Thomas Jefferson University Department of Nursing in the College of Health Profession, where she received NIH funding for her HIV research and funding for other federal grants. Two of her books have won American Journal of Nursing “Book of the Year” awards. Dr. Sherwen was elected a Fellow of the American Academy of Nursing in 1993, and a Fellow of the Association of Schools of Allied Health Professions in 2011. Dr. Sherwen earned her MS and PhD in Nursing from New York University.

Dr. Suzanne Murphy was appointed *Dean, Misher College of Arts and Sciences* in 2009. Dr. Murphy came to the University in 1985 as an Assistant Professor of Biology. In 1991, she was promoted to Associate Professor, and in 1999, to the rank of Professor. She has served as Director of Pre-Health Professions Programs since 1986, was Director of Undergraduate Programs in the Department of Biological Sciences from 2002-2005, Associate Dean of Misher College from 2005-2007 and Interim Dean of Misher College from 2007-2009. She is Past-President of the Northeast Association of Advisors for the Health Professions and was an executive officer of the National Association of Advisors for the Health Professions. Dr. Murphy earned her Ph.D. from Hahnemann University School of Medicine in 1983. She completed post-doctoral fellowships at SmithKline Beckman and Albert Einstein Medical Center before joining the faculty at University of the Sciences.

Dr. Andrew Peterson was appointed *Dean of the Mayes College of Pharmaceutical Healthcare Business and Policy* in 2010. Dr. Peterson has a PhD in Health Policy from the University and a PharmD from the Medical College of Virginia. In 1996, he was a faculty member in the Department of Pharmacy Practice and Pharmacy Administration within the Philadelphia College of Pharmacy, and then served as the chair of that department for the five years prior to his appointment as Dean. Dr. Peterson has concentrated his years of research in pharmacy management, managed care pharmacy, medication compliance and most recently, medications in the environment. He has edited or co-edited two textbooks and published and presented in numbers regional, national and international journals and conferences.

Dr. William G. Cunningham was appointed *Associate Vice President of Student Affairs* and *Associate Professor* in April 2014. He was Interim Assistant Vice President of Student Affairs and Assistant Professor from May 2013 to April 2014. As Associate Vice President he oversees the Student Affairs division that includes Campus Recreation, Student Health and Counseling, Career Services, Center for Community Connections, Multicultural Affairs, International Student Advising, Student Conduct, Student Life, Residential Living, Off-Campus Living, Greek Life, and Student Activities. Dr. Cunningham served as Dean of Students from 2008 to 2013. He was Assistant Dean for Student Development in the University’s Philadelphia College of Pharmacy from 2003 to 2008. Prior to joining the University in 2003, he held

numerous roles at American University from 1989 to 2003, last serving as Assistant Director in Judicial Affairs and Mediation Services from 2000-03. Dr. Cunningham earned a PhD from George Mason University, a M.L. from University of Auckland, and a M.A. from American University and a B.A. in History from Gettysburg College.

Accreditation and Memberships

The University is accredited by the Middle States Commission on Higher Education (MSCHE), a regional accrediting agency recognized by the U.S. Secretary of Education.

The University is a member of the American Association of Colleges of Pharmacy (AACP).

The Doctor of Pharmacy (PharmD.) program is accredited by the Accreditation Council for Pharmacy Education (ACPE).

The Doctor of Physical Therapy (D.P.T.) program is accredited by the Commission on Accreditation in Physical Therapy Education (CAPTE) of the American Physical Therapy Association.

Bachelor of Science (B.S.) degrees offered through the Department of Chemistry & Biochemistry are certified by the American Chemical Society (ACS).

The Bachelor of Science (B.S.) in Medical Laboratory Science program is affiliated with hospital programs that are accredited by the National Accrediting Agency for Clinical Laboratory Sciences (NAACLS).

The professional entry-level Master of Occupational Therapy (M.O.T.) program and the entry-level Doctor of Occupational Therapy (Dr.O.T.) program are accredited by the Accreditation Council for Occupational Therapy Education (ACOTE) of the American Occupational Therapy Association.

The Master of Science in Physician Assistant Studies (M.S.P.A.S.) graduate professional program has been granted “Accreditation-Provisional” status by the Accreditation Review Commission on Education for the Physician Assistant (ARC-PA).

The undergraduate program (B.S.H.S.) in Exercise Science and Wellness Management is accredited by the National Wellness Institute (NWI).

The Master of Public Health (M.P.H.) program is an applicant for accreditation by the Council on Education for Public Health (CEPH).

The Bachelor of Science (B.S.) and Master of Business Administration (M.B.A.) programs in Pharmaceutical and Healthcare Business are candidates for accreditation by the Accreditation Council for Business Schools and Programs (ACBSP).

The University’s vivarium is accredited through the Association for Assessment and Accreditation of Laboratory Animal Care (AAALAC).

Academic Programs

Currently, the University offers a wide array of undergraduate, master's, and professional and research doctoral degree programs.

Philadelphia College of Pharmacy offers the Doctor of Pharmacy (Pharm.D.) degree as a four-year post-baccalaureate program and a six-year program (B.S. in Pharmaceutical and Healthcare Studies plus Pharm.D.). The Philadelphia College of Pharmacy also offers a PharmD. Degree programs in Pharmacy and Toxicology as well as Pharmaceutics, along with M.S. degree programs in Pharmaceutics, Pharmacology and Toxicology and Pharmacy and Administration. The Philadelphia College of Pharmacy also offers the B.S. in Pharmacology and Toxicology and B.S. in Pharmaceutical Sciences degrees.

Samson College of Health Sciences offers the Doctor of Physical Therapy (D.P.T.) degree as a three-year post-baccalaureate program and a six-year program (B.S.H.S. in Health Science plus D.P.T.). Samson College also offers the Doctor of Occupational Therapy (Dr.O.T.) degree as a four-year post-baccalaureate program and a six-year program (B.S.H.S. in Health Science plus Dr.O.T.) and the Master of Occupational Therapy (M.O.T.) degree as a 2.5-year post-baccalaureate program. In addition, Samson College offers the Master of Science in Physician Assistant Studies (M.S.P.A.S.) degree as a three-year post-baccalaureate program and a six-year program (B.S.H.S. in Health Science plus M.S.P.A.S.). Finally, Samson College offers an undergraduate Exercise Science and Wellness Management (B.S.H.S) program and an interdisciplinary Health Science program (B.S.H.S).

Mayes College of Healthcare Business and Policy offers both a PharmD. and M.S. degree programs in Health Policy and a Master of Sciences in Biomedical Writing. Mayes College also offers both a B.S. degree and an M.B.A. degree in Pharmaceutical and Healthcare Business. In addition, Mayes Colleges offers the Master of Public Health (M.P.H.) degree with a health policy concentration.

Misher College of Arts and Sciences offers five PharmD. degree programs, including: Biochemistry, Cancer Biology, Chemistry, Cell and Molecular Biology and Pharmacognosy. In addition, Misher College offers six M.S. degree programs including: Biochemistry, Bioinformatics, Cell Biology and Biotechnology, Chemistry, Health Psychology and Pharmacognosy, as well as offers eleven Bachelor of Science (B.S.) degree programs, including: Biology, Biochemistry, Biomedical Sciences, Chemistry, Environmental Science, Humanities and Science, Medical Laboratory Science, Microbiology, Pharmaceutical Chemistry, Physics, and Psychology. The Misher Pre-Professional Studies Program, available for the first two years of undergraduate study for those students who have not yet determined their major, offers three options: Forensic Science option (for students interested in a career as a forensic scientist), Pre-Health option (for students interested in a career in a health science field such as occupational therapy, pharmacy or physical therapy), and Pre-Medical option (for students interested in pursuing medical, dental, optometry, or veterinary school).

Other Academic Programs. Four Post-Baccalaureate Certificate Programs are offered, including: Biotechnology, Medical Marketing Writing, Pharmaceutical and Healthcare Business, and Regulatory Writing.

In addition to their major programs of studies, undergraduate students are encouraged to minor in biochemistry, bioinformatics, biology, biophysics, chemistry, communications, economics, environmental science, exercise science and wellness management, forensic science, humanities, literature, mathematics, medical anthropology, microbiology, music, physics, psychology, pharmaceutical marketing, pharmaceutical business, small business management, social sciences, sociology, Spanish, statistics, creative writing, or professional writing.

Recognizing the importance of advanced education for many entry level positions, the University has created programs that allow highly qualified students to complete both the B.S. and M.S. degree in several majors within five years.

Articulation Agreements. The University continues to actively pursue the development of articulation agreements with both two- and four-year colleges/universities that bring students to University of the Sciences. Cooperative programs have been developed with two-year colleges in Pennsylvania and New Jersey for a range of the University's undergraduate programs. Agreements with four-year institutions provide well qualified students, who meet all the requirements as set forth in the agreement, with guaranteed admission to selected professional and master's degree programs. An agreement with the Philadelphia College of Osteopathic Medicine (PCOM) provides select, highly qualified applicants with the opportunity to earn the Doctor of Osteopathic Medicine (awarded by PCOM) and Ph.D. in Cell and Molecular Biology (awarded by the University) degrees in an integrated manner. In addition, there is an analogous agreement with PCOM that enables select University students to earn the B.S.H.S. in Health Science (awarded by the University) and M.S. in Physician Assistant Studies (awarded by PCOM) degrees in an integrated manner.

Articulation agreements with a number of institutions provide well qualified University students with seamless transition to a variety of health professions programs, including: medicine (Cooper Medical School of Rowan University, The Commonwealth Medical College), dentistry (Temple University Kornberg School of Dental Medicine), optometry (Pennsylvania College of Optometry at Salus University) and veterinary medicine (St. George's School of Veterinary Medicine).

University Facilities

The University's campus consists of 22 buildings, including four residence halls, and more than 11 acres of athletic fields and outdoor recreational facilities on approximately 36 acres of land in the University City section of Philadelphia.

During the past 10 years, the University has used internal capital, fund raising, and the tax-exempt market to greatly expand and enhance the campus. In 2003, it completed an athletic and recreational center and a central utility plant. In 2006, it completed construction of the McNeil Sciences and Technology Center ("McNeil STC") which is an academic and research facility for Misher College, and also provides the general education foundation for all undergraduate programs.

In 2009, and 2010, major improvements were made to existing facilities to accommodate the teaching needs for Samson College as a result of the growth in enrollment in the occupational

and physical therapy programs, along with a streetscape initiative to enhance the visual appeal of the urban campus with the surrounding parks.

In 2010, the University embarked on a significant student-centric redevelopment project to create a new Starbucks coffee shop, a full-service Barnes & Noble Bookstore and a new, well-appointed student study center. The University also made significant structural improvements to the facilities' centralized operations and warehouse center which is contiguous to this site.

In 2011 and 2012, major investments were made in technology that included upgrades to the data center, classroom technology, ERP systems and supporting infrastructure.

In 2011, the University completed an extensive renovation of the Chemistry department laboratories, classrooms, and offices. Similar renovations were made to the Pharmacy Department's classrooms, conference rooms and offices.

In 2012, the University's Board of Trustees formally approved the construction of the Integrated Professional Education Complex ("IPEX"). This new building is now home to a Masters in Physician Assistant Studies, and inter-professional simulation lab space for programs in Pharmacy and Health Sciences. IPEX was completed in June of 2014, and classes started the Fall 2014 Semester. The Board also approved expansion of the central utility plant to support this building along with others on campus.

The University also has initiated investments for deferred maintenance projects which will include new roofing, new elevators, new fire alarm and sprinkler systems, new emergency call boxes and improved electronic building access. A new campus convenience store to serve the University, and the surrounding community opened in the fall of 2014. The convenience store occupies the former bookstore space, which is now fully online.

University Strategic Plan

Strategic Master Plan

The University adopted new goals during the 2012-2013 academic year. In August 2013, the Board of Trustees approved these five goals, which are designed to move the University towards excellence:

1. Achieve academic preeminence and reputation among peers.
2. Revitalize enrollment management to enhance student success from recruitment through graduation and beyond.
3. Diversify and enhance revenue streams.
4. Develop and sustain human and facilities resources.
5. Enhance research capabilities and outcomes through collaboration.

As part of the planning process, the Council reviewed the University's mission, vision, and values. The Mission, Vision and Value statements were unanimously ratified by the Board of Trustees in November 2014.

Mission: University of the Sciences prepares students to become leaders, innovators, and skilled practitioners in the sciences, the health professions, and related disciplines. We deliver excellence in teaching, research and service.

Vision: University of the Sciences will be recognized as a leader of science and healthcare education and research. We provide interdisciplinary, collaborative educational experiences and global opportunities that inspire our graduates, faculty, and staff to promote positive change. Graduates will be pursued because they are compassionate, healthcare providers, critical thinkers, and diplomats of change, effecting innovative transformation for the betterment of society.

Values:

- We champion innovation in inter-professional education, teaching, and research.
- We embrace scholarship, developing technology, and life-long learning.
- We foster entrepreneurship, professionalism, and collaboration, building upon our proud legacy as the first pharmacy school in the country.
- We cultivate respect, diversity, citizenship, civility, and inclusiveness.
- We pursue quality, integrity, and sustainability in all aspects of university life.
- We support our community and contribute to its economic vitality.

The Strategic Plan includes an Academic Plan and a Campus Facilities Master Plan.

Academic Master Plan

The overall goal of the Academic Master Plan (AMP) is to guide the University's programs, faculty, pedagogy and, in conjunction with the Campus Facilities Master Plan, the development of campus facilities. The Academic Affairs Division created an AMP in 2013-2014. Academic planning is based on the mission, vision, and values of the University and its overarching goals. This plan currently charts the course of the University's academic direction and provides a set of strategies for accomplishing the academic mission of the University. The AMP informs and integrates with other University plans (e.g. departmental plans, college plans, facilities master plan, institutional strategic plan, technology plan, etc.), as well as the University's ongoing commitment to self-review and best practices outlined by the Middle States Commission on Higher Education.

AMP goals include: development of new programs, enhancements of existing programs, viability of existing programs, strengthening the Honors Program, strengthening graduate programs, and improving the infrastructures for research and online academic programs.

Campus Facilities Master Plan

The University's campus facilities master planning project will produce a 10-year Campus Facilities Master Plan that is driven by the institution's Strategic and Academic Plans. The Campus Facilities Master Plan will be realistic and affordable, while prudently leveraging third-party developer partnerships for replacement student housing. The planning process continues to be transparent and collaborative. When completed, the Facilities Master Plan will

provide a road map to significantly improve student housing, repurpose other buildings to provide more instructional and student activity space, eliminate expensive property leases, use existing space more efficiently, and further beautify the campus.

Enrollment

The following table shows applications received, applications accepted, and freshman and transfer enrollment for five academic years through the 2014-2015 academic year. In fall 2014 the student body consisted of 2,324 undergraduate students and 275 graduate students, equivalent to 2,599 FTE students.

First-Year (Freshman) Enrollment	2010-11	2011-12	2012-13	2013-14	2014-15*
Applicants	4,494	3,723	4,307	4,098	4,274
Accepted (Selectivity)	2,892	2,358	2,427	2,464	2,500
% Accepted	64.0%	63.3%	56.3%	60.1%	58.5%
Enrolled (Yield)	467	483	483	446	371
% Enrolled	16.1%	20.5%	19.9%	18.1%	14.8%
Enrollee Average SAT Score	1,192	1,161	1,171	1,163	1,175
National SAT Average	1,017	1,011	1,010	1,010	

Transfer Enrollment	2010-11	2011-12	2012-13	2013-14	2014-15*
Applicants	1,151	1,319	1,232	1,826	2,325
Accepted (Selectivity)	171	217	207	254	348
% Accepted	15.0%	16.5%	16.8%	13.9%	14.9%
Enrolled (Yield)	57	99	103	145	161
% Enrolled	33.3%	45.6%	49.7%	57.1%	46.3%

*Data as of October 15, 2014.

The decline in first-year enrollment from the 2010-11 academic year through the 2014-2015 academic year reflected in the table above is attributable to several factors, including the general downturn in the economy that made attending college more challenging, increased competition during that timeframe from other colleges and the perceived value in a traditional college education. The University's enrollment management team expanded its outreach to potential students, particularly transfer students, the results of which can be seen in the increased transfer enrollment for the 2014-2015 academic year.

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The following table illustrates head count and full-time-equivalent student enrollment for the entire University for the academic years indicated.

Undergraduate & Graduate Enrollment	2010-11	2011-12	2012-13	2013-14	2014-15⁽³⁾
Undergraduate					
Full-time	2,479	2,454	2,396	2,394	2,312
Part-time	<u>47</u>	<u>33</u>	<u>40</u>	<u>44</u>	<u>27</u>
Total	2,526	2,487	2,436	2,438	2,339
FTE ⁽¹⁾	2,493	2,468	2,410	2,411	2,324
Graduate					
Full-time	125	120	114	156	177
Part-time	<u>217</u>	<u>200</u>	<u>220</u>	<u>205</u>	<u>242</u>
Total	342	320	334	361	419
FTE ⁽²⁾	227	213	219	254	275

(1) FTE calculation for undergraduate students is the number of part-time student credit hours divided by 12 plus the number of full-time students.

(2) FTE calculation for graduate students is total number of credits divided by 9.

(3) Data as of October 15, 2014.

The following table presents freshman-to-sophomore retention rates and 6-year graduation rates, respectively, for the academic years indicated.

Retention Rates	Fall 2010	Fall 2011	Fall 2012	Fall 2013	Fall 2014*
Returning 2 nd Year	83%	83%	84%	88%	88%

Graduation Rates for Class Entering	Fall 2004	Fall 2005	Fall 2006	Fall 2007	Fall 2008
Graduation Rates	72%	70%	70%	71%	74%

*Data as of October 15, 2014

Geographic Diversity.

For fall 2014, the University's student population consists of students from 44 states, with 92% undergraduate students coming from the following states: Pennsylvania (42%), New Jersey (38%), New York (7%), Maryland (3%) and Delaware (2%). The University's student population also includes 114 international students (4%).

Recruitment and Admission of Students

USciences occupies a specialized niche among institutions of higher education, thanks to its unique focus on science and health care. In addition to its emphasis on these burgeoning areas, the University attracts students because of its size, the caliber of its student body, and the outcomes that its alumni have and continue to achieve. Small, smart and successful are University hallmarks.

A smaller number of potential students will soon be available, however, as there is a forecasted decline in the number of high school graduates through 2020 in the University's traditional market. To combat this trend, an increase in branding/awareness marketing in this region is already underway, with a new advertising campaign that will be launched in January 2015. The messaging of this campaign will help solidify the University's position as an institution with world class faculty, high quality resources, and a strong focus on an interdisciplinary science and health care education. Prospective students will have an even greater appreciation for the University's 193 year legacy of excellence in science, health care education and innovation.

Because of the University's specialized focus and the diversity of its program offerings, the University is able to better weather market cycles. Typically health professional programs experience cycles of growth and decline, but the University's range of programs helps balance changes in the number of applicants as a result of these fluctuations. The University is also well-positioned to move into emerging areas of the basic sciences and health sciences as the demand for trained professionals in new areas develop. The most recent expansion of the Physician Assistant program, establishing the professional phase of the program on campus, is one example of the University's ability to nimbly respond to growing demand for specific health sciences careers. The University has experienced a 32% increase in applications to this program since 2013. According to the Bureau of Labor Statistics, one-third of the projected fastest growing occupations are healthcare related. This reflects expected demand as the population ages, as well as growth in the health care and social assistance industry. The University is well positioned and qualified to meet the educational needs of this sector.

Key to remaining competitive among prospective students is to enhance the quality of on-campus student life. The acquisition of the Wilson School and the subsequent plan to build a replacement residence hall will add value to the recruitment efforts of prospective undergraduates. Additionally, the University 10-year strategic plan will focus on creating an optimum environment for student life and learning priorities.

Once students are firmly and happily ensconced within campus life, there nevertheless remain opportunities to enhance degree completion, even at the University, which enjoys higher than average student retention and graduation rates. Enrollment Management has partnered with Student Affairs, with the endorsement of the President, to develop a formalized student retention initiative. A task force has been formed to identify best practices, establish benchmarks and develop an institutional plan to guide the initiative.

Just as the McNeil Science & Technology Center (McNeil STC), completed in 2003, increased efficiencies that resulted in increased research and innovative teaching activities, the Integrated Professional Education Complex (IPEX), completed in the summer of 2014, provides needed classrooms and laboratories that facilitate state-of-the-art instruction for three high-demand health care professional programs: Physician Assistant, Physical Therapy and Occupational Therapy.

The health care industry today has realized the need to collaborate and to provide interdisciplinary care to a variety of patients. The IPEX building contains space that brings together future pharmacists, physician assistants, physical and occupational therapists to learn the nuances

of inter-professional health care. Our graduates are more prepared to work collaboratively in the rapidly evolving health care industry.

Undergraduate research is a value-added proposition that many prospective science students seek when selecting a university. Undergraduate research is the principle focus in the University's basic sciences and pre-professional programs. As early as their freshman year, undergraduates are engaged in research-based scholarly activity that results in published articles in scholarly journals prior to graduation. Additionally, the small size of the University, the breadth and depth of faculty and the unprecedented facilities and equipment affords our undergraduate students the one-on-one mentorship typically found only in graduate education.

Student Fees and Competition

The following table shows tuition and fees for undergraduate, professional, and graduate students as well as room and board costs for the University's academic years ended June 30, 2011 through 2015:

	2011	2012	2013	2014	2015
Tuition and Fees					
Undergraduate	\$ 30,794	\$ 32,148	\$ 33,406	\$ 34,742	\$36,096
Professional years (range) ⁽¹⁾					
Minimum	33,724	35,206	36,584	38,048	39,530
Maximum	47,624	49,716	51,144	53,787	55,821
Graduate (for 18 credits)	23,094	24,102	25,038	26,046	27,054
Room and Board	12,034	12,564	13,052	13,578	14,108

(1) Based on the number of credit hours for a specific course of study.

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The University competes with many other colleges and universities, both public and private, for qualified applicants and for the matriculation of persons who have been granted admission. It is the University's philosophy to provide an affordable education for all qualified students. The University believes that the students' decision to apply and enroll are based primarily on the quality of education offered, the size of the institution, and the opportunity to work closely with individual members of the faculty. Based upon location and similar criteria, the University believes its most significant competitors are those listed in the following table.

<u>College</u>	<u>2013-14 Tuition and Fees</u>
Villanova University	\$44,580
Northeastern University	41,686
St. Joseph's University	39,040
University of Scranton	38,754
Drexel University	37,505
St. John's University	37,260
Arcadia University	36,810
Temple University School of Pharmacy (out-of-state)	35,134
University of the Sciences in Philadelphia	34,742
Thomas Jefferson School of Pharmacy	34,094
Philadelphia University	33,590
Philadelphia College of Osteopathic Medicine	33,181
National average for 4-year, private college	32,640
Duquesne University	31,385
Wilkes University	30,350
Rutgers College of Pharmacy (out-of-state)	30,239
University of Delaware (out-of-state)	29,932
Temple University School of Pharmacy (in-state)	29,796
Massachusetts College of Pharmacy	28,470
University of Pittsburgh (out-of-state)	27,106
University of Pittsburgh (in-state)	17,100
Rutgers College of Pharmacy (in-state)	14,687

Student Financial Aid

The University uses a matrix model to award merit-based scholarship aid at the time a student is admitted to the University. The amount awarded is based on the student's highest SAT or ACT scores and weighted cumulative grade point average. Additional financial aid awards are determined in conjunction with a student's academic and the family's financial information to determine the exact size and composition of the final financial aid packages. The typical financial aid package consists of scholarships, grants, loans, and an opportunity to participate in a work study program which supplements each family's contribution to the total cost of education. The awards are determined based upon the results of the Free Application for Federal Student Aid (FAFSA) containing information provided by the student and parents. If a student has an amount remaining after the family's contribution and financial aid are subtracted from the cost of attendance, the family will typically finance the difference through additional loans. In

the fiscal year ended June 30, 2014, approximately 98% of the University's undergraduate/first professional degree students received financial assistance, i.e., loans, grants, work assistance or scholarships from federal, state, University and private sources.

The following table shows financial aid reported for the University's fiscal years ended June 30, 2010 through 2014:

	2010	2011	2012	2013	2014
Grants					
University	\$23,972,075	\$25,373,928	\$27,093,543	\$29,505,847	\$33,203,920
State	1,706,827	1,298,668	1,587,512	1,379,602	1,342,425
Federal	3,091,915	3,667,351	2,837,611	2,306,362	2,265,289
Private	<u>143,900</u>	<u>93,216</u>	<u>114,827</u>	<u>181,443</u>	<u>132,490</u>
Total Grants	\$28,914,717	\$30,433,163	\$31,633,493	\$33,373,254	\$36,944,124
Loans					
University	\$ 422,314	\$ 255,675	\$ 310,442	\$ 298,548	\$233,753
Federal (Stafford)	23,471,451	21,671,092	21,574,896	24,748,450	24,414,019
(PLUS-Grad & Parent)	7,198,447	8,302,158	9,142,577	7,994,092	10,082,212
(Non-Bank)	670,950	688,425	832,620	493,350	525,950
Private	<u>15,915,264</u>	<u>14,863,434</u>	<u>14,575,867</u>	<u>12,662,734</u>	<u>13,015,548</u>
Total Loans	\$47,678,426	\$45,780,784	\$46,436,402	\$46,197,174	\$48,271,482
Employment					
University	\$ 225,960	\$ 162,865	\$ 154,359	\$ 132,685	\$ 108,109
Federal	<u>677,949</u>	<u>479,579</u>	<u>463,122</u>	<u>378,406</u>	<u>343,609</u>
Total Employment	\$ 903,909	\$ 642,444	\$ 617,481	\$ 511,091	\$ 451,718
TOTAL	<u>\$77,497,052</u>	<u>\$76,856,391</u>	<u>\$78,687,376</u>	<u>\$80,081,519</u>	<u>\$85,667,234</u>

Faculty, Administrative and Support Staff

As of December 1, 2014, the University employed 172 full-time faculty. Presently, there are 68 tenured faculty and 30 tenure track faculty. The faculty FTE for fall 2014 is 203.3, with a student-faculty ratio of 12:1.

As of December 1, 2014, the University had 506 full-time employees, 12 part-time employees, and 49 full-time contract employee. The University contracts dining services to Sodexo Operations, LLC.

Approximately 26 University employees are represented by one labor union (Public Safety). The collective bargaining agreement expires on June 30, 2016. The University believes that its employee relations are satisfactory.

Accounting Matters

The University operates on a fiscal year (“FY”) ending June 30. The University follows Statements on Financial Accounting Standards (SFAS) numbers 116 and 117, which established standards for external financial statements provided by a not-for-profit organization. The purpose is to present the statements of the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. The financial statements report net assets, revenues, expenditures, and gains and losses in three classifications: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets include all resources that are not subject to donor-imposed restrictions and may be designated for specific purposes by action of the Board of Trustees. Temporarily restricted net assets are those whose use by the University is restricted by the donor for specific purposes and for a number of future years. Permanently restricted net assets are subject to donor-imposed stipulations that such assets must be maintained permanently by the University. Such assets primarily include the University’s permanent endowment funds. According to University officials, there have been no material adverse changes in the financial condition of the University from the date of the financial information for the year ended June 30, 2014 to the date of the Official Statement.

Pension Program. The University’s Basic Retirement Plan is a defined contribution pension plan covering substantially all employees. The plan is designed to provide for investments in annuities and in shares of regulated investment companies (mutual funds). The University contributes 8% of each participant’s annual compensation. Pension expense was \$2,723,799 and \$2,667,612 in 2014 and 2013, respectively.

Historical Operating Results

The following table provides a summary of the University’s unrestricted operating surplus available for debt service for the University’s fiscal years ended June 30, 2010 through 2014:

	2010	2011	2012	2013	2014
Unrestricted operating revenues	\$ 89,785,470	\$ 89,679,325	\$ 90,678,507	\$91,811,635	\$95,332,169
Less: unrestricted operating expenses	<u>(83,063,722)</u>	<u>(87,412,448)</u>	<u>(87,624,599)</u>	<u>(88,902,536)</u>	<u>(91,056,921)</u>
Change in unrestricted net assets from operating activities	6,721,748	2,266,877	3,053,908	2,909,099	4,275,248
Plus: depreciation and interest expense	<u>10,008,817</u>	<u>10,541,206</u>	<u>11,044,346</u>	<u>11,271,566</u>	<u>11,890,287</u>
Unrestricted operating surplus available for debt service	<u>\$ 16,730,565</u>	<u>\$ 12,808,083</u>	<u>\$ 14,098,254</u>	<u>\$14,189,731</u>	<u>\$16,165,535</u>

Certain Operating Metrics

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
FTE Students	2,835	2,720	2,681	2,630	2,665
Net tuition per FTE Student	\$23,802	\$24,431	\$25,212	\$25,690	\$25,851

Financial Management Discussion

Over the last five fiscal years, the University's operations have consistently resulted in an excess of unrestricted operating revenues over unrestricted operating expenses. These surpluses have averaged approximately \$3.9 million annually over the five-year period ending June 30, 2014. When depreciation expense and interest expense are added to the University's surpluses, the University generated unrestricted funds available to pay debt service averaging approximately \$14.8 million per year for the last five fiscal years. These surpluses compare with the University's maximum annual debt service after issuance of the Bonds of approximately \$8.5 million*.

The University has traditionally had a conservative disciplined approach to the budget process. This approach has allowed it to generate surpluses and remain fiscally strong during a transitionary period of declining FTE student enrollments. However, the University anticipates long-term enrollment to increase as new and expanding programs in Samson and Misher Colleges are fully enrolled.

The University also recognizes that it is well positioned to provide professional programs education as a result of the diverse medical and health professional school articulation agreements that it has with other institutions. Such agreements allow University graduates to seek additional professional training in a seamless manner in other health profession fields. A more comprehensive discussion of the University's student enrollment is contained under the section headings "Enrollment" and "Recruitment and Admission of Students" herein.

The University's aggregate annual debt service requirements are expected to be approximately \$8.6 million per year through FY 2037 and \$7.0 million per year thereafter through FY 2043. The University believes that it is well positioned to fund this future debt service obligation because it has consistently generated unrestricted operating surpluses over the past several years and it expects to continue to generate net revenues in the future which will be available to pay debt service. Additionally, the University expects that its net tuition growth will increase over the next five years, partially as the result of the availability and attractiveness to students of its programs and the new campus facilities. These increases will provide additional funds available to the University to fund its debt service obligations.

* Preliminary, subject to change

Endowment and Similar Funds

The market value of the University's endowment and similar funds for the fiscal years ended June 30, 2010 through June 30, 2014 is summarized in the table below. While the University can utilize Board designated endowment assets, if necessary, for operating expenditures at the discretion of the Board of Trustees, the assets contributed to the University as permanently restricted endowment cannot be so utilized.

	2010	2011	2012	2013	2014
Unrestricted					
(Board designated)	\$ 87,931,435	\$ 103,838,343	\$ 97,736,490	\$ 105,647,936	\$ 117,527,782
Temporarily restricted	6,545,924	9,171,720	8,301,706	9,730,448	13,814,980
Permanently restricted	<u>40,701,331</u>	<u>41,141,834</u>	<u>41,843,064</u>	<u>42,586,109</u>	<u>43,153,665</u>
Total	<u>\$ 135,178,690</u>	<u>\$ 154,151,897</u>	<u>\$ 147,881,260</u>	<u>\$ 157,964,493</u>	<u>\$ 174,496,427</u>

The oversight of the University's endowment investment rests with the Investment Committee of the Board of Trustees. The Board of Trustees employs Fiduciary Investment Advisors, LLC in a comprehensive manner to manage and advise on investment activity. The University's endowment investment asset allocation as of June 30, 2014 was as follows:

<u>Asset Class</u>	<u>Allocation</u>
Money market accounts	0.2%
Fixed income	12.2%
Asset allocation	32.3%
Domestic equity	18.5%
International equity	13.2%
Alternative, hedge & limited partnerships	23.6%

The University rebalances the portfolio on a quarterly basis to achieve these targets.

Endowment Spending Policy. The University's spending rule for its endowment limits the amount that can be spent in any year to a percentage of the three-year rolling average (12 quarterly measures) of the endowments market value. This spending rule is designed to protect the value of the endowment against the effects of inflation while providing a predictable level of budgetary support. The spending rate for FY 2014 was 5.9%. In addition to budgeting for the spending rule income from its endowment, the University includes within current operations 100% of the rate of return on other non-endowed investments.

Endowment Investment Policy. The University has established a balanced investment policy for its endowment and similar funds. The objective is to produce a maximum total return without exposure to undue risk. Over time, the endowment is expected to earn a return equivalent to or greater than, inflation, plus its annual spending. This will allow the endowment to maintain, or increase, its purchasing power in the future and to continue to provide a consistent level of budgetary support from these funds.

The Finance Committee of the Board of Trustees oversees the University's endowment, with the help of an Investment Sub-Committee and an independent consultant and, on an operational level, by the Vice President of Finance and Administration, who is also a member of the Investment Sub-Committee and Finance Committee. Risk controls have been placed on both the asset allocation within the portfolio and on the specific investments that are allowed. The Investment Sub-Committee and Finance and Audit Committee meet quarterly to monitor overall fund structure, adherence to policy, and performance for the endowment and other investments.

The investment objective for the endowment is to earn a return sufficient to maintain the real value of the endowment and support the agreed upon spending policy. Based upon the historical relationships of risk and return among asset classes, the following target allocation policy has been adopted to provide the highest probability of meeting or exceeding the return objectives at the lowest possible risk.

The external professional investment managers selected for each asset class are responsible for making investment decisions (purchasing, holding or selling securities) for the sole interest and exclusive purpose of providing returns for the endowment. The assets must be invested with the care, skill, and diligence that a prudent person acting in this capacity would undertake. All investments are to be made within the guidelines of quality, marketability, and diversification mandated by controlling statutes. The investment managers are expected to produce a total return over a three-year moving time period that exceeds the return on the target asset allocation as measured by the representative indices listed and above the median of a universe of managers with similar average asset allocation objectives.

Meetings are held quarterly with the Investment Sub-Committee and the Finance Committee to discuss the investment managers' investment performance and risk levels in light of the stated policies and objectives and the investment managers' views on important developments within the economy and securities markets and their potential effect on the investment strategy, asset allocation, and account performance.

Net Assets

The University's endowment assets and other investments together with its other assets less its liabilities are recorded as the University's net assets in its financial statements. By the nature of restrictions placed on some of the funds by donors, certain net assets are expendable while others cannot be expended. The following table reflects the total net assets and expendable net assets for the University's fiscal years ended June 30, 2010 through 2014.

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	2010	2011	2012	2013	2014
Total Net Assets	\$ 160,602,280	\$ 182,329,088	\$ 180,031,424	\$ 194,134,009	\$ 214,279,117
Less: Perm.					
Restr. Net Assets	<u>(40,889,735)</u>	<u>(41,330,929)</u>	<u>(42,032,900)</u>	<u>(42,777,584)</u>	<u>(43,326,433)</u>
	119,712,545	140,998,159	137,998,524	151,356,425	170,952,684
Less: Net Invest					
in Plant	<u>(2,401,114)</u>	<u>(12,697,051)</u>	<u>(14,361,958)</u>	<u>(14,583,792)</u>	<u>(10,583,499)</u>
Expendable Net					
Assets ⁽¹⁾	<u>\$ 117,311,431</u>	<u>\$ 128,301,108</u>	<u>\$ 123,636,566</u>	<u>\$ 136,772,633</u>	<u>\$ 160,369,185</u>

(1) Expendable Net Assets includes Temporarily Restricted Net Assets and Unrestricted Net Assets. Pennsylvania law permits a portion of the investment return (up to 7%) on permanent endowment assets, if that return is otherwise not restricted, to be added to Unrestricted Net Assets each year. To the extent that the actual investment return allocable to such permanent endowment assets exceeds the amount allocated to Unrestricted Net Assets in any year, such excess investment return is allocated to Temporarily Restricted Net Assets in such year and held until a future year when such funds may be allocated to Unrestricted Net Assets in accordance with the Pennsylvania law.

Gifts, Contributions and Grants

The following table reflects total gifts, grants, and bequests to the University for fiscal years ended June 30, 2010 through 2014:

	2010	2011	2012	2013	2014
Unrestricted	\$ 723,074	\$ 1,285,661	\$ 1,200,881	\$ 971,073	\$ 734,280
Government Grants	3,406,353	3,382,474	2,734,063	2,317,236	4,373,644
Scholarships/Prizes	2,913,565	1,979,211	2,852,717	2,841,315	1,352,902
Education/Research	795,134	726,364	601,261	1,757,183	1,740,180
Plant/Other	<u>610</u>	<u>2,488</u>	<u>2,488</u>	<u>656</u>	<u>20,035</u>
Total Gifts, Contributions					
& Grants	<u>\$ 7,838,736</u>	<u>\$ 7,376,198</u>	<u>\$ 7,391,410</u>	<u>\$ 7,887,463</u>	<u>\$ 8,221,041</u>

In FY2014, fundraising activities included cultivation and solicitation of individual annual and major giving prospects; direct mail and Phonathon; faculty/staff, student and reunion giving campaigns; corporate and foundation giving; and event-based fundraising. A greater amount of cash was received in FY2014 than in FY2013 and the University hopes to continue to increase that figure going forward.

Funding priorities for endowed/operating funds, as well as capital projects, have been identified with input from various campus constituent groups. These priorities will then serve as the basis from which school, program and department-specific funding opportunities are crafted, all of which will be tied to the University's Strategic Plan.

Long-Term Indebtedness

At June 30, 2014, the University had outstanding long-term bond indebtedness of \$130,130,000, consisting of \$32,895,000 outstanding 2005A Bonds, \$66,235,000 outstanding 2008 Bonds and \$31,000,000 outstanding 2012 Bonds. The 2005A Bonds and the 2008 Bonds are expected to be refunded by the 2015 Bonds offered pursuant to this Official Statement.

University Long-Term Debt Service by Fiscal Year

The University's annual debt service requirements after issuance of the Bonds beginning in Fiscal Year 2016 are listed in the table below.

University Fiscal Year	<u>Prior Bonds</u>	<u>Series A Bonds</u>	<u>Series B Bonds</u>	<u>Total Debt Service</u>
2016	\$ 1,450,000	\$ 4,570,329	\$ 1,063,840	\$ 7,084,169
2017	1,450,000	3,871,338	2,356,400	7,677,738
2018	1,450,000	3,871,338	2,351,443	7,672,780
2019	1,450,000	5,153,463	1,069,540	7,673,003
2020	1,450,000	6,223,588		7,673,588
2021	1,450,000	6,357,963		7,807,963
2022	1,450,000	6,698,463		8,148,463
2023	1,450,000	6,692,713		8,142,713
2024	1,450,000	6,698,463		8,148,463
2025	1,450,000	6,695,213		8,145,213
2026	1,450,000	6,697,588		8,147,588
2027	1,450,000	6,695,088		8,145,088
2028	1,450,000	6,692,838		8,142,838
2029	1,450,000	6,801,088		8,251,088
2030	1,450,000	6,915,431		8,365,431
2031	1,450,000	6,911,275		8,361,275
2032	1,450,000	6,917,150		8,367,150
2033	1,450,000	6,914,263		8,364,263
2034	1,450,000	6,913,625		8,363,625
2035	1,450,000	6,915,875		8,365,875
2036	1,450,000	6,917,750		8,367,750
2037	1,450,000	6,913,625		8,363,625
2038	1,450,000			1,450,000
2039	6,987,000			6,987,000
2040	6,983,625			6,983,625
2041	6,984,125			6,984,125
2042	6,987,875			6,987,875
2043	6,985,375			6,985,375
TOTAL	\$ 68,278,000	\$ 139,038,460	\$ 6,841,223	\$ 214,157,683

Litigation

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

Property/Liability Insurance

The University has a comprehensive program of property/liability coverage. The program includes coverage for building and contents, including those under construction, against losses resulting from fire and other perils, with extended coverage that provides for repair or replacement without deduction for depreciation. The University also maintains business interruption insurance, excess liability coverage, and directors and officers liability insurance.

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APPENDIX B

**FINANCIAL STATEMENTS OF UNIVERSITY OF THE SCIENCES IN PHILADELPHIA
AS OF JUNE 30, 2014 AND 2013**

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UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Financial Statements

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position, June 30, 2014 and 2013	2
Statements of Activities, years ended June 30, 2014 and 2013	3
Statements of Cash Flows, years ended June 30, 2014 and 2013	5
Notes to Financial Statements	6



KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

The Board of Trustees
The University of the Sciences in Philadelphia:

We have audited the accompanying financial statements of the University of the Sciences in Philadelphia, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of the Sciences in Philadelphia as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Philadelphia, Pennsylvania
November 19, 2014

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Statements of Financial Position

June 30, 2014 and 2013

Assets	2014	2013
Cash and cash equivalents	\$ 24,277,957	22,339,435
Receivables, net:		
Student accounts	1,908,981	2,046,000
Student loans	5,842,637	6,241,514
Government	3,839,760	786,801
Contributions	2,157,257	2,425,670
Other	277,727	279,716
Investments	191,579,811	173,748,510
Beneficial interest in trusts	566,804	512,483
Prepaid expenses and other assets	1,229,984	962,272
Debt service reserve fund	5,525,630	5,525,630
Unexpended bond proceeds	1,853,263	25,156,598
Bond issuance costs, net	2,713,712	2,892,374
Land, buildings, and equipment, net	133,334,607	114,274,210
Total assets	<u>\$ 375,108,130</u>	<u>357,191,213</u>
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 11,069,882	10,963,252
Refundable government grants and loans	5,321,679	5,273,878
Tuition deposits and deferred revenue	10,678,264	10,637,571
Annuity liabilities	251,771	269,576
Other liabilities	204,357	170,337
Bonds payable, net	133,303,060	135,742,590
Total liabilities	<u>160,829,013</u>	<u>163,057,204</u>
Unrestricted	151,176,898	135,727,541
Temporarily restricted	19,775,786	15,628,884
Permanently restricted	43,326,433	42,777,584
Total net assets	<u>214,279,117</u>	<u>194,134,009</u>
Total liabilities and net assets	<u>\$ 375,108,130</u>	<u>357,191,213</u>

See accompanying notes to financial statements.

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Statement of Activities

Year ended June 30, 2014

(with comparative total for year ended June 30, 2013)

	Unrestricted	Temporarily restricted	Permanently restricted	Total	June 30, 2013 Total
Operating revenue:					
Tuition and fees, gross	\$ 101,481,734	—	—	101,481,734	97,070,717
Less direct grants and allowances	(32,588,682)	—	—	(32,588,682)	(29,505,847)
Tuition and fees, net	68,893,052	—	—	68,893,052	67,564,870
Government grants	4,373,644	—	—	4,373,644	2,317,236
Private gifts and grants	3,092,829	—	—	3,092,829	3,519,870
Investment income, including endowment payout of \$6,300,000	9,190,412	—	—	9,190,412	9,101,486
Educational departments	81,864	—	—	81,864	108,537
Auxiliary services	9,318,216	—	—	9,318,216	8,863,539
Other	382,152	—	—	382,152	336,097
Total operating revenue	95,332,169	—	—	95,332,169	91,811,635
Operating expenses:					
Instruction	38,452,152	—	—	38,452,152	37,648,117
Research	4,290,195	—	—	4,290,195	4,348,226
Academic support	9,516,268	—	—	9,516,268	9,133,908
Student services	17,586,946	—	—	17,586,946	15,867,299
Institutional support	13,827,484	—	—	13,827,484	14,192,505
Scholarships	372,503	—	—	372,503	453,236
Auxiliary enterprises	7,011,373	—	—	7,011,373	7,259,245
Total operating expenses	91,056,921	—	—	91,056,921	88,902,536
Change in net assets from operating activities	4,275,248	—	—	4,275,248	2,909,099
Nonoperating:					
Contributions restricted for long-term investments	—	213,622	540,945	754,567	2,050,357
Net gain on long-term investments after endowment payout of \$6,300,000	10,699,475	5,285,678	—	15,985,153	9,362,669
Investment income	—	—	7,904	7,904	31,254
Annuity adjustments	—	466	(10,453)	(9,987)	769
Postretirement benefit related changes other than net periodic postretirement cost	(53,331)	—	—	(53,331)	(251,563)
Recoveries in deficiencies in historical values	1,180,243	(1,190,696)	10,453	—	—
Other	(814,446)	—	—	(814,446)	—
Net assets released from restrictions	162,168	(162,168)	—	—	—
Change in net assets from nonoperating activities	11,174,109	4,146,902	548,849	15,869,860	11,193,486
Total change in net assets	15,449,357	4,146,902	548,849	20,145,108	14,102,585
Net assets – beginning of year	135,727,541	15,628,884	42,777,584	194,134,009	180,031,424
Net assets – end of year	\$ 151,176,898	19,775,786	43,326,433	214,279,117	194,134,009

See accompanying notes to financial statements.

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Statement of Activities

Year ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Operating revenue:				
Tuition and fees, gross	\$ 97,070,717	—	—	97,070,717
Less direct grants and allowances	(29,505,847)	—	—	(29,505,847)
Tuition and fees, net	67,564,870	—	—	67,564,870
Government grants	2,317,236	—	—	2,317,236
Private gifts and grants	3,519,870	—	—	3,519,870
Investment income, including endowment payout of \$6,300,000	9,101,486	—	—	9,101,486
Educational departments	108,537	—	—	108,537
Auxiliary services	8,863,539	—	—	8,863,539
Other	336,097	—	—	336,097
Total operating revenue	91,811,635	—	—	91,811,635
Operating expenses:				
Instruction	37,648,117	—	—	37,648,117
Research	4,348,226	—	—	4,348,226
Academic support	9,133,908	—	—	9,133,908
Student services	15,867,299	—	—	15,867,299
Institutional support	14,192,505	—	—	14,192,505
Scholarships	453,236	—	—	453,236
Auxiliary enterprises	7,259,245	—	—	7,259,245
Total operating expenses	88,902,536	—	—	88,902,536
Change in net assets from operating activities	2,909,099	—	—	2,909,099
Nonoperating:				
Contributions restricted for long-term investments	—	1,355,971	694,386	2,050,357
Net gain on long-term investments after endowment payout of \$6,300,000	6,288,991	3,073,678	—	9,362,669
Investment income	—	—	31,254	31,254
Annuity adjustment	—	(6,518)	7,287	769
Postretirement benefit related changes other than net periodic postretirement cost	(251,563)	—	—	(251,563)
Recoveries in deficiencies in historical values	1,622,454	(1,634,211)	11,757	—
Net assets released from restrictions	131,089	(131,089)	—	—
Change in net assets from nonoperating activities	7,790,971	2,657,831	744,684	11,193,486
Total change in net assets	10,700,070	2,657,831	744,684	14,102,585
Net assets – beginning of year	125,027,471	12,971,053	42,032,900	180,031,424
Net assets – end of year	\$ 135,727,541	15,628,884	42,777,584	194,134,009

See accompanying notes to financial statements.

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Statements of Cash Flows

Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 20,145,108	14,102,585
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	7,273,286	6,589,335
Contributions restricted for long-term investments	(754,567)	(2,050,357)
Net gain on long-term investments	(22,230,832)	(15,633,819)
Change in capital grants receivable	(2,500,000)	—
Change in fair value of beneficial interest in trust	(54,321)	(28,850)
Cancellations and allowance for student loans	225,000	283,023
Changes in operating assets and liabilities:		
Student accounts receivable	137,019	(43,589)
Government receivables	(552,959)	534,070
Contributions receivable	268,413	(1,508,125)
Other receivables	1,989	(90,041)
Prepaid expenses and other current assets	(267,712)	43,433
Accounts payable and accrued liabilities	(762,866)	(683,215)
Refundable government grants and loans	47,801	37,307
Tuition deposits and deferred revenue	40,693	397,344
Annuity liabilities	(17,805)	(44,292)
Other liabilities	34,020	(32,262)
Net cash provided by operating activities	<u>1,032,267</u>	<u>1,872,547</u>
Cash flows from investing activities:		
Proceeds from sale of investments	16,395,205	15,352,118
Purchase of investments	(11,963,654)	(9,121,407)
Change in cash held in investment portfolio	(32,020)	(4,633)
Disbursements for loans to students	(744,375)	(807,025)
Accrued interest from loans to students	(43,744)	(40,816)
Repayment of loans by students	961,996	765,727
Purchase of property and equipment	(25,465,573)	(11,720,416)
Net cash used in investing activities	<u>(20,892,165)</u>	<u>(5,576,452)</u>
Cash flows from financing activities:		
Contributions and grants restricted for long-term investments	754,567	2,050,357
Proceeds from bond issuance	—	32,571,510
Deposit with trustees of unexpended bond proceeds	—	(25,156,598)
Use of unexpended bond proceeds	23,303,335	—
Payment for debt issuance costs	(4,482)	(451,063)
Repayment of bonds	(2,255,000)	(1,040,000)
Net cash provided by financing activities	<u>21,798,420</u>	<u>7,974,206</u>
Net increase in cash and cash equivalents	1,938,522	4,270,301
Cash and cash equivalents – beginning of year	<u>22,339,435</u>	<u>18,069,134</u>
Cash and cash equivalents – end of year	<u>\$ 24,277,957</u>	<u>22,339,435</u>
Supplemental disclosures of cash flow information – noncash investing activities:		
Accrued purchases of property and equipment	\$ 869,496	2,102,895
Cash paid for interest	4,615,614	4,706,182

See accompanying notes to financial statements.

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

The University of the Sciences in Philadelphia (the University) is a nonprofit independent institution of higher education with a commitment to excellence in teaching, research, and service. The institution consists of the following five colleges:

Philadelphia College of Pharmacy
Misher College of Arts and Sciences
Samson College of Health Sciences
College of Graduate Studies
Mayes College of Healthcare Business and Policy

Effective July 1, 2014, after an extensive review and as approved by the Board of Trustees, the College of Graduate Studies was discontinued and the deans of the other colleges have responsibility for oversight of their related graduate degree programs, in conjunction with the Office of the Provost.

The mission of the University is to provide undergraduate, professional, and graduate education in the health professions and natural sciences. The University is committed to the principles of equal employment and equal access to education for all persons, regardless of gender, age, disability, race, creed, color, sexual orientation, or national origin.

During the year ended June 30, 2014, the University enrolled 2,799 students, which is equivalent to 2,665 full-time students, or 2,438 undergraduate and first degree students plus 361 graduates and other program majors. The undergraduate classes' primary areas of study are doctor of pharmacy at 51% and physical therapy at 14%.

(a) Basis of Presentation

The financial statements of the University, which are presented on the accrual basis of accounting, have been prepared to focus on the University as a whole and to present balances and transactions in three separate classes of net assets.

The three net assets categories reflected in the accompanying financial statements are as follows:

- *Unrestricted* – Net assets that are free of donor-imposed restrictions. This category includes realized and unrealized gains on quasi-endowment investments.
- *Temporarily Restricted* – Net assets whose use by the University is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the University pursuant to those stipulations. This category includes realized and unrealized gains on permanently restricted endowment that are in excess of the Board of Trustees' approved spending rule. Temporarily restricted net assets, which are received and used within the same year, are reported as unrestricted.
- *Permanently Restricted* – Net assets whose use by the University is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the University.

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Notes to Financial Statements

June 30, 2014 and 2013

(b) Cash and Cash Equivalents

Cash and cash equivalents represent demand deposits and other investments with a maturity date not exceeding 90 days at the date of purchase.

(c) Concentration of Credit Risk

The University's financial instruments, which are exposed to concentrations of credit risk, consist primarily of cash and cash equivalents, investments, and deposits with bond trustees. These funds are held in various high-quality financial institutions managed by the University's personnel and outside advisors. The University maintains its cash and cash equivalents in financial institutions, which at times exceed federally insured limits. The University believes that the concentrations of credit risk are limited to its cash and cash equivalents, investments, and deposits with bond trustees. The University has not experienced any losses from maintaining cash and cash equivalent accounts in excess of federally insured limits. Management does not believe it is exposed to any significant credit risk in cash accounts.

(d) Deposits with Trustees

Deposits with trustees and debt reserve funds represent funds held in trust in accordance with the University's outstanding debt agreements for unexpended bond proceeds. These funds are reported at fair value and are considered Level 1 inputs within the fair value hierarchy as described in note 10.

(e) Investments

The fair value of investments is based upon quoted market values provided by external investment custodians, when available.

The estimated fair value of certain alternative investments, such as hedge fund, private equity, real estate, and other investments, are based on the reported net asset value per share as reported by the investment manager, as a practical expedient as of June 30, 2014 and 2013. Because certain investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. These instruments may contain elements of both credit risk and market risk. Such risks include, but are not limited to: limited liquidity, absence of oversight, dependence upon key individuals, emphasis on speculative investments, and nondisclosure of portfolio composition. The University classifies alternative investments within either Level 2 if its investment in the entity can be redeemed at or near the reporting date (within 90 days) or Level 3 if its investment is not redeemable (see note 10).

Investments in such funds do carry certain risks including lack of regulatory oversight, interest rate risk and market risk. Due to the level of risk associated with these investments, it is at least reasonably possible that changes in risk factors in the near term might materially affect the amounts reported in the statements of financial position.

Investment sales and purchases are recorded on a trade-date basis.

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Notes to Financial Statements

June 30, 2014 and 2013

(f) Beneficial Interest in Trusts

These funds represent resources neither in the possession of nor under the control of the University, but are paid and administered by outside trustees, with the University deriving income or a residual interest from the assets of such funds. They are recorded using Level 3 inputs as described in note 10 at the estimated fair value of the assets or the present value of the future cash flows when the irrevocable trust is established or the University is notified of its existence.

(g) Contributions

Contributions received, including unconditional promises, are recognized as revenues when the donor's commitment has been received. Unconditional promises are recognized at the estimated present value of the future cash flows, which are considered Level 3 inputs to fair value as described in note 10, net of allowances. Conditional promises are recorded when donor stipulations are substantially met. Promises of noncash assets are recorded at their fair value. Contributions restricted for capital purposes are released from restriction when the asset is placed into use.

(h) Allowances for Doubtful Accounts

The allowances for doubtful accounts on student accounts, student loans, government, contribution and other receivables are provided based upon management's judgment including such factors as prior collection history and type of receivable. The University writes off receivables when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. At June 30, 2014 and 2013, the allowance for doubtful accounts was \$4,157,855 and \$3,897,835; respectively. Allowance for doubtful accounts consists of the following:

	<u>2014</u>	<u>2013</u>
Student accounts	\$ 1,655,000	1,620,000
Student loans:		
Federal government programs	812,000	781,000
Institutional programs	<u>1,690,855</u>	<u>1,496,835</u>
Net student loans	<u>2,502,855</u>	<u>2,277,835</u>
Total allowance for doubtful accounts	<u>\$ 4,157,855</u>	<u>3,897,835</u>

(i) Land, Buildings, and Equipment

Plant assets are stated at cost. Contributed assets, which are used for operations, are stated at fair value as of the date donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the buildings (40-60 years) and equipment (5-25 years).

Maintenance repairs and minor replacements are charged to expense as incurred.

(j) Tuition and Fees

The University maintains a policy of offering qualified applicants admission without regard to financial circumstances. This policy provides for financial aid to those admitted in the form of direct

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Notes to Financial Statements

June 30, 2014 and 2013

grants, loans, and employment during the academic year. Tuition and fees have been reduced by these direct grants.

(k) *Allocation of Certain Expenses*

The statement of activities presents expenses by functional classification. Operation and maintenance of plant and depreciation are allocated based on square footage. Interest expense is allocated to the functional classifications that benefited from the use of the proceeds of the debt and on an allocation based on square footage.

(l) *Fair Value of Other Financial Instruments*

The fair value of cash and cash equivalents, student and other accounts receivable, prepaid expenses and other assets, accounts payable and accrued expenses and other liabilities approximate their respective carrying amounts, and are valued using Level 3 inputs to fair value as described in note 10. The fair value of long-term debt is estimated based primarily on quoted market prices of similar bonds, which are considered Level 2 inputs to fair value as described in note 10.

(m) *Use of Estimates*

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates and assumptions relate to the determination of the allowances for receivables, alternative investment values, useful lives of fixed assets, assumptions related to postretirement benefits, and allocation of certain expenses.

(n) *Nonoperating Activities*

Nonoperating activities reflect transactions of a long-term investment, capital or unusual and nonrecurring nature including contributions to be invested by the University to generate a return that will support future operations, contributions to be used for facilities and equipment, annuity adjustments and pension related changes other than net periodic pension cost. Realized and unrealized gains and losses in excess of the University's spending policy for operations are recorded as nonoperating revenue or expense.

(o) *Tax Status*

The University has been recognized by the Internal Revenue Service (IRS) as exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code, except for taxes on income from activities unrelated to its exempt purpose. Accordingly, the University is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. No provisions for income taxes have been made in the accompanying financial statements for 2014 or 2013.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the University and recognize a tax liability (or asset) if the University

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Notes to Financial Statements

June 30, 2014 and 2013

has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. The University uses a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. As of June 30, 2014 and 2013, the University does not have any uncertain tax position or any unrelated business income tax liability which would have a material impact on its financial statements.

(p) *Conditional Asset Retirement Obligation*

The University considers a conditional asset retirement an obligation that includes a legal obligation associated with the retirement of a tangible long-lived asset in which the timing and/or method of settling the obligation is conditional on a future event that may or may not be within the control of the entity. An entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated, even if conditional on a future event. The University records the fair value of a liability for a legal obligation associated with an asset retirement in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized. At June 30, 2014 and 2013, the conditional asset retirement obligation was \$672,263 and \$664,284, respectively. The liability is recorded as a component of accounts payable and accrued liabilities in the statements of financial position.

(q) *Fundraising*

Institutional support expenses included fundraising costs of \$1,954,854 and \$1,788,156 for the years ended June 30, 2014 and 2013, respectively. Fundraising costs include the salaries and employee benefits of staff that develop proposals for fundraising, solicit contributions, and conduct specific fundraising events. Fundraising costs are expensed as incurred.

(2) **Student Loans Receivable**

The University makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. At June 30, 2014 and 2013, student loans represented 1.6% and 1.7% of total assets, respectively.

At June 30, student loans consisted of the following:

	2014	2013
Federal government programs, net of cancellations	\$ 5,701,635	6,001,096
Institutional programs	2,643,857	2,518,253
Total programs	<u>8,345,492</u>	<u>8,519,349</u>
Less allowance for doubtful accounts:		
Beginning of year	(2,277,835)	(2,009,835)
Increases	(225,020)	(268,000)
End of year	<u>(2,502,855)</u>	<u>(2,277,835)</u>
Student loans receivable, net	<u>\$ 5,842,637</u>	<u>6,241,514</u>

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Notes to Financial Statements

June 30, 2014 and 2013

The University participates in various federal revolving loan programs. The availability of funds for loans under these programs is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government are ultimately refundable to the government and are classified as liabilities in the statements of financial position. Outstanding loans canceled under the program result in a reduction of the funds available for loans.

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 per the loan terms.

For substantially all institutional loans, it is not anticipated that repayment will be made and the loans have been fully reserved.

At June 30, 2014 and 2013, the following amounts were past due under federal student loan programs:

<u>June 30</u>	<u>1-60 days past due</u>	<u>60-90 days past due</u>	<u>90+ days past due</u>	<u>Total past due</u>
2014	\$ 4,665	127	416,782	421,574
2013	4,077	864	651,072	656,013

(3) Contributions Receivable

Contributions receivable consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Contributions receivable in:		
Less than one year	\$ 393,350	454,713
Greater than one year and thereafter	2,339,285	2,554,950
	<u>2,732,635</u>	<u>3,009,663</u>
Less discount to present value	(575,378)	(583,993)
	<u>\$ 2,157,257</u>	<u>2,425,670</u>

For the years ended June 30, 2014 and 2013, the University's discount rate was 3%. There was no allowance related to contributions receivable at June 30, 2014 and 2013.

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Notes to Financial Statements

June 30, 2014 and 2013

(4) Investments

The fair values of the University's investments by type of investment were as follows at June 30:

	<u>2014</u>	<u>2013</u>
Money market accounts	\$ 432,320	400,300
Asset class:		
Fixed income	33,048,119	34,315,990
Asset allocation	58,284,461	51,138,280
Domestic equity	33,134,918	30,567,937
International equity	23,737,151	20,849,301
Alternative and limited partnerships	42,942,842	36,476,702
	<u>\$ 191,579,811</u>	<u>173,748,510</u>

For the years ended June 30, 2014 and 2013, the University incurred \$1,417,486 and \$1,244,273, respectively, in advisory and custodial fees for these investments. These fees have been netted against investment income in the statements of activities.

Investment income is summarized as follows for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Dividend and interest income	\$ 5,083,318	5,342,390
Realized and unrealized gains (losses)	21,517,637	14,397,742
Investment management fees	<u>(1,417,486)</u>	<u>(1,244,723)</u>
	<u>\$ 25,183,469</u>	<u>18,495,409</u>

Investment income is classified in the statement of activities as follows for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Operating	\$ 9,190,412	9,101,486
Nonoperating	<u>15,993,057</u>	<u>9,393,923</u>
	<u>\$ 25,183,469</u>	<u>18,495,409</u>

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Notes to Financial Statements

June 30, 2014 and 2013

(5) Land, Buildings, and Equipment

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

	<u>2014</u>	<u>2013</u>
Land and improvements	\$ 8,517,744	8,517,744
Buildings and improvements	187,275,719	155,453,588
Equipment	22,573,333	20,891,786
Construction in progress	<u>102,080</u>	<u>8,099,936</u>
	218,468,876	192,963,054
Less accumulated depreciation	<u>(85,134,269)</u>	<u>(78,688,844)</u>
	<u>\$ 133,334,607</u>	<u>114,274,210</u>

The University recorded depreciation expense of \$7,274,673 and \$6,574,450 for the years ended June 30, 2014 and 2013, respectively.

(6) Bonds Payable

Bonds payable is comprised of the following at June 30:

	<u>2014</u>	<u>2013</u>
Series 2005A – 3.0% to 5.0%; maturing 11/1/2033 and 11/1/2036 (a)	\$ 32,895,000	33,985,000
Series of 2005A net premium	490,716	518,801
Series of 2008 – 3.5% to 5.0%; maturing 11/1/2032 and 11/1/2037 (b)	66,235,000	67,400,000
Series of 2008 net premium	1,211,127	1,306,273
Series of 2012 – 4.0% to 5.0%; maturing 11/1/2039 and 11/1/2042 (c)	31,000,000	31,000,000
Series of 2012 net premium	<u>1,471,217</u>	<u>1,532,516</u>
Total bonds payable, net	<u>\$ 133,303,060</u>	<u>135,742,590</u>

- (a) On January 15, 2005, the Pennsylvania Higher Educational Facilities Authority (PHEFA) issued 2005A tax-exempt bonds totaling \$40,545,000. Proceeds were used to establish refunding escrows for the 1995 and 1998 PHEFA bonds, to redeem the 2002 PHEFA bonds, for the construction and equipping of a new science and technology center, the expansion of the central utility plant, and other capital projects, plus the payment of capital interest expense and certain debt issuance expenses. These bonds are insured and are secured by a mortgage on the McNeil Science and Technology Center. The 2005A PHEFA bonds are fixed-rate instruments.

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Notes to Financial Statements

June 30, 2014 and 2013

- (b) On May 17, 2008, the PHEFA issued 2008 tax-exempt bonds totaling \$67,400,000 on behalf of the University. Proceeds were used to redeem the 2005B and the 2006 PHEFA bonds and certain debt issuance costs as well as to establish a debt service reserve fund. The 2008 PHEFA bonds are fixed-rate instruments insured by Assured Guarantee.
- (c) On September 12, 2012, the PHEFA issued 2012 tax-exempt bonds totaling \$31,000,000 on behalf of the University. Debt proceeds will be used to fund project expenditures for the construction of a new academic facility in addition to payments for issuance costs and capitalized interest.

All bonds of the University have been issued by PHEFA. The University is obligated to the PHEFA under a loan instrument providing for payments equal to the amount of the debt service on the revenue bonds. The University is also required to meet certain liquidity and net revenue covenants. The University was in compliance with its debt covenants at June 30, 2014 and 2013.

The estimated fair value of long-term debt is based on quoted market prices for the same or similar issues. At June 30, 2014 and 2013, the estimated fair value was \$136,579,889 and \$133,799,075, respectively. The June 30, 2014 estimated fair value is \$6,449,889 more than its face value of \$130,130,000.

The maturities of all bonds for the next five years and thereafter ending June 30 are as follows:

	<u>Maturing</u>
2015	\$ 2,345,000
2016	2,440,000
2017	2,540,000
2018	2,650,000
2019	2,650,000
Thereafter	<u>117,505,000</u>
Total	<u>\$ 130,130,000</u>

(7) Line of Credit

As of June 30, 2014 and 2013, the University had an available line of credit in the amount of \$2,000,000 with interest charged at the bank's prime rate which is renewable annually that expires on April 10, 2015. There is no specific amount required for compensating balance and no outstanding liability as of June 30, 2014 or 2013.

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Notes to Financial Statements

June 30, 2014 and 2013

(8) Net Assets

The components of the major classifications of net assets at June 30 are as follows:

	<u>2014</u>	<u>2013</u>
Unrestricted net assets:		
Unallocated	\$ 1,919,825	1,919,825
Designated for:		
Specific purposes, University's and department's	2,234,618	2,232,041
Student loans	3,181,181	3,181,181
Funds functioning as endowment	117,527,781	105,647,936
Future investment in facilities	15,729,994	8,162,766
Net investment in plant	10,583,499	14,583,792
	<u>\$ 151,176,898</u>	<u>135,727,541</u>
	<u>2014</u>	<u>2013</u>
Temporarily restricted net assets:		
Purpose restrictions for instruction, scholarships and capital expenditures	\$ 5,960,806	5,898,436
Endowment earnings in excess of spending policy	13,666,923	9,618,788
Annuities	148,057	111,660
	<u>\$ 19,775,786</u>	<u>15,628,884</u>
Permanently restricted net assets:		
Student loans	\$ 172,764	191,475
Endowment for:		
General operations	11,289,528	12,736,964
Research	7,517,698	6,757,725
Student/Academic support	1,311,167	1,321,473
Instruction	4,710,523	4,105,585
Scholarships	18,322,778	17,662,387
Annuities (endowment)	1,975	1,975
	<u>\$ 43,326,433</u>	<u>42,777,584</u>

(9) Postretirement Benefits Other than Pensions

The University provides certain health care and life insurance benefits for retired employees who reach retirement age while working for the University. The University accrues for expected medical and other postretirement benefits over the years that the employees render the necessary service. The University has recognized its benefit obligation of \$146,079 and \$199,410 at June 30, 2014 and 2013 for its postretirement benefit plans in the statements of financial position.

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Notes to Financial Statements

June 30, 2014 and 2013

(10) Fair Value Measurements

The University has valued its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the hierarchy are described below:

- Level 1 Financial assets and liabilities whose values are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 Financial assets and liabilities whose values are based on one or more of the following:
1. Quoted prices for similar assets or liabilities in active markets;
 2. Quoted prices for identical or similar assets or liabilities in nonactive markets;
 3. Pricing models whose inputs are observable for substantially the full term of the asset or liability; or assets that have near-term liquidity (within 90 days of June 30);
 4. Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.
- Level 3 Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The University's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

A review of the fair value hierarchy classifications is conducted on an annual basis. Changes in the type of inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the year in which reclassifications occur.

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Notes to Financial Statements

June 30, 2014 and 2013

The following provides a brief description of the types of financial instruments the University holds, the methodology for estimating fair value, and the level within the hierarchy of the estimate for recurring financial instruments.

(a) Beneficial Interest in Trusts

Donors have established and funded trusts that are controlled by outside organizations. These funds are valued based on the estimated fair value of the underlying assets or the present value of future cash flows, which are Level 3 inputs to fair value.

(b) Investments

Money market accounts: Funds designed to earn competitive yields on short-term investments. These are valued using Level 1 inputs.

Fixed income: Funds designed to add value above the return of the broad U.S. bond market over a full market cycle and reduce the risk in comparison to that of investing in the index. Valued at closing prices reported on an active market, which are Level 1 inputs.

Asset allocation: Funds designed to improve the net investment returns by making available a series of investment vehicles, each with its own investment objective and thus attaining a growth stream of current income and appreciation of principal to at least offset inflation. Publicly traded funds are valued at the closing price reported on an active market which are Level 1 inputs; funds that are not publicly traded are valued using Level 2 or Level 3 inputs depending on their redemption provisions as described above.

Domestic equity: Funds designed to provide net investment returns that correspond to the total return of publicly traded common stocks in the aggregate, as represented by the S&P 500 Composite Stock Price index. Valued at the closing prices reported on an active market, which are Level 1 inputs.

International equity: Funds designed to provide long-term returns by investing primarily in a diversified portfolio that corresponds to the performance of securities held in the Morgan Stanley Country Index – Europe, Asia, Far East (MSCI EAFE) and Morgan Stanley Country Index – All Country World Index (MSCI – ACWIEX US). These investments are valued at closing prices reported on an active market, which are Level 1 inputs.

Alternative and limited partnerships: Alternative and hedge funds are funds designed to outperform the S&P index over a full market cycle, while also providing some protection during down markets. Limited partnerships are funds used to protect against inflation and have a primary objective of creating income and capital preservation over the long term. Valued at net asset value as a practical expedient to fair value, these funds are valued using Level 2 or 3 inputs depending on their redemption provisions as described above.

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Notes to Financial Statements

June 30, 2014 and 2013

The following tables present information about the University's assets measured at fair value on a recurring basis as of June 30, 2014 and 2013, and indicates the fair value hierarchy of the valuation techniques utilized by the University to determine such fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Beneficial interest in trusts	\$ —	—	566,804	566,804
Investments:				
Money market accounts	432,320	—	—	432,320
Asset class:				
Fixed income	30,016,037	3,032,082	—	33,048,119
Asset allocation	21,112,045	28,865,672	8,306,744	58,284,461
Domestic equity	33,134,918	—	—	33,134,918
International equity	23,737,151	—	—	23,737,151
Alternative and limited partnerships:				
Private equity	—	—	9,574,553	9,574,553
Hedge	—	—	17,523,007	17,523,007
Inflation hedge	—	6,831,153	—	6,831,153
Absolute	—	—	9,014,129	9,014,129
Total investments	<u>108,432,471</u>	<u>38,728,907</u>	<u>44,418,433</u>	<u>191,579,811</u>
Total assets	<u>\$ 108,432,471</u>	<u>38,728,907</u>	<u>44,985,237</u>	<u>192,146,615</u>

In the fiscal year ended June 30, 2014 there were no transfers among Levels 1, 2 and 3.

June 30, 2013	Level 1	Level 2	Level 3	Total
Beneficial interest in trusts	\$ —	—	512,483	512,483
Investments:				
Money market accounts	400,300	—	—	400,300
Asset class:				
Fixed income	34,315,990	—	—	34,315,990
Asset allocation	17,534,817	25,480,440	8,123,023	51,138,280
Domestic equity	30,567,937	—	—	30,567,937
International equity	20,849,301	—	—	20,849,301
Alternative and limited partnerships:				
Private equity	—	—	6,618,595	6,618,595
Hedge	—	—	15,760,019	15,760,019
Inflation hedge	—	5,857,470	—	5,857,470
Absolute	—	—	8,240,618	8,240,618
Total investments	<u>103,668,345</u>	<u>31,337,910</u>	<u>38,742,255</u>	<u>173,748,510</u>
Total assets	<u>\$ 103,668,345</u>	<u>31,337,910</u>	<u>39,254,738</u>	<u>174,260,993</u>

In the fiscal year ended June 30, 2013 there were no transfers among Levels 1, 2 and 3.

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Notes to Financial Statements

June 30, 2014 and 2013

The following tables present additional information about assets measured at fair value on a recurring basis and for which the University has utilized Level 3 inputs to determine fair value for the years ended June 30, 2014 and 2013:

	<u>Fair value</u> <u>July 1, 2013</u>	<u>Net</u> <u>realized</u> <u>gains</u>	<u>Net</u> <u>unrealized</u> <u>gains (losses)</u>	<u>Purchases</u>	<u>Sales</u>	<u>Fair value</u> <u>June 30, 2014</u>
Beneficial interest in trusts	\$ 512,483	—	54,321	—	—	566,804
Asset allocation	8,123,023	—	183,721	—	—	8,306,744
Private equity	6,618,595	160,047	(21,712)	3,038,215	(220,592)	9,574,553
Hedge	15,760,019	—	1,762,988	—	—	17,523,007
Absolute	8,240,618	—	773,511	—	—	9,014,129
	<u>\$ 39,254,738</u>	<u>160,047</u>	<u>2,752,829</u>	<u>3,038,215</u>	<u>(220,592)</u>	<u>44,985,237</u>

	<u>Fair value</u> <u>July 1, 2012</u>	<u>Net</u> <u>realized</u> <u>gains</u>	<u>Net</u> <u>unrealized</u> <u>gains (losses)</u>	<u>Purchases</u>	<u>Sales</u>	<u>Fair value</u> <u>June 30, 2013</u>
Beneficial interest in trusts	\$ 483,633	—	28,850	—	—	512,483
Asset allocation	6,490,768	—	1,632,255	—	—	8,123,023
Private equity	5,761,920	194,197	(525,590)	1,258,879	(70,811)	6,618,595
Hedge	13,936,635	—	1,823,384	—	—	15,760,019
Absolute	7,308,739	—	931,879	—	—	8,240,618
	<u>\$ 33,981,695</u>	<u>194,197</u>	<u>3,890,778</u>	<u>1,258,879</u>	<u>(70,811)</u>	<u>39,254,738</u>

The following table represents the fair value measurements of investments in certain entities that calculate net asset value (NAV) per share (or its equivalent) as of June 30, 2014 and the University's ability to redeem out of these investment funds as follows:

	<u>Level 2</u>	<u>Level 3</u>	<u>Unfunded</u> <u>commitments</u>	<u>Redemption</u> <u>frequency</u>	<u>Redemption</u> <u>notice period</u>
Asset allocation (a)	\$ 28,865,672	—	—	daily	1 day
Asset allocation (b)	—	8,306,744	—	annually	14 days
Alternative private equity (c)	—	9,574,553	5,170,000	n/a	n/a
Alternative hedge (d)	—	8,471,007	—	quarterly	70 days
Alternative hedge (e)	—	9,052,000	—	annually	90 days
Alternative inflation hedge (f)	6,831,153	—	—	monthly	8 – 10 days
Alternative absolute (g)	—	9,014,129	—	semi- annually	100 days before March 31 or September 30
Fixed Income (h)	<u>3,032,082</u>	<u>—</u>	<u>—</u>	monthly	30 days
	<u>\$ 38,728,907</u>	<u>44,418,433</u>	<u>5,170,000</u>		

- (a) Investments in various global multi-asset funds that invest in diversified portfolios of bonds, stocks and cash equivalents.

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Notes to Financial Statements

June 30, 2014 and 2013

- (b) Invests in a diversified global asset class with active security selection focusing on long-term preservation of purchasing power rather than a focus on short-term returns. These funds provide distributions.
- (c) Comprised of various private equity funds that invest primarily in U.S. media and communications industry and/or life science and health care industries.
- (d) Seeks to generate an attractive level of absolute and risk adjusted returns, with a low volatility and low correlation to global fixed income and equity markets.
- (e) Primarily invests in a diversified portfolio of hedge fund managers with an objective to provide returns that exhibit moderate volatility and a low correlation to overall stock and bond markets. As of June 30, 2014, this investment is subject to a one-year lock-up period.
- (f) Primarily invests in markets that perform the strongest in inflationary environments, and in U.S. equity and diversifying global equity and fixed income. The funds provide distributions upon liquidation of the underlying assets.
- (g) Pooled fund that invests primarily in limited partnerships, limited liability companies, or non-U.S. corporations. Valuation of interests in underlying investment funds is based on an amount equal to the pool's pro-rata interest in net assets, which are calculated at the close of business on each offering date (last business day of the month) by dividing the assets of each series less its liabilities by the number of outstanding shares of each series.
- (h) Primarily invests in a portfolio of senior secured loans which may include: subordinated high yield loans, high yield bonds, noninvestment grade fixed income or debt securities and any other instruments determined to be consistent with investment objectives to be consistent with investment objectives.

(11) Endowments

Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University's endowment consists of a portfolio of actively managed funds established to provide both a source of operating funds as well as long-term financial stability. The endowment includes both donor-restricted endowment funds, annuities, and funds designated by the Board of Trustees to function as quasi-endowments.

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Notes to Financial Statements

June 30, 2014 and 2013

(a) Interpretation of Relevant Law

The Board of Trustees of the University has interpreted relevant law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. This is regarded as the “historic dollar value” of the endowed fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets and is regarded as “net appreciation” is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the University’s spending policy.

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the “historic dollar value.” Deficiencies of this nature are reported by a charge to unrestricted net assets and a corresponding increase to temporarily restricted net assets. Approximately \$250,000 and \$1,400,000 were underwater for the years ended June 30, 2014 and 2013, respectively. In the year ended June 30, 2014, \$1,180,243 of the previous charge to unrestricted net assets due to unfavorable market conditions was recovered.

(c) Endowment Investment Policy

The endowment’s assets are invested in accordance with sound investment practices that emphasize long-term investment fundamentals. Under this approach, as approved by the Investment Committee of the Board of Trustees, the endowment assets are invested in a manner that is intended to achieve a positive rate of return over the long term that would contribute to the cash flow needs of the organization for ongoing operations, special initiatives and capital projects in support of the University; plus, the endowment assets are to provide for asset growth at a rate in excess of the rate of inflation using the Higher Education Price Index (HEPI index) net of expenses to achieve investment results over the long term that compare favorably with those of other similar-sized endowments and foundations, professionally managed portfolios and appropriate market indexes.

(d) Endowment Spending Policy

The University has a spending rule policy for the majority of the endowment fund’s asset pool, whereby each participating fund earns investment income on the basis of subscribed units. These units are acquired and disposed at fair market value as determined on a quarterly basis.

In order to balance current needs with preserving the spending power of the endowment, the Board of Trustees set a spending rate of the fair value of the endowment to be available for operations. This rate was 6.0% and 6.5%, respectively, for the years ended June 30, 2014 and 2013. The University applies the spending rate to an average of the pooled endowment fair value for the 12 trailing quarterly periods ending as of December 31 of the prior fiscal year. The Board expects a 5.9% draw for the upcoming June 30, 2015 fiscal year.

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Notes to Financial Statements

June 30, 2014 and 2013

(e) Strategies Employed for Achieving Objectives

To satisfy its long-term 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). The rationale for including alternative strategy managers in the University's portfolio is to reduce overall volatility while providing equity-like returns. Alternative asset classes have historically demonstrated lower volatility on a stand-alone basis compared to traditional asset classes. Additionally, they have had low correlations to traditional asset classes, thus providing diversification benefits at the total fund level.

(f) Endowment and Similar Fund Activity

	June 30, 2014			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, beginning of year	\$ 105,647,936	9,730,448	42,586,110	157,964,494
Investment return	14,842,993	7,442,158	—	22,285,151
Appropriation of endowment assets for operations (draw)	(4,143,391)	(2,156,609)	—	(6,300,000)
Contributions	—	—	540,945	540,945
Transfer of net assets released from restrictions – income purpose satisfied	—	(9,970)	—	(9,970)
Other changes:				
Other adjustments	—	(349)	16,159	15,810
Deficiencies in historical values	1,180,243	(1,190,696)	10,453	—
Total other changes	1,180,243	(1,191,045)	26,612	15,810
Net assets, end of year	<u>\$ 117,527,781</u>	<u>13,814,982</u>	<u>43,153,667</u>	<u>174,496,430</u>
June 30, 2014:				
Donor-restricted endowment funds	\$ (256,363)	13,814,982	43,153,667	56,712,286
Board-designated funds	117,784,144	—	—	117,784,144
	<u>\$ 117,527,781</u>	<u>13,814,982</u>	<u>43,153,667</u>	<u>174,496,430</u>

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Notes to Financial Statements

June 30, 2014 and 2013

	June 30, 2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, beginning of year	\$ 97,736,490	8,301,708	41,843,063	147,881,261
Investment return	10,539,124	5,123,546	—	15,662,670
Appropriation of endowment assets for operations (draw)	(4,250,132)	(2,049,868)	—	(6,300,000)
Contributions	—	—	714,557	714,557
Transfer of net assets released from restrictions – income purpose satisfied	—	(4,207)	(20,172)	(24,379)
Other changes:				
Other adjustments	—	(6,518)	36,903	30,385
Deficiencies in historical values	<u>1,622,454</u>	<u>(1,634,213)</u>	<u>11,759</u>	<u>—</u>
Total other changes	<u>1,622,454</u>	<u>(1,640,731)</u>	<u>48,662</u>	<u>30,385</u>
Net assets, end of year	<u>\$ 105,647,936</u>	<u>9,730,448</u>	<u>42,586,110</u>	<u>157,964,494</u>
June 30, 2013:				
Donor-restricted endowment funds	\$ (1,407,790)	9,730,448	42,586,110	50,908,768
Board-designated funds	<u>107,055,726</u>	<u>—</u>	<u>—</u>	<u>107,055,726</u>
	<u>\$ 105,647,936</u>	<u>9,730,448</u>	<u>42,586,110</u>	<u>157,964,494</u>

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Notes to Financial Statements

June 30, 2014 and 2013

(12) Operating Expenses

Expenses by natural classifications for the years ended June 30 were as follows:

	<u>2014</u>	<u>2013</u>
Compensation:		
Salaries	\$ 43,543,258	43,533,539
Employee benefits	<u>11,367,556</u>	<u>10,951,059</u>
Total compensation	<u>54,910,814</u>	<u>54,484,598</u>
Other expenses:		
Advertising and marketing	1,461,349	1,156,128
Clinical fees	848,204	1,099,158
Computer equipment and software	419,189	413,314
Consulting	1,524,501	1,043,171
Depreciation of buildings and equipment	7,274,673	6,574,450
Interest on indebtedness	4,613,915	4,697,116
Management contracts	362,960	287,783
Office expenses	1,644,284	1,720,983
Printing	357,084	365,724
Reference materials	730,973	763,342
Rental property and equipment lease	1,822,279	1,897,350
Scholarships	372,503	499,235
Service contracts	3,585,319	3,543,652
Utilities	2,436,388	2,339,515
Other supplies and expenses	<u>8,692,486</u>	<u>8,017,017</u>
Total other expenses	<u>36,146,107</u>	<u>34,417,938</u>
Total operating expenses	<u>\$ 91,056,921</u>	<u>88,902,536</u>

(13) Defined Contribution Plan

The University of the Sciences in Philadelphia Basic Retirement Plan is a defined contribution pension plan covering substantially all employees. The plan is designed to provide for investments in annuities and in shares of regulated investment companies (mutual funds). The University contributed 8% of each participant's annual compensation for the years ended June 30, 2014 and 2013. Pension expense was \$2,723,799 and \$2,667,612 in 2014 and 2013, respectively.

(14) Related Party Transactions

During the year ended June 30, 2014, the University had several business relationships with related parties. Certain members of the Board of Trustees are senior members for the related parties referenced. Gifts from various members of the University's Board of Trustees totaled \$413,901 and \$309,602 including pledge payments for the years ended June 30, 2014 and 2013, respectively.

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Notes to Financial Statements

June 30, 2014 and 2013

(15) Commitments and Contingencies

The University has noncancelable operating leases ending in 2014 through 2029 for certain facilities and equipment. Rental expense under these agreements equaled \$1,948,762 in 2014 and \$1,917,991 in 2013. Future minimum lease payments are as follows:

2015	\$	1,650,417
2016		850,571
2017		644,633
2018		645,810
2019		695,962
Thereafter		1,815,000

In the ordinary course of the University's educational activities, various lawsuits, claims and other contingencies arise. While the ultimate disposition of the aforementioned contingencies is not determinable at this time, management believes that any liability resulting there from will not materially affect the financial position of the University as of June 30, 2014.

(16) Subsequent Events

The University evaluated its June 30, 2014 financial statements for subsequent events through November 19, 2014, the date the financial statements were issued. The University is not aware of any subsequent event that would require recognition or disclosure in the financial statements.

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APPENDIX C

DEFINITIONS OF TERMS AND SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS

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DEFINITIONS OF TERMS AND SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS

The following are summaries of certain provisions of the Loan Agreement and the Indenture. 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 during normal business hours at the corporate trust agency office of the Trustee.

DEFINITIONS

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

“Additional Bonds” shall mean any Bond issued by the Authority pursuant to the terms of Section 2.14 of the Indenture, secured on a parity basis with the 2012 Bonds and the 2015 Bonds by an assignment and pledge of the Pledged Revenues.

“Additional Payments” means the amounts required to be paid by the University pursuant to Section 4.3 of the Original Agreement and Section 4.2 of the Fourth Supplemental Agreement.

“Administrative Expenses” shall mean those expenses reasonably and properly incurred by the Authority including without limitation, reasonable attorneys’ fees and expenses, 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 Agreement.

“Affiliate” means any Person directly or indirectly controlling, controlled by or under common control with the University.

“Agreement” means the Original Agreement, as amended and supplemented from time to time.

“Annual Administrative Fee” with respect to the 2015 Bonds shall mean the annual fee for the general administrative services of the Authority.

“Authorized Denominations” means, with respect to any 2015 Bonds, \$5,000 and any integral multiple thereof.

“Authorized Representative” means, with respect to the Authority, each Person at the time designated to act on behalf of the Authority by written certificate furnished to the Trustee containing the specimen signature of such Person and signed on behalf of the Authority by its Secretary or Assistant Secretary, and, with respect to the University, each Person at the time designated to act on behalf of the University by written certificate furnished to the Trustee containing the specimen signature of such Person and signed on behalf of the University by its Secretary or Assistant Secretary or other such authorized officer.

“Balloon Debt” means Long Term Debt (i) twenty-five percent (25%) or more of the original principal amount of which matures within a period of twelve (12) consecutive months, which portion

of such principal amount is not required by the documents governing such Debt to be amortized prior to the commencement of such twelve (12) month period in amounts such that, following such amortization, the principal amount maturing during such twelve (12) month period will be less than twenty-five percent (25%) of such original principal amount, or (ii) any portion of the original principal amount of which (1) may be tendered for purchase or redemption prior to maturity at the option of the holder thereof (including any such Debt which is payable on demand within 365 days from the date of incurrence), or (2) is required to be tendered for purchase or redemption prior to maturity thereof, other than a purchase or redemption required upon the future occurrence of a condition or event.

“Bond Counsel” shall mean an attorney-at-law or a firm of attorneys of nationally recognized standing in matters pertaining to bonds (including the tax status of interest thereon) issued by states and their political subdivisions, which may be counsel to the University.

“Bond Documents” shall mean any or all of the Agreement and the Indenture and all documents, certificates and instruments executed in connection therewith.

“Bond Insurer” means, with respect to Additional Bonds, the bond insurer named in the Supplemental Indenture related to such series of Bonds or any successor of such bond insurer.

“Bonds” mean the 2015 Bonds, the 2012 Bonds and any Additional Bonds issued under the Indenture.

“Bonds Debt Service” means, for any period or payable at any time, the principal of, premium, if any, and interest on any Bonds for that period or payable at that time whether due on an Interest Payment Date, at maturity, upon acceleration or redemption.

“Business Day” means any day other than (i) a Saturday, Sunday or legal holiday, (ii) a day on which banks located in Pittsburgh, Pennsylvania, New York, New York or any other city in which the Payment Office of the Trustee or the office of the Trustee responsible for the administration of this Indenture is located are required or authorized by law or executive order to close, or (iii) a day on which The New York Stock Exchange is closed.

“Capital Addition” shall mean all property or interests in property, real, personal and mixed (a) which constitute additions, improvements or extraordinary repairs to or replacements of all or any part of the property of the University, and (b) the cost of which is properly capitalized under generally accepted accounting principles.

“Closing Date” means the date of the closing of the issuance and sale of Bonds under the Indenture.

“Code” means the Internal Revenue Code of 1986, as amended from time to time. References to the Code and Sections of the Code include the relevant regulations, temporary regulations and proposed regulations thereunder and under the Internal Revenue Code of 1954, as amended, and any successor provisions to those Sections, regulations, temporary regulations or proposed regulations.

“Commonwealth” means the Commonwealth of Pennsylvania.

“Computation Date” shall have the meaning set forth in Section 4.6 of the Original Indenture.

“Consultant’s Certificate” means a certificate signed by a Consultant.

“Consultant” means a Person, who shall be otherwise unaffiliated with the University, (but who may be employed by or associated with an entity in which a member of the Board of the University is also employed or associated) or appointed by the University or the Authority, as the case may be, and not unsatisfactory to the other party or the Trustee, qualified to pass upon the matters under consideration and having a favorable reputation for skill and experience in such matters.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement dated the Closing Date by and among the University, the Authority and the Trustee relating to Securities and Exchange Commission Rule 15c 2-12.

“Counsel” means an attorney-at-law or law firm (which may be counsel to the Authority, the University, the Trustee or any other applicable party) admitted to practice before the highest court of any state (or the District of Columbia) and not unsatisfactory to the Authority or the Trustee.

“Credit Facility” means any letter of credit, line of credit, insurance policy, guaranty or other agreement constituting a credit enhancement or liquidity facility which is issued by a bank, trust company, savings and loan association or other institutional lender, insurance company, financial institution or surety company.

“Debt” means any Long-Term Debt or Short Term Debt.

“Debt Service Fund” means the fund so designated, created pursuant to Section 4.2 of the Indenture.

“Debt Service Requirements” with reference to a specified period, means:

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

(b) amounts required to be paid into any mandatory sinking fund account for Long Term Debt during the period;

(c) amounts required to pay the principal of Long Term Debt; and

(d) in the case of Long Term Debt in the form of lease rental obligations, the lease rentals payable during the period.

The calculation of Debt Service Requirements shall take into consideration the provisions pertaining to (i) Guaranteed Debt, set forth in Section 5.8(e) of the Original Agreement, (ii) Variable Rate Debt set forth in Section 5.8(f) of the Original Agreement, (iii) Balloon Debt set

forth in Section 5.8(g) of the Original Agreement and (iv) Swaps set forth in Section 5.10(a) of the Original Agreement.

“Delivery Office” means the office of the Trustee as registrar and transfer agent, designated as such as provided in Section 10.3 of the Indenture, where Bonds may be delivered for transfer or exchange.

“DTC” means The Depository Trust Company, New York, New York and its successors and assigns.

“Event of Default” means any of the events described as an Event of Default in Section 6.1 of the Original Indenture or Section 7.1 of the Original Agreement.

“Excess Earnings” means an amount equal to the sum of (i) plus (ii) where:

(i) is the excess of (a) the aggregate amount earned from the date of issuance of a series of Bonds on all nonpurpose investments in which gross proceeds of such Bonds are invested (other than investments attributable to an excess described in this clause (i)), over (b) the amount that would have been earned if such nonpurpose investments (other than amounts attributable to an excess described in this clause (i)) were invested at a rate equal to the yield on such Bonds; and

(ii) is any income attributable to the excess described in clause (i).

The sum of (i) plus (ii) shall be determined in accordance with Section 148(f) of the Code. As used in the Indenture, the terms “gross proceeds”, “nonpurpose investments” and “yield” have the meanings assigned to them for purposes of Section 148(f) of the Code. “Excess Earnings”, however, shall not include any amount earned on the Debt Service Fund during the applicable bond year, if the gross earnings on such Fund for such period are less than \$100,000.

“Expendable Financial Resources” means unrestricted and temporarily restricted net assets of the University, less net investment in plant, as shown in the University’s most recent audited financial statements; or the equivalent as estimated by the University if the University’s accounting presentation format changes materially in the future.

“Extraordinary Services” and “Extraordinary Expenses” mean all services rendered and all reasonable expenses properly incurred by the Trustee or any of its agents under the Indenture, other than Ordinary Services and Ordinary Expenses.

“Favorable Opinion of Bond Counsel” means a written Opinion of Bond Counsel addressed to the Authority, the Bond Insurer, if applicable, the Trustee, the Broker-Dealer, if applicable, the Remarketing Agent, if applicable and the Liquidity Provider, if applicable, to the effect that the facts or circumstances in question or the action proposed to be taken (i) are authorized under the Indenture and the Act, and (ii) will not adversely effect the exclusion from gross income for federal tax purposes of the interest on the Tax-Exempt Bonds in question.

“Fiscal Year” means the fiscal year of the University, currently ending on June 30.

“Guaranteed Debt” shall have the meaning set forth in Section 5.8(e) of the Original Agreement.

“Guaranty” means all obligations of the University guaranteeing in any manner, whether directly or indirectly, any obligation of any other Person which would, if such other Person were subject to the Agreement, constitute Long Term Debt or Short Term Debt under the Agreement. Nothing in this definition or otherwise shall be construed to count the obligation guaranteed and the related Guaranty more than once for purposes of the Agreement and for purposes of all covenants and computations provided for therein, the aggregate annual principal and interest payments on, and the principal amount of, any indebtedness which is the subject of a Guaranty shall be calculated in the manner provided in Section 5.8(e) of the Original Agreement based on the actual Debt Service Requirements on, and the principal amount of, the underlying obligation on account of which a Guaranty has been issued.

“Holder”, “Bondholder”, “Registered Owner” or “Owner” means the Person in whose name a Bond is registered on the Register.

“Interest Payment Date” means each November 1 and May 1, commencing on November 1, 2015 to the maturity date of the 2015 Bonds.

“Investment Securities” means, with respect to the 2015 Bonds:

(a) Cash (fully insured by the Federal Deposit insurance Corporation), (b) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“U.S. Treasury Obligations”), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

(b) Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

(c) Federal Housing Administration debentures.

(d) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

(i) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and participation certificates (excluded are stripped

mortgage securities which are purchased at prices exceeding their principal amounts);

- (ii) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes;
- (iii) Federal Home Loan Banks (FHL Banks) consolidated debt obligations;
- (iv) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

(e) Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated "A-1+" or better by S&P and "Prime-1" by Moody's.

(f) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation, in banks which have capital and surplus of at least \$15 million.

(g) Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's.

(h) Money market funds rated "Aam" or "AAm-G" by S&P, or better and if rated by Moody's rated "Aa2" or better.

(i) "State Obligations", which mean:

- (i) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state, the unsecured general obligation debt of which is rated at least "A3" by Moody's and at least "A-" by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.
- (ii) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (i) above and rated "A-1+" by S&P and "MIG-1" by Moody's.
- (iii) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (ii) above and rated "AA-" or better by S&P and "Aa3" or better by Moody's.

(j) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

- (i) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;
- (ii) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;
- (iii) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification Report”);
- (iv) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;
- (v) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification Report; and
- (vi) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(k) Repurchase agreements: with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at the time of purchase at least “A-” by S&P and “A3” by Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at the time of purchase at least “A-” by S&P and “A3” by Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at the time of purchase at least “A-” by S&P and “A3” by Moody’s (each an “Eligible Repurchase Provider”), provided that:

- (i) (i) permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations of these providers shall be permitted), and (ii) collateral levels must be at least 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA obligations and 104% of the total principal when the collateral type is FNMA obligations and FHLMC obligations (“Eligible Collateral”);

- (ii) the Trustee or a third party acting solely as agent therefor or for the Authority (the “Custodian”) has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books) and such collateral shall be accounted for by using the mark to market method;
- (iii) the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee, the Authority setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;
- (iv) [reserved];
- (v) the repurchase agreement shall state, and an opinion of counsel shall be rendered at the time such collateral is delivered to the effect that, the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;
- (vi) the repurchase agreement shall provide that if during its term the provider’s rating by either Moody’s or S&P is withdrawn or suspended or falls below “A-” by S&P or “A3” by Moody’s, as appropriate, the provider must, notify the Authority and the Trustee within five (5) days of receipt of such notice. Within ten (10) days of receipt of such notice, the provider shall either: (i) provide a written guarantee, (ii) post Eligible Repurchase Collateral, or (iii) assign its obligations under the agreement to an Eligible Repurchase Provider. If the provider does not perform a remedy within ten (10) business days, the provider shall, at the direction of the Trustee repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the Authority, the University or the Trustee.

(l) investment agreements: with a domestic or foreign bank or corporation, the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at the time of purchase at least “AA-” by S&P and “Aa3” by Moody’s (each an “Eligible Investment Agreement Provider”); provided that:

- (i) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;
- (ii) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days’ prior

notice; the Authority and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

- (iii) the provider shall send monthly reports to the Trustee, the Authority and the University setting forth the balance the issuer or trustee has invested with the provider and the amounts and dates of interest accrued and paid by the provider;
- (iv) the investment agreement shall state that is an unconditional and general obligation of the provider, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;
- (v) [reserved];
- (vi) the Authority, the Trustee and the University shall receive an opinion of domestic counsel to the provider that such investment agreement is legal, valid, binding and enforceable against the provider in accordance with its terms;
- (vii) the Authority, the Trustee and the University shall receive an opinion of foreign counsel to the provider (if applicable) that (a) the investment agreement has been duly authorized, executed and delivered by the provider and constitutes the legal, valid and binding obligation of the provider, enforceable against the provider in accordance with its terms, (b) the choice of law of the state set forth in the investment agreement is valid under that country's laws and a court in such country would uphold such choice of law, and (c) any judgment rendered by a court in the United States would be recognized and enforceable in such country;
- (viii) the investment agreement shall provide that if during its term:
 - a. the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either (i) provide a written guarantee acceptable to the Trustee, (ii) post Eligible Collateral with the Authority, the Trustee or a third party acting solely as agent therefore (the "Custodian") free and clear of any third party liens or claims, or (iii) assign the agreement to an Eligible Investment Agreement Provider,

- or (iv) repay the principal of and accrued but unpaid interest on the investment;
- b. the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", the provider must, at the direction of the issuer or the trustee (who shall give such direction if so directed by the Trustee), within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Authority, the University, or Trustee.
- (ix) in the event the provider is required to collateralize, permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations of these provider shall be permitted) and collateral levels must be 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA obligations and 104% of the total principal when the collateral type is FNMA or FHLMC obligations ("Eligible Collateral"). In addition, the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee, the Authority and the University. Guaranty setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;
- (x) in the event collateral is required to be pledged by the provider under the terms of the investment agreement, the investment agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered to the effect that, the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;
- (xi) the investment agreement must provide that if during its term: (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Authority or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate, and (ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate.

“Lien” means any mortgage, pledge, security interest, lien, judgment lien, easement, or other encumbrance on title, including, but not limited to, any mortgage or pledge of, security interest in or lien or encumbrance on any property of the University.

“Loan” means the loan by the Authority to the University of the proceeds of the Bonds pursuant to the Agreement.

“Loan Payments” means the amounts required to be paid by the University in repayment of the Loan pursuant to of the Agreement.

“Long Term Debt” means the Outstanding 2015 Bonds, the Outstanding 2012 Bonds, all Additional Bonds Outstanding, and all other outstanding obligations for the repayment of borrowed money incurred by the University after the Closing Date, whether due and payable in all events, or upon the performance of work, the possession of property as lessee, or the rendering of services by others, except:

- (a) Short Term Debt;
- (b) Current obligations payable out of current revenues, including current payments for the funding of pension plans;
- (c) Obligations under contracts for supplies, services, and pensions, allocable to current operating expenses of future years in which the supplies are to be furnished, the services rendered, or the pensions paid; and
- (d) Rentals payable in future years under leases not required to be capitalized under generally accepted accounting principles applicable in the preparation of the University’s financial statements.

“Maximum Annual Debt Service” means the highest Debt Service Requirements on the Long Term Debt in question for the then current or any future Fiscal Year over the remaining term of such Long Term Debt.

“Non-Recourse Debt” means any Debt secured by a lien on any property, which Debt is not a general obligation of the University, and the liability for which Debt is effectively limited to the property subject to such lien and the revenues therefrom, with no recourse, directly or indirectly, to any other property.

“Officer’s Certificate” means a certificate signed by an Authorized Representative.

“Opinion of Counsel” or “Opinion of Bond Counsel” means a written opinion or opinions of Counsel or Bond Counsel.

“Ordinary Services” and “Ordinary Expenses” mean those services normally rendered, and those expenses normally incurred, by a trustee under instruments similar to the Indenture, excluding any service performed in anticipation of or after the occurrence of an Event of Default.

“Original Agreement” means the Loan and Security Agreement between the Authority and the University dated as of January 1, 2005.

“Original Indenture” means the Trust Indenture between the Authority and the Trustee dated as of January 1, 2005.

“Outstanding” when used to modify Bonds issued under or secured by the Indenture, means Bonds excluding: (i) Bonds which have been exchanged or replaced, or delivered to the Trustee for credit against a sinking fund installment; (ii) Bonds which have been paid; (iii) Bonds which have become due and for the payment of which monies have been duly provided to the Trustee; and (iv) Bonds for which there have been irrevocably set aside with the Trustee sufficient funds, or obligations described in Article IX of the Original Indenture bearing interest at such rates and with such maturities as will provide, based on a Consultant’s Certificate, sufficient funds to pay the principal of, premium, if any, and interest on such Bonds; provided, however, that if any such Bonds are to be redeemed prior to maturity, the Authority or the University, as the case may be, shall have taken all action necessary to redeem such Bonds and notice of such redemption shall have been duly mailed in accordance with the Indenture or irrevocable instructions so to mail shall have been given to the Trustee. When used to modify other Debt, Outstanding refers to Debt which as of such date remains unpaid except Debt for the payment or redemption of which sufficient monies have been deposited prior to such date in trust for the holders of such Debt (whether upon or prior to the maturity or redemption date of any such Debt), or which is certified by an Authorized Representative of the University to have been paid pursuant to the provisions of the documents securing such Debt; provided that if such Debt is to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or irrevocable arrangements shall have been made therefor.

“Parity Debt” means any Debt of the University which by its terms is intended to be secured by a pledge of and a lien on and security interest in the Unrestricted University Revenues and any other property of the University securing its obligations hereunder, on a parity basis with the 2015 Bonds, the 2012 Bonds, any Additional Bonds and any Parity Debt then Outstanding.

“Payment Office” means the office of the Trustee designated as such as provided in Section 5.02 of the Fourth Supplemental Indenture, where 2015 Bonds may be surrendered for payment upon redemption, acceleration or maturity.

“Permitted Indebtedness” shall have the meaning set forth in Section 5.8 of the Original Agreement.

“Person” or words importing Persons means firms, associations, partnerships (including without limitation general and limited partnerships), joint ventures, societies, estates, trusts, corporations, public or governmental bodies, other legal entities and natural Persons.

“Pledged Revenues” shall mean the Loan Payments received or receivable by the Authority under the Agreement, any and all other amounts payable to the Authority under or on account of the Agreement (except those amounts payable pursuant to Sections 4.3, 5.7 and 7.4 of the Original Loan Agreement), and all income and receipts on the funds hereunder, but such term does not include any moneys or investments in the Rebate Fund or any particular fund held solely for the benefit of a particular series of Bonds.

“Principal Office” means with respect to the Trustee, the Principal Office of the Trustee set forth in Section 5.02 of the Fourth Supplemental Indenture, and with respect to any other Person, the Principal Office of such Person at which those functions are performed.

“Project” means any project that can be financed by the Authority under the Act, including the Project.

“Project Costs” means the following: (i) costs incurred directly or indirectly for or in connection with the acquisition, construction, or improvement of a Project or otherwise allowed under the Act, including preliminary planning and studies, labor, services, materials, equipment, fixtures and furnishings, acquisition and installation; (ii) fees and expenses of the Trustee, including without limitation reasonable attorneys' fees and expenses properly incurred under the Indenture that may become due prior to completion of a Project; (iii) any other incidental and necessary costs and expenses relating to a Project; and (iv) costs of issuance, but in the case of Tax-Exempt Bonds, only to the extent that amounts representing proceeds of such Bonds (as opposed to funds contributed by the University) disbursed from the Project Fund in respect of costs of issuance for any Tax-Exempt Bonds do not exceed any limitation applicable thereto; provided that the Trustee and the Authority shall be entitled to rely conclusively upon the certification to such effect of the University set forth in any written requisition.

“Project Fund” means the account so designated and established pursuant to Section 4.1 of the Original Indenture.

“Qualified Financial Institution” means a bank, trust company, national banking association, insurance company or other financial services company or entity, approved by the Bond Insurer and whose unsecured short-term debt obligations are rated in either of the two highest categories by Fitch, Moody's or S&P.

“Rating Service” means Moody's Investors Service (“Moody's”), if the series of Bonds in question are rated by such at the time, Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies (“Standard & Poor's” or “S&P”), if a series of Bonds in question are rated by such at the time, and Fitch Ratings (“Fitch”), if a series of Bonds in question are rated by such at the time, and their respective successors and assigns, or if any of them shall be dissolved or no longer assigning credit ratings to long term debt, then any other nationally recognized entity assigning credit ratings to long term debt designated in writing by the Authority.

“Rebate Fund” means the fund so designated and established pursuant to a Series of Bonds under the Indenture.

“Record Date” the fifteenth day of the month immediately preceding the applicable Interest Payment Date.

“Register” means the books of the Authority maintained by the Trustee, as registrar and transfer agent, for the registration of the Bonds issued under the Indenture and the transfer of such Bonds.

“Representation Letter” means the Blanket Letter of Representations, together with DTC’s Operational Arrangements referred to therein, of the Authority on file with DTC and incorporated herein by reference.

“Securities Depository” means, initially, DTC, and any replacement security depository appointed under the Indenture.

“Short Term Debt” means all obligations of the University for the repayment of borrowed money payable upon demand or having a maturity of one year or less from the date incurred, excluding the current portion of any Long Term Debt.

“Subordinated Indebtedness” means any Debt which, by its terms: (a) is incurred pursuant to Section 5.8(c) of the Original Agreement; (b) is payable as to principal, redemption price or interest only if, at the time in question, the principal, premium, if any, or purchase price of or interest on, all Long Term Debt (except for Non-Recourse Debt or other Subordinated Indebtedness) then due or overdue (by acceleration or otherwise) has first been paid; and (c) is not subject to acceleration upon a default unless all Long Term Debt (except for Non-Recourse Debt or other Subordinated Indebtedness) has also been accelerated.

“Supplemental Agreement” means any amendment or supplement to the Agreement, duly executed by the Authority and the University.

“Supplemental Indenture” means any amendment or supplement to the Indenture, duly executed by the Trustee and the Authority.

“Swaps” shall have the meaning set forth in Section 5.10 of the Original Agreement.

“Taxable Bonds” mean all Bonds issued under the Indenture except Tax-Exempt Bonds.

“Tax-Exempt Bonds” mean all Bonds issued under the Indenture in a manner that the interest thereon will be excludable from gross income for Federal income tax purposes.

“Trust Estate” shall have the meaning assigned to such term in the habendum clause of the Indenture.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., as trustee, a national banking association, until a successor Trustee shall have become such pursuant to the applicable provisions of the Indenture, and thereafter “Trustee” shall mean the successor Trustee.

“2015 Bonds” shall mean the Authority’s University of the Sciences in Philadelphia Revenue Bonds, Series 2015A and the Authority’s University of the Sciences in Philadelphia Revenue Bonds, Series 2015B (Federally Taxable).

“2015 Bonds Account” shall mean the account established pursuant to Section 4.02 of the Fourth Supplemental Indenture.

“2015 Bonds Debt Service” means, for any period or payable at any time, the principal of, premium, if any, and interest on any 2015 Bonds for that period or payable at that time whether due on an Interest Payment Date, at maturity, upon acceleration or redemption.

“2015 Bonds Settlement Account” shall have the meaning set forth in Section 2.01(b) of the Fourth Supplemental Indenture.

“2015 Closing Statement” shall have the meaning set forth in Section 2.01(b) of the Fourth Supplemental Indenture.

“2015 Tax Compliance Agreement” means the Tax Compliance Agreement and Certificate dated as of the date of issuance of the 2015 Bonds between the University and the Authority.

“Unassigned Authority’s Rights” means all of the rights of the Authority to receive Additional Payments under the Agreement, to be held harmless and indemnified under Section 5.7 of the Original Agreement, to be reimbursed for attorney’s fees and expenses under Section 7.4 of the Original Agreement, to receive copies of notices, reports and similar matters required under the Agreement, to give or withhold approvals and consents required or permitted under the Agreement, and to execute amendments, modifications or termination of the Agreement under Section 8.5 of the Original Agreement.

“University’s Agreements” means the Agreement and the Continuing Disclosure Agreement.

“University Facilities” means the buildings, structures, real estate and any appurtenant facilities and fixtures acquired or to be acquired by the University and used or useful by the University in connection with or incidental to its functioning as an institution of higher education.

“Unrestricted Net Assets” means assets that are not subject to donor-imposed stipulations, as recorded on the annual financial statements of the University; or the equivalent as estimated by the University if the University’s accounting presentation format changes materially in the future.

“Unrestricted University Expenses” shall mean such expenses (both operating and non-operating) incurred by the University that would be properly recorded as subtractions from Unrestricted Net Assets during the period being measured; provided that, depreciation and interest on Debt shall be excluded from such calculation; or the equivalent as estimated by the University if the University’s accounting presentation changes materially in the future.

“Unrestricted University Revenues” means such revenues, income and other moneys (both operating and non-operating) received by the University that would properly be recorded as additions to Unrestricted Net Assets during the period being measured; provided that, for purposes of this definition, in each context involving measuring coverage for purposes of a financial covenant, an amount equal to the budgeted unrestricted investment earnings (realized and unrealized gains and income) of the University pursuant to the University’s investment spending formula as determined by the Board of Trustees of the University for such fiscal year shall be included and the balance of realized and unrealized gains or losses and any income earned on such investments shall be excluded; or the equivalent as estimated by the University if the University’s accounting presentation format changes materially in the future.

For purposes of applying the definitions provided above or for calculating any financial covenants, additional debt test provisions, or similar provisions contained in the Agreement, any impact to the University's balance sheet, income statement or other part of its audited financial statements that results from the accounting treatment for any Swaps other than in connection with the origination or early termination of such transaction, shall be ignored.

THE LOAN AGREEMENT

The Agreement is between the Authority and the University, and provides for, among other things, the loan of the proceeds of the 2015 Bonds by the Authority to the University, and the repayment of the loan by the University. Concurrently with the issuance of the 2015 Bonds, the Authority will issue its 2015 Bonds, under and pursuant to the Indenture, the proceeds of which will be used to pay additional costs of the Project.

Loan By Authority; Loan Payments and Other Payments

Loan by Authority

Upon the terms and conditions of the Agreement, the Authority will make a Loan to the University on the Closing Date in a principal amount equal to the aggregate principal amount of the 2015 Bonds. The Loan shall be deemed fully advanced upon deposit or transfer of the proceeds of the 2015 Bonds (net of any underwriter's discount) in accordance with the 2015 Closing Statement.

Loan Payments.

(a) **Bonds Debt Service.** In consideration of and in repayment of the Loan the University shall make, as Loan Payments, payments which correspond, as to amounts and due dates, to the Bonds Debt Service relating to all Bonds issued under the Indenture. To provide funds to pay the Bonds Debt Service relating to the Bonds as and when due as specified above, the University agrees to make and shall make Loan Payments at least one Business Day (or earlier if required by the Indenture) prior to the date when such principal, premium, if any, and interest is due and payable.

(b) **Timing and Nature of Loan Payments; Credits.** It is the intention of the Authority and the University that, notwithstanding any other provision of the Agreement, the Trustee, as assignee of the Authority, shall receive funds from or on behalf of the University in such amounts and at such times as will enable the Authority to pay when due all of its Bonds Debt Service and Purchase Price relating to all Bonds issued under the Indenture.

All Loan Payments shall be payable in lawful money of the United States of America and shall be made by or on behalf of the University to the Trustee at its office listed in Section 10.3 of the Original Indenture or as otherwise directed by the Trustee, for the account of the Authority and deposited in the Debt Service Fund or the University Account of the Purchase Fund created by the Indenture, as applicable. Such Loan Payments shall be applied as provided in the Indenture.

The University shall be entitled to credits against the Loan Payments as and to the extent provided in the Indenture.

Additional Payments

The University shall pay as Additional Payments under the Agreement: (a) to the Authority, the Annual Administrative Fee and any and all Administrative Expenses, including costs and expenses (including reasonable legal fees and expenses) incurred or to be paid by the Authority in connection with the issuance and delivery of all Bonds or otherwise related to actions taken by the Authority under the Agreement or the Indenture or any amendment thereof, supplement thereto or consent or waiver thereunder, including without limitation, any annual charge made by a Rating Service to maintain a rating on any Bonds; and (b) to the Trustee, the reasonable fees, charges and expenses of the Trustee and its agents for acting as such under the Indenture and the other Bond Documents.

Obligations Unconditional

The obligations of the University to make Loan Payments, Additional Payments and any payments required under the Agreement shall be absolute and unconditional, and the University shall make such payments without abatement, diminution or deduction regardless of any cause or circumstances whatsoever including without limitation any defense, set-off, recoupment or counterclaim which the University may have or assert against the Authority, the Trustee or any other Person, whether express or implied, or any duty, liability or obligation arising out of or connected with the Agreement, it being the intention of the parties that the payments required of the University under the Agreement will be paid in full when due without any delay or diminution whatsoever. Loan Payments required to be paid by or on behalf of the University under the Agreement shall be received by the Authority or the Trustee as net sums and the University agrees to pay or cause to be paid all charges against or which might diminish such net sums.

Assignment of Authority's Rights

To secure the payment of the Bonds Debt Service, the Authority has pledged and assigned to the Trustee all the Authority's rights in, to and under the Agreement (except for the Unassigned Authority's Rights), the Unrestricted University Revenues and the other property comprising the Trust Estate. The University consents to such pledge and assignment and has agreed and confirms its agreement to make or cause to be made Loan Payments directly to the Trustee without defense or set-off by reason of any dispute between the University and the Trustee.

Financial Covenants.

(a) Rate Covenant.

(i) The University covenants each Fiscal Year to fix, charge and collect rates, fees and charges for the services that it provides such that its Unrestricted University Revenues, together with other funds available to pay debt service, exceed its Unrestricted University Expenses by an amount that is not less than 110% of the University's Debt Service Requirements for such Fiscal Year as reflected annually in the University's audited financial statements for each such Fiscal Year.

(ii) If for any two consecutive Fiscal Years the University fails to meet the rate covenant specified in the preceding subsection (i), the University covenants that within 90 days of

delivery of its audited financial statements for the second year of non-compliance, shall request a Consultant to make a report and recommendation to the University with respect to the tuition, student fees and other charges, and with regard to the operations of the University. The University further covenants that upon receipt of such report and recommendation from the Consultant, it shall cause copies thereof to be filed with the Bond Insurer, the Trustee and the Authority, and shall, within 60 days of receipt thereof, describe in writing to the Bond Insurer, the Trustee and Authority what action, if any, the University shall take upon the report and recommendation of the Consultant.

(iii) Notwithstanding any other provision of the Agreement, the failure of the University to satisfy the requirement set forth in subsection (i) above shall not constitute an Event of Default under the Agreement so long as the University takes the actions required by subsection (ii) above in response thereto.

(b) Liquidity Covenant.

(i) The University covenants to maintain Expendable Financial Resources as of the end of each Fiscal Year equal to at least fifty percent (50%) of the University's Long Term Debt Outstanding; provided that for purposes of measuring this covenant, any decline in the market value of the University's Expendable Financial Resources resulting from investment losses shall be ignored.

(ii) If for any two consecutive Fiscal Years the University fails to meet the liquidity covenant specified in the preceding subsection (i), the University covenants that within 90 days of delivery of its audited financial statements for the second year of non-compliance, shall request a Consultant to make a report and recommendation to the University with respect to the operations of the University. The University further covenants that upon receipt of such report and recommendation from the Consultant, it shall cause copies thereof to be filed with the Bond Insurer, the Trustee and the Authority, and shall, within 60 days of receipt thereof, describe in writing to the Bond Insurer, the Trustee and Authority what action, if any, the University shall take upon the report and recommendation of the Consultant.

(iii) Notwithstanding any other provision of the Agreement, the failure of the University to satisfy the requirement set forth in subsection (i) above shall not constitute an Event of Default under the Agreement so long as the University takes the actions required by subsection (ii) above in response thereto.

Additional Covenants of University

Permitted Indebtedness

The University covenants and agrees that it will not hereafter incur, assume (the terms "incur" and "assume", for the purposes of the Agreement, to mean and include any Guaranty issued by the University or the direct or indirect assumption of liability for the debts of others) any indebtedness other than the Long Term Debt and Short Term Debt hereinafter permitted (including without limitation Non-Recourse Debt and Subordinated Indebtedness), which are in the aggregate referred to hereinafter as "Permitted Indebtedness":

(a) The University may incur or assume Long Term Debt for such lawful purposes of the University as shall be specified in reasonable detail in a certified resolution of the University, provided that, on or before the date on which any Long Term Debt, whether secured or unsecured, is to be incurred or assumed, the University shall deliver to the Authority and the Trustee:

(i) A certificate of the chief financial officer of the University in form and substance acceptable to the Authority (A) stating that for the Fiscal Year immediately preceding the incurring or assumption of the Long Term Debt, the University was in compliance with the requirements set forth in Section 4.6 of the Original Agreement; (B) demonstrating and concluding that based on the University's most recent audited financial statements, the University's Expendable Financial Resources are greater than 75% of all Outstanding Long Term Debt (including the Long Term Debt proposed to be incurred); and (C) demonstrating and concluding that based on the University's most recent audited financial statements, the Maximum Annual Debt Service on all Outstanding Long Term Debt (including the Long Term Debt proposed to be incurred) does not exceed 12% of the University's Unrestricted Revenues;

(ii) An opinion of Counsel to the effect that: (A) all conditions prescribed in the Agreement as precedent to such incurrence have been fulfilled such opinion to rely on certifications by or obtained by the University with respect to compliance with applicable financial tests or other factual matters, and (B) the additional Long Term Debt has been duly authorized by the University;

(iii) In lieu of the requirements of subparagraph (a)(i) above, the University may incur Long Term Debt at any time up to an amount of \$2,000,000 each Fiscal Year, provided that at no time shall the total amount of Long Term Debt Outstanding issued under this subparagraph (iii) exceed \$8,000,000;

(iv) In lieu of the requirements of paragraphs (a)(i) or (iii) above, in the case of Long Term Debt incurred to refinance Outstanding Long Term Debt, a certificate of the chief financial officer of the University showing that the Maximum Annual Debt Service on such proposed Long Term Debt does not exceed 115% of the Maximum Annual Debt Service on the Long Term Debt to be refinanced.

(b) In lieu of the requirements of paragraph (a) above, the University may, from time to time, incur or assume Short Term Debt in any amount up to 25% of University's Expendable Financial Resources for the preceding Fiscal Year, less any Short Term Debt then outstanding, provided, however, that during each Fiscal Year there shall be a period of thirty (30) consecutive days during which there shall not be outstanding any Short Term Debt.

(c) The University shall be permitted to incur Subordinated Indebtedness and Non-Recourse Debt from time to time, without meeting any financial tests in the Agreement for the incurrence of Debt.

(d) The provisions of Section 5.9(a) through 5.9(d) of the Original Agreement are not and shall not be deemed to be mutually exclusive. If two or more of the foregoing provisions are applicable to securing of any particular Debt, any such provision may be applied, as elected by the University.

(e) For purposes of any covenants or computations provided for in the Agreement, including determination of the ability of the University to enter into or become liable under a Guaranty pursuant to Section 5.8 of the Original Agreement, the aggregate annual principal and interest payments on, and the principal amount of, any indebtedness (the “Guaranteed Debt”) of a Person (which is not the University), which is the subject of a Guaranty under the Agreement and which would, if such obligation were incurred by the University, constitute Long Term Debt, shall be deemed equivalent to twenty percent (20%) of the actual Debt Service Requirements on, and principal amount of, such indebtedness; provided that the Debt Service Requirements on, and principal amount of, any Long Term Debt represented by a Guaranty shall be deemed equivalent to 100% of the actual Debt Service Requirements on, and principal amount of, such indebtedness, if any payment has been required to be made by the University on such Guaranty at any time within the two (2) immediately preceding Fiscal Years.

(f) For purposes of the computation of the interest component of any Variable Rate Debt, the calculation shall be based on the higher of 3% per annum or the average of the Bond Market Association 7-day tax-exempt index for any 12 month period during the 15 months preceding incurrence of such Debt.

(g) For purposes of the calculation of the Debt Service Requirements or Maximum Annual Debt Service on Balloon Debt, whether historical or forecasted, in lieu of using the actual debt service requirements on such Balloon Debt, the University may at its option, make such calculation by using any one of the following methods which is applicable:

(i) The principal of such Balloon Debt is amortized from the date of calculation thereof over a term of twenty (20) years with level annual debt service payments;

(ii) The principal of such Balloon Debt is amortized during the term to the maturity thereof by deposits made to a sinking fund therefor pursuant to the terms of such Balloon Debt or in accordance with a sinking fund schedule established by the University at or subsequent to the time of incurrence of such Balloon Debt, as certified in an Officer’s Certificate;

(iii) With respect to Balloon Debt for which there exists a Credit Facility, the principal of such Balloon Debt is due and payable in the amounts and at the times specified in the Credit Facility; or

(iv) With respect to Balloon Debt for which the University has obtained a binding commitment to refinance, the principal of such Balloon Debt is due and payable in the amounts and at the time specified in such binding commitment;

provided, however, that (A) if the maturity of any such Balloon Debt is within 18 months of the date of calculation and is not secured by a Credit Facility, the full amount of the Balloon Debt shall be taken into account unless the University qualifies such Balloon Debt pursuant to clause (ii) above; and (B) if any such Balloon Debt is of the type described in subsection (ii) of the definition of Balloon Debt, it shall be assumed that such Balloon Debt matures on the first date on which it may first be tendered for purchase or redemption at the option of the holder thereof unless the Trustee has received a certified copy of a Credit Facility under which funds are available for the payment of such Balloon Debt, in which case the University may elect any one of the options set forth in (i), (ii) or

(iii) above (without regard to the date on which such Balloon Debt may first be tendered for purchase or redemption at the option of the holder thereof) unless any amount has been drawn down under any such Credit Facility, in which case any required computation shall be made with respect to the amounts so drawn, until so repaid in the manner described in subparagraph (iii) above.

Security for Permitted Indebtedness

Any Permitted Indebtedness incurred or assumed as provided in Section 5.8 of the Original Agreement may be secured only as hereinafter provided:

(a) In the case of the issuance of Additional Bonds (i) by a pledge of certain funds held under the Indenture, (ii) by a lien on and security interest in the Unrestricted University Revenues and all other security then held by the Trustee as security for Bonds (except as otherwise provided in the Agreement or in the Indenture) ranking on a parity with the lien and security interest granted in the Agreement in such collateral, which from time to time may include a mortgage lien on all or a portion of the property of the University; or

(b) In the case of all other Permitted Indebtedness, other than Subordinated Indebtedness or Non-Recourse Debt:

(i) by a lien on and security interest in the Unrestricted University Revenues and any property or interest in property, real, personal, or mixed, of the University provided that a parity security interest in such property or interest in property is also granted to the Authority or the Trustee to secure Loan Payments under the Agreement; provided, however, that no such Permitted Indebtedness shall be secured by the moneys and investments held by the Trustee in any Funds created under the Indenture.

(ii) by a purchase money security interest (and/or leasehold interest) in fixtures and equipment acquired with the proceeds thereof made part of the University Facilities;

(c) Non-Recourse Debt may be secured solely by liens on any real property, fixtures and tangible personal property acquired, financed or refinanced with the proceeds of such Non-Recourse Debt and any improvements to such property.

(d) Subordinated Indebtedness may be secured by a lien on the Unrestricted University Revenues or other property of the University subordinate to the lien granted under the Agreement.

(e) The provisions of Section 5.9(a) through 5.9(d) of the Original Agreement are not and shall not be deemed to be mutually exclusive. If two or more of the foregoing provisions are applicable to the incurrence of any particular Debt, any such provision may be applied, as elected by the University.

Swaps and Credit Facilities.

(a) The University may enter into agreements providing for interest rate swaps, swaptions, caps, floors, futures contracts and similar financial products (collectively, "Swaps"). No financial tests shall be required solely by reason of the incurrence of a Swap if such Swap is being incurred for the purpose of adjusting interest rate risk with respect to Debt which was incurred in

accordance with one or more of the tests set forth in Section 5.8 of the Original Agreement. The Debt Service Requirements of the University shall be adjusted for the related Debt to give effect to the Swap in such manner, and to such extent, if any, as may be required to present fairly (in the opinion of the University as expressed in an officer's certificate) the reasonably expected Debt Service Requirements of the University after the incurrence of the Swap.

(b) The University may incur or assume obligations pursuant to a Credit Facility entered into by the University and an institution providing a Credit Facility with respect to any Debt incurred in accordance with one or more of the tests set forth in Section 5.8 of the Original Agreement.

(c) The University's obligations under Swaps (including any termination payment) which are incurred for the purpose of adjusting interest rate risk with respect to Debt incurred in accordance with Section 5.8 of the Original Agreement may be secured on a parity basis with or subordinate to such Debt and Credit Facilities which are incurred with respect to Debt incurred in accordance with Section 5.8 of the Original Agreement may be secured on a parity basis with or subordinate to such Debt.

(d) Any Swap secured on a parity basis with related Debt as set forth in subsection (c) above shall be treated as Parity Debt for purposes of Sections 3.2(c), (d) and 7.1(f) of the Original Agreement and Sections 6.1(e) and 6.6 of the Original Indenture. Other than the foregoing, the provider of any such Swap shall not have any rights under the Agreement or under the Indenture, including without limitation, the right to receive notices, the right to vote or the right to direct any proceedings upon an Event of Default.

(e) Nothing in the Agreement shall be deemed to preclude the University from transferring cash or securities or granting security interests on property to or for the benefit of any Swap or Credit Facility upon the occurrence of certain events, provided that no security interest has been granted in such property to secure the University's obligations under the Agreement and provided that (i) an Event of Default has not occurred and is continuing and (ii) such transfer does not cause the University to be in violation of Section 4.6(b) of the Original Agreement.

(f) Notwithstanding the above, any interest rate exchange agreement (an "Interest Rate Exchange Agreement") shall meet the following additional conditions: (i) the Interest Rate Exchange Agreement must be entered into to manage interest costs related to, or a hedge against (a) assets then held, (b) debt then outstanding, or (c) debt reasonably expected to be issued or incurred within thirty-six months of the proposed Swap, and (ii) the Interest Rate Exchange Agreement shall not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively off-sets the exposure from any such element or component. Unless otherwise consented to in writing by the Bond Insurer insuring any Bonds, the net settlement, breakage or other termination amount, then in effect shall be subordinate to debt service on the Bonds; provided, that, any insured termination amounts shall be on a parity with the Interest Rate Exchange Obligations and any uninsured termination amounts shall be subordinate to the Interest Rate Exchange Obligations and on any debt on a parity with the Interest Rate Exchange Obligations. The University shall not terminate Interest Rate Exchange Agreement unless it demonstrates to the satisfaction of the Bond Insurer prior to the payment of any such termination amount that (a) such payment will not cause the University to be in default of the covenant Section 4.6(b) of the Original Agreement, and (b) such payment will not cause the University to be in default under any financing

agreement, as such agreement may be amended or supplemented, including but not limited to, any monetary obligations thereunder. All counterparties or guarantors to the Interest Rate Exchange Agreement must have a rating of at least “A” and “A2” by Standard & Poor’s (“S&P”) and Moody’s Investors Service (“Moody’s”). If the counterparty or guarantor’s rating falls below “A-” or “A3” by either S&P or Moody’s, the counterparty or guarantor shall execute a credit support annex to the Interest Rate Exchange Agreement, which credit support annex shall be acceptable to the Bond Insurer. If the counterparty or the guarantor’s long term unsecured rating falls below “Baa3” or “BBB-” by either Moody’s or S&P, a replacement counterparty or guarantor, acceptable to the Bond Insurer insuring any Bonds, shall be required.

Consolidation, Merger, Sale or Conveyance

The University covenants that it will not merge or consolidate with any other Person or sell or convey all or substantially all of its assets to any Person unless:

(a) The University is the surviving, resulting or transferee corporation, as the case may be (the “Survivor”), or in the event the University is not the Survivor, the Survivor (A) is a solvent corporation, as stated in a certificate of the University’s chief financial officer, either organized under the laws of, or duly qualified to do business and subject to service of process in, the Commonwealth of Pennsylvania, and is an organization described in Section 501(c)(3) of the Code, and (B) assumes in writing the due and punctual payment of the Loan Payments under the Agreement and the due and punctual performance and observance of all of the covenants and conditions of the Agreement, which document shall be delivered by the Survivor to the Trustee;

(b) The Trustee and the Authority receive an Opinion of Bond Counsel to the effect that such merger, consolidation or transfer does not adversely affect the exclusion from gross income of the interest paid on the Tax-Exempt Bonds issued under the Indenture for federal income tax purposes;

(c) Immediately upon such merger consolidation or transfer, the University or the Survivor, as applicable, can meet the conditions described in Section 5.8(a)(i) of the Original Agreement for the incurrence of one dollar of additional Long Term Debt;

(d) The University or the Survivor shall have obtained and delivered to the Trustee any consent or approval required by the Commonwealth of Pennsylvania approving the change in ownership resulting from such merger, consolidation or transfer, together with an opinion of counsel that all such consents or approvals that are required have been obtained; and

(e) No Event of Default will have occurred by reason of such merger, consolidation or transfer, and no event will have occurred by reason of such merger, consolidation or transfer which with the passage of time or giving of notice, would constitute an Event of Default.

Sale, Transfer or Disposition of University Facilities

The University shall not transfer, sell or dispose of any real property or tangible personal property constituting University Facilities unless otherwise permitted in Section 5.13 of the Original Agreement or except as follows:

(a) The University may, from time to time, remove, sell or otherwise dispose of University Facilities which have been replaced in the ordinary course of business, are related to the delivery of any particular service that the University no longer provides or are otherwise obsolete or unnecessary.

(b) In addition to transfers permitted by Sections 5.14(a) and (c) of the Original Agreement, the University may, in any Fiscal Year, remove, sell or otherwise dispose of any University Facilities, the book value of which during any Fiscal Year shall not exceed ten percent (10%) of the aggregate property, plant and equipment as shown on the most recently available audited financial statements of the University and set forth in an officer's certificate delivered to the Trustee and the Authority.

(c) The University may transfer, sell or otherwise dispose of University Facilities for consideration, which in the opinion of the University, is not less than the fair market value thereof.

Events of Default and Remedies

Events of Default.

Each of the following shall be an Event of Default:

(a) Failure by the University to make or cause to be made any Loan Payment on or prior to the date on which such payment is due and payable;

(b) Failure by the University to observe and perform any other agreement, term or condition contained in the Agreement and continuation of such failure for a period of 30 days after notice thereof shall have been given to the University by the Authority or the Trustee, or for such longer period as the Authority and the Trustee may agree to in writing; provided that if the failure is other than the payment of money and is of such nature that it can be corrected but not within the applicable period, such failure shall not constitute an Event of Default so long as the University institutes curative action within the applicable period and diligently pursues such action to completion;

(c) The University shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of itself or of its property, or (ii) admit in writing its inability to pay its debts generally as they become due, or (iii) make a general assignment for the benefit of creditors, or (iv) be adjudicated a bankrupt or insolvent, or (v) commence a voluntary case under the United States Bankruptcy Code, or file a voluntary petition or answer seeking reorganization, an arrangement with creditors or an order for relief, or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy, reorganization, or insolvency proceeding, or action shall be taken by it for the purpose of effecting any of the foregoing, or (vi) have instituted against it, without the application, approval or consent of the University, a proceeding in any court of competent jurisdiction, under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking in respect of the University an order for relief or an adjudication in bankruptcy, reorganization, dissolution, winding up, liquidation, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of the University or of all or any substantial part of its assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such

proceeding is being contested by the University in good faith, the same shall (A) result in the entry of an order for relief or any such adjudication or appointment or (B) remain unvacated, undismissed and undischarged for a period of 60 days;

(d) Any representation or warranty made by the University in the Agreement or any statement in any report, certificate, financial statement or other instrument furnished in connection with the Agreement shall at any time prove to have been false or misleading in any material respect when made or given;

(e) For any reason any Bonds are declared due and payable by acceleration in accordance with the Indenture;

(f) There shall occur and be continuing an event of default under any financing, credit or similar agreement under which any Parity Debt is issued.

The declaration of an Event of Default under paragraph (c) above, and the exercise of remedies upon any such declaration, shall be subject to any applicable limitations of federal bankruptcy law affecting or precluding that declaration or exercise during the pendency of or immediately following any bankruptcy, liquidation or reorganization proceedings.

Remedies on Default.

(a) Whenever an Event of Default shall have happened and be subsisting, any one or more of the following remedial steps may be taken:

(i) If acceleration of the principal amount of any Bonds has been declared pursuant to the Indenture, the Trustee shall declare all Loan Payments related thereto to be immediately due and payable, whereupon the same shall become immediately due and payable; and

(ii) The Authority or the Trustee may pursue any and all remedies now or hereafter existing at law or in equity to collect all amounts then due and thereafter to become due under the Agreement or to enforce the performance and observance of any other obligation or agreement of the University under the Agreement.

(b) The University covenants that, in case it shall fail to pay or cause to be paid any Loan Payments as and when the same shall become due and payable whether at maturity or by acceleration or otherwise, then, upon demand of the Trustee, the University will pay to the Trustee the whole amount that then shall have become due and payable under the Agreement; and, in addition thereto, any unpaid Additional Payments and such further amounts as shall be sufficient to cover the costs and expenses of collection, including a reasonable compensation to the Trustee, its agents and counsel, and any expenses or liabilities incurred by the Authority or the Trustee. In case the University shall fail forthwith to pay such amounts upon such demand, the Trustee shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid.

(c) In case there shall be pending proceedings for the bankruptcy or reorganization of the University under the federal bankruptcy laws or any other applicable law, or in case a receiver or trustee shall have been appointed for the benefit of the creditors or the property of the University, the

Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount due under the Agreement, including interest owing and unpaid in respect thereof, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to the University, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its fees, charges and expenses. Any receiver, assignee or trustee in bankruptcy or reorganization is thereby authorized to make such payments to the Authority or the Trustee, and to pay to the Authority or the Trustee any amount due it for compensation and expenses, including counsel fees and expenses incurred by it up to the date of such distribution.

Notwithstanding the foregoing, the Trustee shall not be obligated to take any step which in its opinion will or might cause it to expend money or otherwise incur liability unless and until satisfactory indemnity has been furnished to the Trustee at no cost or expense to the Trustee. Any amounts collected as Loan Payments or applicable to Loan Payments and any other amounts which would be applicable to payment of Debt Service Requirements collected pursuant to action taken under Section 7.2 of the Original Agreement shall be paid into the Debt Service Fund and applied in accordance with the provisions of the Indenture or, if the Outstanding Bonds have been paid and discharged in accordance with the provisions of the Indenture, shall be paid as provided in Article IX of the Original Indenture for transfers of remaining amounts in the Debt Service Fund.

The provisions of Section 7.2 of the Original Agreement are subject to the further limitation that the annulment by the Trustee of its declaration that all or any of the Bonds are immediately due and payable also shall constitute an annulment of any corresponding declaration made pursuant to Subsection 7.2(a)(i) of the Original Agreement; provided that no such waiver or rescission shall extend to or affect any subsequent or other default or impair any right consequent thereon.

Remedies Not Exclusive

No remedy conferred upon or reserved to the Authority or the Trustee by the Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Agreement, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair that right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Trustee to exercise any remedy reserved to it in Article VII of the Original Agreement, it shall not be necessary to give any notice, other than any notice required by law or for which express provision is made in the Agreement.

Payment of Legal Fees and Expenses

If an Event of Default should occur and the Authority or the Trustee should incur expenses, including attorneys' fees and expenses, in connection with, among other things, the protection of their respective rights under the Agreement, the enforcement of the Agreement or the collection of sums due thereunder, the University shall pay or reimburse the Authority and the Trustee, as applicable, for the expenses so incurred, upon demand.

No Waiver

No failure by the Authority or the Trustee to insist upon the strict performance by the University of any provision of the Agreement shall constitute a waiver of their right to strict performance and no express waiver shall be deemed to apply to any other existing or subsequent right to remedy the failure by the University to observe or comply with any provision of the Agreement. The Trustee may waive any Event of Default under the Agreement.

Notice of Default

The University shall notify the Trustee and the Authority in writing immediately if it becomes aware of the occurrence of any Event of Default under the Agreement or of any fact, condition or event which, with the giving of notice or passage of time or both, would become an Event of Default.

Amendments

Except as otherwise expressly provided in the Agreement or the Indenture, the Agreement may not be effectively amended, modified or terminated except by an instrument in writing signed by the University and the Authority, consented to by the Trustee, and in accordance with the provisions of Article VIII of the Original Indenture, as applicable.

THE INDENTURE

The 2015 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 2015 Bonds.

Additional Bonds

Issuance of Additional Bonds.

(a) One or more series of Additional Bonds subject to the Indenture may be issued by the Authority for the purpose of financing or refinancing any Project, including, without limitation, any Capital Addition or refunding of Debt. Additional Bonds shall bear such date or dates, interest rate or rates, maturities, redemption dates, redemption prices and other terms as shall be specified in or determined in accordance with the resolution authorizing the issuance thereof adopted by the Authority and as provided in a Supplemental Indenture. Additional Bonds shall be authenticated and delivered upon the conditions set forth in said resolution or Supplemental Indenture. Bonds issued after the date of the Indenture may be issued only if the Trustee receives the following:

(i) an Officer's Certificate of the University meeting the requirements of Section 5.8 of the Original Agreement;

(ii) executed counterparts of a Supplemental Indenture providing for the issuance, payment and terms of the Additional Bonds, which Supplemental Indenture may amend the Indenture to the extent permitted by Article VIII of the Original Indenture;

(iii) a Supplemental Agreement providing for payment by the University of Loan Payments at least equal to the Bonds Debt Service on the Additional Bonds;

(iv) an opinion of counsel to the University to the effect that the Supplemental Agreement has been validly authorized and executed by or on behalf of the University and constitutes a valid, legally binding, obligation of the University, enforceable against the University in accordance with its terms (except to the extent that the rights and remedies created thereby are subject to bankruptcy, insolvency, reorganization, moratorium and similar laws, or equitable principles affecting the rights;

(v) an opinion or opinions of Bond Counsel to the effect that (A) the purpose of the Additional Bonds is one for which Additional Bonds may be issued under Section 2.14 of the Original Indenture, (B) all conditions prescribed in the Indenture as precedent to the issuance of the Additional Bonds have been fulfilled, and (C) the Additional Bonds have been validly authorized and executed and when authenticated and delivered pursuant to the request of the Authority will be valid, legally binding, limited obligations of the Authority, enforceable against the Authority in accordance with their terms (except to the extent that the rights and remedies created thereby are subject to bankruptcy, insolvency, reorganization, moratorium and similar laws, or equitable principles affecting the rights and remedies of creditors) and are entitled to the benefit and security of the Indenture;

(vi) a certified resolution of the University (A) approving the issuance of the Additional Bonds for the Project being financed, (B) authorizing the execution and delivery of a Supplemental Agreement and the form of the Supplemental Indenture and the Additional Bonds to be issued and (C) authorizing redemption of any Outstanding Debt to be refunded by the proposed Additional Bonds;

(vii) a certified resolution of the Authority (A) approving the issuance of the Additional Bonds for the Project being financed, (B) authorizing the execution and delivery of a Supplemental Agreement and the form of the Supplemental Indenture and the Additional Bonds to be issued and (C) authorizing redemption of any Outstanding Debt to be refunded by the proposed Additional Bonds;

(viii) for any Additional Bonds incurred to refinance Outstanding Debt, (A) an Officer's Certificate of the University stating that notice of redemption of the Debt to be refunded has been given or that provisions have been made therefor, and (B) a Consultant's Certificate stating that the proceeds of the Additional Bonds plus the other amounts, if any, stated to be available for such purpose, will be sufficient to accomplish the purpose of the refunding and to pay the cost of refunding, which shall be itemized in reasonable detail;

(ix) an Officer's Certificate of the University stating (A) that it has no knowledge that an Event of Default under the Indenture has occurred and is continuing (unless such Event of Default will be cured as a result of the issuance of such Additional Bonds) and (B) that the proceeds of the Additional Bonds plus other amounts, if any, stated to be available for such purpose will be sufficient to pay the costs for which the Additional Bonds are being issued, which shall be itemized in reasonable detail;

(x) such other certificates, documents, and opinions relating to the issuance of the Additional Bonds or the security therefor as the Authority or the Trustee may reasonably request.

(b) Except as otherwise provided in any Supplemental Indenture relating to any series of Additional Bonds, each series of Additional Bonds issued in compliance with subsection (a) of Section 2.14 of the Original Indenture shall be equally and ratably secured with the 2015 Bonds, the 2012 Bonds, and all Additional Bonds, if any, theretofore or thereafter issued or incurred in compliance with the Indenture and the Agreement.

(c) The University may, but shall not be obligated to, provide a Credit Facility for one or more issues of Additional Bonds of one or more maturities within one or more issues of Additional Bonds. A Credit Facility provided for one or more issues of Additional Bonds may but need not extend to other Additional Bonds or any maturity thereof or to any other issue, or maturity within any other issue of Additional Bonds.

(d) Additional Bonds may, but need not, be issued as Tax-Exempt Bonds.

Certain Indenture Funds

Debt Service Fund.

(a) Creation of Debt Service Fund. There is established with the Trustee a trust fund designated as the “Debt Service Fund” and within the Debt Service Fund, a “2015 Bonds Account”. Moneys held in the 2015 Bonds Account of the Debt Service Fund shall be applied by the Trustee in accordance with the Indenture to make payments when due of principal of, premium, if any, and interest on the 2015 Bonds, and to pay any amount required to be deposited in the Rebate Fund pursuant to Section 4.6 of the Original Indenture, to the extent other moneys are unavailable therefor and, at the written direction of the University, transferred to the Project Fund to pay Project Costs for a particular Project and, at the written direction of the University, transferred to the Project Fund to pay the Project Costs for a particular Project. The Trustee is authorized to establish one or more subaccounts within an account of the Debt Service Fund at the request of the University.

(b) Pledged Revenues to be Paid Over to the Trustee. The Authority has caused the Pledged Revenues to be paid directly to the Trustee. If, notwithstanding these arrangements, the Authority receives any payments pursuant to the Agreement (other than payments to the Authority of its Administrative Expenses), the Authority shall immediately pay over the same to the Trustee to be held as Pledged Revenues or otherwise applied pursuant to the Indenture. Except as provided in the immediately preceding sentence and as otherwise specifically directed under the terms of the Indenture, all Pledged Revenues received by the Trustee as Loan Payments under the Agreement shall be deposited into the Debt Service Fund.

(c) Payment in Full. Whenever the amount in any Bonds Account of the Debt Service Fund available for the payment of principal, premium, if any, and interest is sufficient to redeem all of the Outstanding Bonds of a Series and to pay interest accrued to the redemption date for any such Series, the Authority will, upon the written request of the University, cause the Trustee to redeem all such Bonds on the redemption date specified by the University pursuant to such Bonds and the Indenture. Any amounts remaining in the Bonds Account of the Debt Service Fund related to such Bonds after payment in full of the principal of, premium, if any, and interest on such Bonds (or

provision for payment thereof), and the fees, charges and expenses of the Authority and the Trustee, shall be paid or transferred in accordance with Section 9.3 of the Indenture.

(d) Credits. If at any time the Trustee has funds which under the provisions of the Indenture are to be applied to pay the principal of, premium, if any, or interest on a series of Bonds, the University, to the extent that such funds are to be so applied, shall be entitled to a credit equal to the amount of such funds, against payments due from the University under the Agreement.

Investment of Debt Service Fund, Project Fund and Rebate Fund

All moneys received by the Trustee under the Indenture shall be deposited with the Trustee, until or unless invested or deposited as provided in the Indenture. All deposits with the Trustee (whether original deposits or deposits or redeposits in time accounts) shall be secured as required by applicable law for such trust deposits.

Moneys in the Debt Service Fund (except moneys representing principal of, premium, if any, or interest on any Bonds which are deemed paid under Section 9.2 of the Original Indenture) shall be invested and reinvested by the Trustee (a) at the written direction of an Authorized Representative of the University, in Investment Securities set forth in such written direction or (b) absent written direction from the University, in shares of a money market fund described in clause (iv) of the definition of Investment Securities. Moneys in the Debt Service Fund representing principal of, premium, if any, or interest on any Bonds which are deemed paid under Section 9.2 of the Original Indenture shall be invested only if and as provided in Section 9.2 of the Original Indenture.

Investments in the Debt Service Fund shall mature or be redeemable at the direction of the University at the times and in the amounts necessary to provide moneys to make Bonds Debt Service payments as they become due on Interest Payment Dates, at stated maturity or by redemption. The Trustee shall sell or redeem investments credited to the Debt Service Fund to produce sufficient moneys available under the Indenture at the times required for the purpose of paying Debt Service when due as aforesaid, and shall do so without necessity for any order by or on behalf of the Authority or the University and without restriction by reason of any order. Subject to any directions from an Authorized Representative of the University with respect thereto, the Trustee may from time to time sell investments in the Debt Service Fund made pursuant to Section 4.3 of the Original Indenture and reinvest the proceeds at the written direction of an Authorized Representative of the University in Investment Securities maturing or redeemable as aforesaid.

Monies in the Project Fund shall be invested and reinvested by the Trustee (a) at the written direction of an Authorized Representative of the University, in Investment Securities set forth in such written direction or (b) absent written direction from the University, in shares of a money market fund described in clause (iv) of the definition of Investment Securities.

Investments in the Project Fund shall mature or be redeemable at the direction of the University at the times and in the amounts necessary to provide moneys to make disbursements, as necessary, to pay the Project Costs of each Project.

Any investment of moneys in any Fund established under the Indenture may be purchased from or through, or sold to, the Trustee or any affiliate with the Trustee; and any such investment made through the purchase of shares of a fund described in the definition of Investment Securities

may be in a fund which is advised or administered by the Trustee or any affiliate of the Trustee (for which services the Trustee or such affiliate, as the case may be, may receive a fee).

Moneys in the Rebate Fund shall be invested and reinvested by the Trustee at the written direction of an Authorized Representative of the University in United States Government Obligations maturing, or subject to redemption by the holder at not less than the principal amount thereof or the cost of acquisition, whichever is lower, on or before the date or dates when the payments for which such moneys are held are to become due.

Any investment made from moneys credited to any Fund established under the Indenture shall constitute part of that respective Fund. Each Fund established under the Indenture shall be credited with all proceeds of sale and income from the respective investment of moneys credited to such Fund.

Moneys to be Held in Trust.

Pledged Revenues and investments thereof in the Debt Service Fund shall, until applied as provided in the Indenture, be held by the Trustee for the benefit of the Holders of all Outstanding Bonds in the order of priority set forth in the granting clauses of the Indenture, except that any portion of the Pledged Revenues representing principal of and interest on any Bonds which have matured or been called for redemption in accordance with Article III of the Indenture or for which provision for payment has been made pursuant to Section 9.2 of the Original Indenture, shall be held for the benefit of the Holders of such Bonds only and provided further that any proceeds of Bonds constituting accrued interest or capitalized interest on such Bonds shall be held solely for the benefit of such Bonds.

Nonpresentment of Bonds

In the event that any Bond shall not be presented for payment when the principal thereof becomes due in whole or in part, either at stated maturity or by redemption, or a check or draft for interest is uncashed, all liability of the Authority to that Holder for such Bond or such check or draft shall thereupon cease and be discharged completely; provided that moneys sufficient to pay the principal of, premium, if any, and accrued interest then due on that Bond or such check or draft shall have been made available to the Trustee, with written direction to the Trustee that such moneys are to be held by the Trustee for the benefit of its Holder.

Creation of Rebate Fund.

There is established with the Trustee a fund designated "Rebate Fund." The Trustee and the Authority shall keep records of the computations made pursuant to Section 4.6 of the Original Indenture that are filed with them. In accordance with the terms of Section 5.12 of the Original Agreement, the University shall determine, which determination may be based on a Consultant's Certificate, the amount of Excess Earnings of a Series of Bonds as of the following dates: (i) a date selected by the University that is not later than five years after the date of issuance of each series of Tax-Exempt Bonds, (ii) the last day of each succeeding five year period following such date on which there are such Bonds Outstanding, and (iii) the date on which the last such Bond matures or is redeemed (each a "Computation Date"). A copy of such determination shall be provided to the Trustee and the Authority. Upon receipt of such determination, the Trustee shall notify the

University in writing of the amount then on deposit in the Rebate Fund. If the amount then on deposit in the Rebate Fund is in excess of the Excess Earnings as determined by the University, the Trustee shall at the written direction of the University forthwith pay that excess amount to the University. If the amount then on deposit in the Rebate Fund is less than such Excess Earnings, the University shall, within five days after receipt of the aforesaid notice from the Trustee (but in no event more than sixty (60) days after the Computation Date), pay to the Trustee for deposit in the Rebate Fund an amount sufficient to cause the Rebate Fund to contain an amount equal to such Excess Earnings. If the University does not pay that required amount within five days after receipt of the aforesaid notice from the Trustee (but in no event more than sixty (60) days after the Computation Date), the Trustee shall immediately transfer that amount from the Debt Service Fund to the Rebate Fund to the extent there are moneys available in the Debt Service Fund. Within 60 days following each Computation Date, the Trustee, acting at the written direction of the University and on behalf of the Authority and the University, shall pay to the United States (in such manner and accompanied by such forms as the University shall deliver) from the moneys then on deposit in the Rebate Fund an amount equal to 90% (or such greater percentage not in excess of 100% as the University may direct the Trustee to pay) of the Excess Earnings earned from the date of the original delivery of such series of Tax-Exempt Bonds to the Computation Date. Within 60 days after the payment in full of all Outstanding such Series of Tax-Exempt Bonds, the Trustee shall pay to the United States (in such manner and accompanied by such forms as the University shall deliver) from the moneys then on deposit in the Rebate Fund an amount equal to 100% of the Excess Earnings earned from the date of the original delivery of the 2015 Bonds to the date of such payment (less the amount of Excess Earnings, if any, previously paid to the United States pursuant to Section 4.6 of the Original Indenture) and any moneys remaining in the Rebate Fund following such payment shall be paid to the University. All computations of Excess Earnings pursuant to Section 4.6 of the Original Indenture and Section 5.12 of the Original Agreement shall treat the amount or amounts, if any, previously paid to the United States pursuant to Section 4.6 of the Original Indenture as amounts on deposit in the Rebate Fund.

If all the gross proceeds of a series of Tax-Exempt Bonds, within the meaning of Section 148(f) of the Code, together with the gross proceeds of any other obligations treated as part of the same issue for purposes of Section 148(f) of the Code, are invested solely in tax-exempt obligations or are fully expended for the governmental purpose for which such Bonds were issued within six months of the date of issuance of such Bonds, or if such Bonds qualify for the exemption from rebate by virtue of the 18-month spend-out exception or the two-year construction issue rebate exception under Section 148 of the Code and the regulations promulgated thereunder, then the provisions of Section 4.6 of the Original Indenture and Section 5.12 of the Original Agreement shall not be applicable to the investment of original proceeds of such Bonds and the University shall not be required to comply with the foregoing provisions of Section 4.6 of the Original Indenture with respect to such proceeds; provided that the University shall remain responsible to determine Excess Earnings, if any, and to cause to be paid to the Trustee for deposit in the Rebate Fund and payment to the United States such amounts, if any, at such times as may be necessary to comply with the requirements of Section 148(f) of the Code with respect to such Bonds. The University shall notify the Trustee in writing of the applicability of this paragraph to a Series of Tax-Exempt Bonds.

Default and Remedies

Defaults; Events of Default

The occurrence of any of the following events is defined as and declared to be and to constitute an Event of Default under the Indenture:

(a) Failure to pay the principal or Purchase Price of or any premium on any Bond when such principal, Purchase Price or premium shall become due and payable, whether at stated maturity, by redemption, by acceleration, mandatory or optional tender or otherwise;

(b) Failure to pay any interest on any Bond when such interest shall become due and payable;

(c) Failure by the Authority to comply with the provisions of the Act relating to any Bonds or any Project, or to observe or perform any other covenant, agreement or obligation on its part to be observed or performed and which is contained in the Indenture or in any Bond, which failure shall have continued for a period of 30 days after written notice to the Authority and the University specifying the failure and requiring that it be remedied, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the Holders of not less than 25% in aggregate principal amount of Bonds Outstanding;

(d) The occurrence and continuance of an Event of Default as defined in the Agreement; and

(e) The occurrence and continuance of an event of default under any financing, credit or similar agreement under which any Parity Debt is issued of which the Trustee has received written notice.

The term “default” or “failure” as used in Article VI of the Indenture means a default or failure by the Authority in the observance or performance of any of the covenants, agreements or obligations on its part to be observed or performed contained in the Indenture or in any Bond or a default or failure by the University under the Agreement, exclusive of any period of grace or notice required to constitute an Event of Default as provided above or in the Agreement.

Notice of Default

If an Event of Default described in Section 6.1 (a) or 6.1 (b) of the Original Indenture shall occur, the Trustee shall give notice of the Event of Default as soon as practicable to any Bond Insurer. If any other Event of Default shall occur of which the Trustee has notice or is deemed to have notice pursuant to Section 7.2(f) of the Original Indenture, the Trustee shall give written notice of the Event of Default by registered or certified mail to the Bond Insurer, the Authority and the University within five (5) days after the Trustee has received or is deemed to have received notice of such Event of Default. If any other Event of Default occurs of which the Trustee has actual knowledge, the Trustee shall give written notice thereof by first class mail, within 30 days of the Trustee’s knowledge of its occurrence, to the Bond Insurer and the Holders of all Bonds Outstanding as shown by the Register; provided that except in the case of a default in the payment of the principal of or any premium or interest on any Bond, the Trustee shall be protected in withholding such notice

if and so long as the board of directors, the executive committee or a trust committee of directors or responsible officers of the Trustee in good faith determine that the withholding of notice to the Holders is in the best interests of the Holders.

Acceleration

Except as otherwise provided in Section 6.14 of the Original Indenture, upon the occurrence of any Event of Default, the Trustee may, and upon written direction of the Holders of a majority in principal amount of the Bonds then Outstanding, shall, declare, by a notice in writing delivered to the Authority and the University, the principal of all Bonds Outstanding (if not then already due and payable), together with interest accrued thereon, to be due and payable immediately. Upon any declaration that the principal of and interest on all Bonds are due and payable immediately, such principal and interest shall become and be due and payable immediately. The Trustee immediately upon such declaration shall give notice thereof to all Holders of all Bonds in the same manner as provided in Section 3.4 of the Original Indenture with respect to redemption of all Bonds, except that there shall be no minimum period of notice prior to the date of payment. Such notice shall specify the date on which payment of principal and interest shall be tendered to the Holders of all Bonds. Upon any such declaration under the Indenture, the Trustee shall immediately exercise such rights as it may have under the Agreement to declare all payments thereunder to be immediately due and payable.

If, after the principal of the Bonds has been so declared to be due and payable, all arrears of principal of and interest on the Bonds Outstanding are paid, and the Authority and the University also perform all other things in respect of which either of them may have been in default under the Indenture or under the Agreement and pay the reasonable fees and charges of the Trustee, the Holders and any trustee appointed under the Act, including reasonable attorney's fees and expenses, then, and in every such case, the Trustee or the Holders of a majority in principal amount of all Bonds then Outstanding, by notice to the Authority and the University (and to the Holders or the Trustee, as the case may be) may, except as otherwise provided in Section 6.14 of the Original Indenture (regarding certain rights of Bond Insurer with respect to Bonds they issue), annul such declaration and its consequences, and such annulment shall be binding upon the Trustee and all Holders; provided that no annulment shall extend to or affect any subsequent Event of Default or shall impair any rights consequent thereon.

Other Remedies; Rights of Holders

With or without taking action under Section 6.3 of the Original Indenture, upon the occurrence and continuance of an Event of Default, the Trustee may, except as otherwise provided in Section 6.14 of the Original Indenture, pursue any available remedy to enforce the payment of Bond Debt Service or the observance and performance of any other covenant, agreement or obligation under the Indenture, the Agreement or any other instrument providing security, directly or indirectly, for the Bonds; provided that, if the University shall be in breach of Section 5.12 of the Original Agreement, the Authority, upon five (5) days written notice to the University and the Trustee, in addition to any rights and remedies of the Trustee, may independently seek specific performance or otherwise enforce the covenants set forth in such Section; provided further that nothing in the Indenture shall be construed to require the Trustee to seek specific performance or otherwise enforce

the covenants in such Section or to diminish, impair or otherwise limit the rights of the Trustee to enforce the Agreement.

Except as otherwise provided in Section 6.14 of the Original Indenture, if any Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of Holders of a majority in principal amount of all Bonds Outstanding and receipt of indemnity to its satisfaction shall, in its own name:

(a) By mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Holders, including the right to require the Authority to enforce any rights under the Agreement and to require the Authority to carry out any other provisions of the Indenture for the benefit of the Holders and to perform its duties under the Act;

(b) Bring suit upon the Bonds;

(c) By action or suit in equity require the Authority to account as if it were the trustee of an express trust for the Holders; and

(d) By action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Holders.

If an Event of Default under Subsection 6.1(d) of the Original Indenture occurs and is continuing, the Trustee in its discretion may, and upon the written request of Holders of a majority in principal amount of all Bonds Outstanding and receipt of indemnity to its satisfaction shall, enforce each and every right granted to it as assignee of the Agreement.

No remedy conferred upon or reserved to the Trustee (or to the Holders) by the Indenture is intended to be exclusive of any other remedy. Each remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or otherwise to the Trustee or to the Holders now or hereafter existing.

No delay in exercising or omission to exercise any remedy, right or power accruing upon any default or Event of Default shall impair that remedy, right or power or shall be construed to be a waiver of any default or Event of Default or acquiescence therein. Every remedy, right and power may be exercised from time to time and as often as may be deemed to be expedient.

No waiver of any default or Event of Default under the Indenture, whether by the Trustee or by the Holders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any remedy, right or power consequent thereon.

As the grantee of a security interest in the Agreement (except for the Unassigned Authority's Rights), the Trustee is empowered to enforce each remedy, right and power granted to the Authority under the Agreement. In exercising any remedy, right or power under the Agreement or under the Indenture, the Trustee shall take any action which would best serve the interests of the Holders in the judgment of the Trustee, applying the standards described in Sections 7.1 and 7.2 of the Original Indenture.

Right of Holders to Direct Proceedings

Except as otherwise provided in Section 6.14 of the Original Indenture, the Holders of a majority in principal amount of all of the Bonds then Outstanding under the Indenture shall have the right to direct the method and place of conducting all remedial proceedings by the Trustee under the Indenture, provided such directions shall not be otherwise than in accordance with law or the provisions of the Indenture and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Holders not parties to such direction.

Application of Moneys

After payment of any amount required pursuant to Section 4.6 of the Original Indenture and any fees and costs, expenses, liabilities and advances paid, incurred or made by the Trustee, including those in the collection of moneys pursuant to any right given or action taken under the provisions of Article VI of the Original Indenture or the provisions of the Agreement (including, without limitation, reasonable attorneys' fees and expenses, and the allocated costs and expenses of in-house counsel and legal staff, except as limited by law or judicial order or decision entered in any action taken under Article VI of the Original Indenture), all moneys so received by the Trustee, shall be applied as follows, subject to Sections 4.4 and 4.5 of the Original Indenture:

(a) Unless the principal of all of the Bonds shall have become, or shall have been declared to be, due and payable, all of such moneys shall be deposited in the Debt Service Fund and shall be applied:

First — To the payment to the Persons entitled thereto of all installments of interest then due on the Bonds Outstanding and Parity Debt Outstanding, on an equal and ratable basis, in the order of the dates of maturity of the installments of that interest, beginning with the earliest date of maturity and, if the amount available is not sufficient to pay in full any particular installment, then to the payment thereof ratably, according to the amounts due on that installment, to the Persons entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds or the Parity Debt, as the case may be; and

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

Third — To provider of any Credit Facility amounts due with respect to such Credit Facility.

For purposes of this provision, with respect to Swaps, which are treated as Parity Debt pursuant to Section 5.10 of the Original Agreement, accrued but unpaid periodic payments under the Swap shall be considered installments of interest and any termination payment due to the provider of such Swap shall be considered payments of principal. The surplus, if any, remaining after the application of the moneys as set forth above shall be paid to the University or the Person lawfully entitled to receive the same as a court of competent jurisdiction may direct.

(b) If the principal of all of the Bonds shall have become due or shall have been declared to be due and payable pursuant to Article VI of the Original Indenture, all of those moneys shall be deposited into the Debt Service Fund and shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds or Parity Debt, on an equal and ratable basis, without preference or priority of principal over interest, or interest over principal, or any installment of interest over any other installment of interest, or of any Bond or Parity Debt over any other Bond or Parity Debt, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds and Parity Debt, as the case may be.

(c) If the principal of all of the Bonds shall have been declared to be due and payable pursuant to Article VI of the Original Indenture, and if that declaration thereafter shall have been rescinded and annulled under the provisions of Section 6.3, 6.10 or 6.14 of the Original Indenture subject to the provisions of paragraph (b) of Section 6.6 of the Original Indenture in the event that the principal of all of the Bonds shall become due and payable later, the moneys shall be deposited in the Debt Service Fund and shall be applied in accordance with the provisions of Article IV of the Indenture.

(d) Whenever moneys are to be applied pursuant to the provisions of Section 6.6 of the Original Indenture, those moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of moneys available for application and the likelihood of additional moneys becoming available for application in the future. Whenever the Trustee shall direct the application of those moneys, it shall fix the date upon which the application is to be made (and with respect to acceleration such date shall be fixed in accordance with Section 6.3 of the Original Indenture), and upon that date, interest shall cease to accrue on the amounts of principal, if any, to be paid on that date, provided the moneys are available therefor. The Trustee shall give notice of the deposit with it of any moneys and of the fixing of that date, all consistent with the requirements of Section 2.9 of the Original Indenture for the establishment of, and for giving notice with respect to, a Special Record Date for the payment of overdue interest. Except as otherwise provided in Section 2.15 of the Original Indenture, the Trustee shall not be required to make payment of principal of and any premium on a Bond to the Holder thereof, until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if it is paid fully.

Remedies Vested in Trustee

All rights of action (including without limitation, the right to file proof of claims) under the Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any

of the Bonds or the production thereof in any trial or other proceeding relating thereto. Any suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining any Holders as plaintiffs or defendants. Any recovery of judgment shall be for the benefit of the Holders of all Outstanding Bonds, subject to the provisions of the Indenture.

Rights and Remedies of Holders

A Holder shall not have any right to institute any suit, action or proceeding for the enforcement of the Indenture, for the execution of any trust of the Indenture, or for the exercise of any other remedy under the Indenture, unless:

(a) there has occurred and is continuing an Event of Default of which the Trustee has been notified, as provided in Subsection 7.2(f) of the Original Indenture, or of which it is deemed to have notice under that Subsection;

(b) the Holders of at least a majority in aggregate principal amount of all Bonds then Outstanding shall have made written request to the Trustee and shall have afforded the Trustee reasonable opportunity to proceed to exercise the remedies, rights and powers granted in the Indenture or to institute the suit, action or proceeding in its own name, and shall have offered indemnity to the Trustee as provided in Sections 7.1 and 7.2 of the Original Indenture; and

(c) the Trustee thereafter shall have failed or refused to exercise the remedies, rights and powers granted in the Indenture or to institute the suit, action or proceeding in its own name.

At the option of the Trustee, such notification (or notice), request, opportunity and offer of indemnity are conditions precedent in every case, to the institution of any suit, action or proceeding described above.

No one or more Holders shall have any right to affect, disturb or prejudice in any manner whatsoever the security or benefit of the Indenture by its or their action, or to enforce, except in the manner provided in the Indenture, any remedy, right or power under the Indenture. Any suit, action or proceeding shall be instituted, had and maintained in the manner provided in the Indenture for the benefit of the Holders of all Bonds Outstanding. Notwithstanding the foregoing provisions of Section 6.8 of the Indenture or any other provision of the Indenture, the obligation of the Authority shall be absolute and unconditional to pay under the Indenture, but solely from the Pledged Revenues and other funds pledged under the Indenture, the principal or redemption price of, and interest on, the Bonds to the respective Holders thereof on the respective due dates thereof, and nothing in the Indenture shall affect or impair the right of action, which is absolute and unconditional, of such Holders to enforce such payment.

Termination of Proceedings

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

Waivers of Events of Default

Except as hereinafter provided, at any time, in its discretion, the Trustee may (and, subject to Section 6.14 of the Original Indenture, upon the written request of the Holders of a majority in aggregate principal amount of all Bonds Outstanding, shall) waive any Event of Default with respect to the Bonds under the Indenture and its consequences and annul any corresponding acceleration of maturity of principal of the Bonds. There shall not be so waived, however, any Event of Default described in Subsection 6.1(a), (b) or (e) of the Original Indenture nor shall any acceleration in connection therewith be annulled, unless at the time of that waiver or annulment payments of the amounts and satisfaction of the other conditions provided in Section 6.3 of the Original Indenture for annulment have been made or provision has been made therefor. No waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Certain Rights of Authority

Notwithstanding any other provision of the Indenture, upon the occurrence of an Event of Default described in Subsection 6.1(d) of the Original Indenture resulting from an event of default described in Subsection 7.1 of the Original Agreement, the Authority reserves the right to exercise or refrain from exercising remedies under the Agreement with respect to such Event of Default and such Event of Default may not be waived or annulled without the prior written consent of the Authority.

Trustee's Right to Appointment of Receiver

As provided by the Act, the Trustee shall be entitled as of right to the appointment of a receiver; and the Trustee, the Holders and any receiver so appointed shall have such rights and powers and be subject to such limitations and restrictions as are contained in the Act.

Trustee and Holders Entitled to All Benefits Under Act

It is the purpose of Article VI of the Original Indenture to provide such remedies to the Trustee and the Holders as may be lawfully granted under the provisions of the Act, but should any remedy in the Indenture granted be held unlawful, the Trustee and the Holders shall nevertheless be entitled to every remedy provided by the Act. It is further intended that, insofar as lawfully possible, the provisions of Article VI of the Original Indenture shall apply to and be binding upon any trustee or receiver appointed under the Act.

Rights of Bond Insurer.

(a) Control. Notwithstanding anything in the Indenture to the contrary, upon the occurrence and continuance of an Event of Default, the Bond Insurer of any Bonds shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of such Bonds insured by such Bond Insurer or any trustee appointed for the benefit of the holders of such Bonds under the Indenture as if and to the extent it were the holder of such Bonds. Without limiting the foregoing, such Bonds shall not be accelerated without the prior written consent of the Bond Insurer.

(b) Party in Interest. The Bond Insurer of any Bonds shall be a party in interest (third party beneficiary) with respect to the Indenture and shall be entitled to (i) notify the Trustee of the

occurrence of an Event of Default with respect to the Bonds it insures, and (ii) request the Trustee to intervene in judicial proceedings that affect such Bonds or the security therefor.

(c) Subrogation. Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on Bonds insured by a Bond Insurer shall be paid by the Bond Insurer pursuant to the relevant bond insurance policy, such Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, and all covenants, agreements and other obligations of the Authority to the registered holders of such Bonds shall continue to exist and shall run to the benefit of the Bond Insurer and the Bond Insurer shall be subrogated to the rights of such registered holders of such Bonds.

(d) Consent Requirements. The Bond Insurer shall be deemed to be the holder of the Bonds it insures for purposes of giving any consent or waiver required or permitted to be given by the holders of such Bonds under the Indenture.

Amendments and Supplements

Supplemental Indentures Not Requiring Consent of Holders

The Indenture may be amended or supplemented at any time and from time to time, without notice to or the consent of the Bondholders, by a Supplemental Indenture entered into between the Authority and the Trustee, consented to by the University, and authorized by a resolution of the Authority filed with the Trustee, for one or more of the following purposes:

- (a) To cure any ambiguity, inconsistency or formal defect or omission in the Indenture;
- (b) In connection with the issuance of any Additional Bonds pursuant to Section 2.14 of the Original Indenture;
- (c) To grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers or authority;
- (d) To confirm any pledge of or lien on the Pledged Revenues, to assign additional revenues under the Indenture or to accept additional security or instruments of further assurance;
- (e) To add to the covenants, agreements and obligations of the Authority under the Indenture, other covenants, agreements and obligations to be observed for the protection of the Holders, or to surrender or limit any right, power or authority reserved to or conferred upon the Authority in the Indenture;
- (f) To permit the use of a book entry system to identify the owner of an interest in an obligation issued by the Authority under the Indenture, whether that obligation was formerly, or could be, evidenced by a tangible security;
- (g) To permit the Trustee to comply with any obligations imposed upon it by law;
- (h) To make provisions relating to any Credit Facility which may be proposed for the benefit of the Holders of any Outstanding Bonds;

(i) To achieve compliance of the Indenture with any applicable federal securities or tax laws;

(j) To make amendments to the provisions of the Indenture relating to arbitrage matters under Section 148 of the Code if, in the opinion of Bond Counsel selected by the Authority, those amendments would not cause the interest on any Tax-Exempt Bonds Outstanding to become included in the gross income of the Holders thereof for federal income tax purposes, which amendments may, among other things, change the responsibility for making the relevant arbitrage calculations;

(k) To permit any other amendment which is not materially adverse to the interests of the Trustee or the Holders;

(l) to modify, eliminate or add to the provisions of the Indenture to such extent as shall be necessary to obtain, maintain or improve a rating of the Bonds by any applicable Rating Service; or

(m) to reflect changes in Generally Accepted Accounting Principles as the result of the issuance of financial accounting standards or audit guidelines or revisions thereto by the Financial Accounting Standards Board or other similar organization promulgating Generally Accepted Accounting Principles or generally accepted auditing standards in connection with the preparation of financial statements for institutions of higher education or non-profit organizations, if there shall be delivered to the Trustee, together with the amendment, a certificate of the University's certified public accountant setting forth the nature of the changed accounting or auditing standard and that the amendment to the Indenture is required to conform to the new or revised standards.

Before the Authority and the Trustee shall enter into any Supplemental Indenture pursuant to Section 8.1 of the Original Indenture, there shall have been delivered to the Trustee and the Authority an opinion of Bond Counsel to the effect that such Supplemental Indenture is authorized or permitted by the Indenture and the Act, that it will, upon the execution and delivery thereof, be valid and binding upon the Authority in accordance with its terms, and that it will not adversely affect the exclusion from gross income of interest on any Tax-Exempt Bonds for federal income tax purposes.

Indentures Requiring Consent of Holders

In addition to the Supplemental Indentures permitted by Section 8.1 of the Original Indenture, the Indenture may be amended or supplemented from time to time by a Supplemental Indenture consented to by the University and approved by the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, or, if less than all of the Bonds Outstanding and effected thereby, with approval of the Holders of a majority in principal amount of the Bonds affected thereby. Notwithstanding the foregoing, other than as permitted by Section 8.1 of the Original Indenture, the Indenture may not be amended with respect to (1) the principal, Purchase Price or redemption price or interest payable upon any Bonds, (2) the Interest Payment Dates, Purchase Dates the dates of maturity or the redemption provisions of any Bond after their issuance, without the unanimous consent of all Holders effected thereby and the Indenture shall not be amended with respect to Article VIII of the Original Indenture without the unanimous consent of

Holders of all of the Bonds Outstanding. Before the Authority and the Trustee may enter into such Supplemental Indenture, there shall have first been delivered to the Trustee (a) the required consents, in writing, of Holders and (b) an opinion of Bond Counsel to the effect that such Supplemental Indenture is authorized or permitted by the Indenture and the Act, that it will, upon the execution and delivery thereof, be valid and binding upon the Authority in accordance with its terms, and that it will not adversely affect the exclusion from gross income of interest on any Tax-Exempt Bonds for federal income tax purposes.

Consent of University

Anything contained in the Indenture to the contrary notwithstanding, a Supplemental Indenture executed and delivered in accordance with Article VIII of the Original Indenture shall not become effective unless and until the University shall have consented in writing to the execution and delivery of that Supplemental Indenture.

Authorization to Trustee; Effect of Supplement

The Trustee is authorized to join with the Authority in the execution and delivery of any Supplemental Indenture in accordance with Article VIII of the Original Indenture and to make the further agreements and stipulations which may be contained therein. Thereafter, (a) such Supplemental Indenture shall form a part of the Indenture; (b) all terms and conditions contained in that Supplemental Indenture as to any provision authorized to be contained therein shall be deemed to be a part of the terms and conditions of the Indenture for any and all purposes; (c) the Indenture shall be deemed to be modified and amended in accordance with the Supplemental Indenture; and (d) the respective rights, duties and obligations under the Indenture of the Authority, the University, the Trustee, the Bond Insurer and all Holders of Bonds Outstanding shall be determined, exercised and enforced under the Indenture in a manner which is subject in all respects to those modifications and amendments made by the Supplemental Indenture. The Trustee shall not be required to execute any Supplemental Indenture containing provisions adverse to the Trustee.

Modification by Unanimous Consent

Notwithstanding anything contained elsewhere in the Indenture, the rights and obligations of the Authority and of the Holders, and the terms and provisions of the Bonds and the Indenture or any Supplemental Indenture, may be modified or altered in any respect with the consent of (i) the Authority, (ii) the Holders of all of the Bonds Outstanding, and (iii) the University.

Amendment of Agreement

If the Authority and the University propose to amend the Agreement, the Trustee may consent thereto; provided that if such proposal would amend the Agreement in such a way as would materially adversely affect the interests of the Holders, the Trustee shall notify the Bond Insurer and the Holders of the proposed amendment and may consent thereto with the consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, or, if less than all of the Bonds Outstanding are effected thereby, with the approval of the Holders of a majority in principal amount of the Bonds effected thereby. Notwithstanding the foregoing, no amendment shall (1) decrease the amounts payable under the Agreement or (2) change the date of payment or prepayment provisions under the Agreement with respect to any Outstanding Bonds without the unanimous

consent of the Holders of such Bonds affected thereby. In addition, the Agreement shall not be amended to change any provisions with respect to amendment without the unanimous consent of the Holders of all Bonds Outstanding. Before the Authority shall enter into, and the Trustee shall consent to, any modification, alteration, amendment or supplement to the Agreement pursuant to Section 8.6 of the Original Indenture, there shall have been delivered to the Authority, the Bond Insurer and the Trustee an opinion of Bond Counsel to the effect that such amendment is authorized or permitted by the Indenture and the Act and will not adversely affect the exclusion from gross income of interest on all Tax-Exempt Bonds for federal income tax purposes.

Trustee Authorized to Join in Supplements and Amendments; Reliance on Counsel

The Trustee is authorized to join with the Authority in the execution and delivery of any Supplemental Indenture or amendment permitted by Article VIII of the Original Indenture and in so doing shall be fully protected by an opinion of counsel that such Supplemental Indenture or amendment is so permitted.

Notice to Rating Service

The Trustee shall promptly notify each Rating Service (if any Bonds are then rated by such Rating Service) of any material supplement or amendment to the Indenture or the Agreement of which the Trustee has notice.

Bond Insurer Consents to Supplements and Amendments to the Indenture

Notwithstanding anything to the contrary in the Indenture, the Indenture and the Agreement may not be amended or supplemented without notice to, and the prior written consent of, the Bond Insurer except for supplements entered into in connection with Additional Bonds issued in accordance with the provisions of the Agreement and the Indenture. A copy of any such amendment or supplement, which the Bond Insurer consents to shall be delivered to S&P.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) made this 26th day of February, 2015 between University of the Sciences in Philadelphia (the “University”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and Digital Assurance Certification, L.L.C. (“DAC”), as Dissemination Agent.

WITNESSETH:

WHEREAS, pursuant to the Bond Purchase Agreement dated January 22, 2015 among the Pennsylvania Higher Educational Facilities Authority (the “Authority”), the University and Merrill Lynch, Price, Fenner & Smith Incorporated (the “Underwriter”), the Authority is selling \$90,300,000 aggregate principal amount of its University of the Sciences in Philadelphia Revenue Bonds, Series 2015 (the “Bonds”), consisting of its University of the Sciences in Philadelphia Revenue Bonds, Series 2015A (the “Series A Bonds”) and its University of the Sciences in Philadelphia Revenue Bonds, Series 2015B to the Underwriter;

WHEREAS, Rule 15c2-12(b)(5) 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 is the only obligated person with respect to the Bonds for purposes of the Rule; and

WHEREAS, in order to enable the Underwriter to comply with the requirements of the Rule, the University, as the obligated person, agrees to undertake to provide the information and notices required by the Rule.

NOW, THEREFORE, in consideration of the premises, the parties hereto, intending to be legally bound hereby, agree as the follows:

1. Definitions. In addition to the terms defined in the above recitals, the following terms shall have the meanings specified below:

“Official Statement” shall mean the Official Statement of the Authority dated January 22, 2015, with respect to the Bonds.

“Annual Report” shall mean any Annual Report provided by the University pursuant to and as described in Section 2 and Schedule 1 of this Disclosure Agreement.

“Dissemination Agent” shall mean DAC, or any successor Dissemination Agent designated in writing by the University and which has filed with the Trustee a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB as provided at <http://www.emma.msrb.org>, or any similar system that is acceptable to or as may be prescribed by the MSRB for purposes of the Rule and approved by the SEC from time to time.

“Listed Events” shall mean any of the events listed in Section 3(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

2. Provision of Reports. The University covenants to comply with all of the requirements of the Rule in furtherance of the foregoing and without limiting the generality thereof:

a. Each year, commencing for the fiscal year ending June 30, 2015, the University shall, or shall cause the Dissemination Agent to, not later than 200 days after the end of the University’s fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Schedule 1 of this Disclosure Agreement. The University shall provide information required in this Section 2 for all persons who would be considered “Obligated Persons” under the Rule.

1. Not later 15 business days prior to said date, the University shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent).

2. If by 15 business days prior to the date specified in subsection a. above for providing the Annual Report to the MSRB the Trustee has not received a copy of the Annual Report, the Trustee shall contact the University and the Dissemination Agent (if the Dissemination Agent is not the Trustee) to determine if the University is in compliance with subsection a.

3. If the Trustee is unable to verify that an Annual Report has been provided to the MSRB in accordance with subsection a., the Trustee shall promptly send a notice to the MSRB in substantially the form attached as Schedule 2.

3. Reporting of Significant Events.

a. Pursuant to the provisions of this Section 3, not in excess of 10 business days after the occurrence of the event, the University shall file, or cause to be filed with the MSRB, notice of the occurrence of any of the following events (each, a “Listed Event”) with respect to the Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), other material notices or determinations with

respect to the tax status of the Series A Bonds, or other events affecting the tax-exempt status of the Series A Bonds;

7. modifications to rights of registered owners or beneficial owners, if material;
8. bond calls, if material, (other than mandatory sinking fund redemption) and tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Bonds, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership, or similar event of the University;
13. the consummation of a merger, consolidation, or acquisition involving a member of the University or the sale of all or substantially all of the assets of the University, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. appointment of a successor or additional trustee or the change of name of a trustee, if material.

b. The University shall provide information required in this Section 3 for all persons who would be considered “Obligated Persons” under the Rule.

c. The University agrees that the provisions of this Section 3 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 Trustee on their behalf, in an action for specific performance against the University.

4. Duties and Liabilities of the Trustee and Dissemination Agent.

a. If the Dissemination Agent filed the Annual Report pursuant to Section 2 above, the Dissemination Agent shall file a report with the University and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided.

b. If so requested by the University, the Dissemination Agent shall file notice with the MSRB of the occurrence of any Listed Event pursuant to Section 3 hereof.

c. The Trustee and the Dissemination Agent shall have no responsibility or liability in connection with the University’s filing obligations under this Disclosure Agreement. The Trustee and the Dissemination Agent shall have only those duties specifically set forth in this Disclosure Agreement and no further duties or responsibilities shall be implied. The Trustee and the Dissemination Agent shall not be liable for any action taken or omitted by it in good faith unless a court of competent jurisdiction

determines that the Trustee's or the Dissemination Agent's grossly negligent or willful misconduct was the primary cause of any loss to the University. The Trustee and the Dissemination Agent shall not incur any liability for following the instructions herein contained or expressly provided for, or written instructions given by the parties hereto. In the administration of this Disclosure Agreement, the Trustee and the Dissemination Agent may execute any of its powers and perform its duties hereunder directly or through agents or attorney and may consult with counsel, accountants and other skilled persons to be selected and retained by it. The Trustee and the Dissemination Agent shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons. The Trustee and the Dissemination Agent may resign and be discharged of its duties and obligations hereunder by giving notice in writing of such resignation specifying a date when such resignation shall take effect. Any corporation or association into which the Trustee in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Trustee in its individual capacity shall be a party, or any corporation or association to which all or substantially all the corporate trust business of the Trustee in its individual capacity may be sold or otherwise transferred, shall be the trustee under this Disclosure Agreement without further act. The University agrees to indemnify and save the Trustee and the Dissemination Agent, its officers, directors, employees and agents ("Indemnitees") harmless from and against any and all liabilities, losses, damages, fines, suits, actions, demands, penalties, costs and expenses (including out-of-pocket incidental expenses), legal fees and expenses, the allocated costs and expenses of in-house counsel and legal staff and the costs and expenses of defending or preparing to defend against any claim ("Losses") that may be imposed, incurred by, or asserted against the Indemnitees or any of them for following any instruction or other direction upon which the Trustee or 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 hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Trustee's or the Dissemination Agent's performance under this Disclosure Agreement, provided the Trustee or the Dissemination Agent has not acted with gross negligence or engaged in willful misconduct. The provisions of this Section 4 shall survive the termination of this Disclosure Agreement and the resignation or removal of the Trustee or the Dissemination Agent for any reason. Anything in this Disclosure Agreement to the contrary notwithstanding, in no event shall the Trustee or 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 Trustee or the Dissemination Agent has been advised of such loss or damage and regardless of the form of action.

5. Termination of Reporting Obligations. The University's obligations under this Disclosure Agreement shall terminate (a) upon the defeasance, prior redemption or payment in full of all of the Bonds, (b) upon repeal or rescission of Section (b)(5) of the Rule, or (c) upon a final determination that Section (b)(5) of the Rule is invalid or unenforceable.

6. Dissemination Agent The University may from time to time replace, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The University hereby appoints DAC as the initial Dissemination Agent. If at any time there is no Dissemination Agent, the University shall nonetheless be obligated to carry out its obligations under Section 2 and Section 3 hereof.

7. Amendment.

a. Notwithstanding any other provision of this Disclosure Agreement, the University, the Dissemination Agent and the Trustee may amend this Disclosure Agreement provided that no such amendment or waiver shall be executed by the parties hereto or become effective unless:

1. the amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in identity, nature or status of the University or the operations conducted by the University or a change in identity, nature or status of the Trustee;

2. The Disclosure Agreement, as amended by the amendment or waiver, would have been the written undertaking contemplated by the Rule at the time of original issuance of the Bonds after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

3. The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds.

b. Evidence of the compliance with the conditions set forth in clause (a) of this Section 7 shall be satisfied by the delivery to the Trustee and the Dissemination Agent of an opinion of counsel, acceptable to the University, the Dissemination Agent and the Trustee, to the effect that the amendment or waiver satisfies the conditions set forth in clauses (a)(1), (2), and (3) of this Section 7.

c. Notice of any amendment or waiver containing an explanation of the reasons therefore shall be given by the University to the Trustee and the Dissemination Agent upon execution of the amendment or waiver, and the Dissemination Agent shall promptly file such notice with the MSRB. Such notification may be done through EMMA. The Trustee shall also send notice of the amendment or waiver to each owner who has filed their name and address with the Trustee under Section 9 hereof for the purpose of receiving such notices.

8. 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 2 and Section 3 hereof, the Trustee or any holder or beneficial owner of Bonds shall have the right to bring an action in court of competent jurisdiction to compel specific performance by the University. No monetary damages may be recovered under any circumstances for any breach or default by the University, Dissemination Agent or the Trustee or their respective covenants hereunder. A breach or default under this Disclosure Agreement shall not constitute an Event of Default under the Trust Indenture dated as of January 1, 2005, as amended and supplemented by the First Supplemental Trust Indenture dated as of May 15, 2006, the Second Supplemental Trust Indenture dated as of May 1, 2008, the Third Supplemental Trust Indenture dated as of September 1, 2012 and the Fourth Supplemental Trust Indenture dated as of February 1, 2015, the Bonds, the Loan Agreement dated as of January 1, 2005, by and between the Authority and the University, as amended and supplemented by the First Supplemental Loan and Security Agreement dated as of May 15, 2006, the Second Supplemental Loan and Security Agreement dated as of May 1, 2008, the Third Supplemental Loan and Security Agreement dated as of September 1, 2012 and the Fourth Supplemental Loan and Security Agreement dated as of February 1, 2015 or any other agreement. The Trustee shall be under no obligation to enforce this Disclosure Agreement unless (i) directed in writing by

the holders or beneficial owners of at least 25% of the outstanding principal amount of the Bonds and (ii) furnished with indemnity and security for expenses satisfactory to it.

9. Miscellaneous.

a. Binding Nature of Agreement. The Disclosure Agreement shall be binding upon and inure to the benefit of the parties hereto 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 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 Trustee for the purposes of receiving notices or giving direction under this Disclosure Agreement.

b. Notices. Any written notice to or demand may be served, presented or made to the persons named below and shall be sufficiently given or filed for all purposes of this Disclosure Agreement if deposited in the United States mail, first class postage prepaid or in a recognized form of overnight mail or by telecopy with confirmation of receipt, addressed:

(i) To the Dissemination Agent at:

Digital Assurance Certification, L.L.C.
390 North Orange Avenue, Suite 1750
Orlando, FL 32801
Attention: Diana O'Brien
Fax: (407) 515-6513

(ii) To the Trustee at:

The Bank of New York Mellon Trust Company, N.A.
525 William Penn Place 38th Fl
Pittsburgh, PA 15259
Attention: Kristen Matyas
Fax: (412) 236-0870

(iii) To the University at:

University of the Sciences in Philadelphia
600 South 43rd Street
Philadelphia, PA 19104-4495
Attention: Senior Vice President of Finance/Treasurer
Fax: (215) 895-1111

or such other addresses or fax numbers as may be designated in writing to all parties hereto.

c. Controlling Law. The laws of the Commonwealth of Pennsylvania and the Rule shall govern the construction and interpretation of this Disclosure Agreement.

d. Successors and Assigns. All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the University or by or on behalf of the Trustee shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

e. Headings for Convenience Only. The descriptive headings in this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

f. Counterparts. This Disclosure Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

UNIVERSITY OF THE SCIENCES IN
PHILADELPHIA

By: _____
Name:
Title: Authorized Signatory

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

By: _____
Name:
Title: Authorized Signatory

DIGITAL ASSURANCE CERTIFICATION,
L.L.C., as Dissemination Agent

By: _____
Name:
Title:

SCHEDULE 1

CONTENTS OF ANNUAL REPORT

The Annual Report shall include the following:

1. a copy of its annual financial statements prepared in accordance with generally accepted accounting principals and audited by a certified public accountant; and

2. an update of the following information set forth in “APPENDIX A - INFORMATION CONCERNING UNIVERSITY OF THE SCIENCES IN PHILADELPHIA” to the Official Statement;

(i) under the section captioned “Accreditation and Memberships,” any loss of an existing accreditation;

(ii) under the section captioned “Enrollment” the following information: (1) the information regarding application received, applications accepted, and freshman and transfer enrollment, commencing with the academic year 2015-2016; (2) the head count and full time equivalent student enrollment for the entire University commencing with academic year 2015-2016; and (3) the retention rates commencing with fall 2015;

(iii) under the section captioned “Students Fees and Competition,” the information regarding tuition and fees for undergraduate, professional and graduate students as well as room and board costs commencing with Fiscal Year 2015;

(iv) under the section captioned “Student Financial Aid,” the information regarding sources of student financial aid;

(v) under the section captioned “Faculty, Administrative and Support Staff,” (1) the number of full time faculty; (2) the number of tenured faculty and tenure track faculty; (3) the faculty FTE; (4) the student-faculty ratio; (5) the number of full-time employees, the number of part-time employees and the number of full-time contract employees and (6) the paragraph relating to labor representation;

(vi) under the section captioned “Historical Operating Results,” the University’s unrestricted operating surplus available for commencing with Fiscal Year 2015;

(vii) under the Section captioned “Accounting Matters” , the pension expense, commencing with Fiscal Year 2015;

(viii) the information within the section captioned “Financial Management Discussion”;

i(x) under the section captioned “Endowment and Similar Funds” the market value of the University’s endowment and similar funds commencing with Fiscal Year 2015; and

(x) under the section captioned "Gifts, Contributions and Grants," the information relating to the total gifts, grants and bequests to the University commencing with Fiscal Year 2015.

Each submittal of the information required under 1 and 2 above by the University shall contain on its cover page in bold face type the following language:

"The information contained herein is being filed by the University of the Sciences in Philadelphia for the purposes of complying with its responsibilities under SEC Rule 15c2-12. The information contained herein is as of the date set forth below. The Bank of New York Mellon Trust Company, N.A., as Dissemination Agent, has not participated in the presentation of this report or examined its contents, and neither makes any representation concerning the accuracy and completeness of the information contained herein."

In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Schedule 1.

SCHEDULE 2

NOTICE THE MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Pennsylvania Higher Educational Facilities Authority

Name of Bond Issue: Pennsylvania Higher Educational Facilities Authority's
University of the Sciences in Philadelphia Revenue Bonds,
Series 2015A and University of the Sciences in Philadelphia
Revenue Bonds, Series 2015B (collectively, the "Bonds")

Name of University: University of the Sciences in Philadelphia (the "University")

Date of Issue: February 26, 2015

NOTICE IS HEREBY GIVEN that the University has not provided an Annual Report with respect to the Bonds as required by the Continuing Disclosure Agreement dated February 26, 2015, between the University and The Bank of New York Mellon Trust Company, N.A. The University anticipates that the Annual Report will be filed by _____.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
on behalf of the University of the Sciences in Philadelphia

as Dissemination Agent

By: _____

Authorized Signatory

cc: University of the Sciences in Philadelphia

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APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

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February 26, 2015

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

University of the Sciences in Philadelphia
600 South 43rd Street
Philadelphia, PA 19104-4495

The Bank of New York Mellon Trust
Company, N.A.
525 William Penn Place 38th Fl
Pittsburgh, PA 15259

Merrill Lynch, Pierce, Fenner & Smith
Incorporated
1818 Market Street, 18th Floor
Philadelphia, PA 19103

Re: \$83,670,000 Pennsylvania Higher Educational Facilities Authority
University of the Sciences in Philadelphia Revenue Bonds, Series 2015A

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the Pennsylvania Higher Educational Facilities Authority (the “Authority”) of the above-referenced Bonds (the “2015A Bonds”). Pursuant to the Pennsylvania Higher Educational Facilities Authority Act of 1967 (24 P.S. § 5501 et seq.), as amended (the “Act”), the Authority adopted a bond resolution on December 18, 2014, providing for the issuance of the 2015A Bonds and the execution of a Fourth Supplemental Trust Indenture (defined below). The Authority and The Bank of New York Mellon Trust Company, N.A. as successor trustee (the “Trustee”) are parties to a Trust Indenture dated as of January 1, 2005 (the “Original Indenture”), which was amended and supplemented by a First Supplemental Indenture dated as of May 15, 2006, a Second Supplemental Indenture dated as of May 1, 2008, a Third Supplemental Indenture dated as of September 1, 2012, and a Fourth Supplemental Indenture dated as of February 1, 2015 (the Original Indenture, as amended and supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, and the Fourth Supplemental Indenture is referred to hereinafter as the “Indenture”). The 2015A Bonds are being sold to Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Underwriter”) pursuant to a Bond Purchase Agreement dated January 22, 2015, by and among such underwriter, the University of the Sciences in Philadelphia (the “University”) and the Authority (the “Purchase Contract”). Capitalized terms not otherwise defined herein shall have the same meanings ascribed thereto in the Purchase Contract.

Pennsylvania Higher Educational Facilities Authority
University of the Sciences in Philadelphia
The Bank of New York Mellon Trust Company, N.A.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
February 26, 2015
Page 2

The 2015A Bonds were sold pursuant to an Official Statement dated January 22, 2015 (the “Official Statement”). The 2015A Bonds are being issued by the Authority for the purpose of: (i) the refunding or refinancing of all of the Authority’s University of the Sciences in Philadelphia Revenue Bonds, Series 2005A; (ii) refunding or refinancing of all or a portion of the Authority’s University of the Sciences in Philadelphia Revenue Bonds, Series 2008; and (iii) the payment of the costs and expenses incurred in connection with the issuance of the Bonds (collectively, the “Project”).

The Authority and the University are parties to a Loan and Security Agreement dated as of January 1, 2005 (the “Original Loan Agreement”) by and between the Authority, as lender, and the University, as borrower, which was amended and supplemented by a First Supplemental Loan and Security Agreement dated as of May 15, 2006, a Second Supplemental Loan and Security Agreement dated as of May 1, 2008, a Third Supplemental Loan and Security Agreement dated as of September 1, 2012, and a Fourth Supplemental Loan Agreement dated as of February 1, 2015 (the Original Loan Agreement, as amended and supplemented by the First Supplemental Loan Agreement, the Second Supplemental Loan Agreement, the Third Supplemental Loan Agreement and the Fourth Supplemental Loan Agreement is referred to hereinafter as the “Loan Agreement”). Pursuant to the Loan Agreement, the Authority has agreed to loan the proceeds of the 2015A Bonds to the University and the University has agreed to make loan payments sufficient to pay the principal or redemption price of, and interest on, the 2015A Bonds when and as due.

As Bond Counsel, we have examined such statutes of the Commonwealth of Pennsylvania, including the Act, and such resolutions of the Authority and proceedings relating thereto as we deem necessary or appropriate to enable us to render the opinion set forth below. We have also examined and relied upon the proceedings authorizing the issuance of the 2015A Bonds and certain certifications and agreements (including the representation and warranties of the University and the Authority contained in the Purchase Contract and in a Joint Tax Certificate intended to satisfy certain provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and applicable Treasury Regulations promulgated thereunder), affidavits, receipts, a tax questionnaire and other documents, which we have considered relevant. We have also examined a specimen of the 2015A Bonds and have relied on certifications as to the execution and authentication of the 2015A Bonds.

In rendering our opinion set forth below, we have assumed (i) that all documents, records and other instruments examined by us are genuine, accurate and complete and we have not undertaken to verify the factual matters set forth in any certificates or other documents by independent investigation, (ii) that the signatures of parties other than the Authority on documents and instruments examined by us are original or genuine, and (iii) that all documents submitted to us as copies conform to the originals thereof.

On the basis of the foregoing, 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, and has the power to execute and deliver the Fourth Supplemental Indenture and the Fourth Supplemental Loan Agreement and to issue and sell the 2015A Bonds.
2. The Fourth Supplemental Indenture and the Fourth Supplemental Loan Agreement have been duly authorized, executed and delivered by the Authority and the obligations of the Authority under the Indenture and the Loan Agreement constitute legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their terms.
3. The 2015A Bonds have been duly authorized, executed, issued and delivered by the Authority and are the legal, valid and binding limited obligations of the Authority, enforceable in accordance with their terms and are entitled to the benefit and security of the Indenture.
4. Interest on the 2015A Bonds is excluded from gross income for Federal income tax purposes. The opinion set forth in the preceding sentence is subject to the condition that the Authority and the University comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2015A Bonds in order that interest thereon be (or continue to be) excluded from gross income for Federal income tax purposes. Failure to comply with such requirements could cause the interest on the 2015A Bonds to be so included in gross income for

Pennsylvania Higher Educational Facilities Authority
University of the Sciences in Philadelphia
The Bank of New York Mellon Trust Company, N.A.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
February 26, 2015
Page 4

Federal income tax purposes retroactive to the date of issuance of the 2015A Bonds. The Authority and the University have covenanted to comply with all such requirements.

5. Interest on the 2015A Bonds is not a specific item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to certain corporations (as defined for Federal income tax purposes), such interest is taken into account in determining “adjusted current earnings” for the purpose of computing the alternative minimum tax imposed on such corporations.

6. Interest on the 2015A Bonds is exempt from Pennsylvania personal income tax and from Pennsylvania corporate net income tax, and the 2015A Bonds are exempt from personal property taxes in Pennsylvania.

Notwithstanding the exclusion of interest on the 2015A Bonds from gross income and the exemption of the 2015A Bonds and the interest thereon from certain taxes, ownership of the 2015A Bonds may result in other Federal, state, local and/or foreign tax consequences to certain taxpayers, including, without limitation, corporations required to include such interest in the calculation and payment of the alternative minimum tax under Section 55 of the Code; certain foreign corporations doing business in the United States that are subject to the Branch Profits Tax imposed under Section 884 of the Code; financial institutions; insurance companies required to include such interest in amounts required to reduce the deductions for loss reserves pursuant to Section 832 of the Code; life insurance companies; S Corporations with accumulated earnings and profits from years in which it was not an S corporation; recipients of Social Security or Railroad Retirement benefits; individuals who qualify for or may otherwise qualify for the earned income credit; and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2015A Bonds, or who have paid or incurred certain expenses allocable to the 2015A Bonds. We offer no opinion as to such other tax consequences.

We call your attention to the fact that the 2015A Bonds are limited obligations of the Authority, payable only out of pledged revenues and certain other moneys which may be available therefor as provided in the Indenture, and that the 2015A Bonds do not constitute a debt or obligation of the Commonwealth of Pennsylvania or of any political subdivision thereof, other than a limited obligation of the Authority as aforesaid, and neither the credit nor the taxing

Pennsylvania Higher Educational Facilities Authority
University of the Sciences in Philadelphia
The Bank of New York Mellon Trust Company, N.A.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
February 26, 2015
Page 5

power of the Commonwealth of Pennsylvania or of any political subdivision thereof is pledged for the payment of the principal or redemption price of, or interest on, the 2015A Bonds. The Authority has no taxing power.

With respect to the foregoing opinion, we advise you that the rights of the holders of the 2015A Bonds and the enforceability of the 2015A Bonds will be subject to and may be limited by (i) applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws of general application or equitable principles relating to or affecting creditor's rights and remedies or debtor's obligations generally, (ii) general principles of equity, whether considered and applied in a court of law or equity, and (iii) the exercise of judicial discretion in appropriate cases.

The Code establishes certain requirements relating to the uses and expenditures of bond proceeds, restrictions on investments prior to expenditure, uses of investment income, and the requirement that certain earnings be rebated to the Federal government. Non-compliance with these and other applicable requirements of the Code might cause interest on the 2015A Bonds to be subject to Federal income taxation retroactive to their date of issuance of the 2015A Bonds. The Authority and the University have covenanted to comply with such requirements. We have not undertaken to monitor compliance with such covenants.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement prepared in connection with the sale of the 2015A Bonds, and make no representation that we have independently verified the contents of such Official Statement.

We express no opinion herein as to any matter not expressly set forth herein, including Federal, state, local and foreign tax consequences arising with respect to the 2015A Bonds other than as expressly set forth in paragraphs 4, 5 and 6 above.

Pennsylvania Higher Educational Facilities Authority
University of the Sciences in Philadelphia
The Bank of New York Mellon Trust Company, N.A.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
February 26, 2015
Page 6

This opinion is expressly limited to the matters stated herein and no opinion is implied or may be inferred beyond the matters expressly stated herein. This opinion is given as of the date hereof and is based upon existing laws, regulations and judicial and administrative decisions. We assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any changes in such laws, regulations, or judicial or administrative decisions, any of which could adversely affect a holder of the 2015A Bonds.

Very truly yours,

February 26, 2015

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

University of the Sciences in Philadelphia
600 South 43rd Street
Philadelphia, PA 19104-4495

The Bank of New York Mellon Trust
Company, N.A.
525 William Penn Place 38th Fl
Pittsburgh, PA 15259

Merrill Lynch, Pierce, Fenner & Smith
Incorporated
1818 Market Street, 18th Floor
Philadelphia, PA 19103

Re: \$6,630,000 Pennsylvania Higher Educational Facilities Authority
University of the Sciences in Philadelphia Revenue Bonds, Series 2015B (Federally Taxable)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the Pennsylvania Higher Educational Facilities Authority (the “Authority”) of the above-referenced Bonds (the “2015B Bonds”). Pursuant to the Pennsylvania Higher Educational Facilities Authority Act of 1967 (24 P.S. § 5501 et seq.), as amended (the “Act”), the Authority adopted a bond resolution on December 18, 2014, providing for the issuance of the 2015B Bonds and the execution of a Fourth Supplemental Trust Indenture (defined below). The Authority and The Bank of New York Mellon Trust Company, N.A. as successor trustee (the “Trustee”) are parties to a Trust Indenture dated as of January 1, 2005 (the “Original Indenture”), which was amended and supplemented by a First Supplemental Indenture dated as of May 15, 2006, a Second Supplemental Indenture dated as of May 1, 2008, a Third Supplemental Indenture dated as of September 1, 2012, and a Fourth Supplemental Indenture dated as of February 1, 2015 (the Original Indenture, as amended and supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, and the Fourth Supplemental Indenture is referred to hereinafter as the “Indenture”). The 2015B Bonds are being sold to Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Underwriter”) pursuant to a Bond Purchase Agreement dated January 22, 2015, by and among such underwriter, the University of the Sciences in Philadelphia (the “University”) and the Authority (the “Purchase Contract”). Capitalized terms not otherwise defined herein shall have the same meanings ascribed thereto in the Purchase Contract.

Pennsylvania Higher Educational Facilities Authority
University of the Sciences in Philadelphia
The Bank of New York Mellon Trust Company, N.A.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
February 26, 2015
Page 2

The 2015B Bonds were sold pursuant to an Official Statement dated January 22, 2015 (the “Official Statement”). The 2015B Bonds are being issued by the Authority for the purpose of: (i) the refunding or refinancing of a portion of the Authority’s University of the Sciences in Philadelphia Revenue Bonds, Series 2008; and (ii) the payment of the costs and expenses incurred in connection with the issuance of the Bonds (collectively, the “Project”).

The Authority and the University are parties to a Loan and Security Agreement dated as of January 1, 2005 (the “Original Loan Agreement”) by and between the Authority, as lender, and the University, as borrower, which was amended and supplemented by a First Supplemental Loan and Security Agreement dated as of May 15, 2006, a Second Supplemental Loan and Security Agreement dated as of May 1, 2008, a Third Supplemental Loan and Security Agreement dated as of September 1, 2012, and a Fourth Supplemental Loan Agreement dated as of February 1, 2015 (the Original Loan Agreement, as amended and supplemented by the First Supplemental Loan Agreement, the Second Supplemental Loan Agreement, the Third Supplemental Loan Agreement and the Fourth Supplemental Loan Agreement is referred to hereinafter as the “Loan Agreement”). Pursuant to the Loan Agreement, the Authority has agreed to loan the proceeds of the 2015B Bonds to the University and the University has agreed to make loan payments sufficient to pay the principal or redemption price of, and interest on, the 2015B Bonds when and as due.

As Bond Counsel, we have examined such statutes of the Commonwealth of Pennsylvania, including the Act, and such resolutions of the Authority and proceedings relating thereto as we deem necessary or appropriate to enable us to render the opinion set forth below. We have also examined and relied upon the proceedings authorizing the issuance of the 2015B Bonds and certain certifications and agreements (including the representation and warranties of the University and the Authority contained in the Purchase Contract and in a Joint Tax Certificate intended to satisfy certain provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and applicable Treasury Regulations promulgated thereunder), affidavits, receipts, and other documents, which we have considered relevant. We have also examined a specimen of the 2015B Bonds and have relied on certifications as to the execution and authentication of the 2015B Bonds.

In rendering our opinion set forth below, we have assumed (i) that all documents, records and other instruments examined by us are genuine, accurate and complete and we have not undertaken to verify the factual matters set forth in any certificates or other documents by independent investigation, (ii) that the signatures of parties other than the Authority on documents and instruments examined by us are original or genuine, and (iii) that all documents submitted to us as copies conform to the originals thereof.

On the basis of the foregoing, 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, and has the power to execute and deliver the Fourth Supplemental Indenture and the Fourth Supplemental Loan Agreement and to issue and sell the 2015B Bonds.
2. The Fourth Supplemental Indenture and the Fourth Supplemental Loan Agreement have been duly authorized, executed and delivered by the Authority and the obligations of the Authority under the Indenture and the Loan Agreement constitute legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their terms.
3. The 2015B Bonds have been duly authorized, executed, issued and delivered by the Authority and are the legal, valid and binding limited obligations of the Authority, enforceable in accordance with their terms and are entitled to the benefit and security of the Indenture.
4. Interest on the 2015B Bonds is exempt from Pennsylvania personal income tax and from Pennsylvania corporate net income tax, and the 2015B Bonds are exempt from personal property taxes in Pennsylvania.

Interest on the 2005B Bonds is fully taxable for Federal income tax purposes. Ownership of the 2005B Bonds may result in other state, local and/or foreign tax consequences to certain taxpayers. We offer no opinion as to such other tax consequences.

Pennsylvania Higher Educational Facilities Authority
University of the Sciences in Philadelphia
The Bank of New York Mellon Trust Company, N.A.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
February 26, 2015
Page 4

We call your attention to the fact that the 2015B Bonds are limited obligations of the Authority, payable only out of pledged revenues and certain other moneys which may be available therefor as provided in the Indenture, and that the 2015B Bonds do not constitute a debt or obligation of the Commonwealth of Pennsylvania or of any political subdivision thereof, other than a limited obligation of the Authority as aforesaid, and neither the credit nor the taxing power of the Commonwealth of Pennsylvania or of any political subdivision thereof is pledged for the payment of the principal or redemption price of, or interest on, the 2015B Bonds. The Authority has no taxing power.

With respect to the foregoing opinion, we advise you that the rights of the holders of the 2015B Bonds and the enforceability of the 2015B Bonds will be subject to and may be limited by (i) applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws of general application or equitable principles relating to or affecting creditor's rights and remedies or debtor's obligations generally, (ii) general principles of equity, whether considered and applied in a court of law or equity, and (iii) the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement prepared in connection with the sale of the 2015B Bonds, and make no representation that we have independently verified the contents of such Official Statement.

We express no opinion herein as to any matter not expressly set forth herein, including Federal, state, local and foreign tax consequences arising with respect to the 2015B Bonds other than as expressly set forth in paragraph 4 above.

Pennsylvania Higher Educational Facilities Authority
University of the Sciences in Philadelphia
The Bank of New York Mellon Trust Company, N.A.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
February 26, 2015
Page 5

This opinion is expressly limited to the matters stated herein and no opinion is implied or may be inferred beyond the matters expressly stated herein. This opinion is given as of the date hereof and is based upon existing laws, regulations and judicial and administrative decisions. We assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any changes in such laws, regulations, or judicial or administrative decisions, any of which could adversely affect a holder of the 2015B Bonds.

Very truly yours,

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Where healthcare and science converge.