

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



\$9,330,000

PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY

(Commonwealth of Pennsylvania)

Revenue Bonds

(AICUP Financing Program - Mount Aloysius College Project)

Series 2016 OO4

Dated: Date of Delivery

Due: November 1, as shown on inside cover

The Pennsylvania Higher Educational Facilities Authority (the “Authority”) will issue its Revenue Bonds (AICUP Financing Program – Mount Aloysius College Project) Series 2016 OO4 (the “Bonds”) in denominations of \$5,000 or any whole multiple thereof. The Bonds will be registered in the name of Cede & Co. as the registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York.

The principal of and premium, if any, on the Bonds will be payable to the registered owner at the designated corporate trust agency office of The Bank of New York Mellon Trust Company, N.A., Philadelphia, Pennsylvania, as trustee (the “Trustee”) for the Bonds, or the designated corporate trust office of any successor Trustee. The Bonds will bear interest at the rates shown on the inside cover hereof. Interest on the Bonds will be payable semiannually on May 1 and November 1, commencing November 1, 2016, in each case by the Trustee to the registered owners by check, or by wire transfer at the request of holders of at least \$1,000,000 aggregate principal amount of such Bonds.

The Bonds are payable solely from, and are secured by an assignment and a pledge of, payments and other revenues to be received by the Authority under a Loan Agreement dated as of August 1, 2016 between the Authority and Mount Aloysius College (the “Borrower”), and from Bond proceeds and other moneys pledged therefor under a Trust Indenture dated as of August 1, 2016 between the Authority and the Trustee pursuant to which the Bonds are issued and secured.

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

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

The Bonds are offered when, as and if issued by the Authority, subject to prior sale, withdrawal or modification of the offer without any notice and to the approving opinion of Ballard Spahr LLP, Philadelphia, Pennsylvania, and Turner Law, P.C., Philadelphia, Pennsylvania, Co-Bond Counsel. Certain legal matters will be passed upon for the Authority by its counsel, Barley Snyder LLP, Lancaster, Pennsylvania. Certain legal matters will be passed upon for the Borrower by its counsel, Dinsmore & Shohl LLP, Pittsburgh, Pennsylvania. Certain legal matters will be passed upon for the Underwriter by its counsel, Campbell & Levine, LLC, Pittsburgh, Pennsylvania. It is expected that Bonds in definitive form will be delivered to DTC in New York, New York, on or about August 18, 2016.

George K. Baum & Company

PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY
(Commonwealth of Pennsylvania)
REVENUE BONDS
(AICUP FINANCING PROGRAM - MOUNT ALOYSIUS COLLEGE PROJECT)
SERIES 2016 004

MATURITY SCHEDULE

\$700,000 2.625% Term Bond, Due November 1, 2031; Yield 2.900%; Price 96.636%; CUSIP No. 70917SYV9*

\$975,000 3.000% Term Bond, Due November 1, 2036; Yield 3.100%; Price 98.504%; CUSIP No. 70917SYW7*

\$2,355,000 3.000% Term Bond, Due November 1, 2042; Yield 3.120%; Price 97.859%; CUSIP No. 70917SXV0*

\$5,300,000 5.000% Term Bond, Due November 1, 2046; Yield 2.930%; Price 117.368%[†]; CUSIP No. 70917SXW8*

* The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the Authority, the Borrower or the Underwriter, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. None of the Authority, the Borrower or the Underwriter has agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

[†] Priced to the first optional redemption date (May 1, 2026).

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

MEMBERS OF THE AUTHORITY

Honorable Thomas W. Wolf Governor of the Commonwealth of Pennsylvania	President
Honorable Lloyd K. Smucker Designated by the President Pro Tempore of the Senate	Vice President
Honorable Andrew E. Dinniman Designated by the Minority Leader of the Senate	Vice President
Honorable Stanley E. Saylor Designated by the Speaker of the House of Representatives	Vice President
Honorable Timothy A. Reese State Treasurer	Treasurer
Honorable Curtis M. Topper Secretary of General Services	Secretary
Honorable Anthony M. DeLuca Designated by the Minority Leader of the House of Representatives	Member
Honorable Eugene A. DePasquale Auditor General	Member
Honorable Pedro A. Rivera Secretary of Education	Member

EXECUTIVE DIRECTOR

Robert Baccon

AUTHORITY COUNSEL

[Appointed by the Office of General Counsel]
Barley Snyder LLP
Lancaster, Pennsylvania

PROGRAM SPONSOR

Association of Independent Colleges and Universities
of Pennsylvania

CO-BOND COUNSEL

[Appointed by the Office of General Counsel]
Ballard Spahr LLP
Philadelphia, Pennsylvania
and
Turner Law, P.C.
Philadelphia, Pennsylvania

TRUSTEE

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

UNDERWRITER

George K. Baum & Company
Pittsburgh, Pennsylvania

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 WITHOUT PRIOR NOTICE.

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

Except for the information concerning the Authority, the information contained herein is not to be construed as a representation by the Authority. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, or of the Borrower, or in any other matter described herein, since the date hereof or the dates of the information contained herein.

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

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

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

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OFFICIAL STATEMENT SUMMARY

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

The Authority

Pennsylvania Higher Educational Facilities Authority (the "Authority") is a body corporate and politic constituting a public corporation and a public instrumentality of the Commonwealth of Pennsylvania, created by The Pennsylvania Higher Educational Facilities Authority Act of 1967, as amended (the "Act"). The Authority is authorized under the Act, among other things, to issue bonds or other obligations to finance projects for "colleges" (as defined in the Act).

The Program Sponsor

The financing program pursuant to which the Bonds will be issued is sponsored by the Association of Independent Colleges and Universities of Pennsylvania ("AICUP"), a nonprofit corporation located in Harrisburg, Pennsylvania, currently providing services and programs to 89 institutions of higher education in Pennsylvania. See "THE PROGRAM SPONSOR" herein.

The Borrower

Mount Aloysius College (the "Borrower") is a Pennsylvania nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Borrower is located in Cresson, Cambria County, Pennsylvania. For more information regarding the Borrower, see APPENDIX A – Information Concerning Mount Aloysius College and APPENDIX B, Audited Financial Statements of Mount Aloysius College for the Fiscal Years Ended June 30, 2015 and 2014.

The Trustee

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

The Project

The proceeds of the sale of the Bonds will be used to finance certain capital projects of the Borrower and to finance costs of issuance of the Bonds (collectively, the "Project"). See "THE PROJECT" herein.

Authorized Denominations; Book-Entry Only

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

Security for Bonds

The Bonds are limited obligations of the Authority payable solely from pledged revenues and other moneys held for that purpose under the Trust Indenture. (See "SECURITY AND SOURCES OF PAYMENT FOR BONDS" herein.)

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

Redemption Provisions

The Bonds are subject to optional and mandatory redemption as further described herein. (See "THE BONDS -- Redemption Prior to Maturity" herein.)

OFFICIAL STATEMENT

\$9,330,000
PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY
(Commonwealth of Pennsylvania)
REVENUE BONDS
(AICUP FINANCING PROGRAM - MOUNT ALOYSIUS COLLEGE PROJECT)
SERIES 2016 OO4

INTRODUCTORY STATEMENT

This Official Statement, including the cover page, inside cover page, the table of contents page, the Official Statement Summary and the Appendices hereto, is provided to furnish information with respect to the \$9,330,000 aggregate principal amount of Revenue Bonds (AICUP Financing Program – Mount Aloysius College Project), Series 2016 OO4 (the "Bonds") being issued by the Pennsylvania Higher Educational Facilities Authority (the "Authority") under a Trust Indenture, dated as of August 1, 2016 (the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., a national banking association, Philadelphia, Pennsylvania, as trustee (the "Trustee"). The Bonds will be dated the date of their initial delivery, will mature on the dates set forth on the inside cover page hereof, and will be subject to redemption prior to maturity as described herein under "THE BONDS -- Redemption Prior to Maturity."

The Authority will loan the proceeds of the Bonds to Mount Aloysius College, a Pennsylvania nonprofit corporation (the "Borrower") pursuant to a Loan Agreement dated as of August 1, 2016 between the Authority and the Borrower (the "Loan Agreement"). The Borrower is a private institution of higher education located in the Commonwealth of Pennsylvania, which is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Additional information respecting the Borrower is set forth in Appendix A to this Official Statement. The College's audited financial statements for the fiscal years ended June 30, 2015 and 2014 are included as in Appendix B to this Official Statement.

The proceeds of the sale of the Bonds will be used to provide funds to finance a project consisting of substantial renovations of and construction of a two-story, approximately 18,500 square foot addition to the Borrower's Learning Center for Health, Science and Technology, miscellaneous capital expenditures, and payment of certain costs of issuance of the Bonds (collectively, the "Project").

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

There follow herein brief descriptions of the Authority, the Program Sponsor and the Bonds, together with summaries of the Loan Agreement and the Indenture. The description and summaries of the Loan Agreement, the Indenture and other documents contained herein do not purport to be comprehensive and are qualified in their entirety by reference to such documents, and all references to the Bonds are qualified in their entirety by the definitive form thereof included in the Indenture. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Indenture. Copies of such documents will be available for inspection during the initial offering period at the offices of George K. Baum & Company, the Underwriter, 651 Holiday Drive, Suite 110, Pittsburgh, Pennsylvania 15220, and thereafter will be available for inspection at the corporate trust office of the Trustee in Philadelphia, Pennsylvania or at the designated corporate trust office of any successor Trustee.

THE AUTHORITY

General

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

The Authority is authorized under the Act, among other things, to acquire, construct, finance, improve, hold and use any property and any educational facility (as therein defined) and, with respect to a college, to finance projects by making loans, to lease as lessor or lessee, to transfer or sell any educational facility or property, to charge and collect amounts for the payment of expenses of the Authority and for payment of the principal of and interest on its obligations, to issue bonds and other obligations for the purpose of paying the cost of projects, to issue refunding bonds and to pledge all or any of the revenues of the Authority for all or any of such obligations, and to enter into trust indentures providing for the issuance of such obligations and for their payment and security.

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

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

Robert Baccon **Executive Director**

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

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

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

Beverly M. Nawa
Administrative Officer

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

Other Debt of the Authority

The Authority has issued from time to time other series of revenue bonds and notes for the purpose of financing projects for higher educational institutions in the Commonwealth. None of the revenues of the Authority with respect to any of such revenue bonds and notes are pledged as security for the Bonds and, conversely, such revenue bonds and notes above are not payable from or secured by the revenues of the Authority or other moneys securing the Bonds.

The Authority may in the future issue other series of bonds for the purpose of financing projects for educational institutions in the Commonwealth, which may be sponsored by the AICUP program or separate from the AICUP program. Each such series of bonds will be secured by instruments separate and apart from the Indenture securing the Bonds.

On May 1, 1991, the Authority was unable to make payments to bondholders with respect to a series of revenue bonds issued by the Authority because of defaults on payment obligations related to such series of revenue bonds by a college. The Florida Department of Banking and Finance, Division of Securities and Investor Protection, generally requires disclosure by any issuer of securities sold in Florida of defaults on any other obligations of such issuer. Because these defaulted bonds were special obligations payable only from revenues received from the particular college or from other limited sources, but not from revenues pledged to pay other debt obligations such as the Bonds, and the full faith and credit of the Authority was not pledged to secure the payment of such bonds, such default is not material with respect to the offering and sale of the Bonds, and further details with respect thereto are not being provided.

The Authority is empowered to issue, has issued and expects in the future to issue revenue bonds for other ventures unrelated to the Borrower. Each such series of revenue bonds will be payable from and secured by the revenues and/or assets of such ventures and will not be payable from or secured by amounts held in the funds established under the Indenture, the income and receipts therefrom or amounts paid or payable under the Loan Agreement. The Authority may also from time to time enter into refinancing transactions for obligations previously issued. The Authority has never been in default under any of its obligations.

Other than the description of the Authority provided herein and under the subcaption "OFFICIAL STATEMENT SUMMARY - The Authority" and the information with respect to the Authority under "LITIGATION" herein, the Authority has not prepared or reviewed, expresses no opinion and disclaims responsibility with respect to the accuracy or completeness of any of the information set forth in the Official Statement.

THE PROGRAM SPONSOR

The Association of Independent Colleges and Universities of Pennsylvania ("AICUP" or the "Program Sponsor") is a nonprofit corporation located in Harrisburg, Pennsylvania. The Program Sponsor sponsors and administers services and programs for its membership, which currently is comprised of 89 institutions of higher education in the Commonwealth. The current members of AICUP are listed on the inside back cover of this Official Statement.

The Program Sponsor is sponsoring this bond financing program (the "Program"), pursuant to which the Bonds and other series of bonds are being issued, in order to provide both an efficient and cost effective source of funding for capital projects of its members or their supporting organizations. In connection with the Program, the Program Sponsor, among other things, will monitor the participation of individual members in the Program. The Program Sponsor will be paid a fee from bond proceeds in connection with the Program activities. Neither the

Program Sponsor nor any member of AICUP (other than any AICUP member in its individual capacity as a borrower of proceeds of a particular series of bonds) has any liability for the repayment of any series of bonds, or the loan of bond proceeds to any entity, including the Borrower.

THE BONDS

General

The Bonds will be dated, and will bear interest from, the date of their initial delivery. The Bonds will mature, unless previously called for redemption, on the dates and in the amounts set forth on the inside cover hereof, and will bear interest at the rates set forth on the inside cover hereof. Interest will be payable on May 1 and November 1 of each year (each, an "Interest Payment Date"), commencing November 1, 2016. The Bonds will be issued as fully registered Bonds without coupons and will be in the denomination of \$5,000 or any whole multiple thereof.

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

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

As used herein, "Business Day" means any day other than a Saturday or Sunday or a day on which banks located in Philadelphia, Pennsylvania, New York, New York, or any other city in which the Payment Office of the Trustee is located, are authorized or required by law or executive order to close or a day on which DTC is closed.

Book Entry Only System

The information in this section has been provided by The Depository Trust Company, New York, New York ("DTC") and is not deemed to be a representation of the Authority, the Underwriter or the Borrower. DTC will act as the initial securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and all certificates will be deposited with DTC or pursuant to its instructions.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The

Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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

IT IS THE DUTY OF EACH BENEFICIAL OWNER TO MAKE ARRANGEMENTS WITH THE APPLICABLE DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO RECEIVE FROM SUCH PARTICIPANT NOTICES OF PAYMENTS OF PRINCIPAL, PREMIUM (IF ANY) AND INTEREST, AND ALL OTHER PAYMENTS AND COMMUNICATIONS WHICH THE DIRECT PARTICIPANT RECEIVES FROM DTC. NEITHER THE AUTHORITY NOR THE TRUSTEE HAS ANY DIRECT OBLIGATION OR RESPONSIBILITY TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

THE AUTHORITY, THE TRUSTEE AND THE BORROWER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE BONDS, (2) CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN THE BONDS, OR (3) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DIRECT PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE AUTHORITY, THE TRUSTEE, NOR THE BORROWER SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A BONDHOLDER WITH RESPECT TO (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER OF THE BONDS.

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

Redemption Prior to Maturity

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

Optional Redemption. The Bonds are subject to optional redemption prior to maturity by the Authority, at the direction of the Borrower, on or after May 1, 2026, in whole or in part at any time. Any such redemption shall be made at a redemption price equal to 100% of the stated principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption. The Bonds are subject to mandatory sinking fund redemption, in part, by lot, from mandatory sinking fund redemption payments at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the redemption date on November 1 of the years and in the respective principal amounts set forth below:

Bonds Due November 1, 2031

<u>Year</u>	<u>Principal Amount</u>
2028	\$170,000
2029	170,000
2030	180,000
2031	180,000 (stated maturity)

Bonds Due November 1, 2036

<u>Year</u>	<u>Principal Amount</u>
2032	\$190,000
2033	195,000
2034	200,000
2035	205,000
2036	185,000 (stated maturity)

Bonds Due November 1, 2042

<u>Year</u>	<u>Principal Amount</u>
2037	\$210,000
2038	245,000
2039	275,000
2040	210,000
2041	240,000
2042	1,175,000 (stated maturity)

Bonds Due November 1, 2046

<u>Year</u>	<u>Principal Amount</u>
2043	\$1,225,000
2044	1,290,000
2045	1,355,000
2046	1,430,000 (stated maturity)

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

Procedure for and Notice of Redemption

The Trustee is required to cause notice of the call for redemption, identifying the Bonds or portions thereof to be redeemed, to be sent by first class mail, not more than 60 days and not less than 30 days prior to the date set for redemption of all or part of such Bonds, to the registered owner of each Bond to be redeemed at such owner's registered address. So long as the Bonds or any portion thereof are held by DTC, the Trustee shall send each notice of redemption of such Bonds to DTC. Failure to mail any such notice or defect in the mailing thereof in respect of any Bond shall not affect the validity of the redemption of any other Bond with respect to which notice is properly given.

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

If less than all Bonds are to be redeemed, the particular Bonds to be called for redemption shall be selected from the maturities designated by the Borrower and within a maturity by any method determined by the Trustee to be fair and reasonable; provided that if any Bond is to be redeemed in part, the principal portion to remain outstanding must be in an authorized denomination. In the case of a partial redemption of Bonds, when Bonds of denominations greater than \$5,000 are then Outstanding, each \$5,000 unit of face value of principal thereof shall be treated as if it were a separate Bond of the denomination of \$5,000.

THE PROJECT

The proceeds from the sale of the Bonds, together with other available funds, will be used to finance a project for the benefit of the Borrower consisting of (a) substantial renovations of and construction of a two-story, approximately 18,500 square foot addition to the Borrower's Learning Center for Health, Science and Technology, miscellaneous capital expenditures, and (b) payment of certain costs of issuance of the Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds

Par Amount of Bonds.....	\$ 9,330,000.00
Net Original Issue Premium.....	<u>831,949.45</u>
TOTAL SOURCES OF FUNDS	<u>\$10,161,949.45</u>

Uses of Funds

Deposit to Project Fund.....	\$10,006,531.45
Costs of Issuance ⁽¹⁾	<u>155,418.00</u>
TOTAL USES OF FUNDS.....	<u>\$10,161,949.45</u>

⁽¹⁾ Includes amounts to be paid for Authority related fees, Trustee fees, rating agency fees, legal counsel fees, printing costs, Underwriter's discount, Program Sponsor fee, and other fees and expenses.

SECURITY AND SOURCES OF PAYMENT FOR BONDS

General

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

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

The Indenture

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

The Loan Agreement

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

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

Pledged Revenues

To secure its obligations under the Loan Agreement, the Borrower will grant to the Trustee (as the assignee of the Authority) a lien on and security interest in its Pledged Revenues (the "Parity Lien"), on a parity with any lien on and security interest in the Pledged Revenues heretofore or hereafter granted by the Borrower to secure the Borrower's obligations respecting any Parity Indebtedness incurred by or for the benefit of the Borrower (see "Parity Indebtedness" below). The term "Pledged Revenues" is defined under the caption "DEFINITIONS OF CERTAIN TERMS" herein. The existence of such lien and security interest in the Pledged Revenues of the Borrower will not

prevent the Borrower from expending, depositing or commingling such funds so long as the Borrower is not in default under the Loan Agreement and any agreements pertaining to any applicable Parity Indebtedness.

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

Parity Indebtedness

The following revenue bonds heretofore issued for the benefit of the Borrower (the "Prior Bonds") will remain outstanding after the issuance of the Bonds: (i) \$300,000 outstanding principal amount of Pennsylvania Higher Educational Facilities Authority Revenue Bonds (Association of Independent Colleges and Universities Financing Program – Mount Aloysius College Project) Series 1998 C3; (ii) \$2,300,000 outstanding principal amount of Pennsylvania Higher Educational Facilities Authority Revenue Bonds (Association of Independent Colleges and Universities Financing Program – Mount Aloysius College Project) Series 2001 I5; (iii) \$4,500,000 outstanding principal amount of Pennsylvania Higher Educational Facilities Authority Revenue Bonds (Association of Independent Colleges and Universities Financing Program – Mount Aloysius College Project) Series 2003 L3; (iv) \$5,000,000 outstanding principal amount of Pennsylvania Higher Educational Facilities Authority Revenue Bonds (AICUP Financing Program – Mount Aloysius College Project) Series 2011 R1; and (v) \$5,000,000 outstanding principal amount of Pennsylvania Higher Educational Facilities Authority Revenue Bonds (AICUP Financing Program – Mount Aloysius College Project) Series 2011 JJ1. The agreements entered into by the Borrower to secure its obligations respecting the Prior Bonds, and all supplements and amendments thereto, are collectively referred to herein as the "Prior Debt Documents."

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

The Prior Bonds are secured by a lien on and security interest in the Pledged Revenues of the Borrower on a parity with the lien on and security interest in such Pledged Revenues that will be granted by the Borrower to secure its obligations under the Loan Agreement. In addition, the Borrower granted a security interest in its revenues to PNC Bank, National Association to secure the Borrower's obligations with respect to certain interest rate swap agreements.

Rate Covenant

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

Liens on Pledged Revenues and Other Properties

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

Additional Indebtedness

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

DEFINITIONS OF CERTAIN TERMS

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

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

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

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

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

"Bondholder" or **"Holder"** or **"Registered Owner"** or **"Owner"** of Bonds means the registered owner of any Bond.

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

"Borrower Representative" means the President or any Vice President of the Borrower, or each person at the time designated to act on behalf of the Borrower by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Borrower by its Secretary or Assistant Secretary or other such authorized officer.

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

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

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

- a. interest payable on Long-Term Indebtedness during the period, excluding (i) interest funded from the proceeds thereof and (ii) interest on Long-Term Indebtedness to be redeemed during such period through any sinking fund account which would otherwise accrue after the redemption date;
- b. amounts required to be paid into any mandatory sinking fund account for Long-Term Indebtedness during the period;
- c. amounts required to pay the principal of Long-Term Indebtedness maturing during the period and not to be redeemed prior to maturity through any mandatory sinking fund account; and
- d. in the case of Long-Term Indebtedness in the form of a lease capitalized under GAAP, the lease rentals payable during the period;

provided, however, that (i) in the case of Variable Rate Debt, interest shall be calculated, in any projection of Debt Service Requirement for a future period, (A) if the debt has been outstanding for at least 24 months, at 120% of the average interest rate on such debt during the most recent 24-month period, (B) if such debt has been outstanding for at least 12 months but less than 24 months, at the higher of 100% of the average interest rate on such debt for the most recent 12-month period or the rate in effect on the date of calculation, and (C) if such debt has been outstanding for less than 12 months, at a rate equal to 100% of (1) the average Bond Market Association Swap Index for the preceding 24 months, if such debt is tax-exempt debt, and (2) the average rate for one-month LIBOR for the preceding 24 months, if such debt is taxable debt, (ii) in the case of Balloon Debt, such debt shall be assumed to amortize on a level debt service basis over a period of 20 years or the actual remaining term to maturity, whichever is less, unless a binding commitment to refinance such debt upon maturity has been provided by a financial institution rated at least "A2" from Moody's or "A" from S&P, in which case such debt will be assumed to mature in accordance with the terms of such binding commitment, (iii) interest payable shall be reduced by the amount of any interest subsidy which a Federal, state or local government is irrevocably committed to pay for the period in question, and (iv) the Debt Service Requirement on any Long Term Indebtedness in the form of a guaranty of the indebtedness of others shall be deemed equal to (A) 25% of the annual principal and interest requirements on the indebtedness being guaranteed during each Fiscal Year if the guaranteed entity had Net Revenues Available for Debt Service at least equal to 150% of the annual debt service on its long-term debt in its latest fiscal year, (B) 50% of the annual principal and interest requirements on the indebtedness being guaranteed during each Fiscal Year if the guaranteed entity had Net Revenues Available for Debt Service at least equal to 125% but less than 150% of the annual debt service on its long-term debt in its latest fiscal year, (C) 75% of the annual principal and interest requirements on the indebtedness being guaranteed during each Fiscal Year if the guaranteed entity had Net Revenues Available for Debt Service at least equal to 110% but less than 125% of the annual debt service on its long-term debt in its latest fiscal year, and (D) 100% of the annual principal and interest requirements on the indebtedness being guaranteed during each Fiscal Year if the guaranteed entity had Net Revenues Available for Debt Service below 110% of the annual debt service on its long-term debt in its latest fiscal year or if the Borrower has made a payment on the guaranteed entity's debt during any of the last three Fiscal Years.

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

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

"Intercreditor Agreement" means the Collateral Agency and Intercreditor Agreement dated as of November 1, 2011, as supplemented by Joinder Supplement No. 1 dated August 18, 2016 and as further amended or

supplemented from time to time, or any other intercreditor agreement entered into with respect to the Bonds and any Parity Indebtedness.

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

"Long-Term Indebtedness" shall mean all obligations for the payment of money (including, without limitation, all Bonds), incurred, assumed or guaranteed by the Borrower, whether due and payable in all events, or upon the performance of work, the possession of property as lessee or the rendering of services by others, except:

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

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

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

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

"Outstanding" in connection with the Bonds, means, as of the time in question, all Bonds authenticated and delivered under the Indenture, except: (i) bonds cancelled upon surrender, exchange or transfer, or cancelled because of payment or redemption at or prior to that time; (ii) bonds paid pursuant to the Indenture; (iii) bonds, or the portion thereof, which are deemed to have been paid and discharged or caused to have been paid and discharged pursuant to the provisions of the Indenture; and (iv) bonds in substitution for which other Bonds have been authenticated under the Indenture. In determining whether the owners of a requisite aggregate principal amount of Bonds Outstanding have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions hereof, Bonds which are held by or on behalf of the Borrower shall be disregarded for the purpose of any such determination unless 100% of the Bonds are so held, in which case all of the Bonds shall be deemed outstanding.

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

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

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

- (i) Government Obligations.
- (ii) obligations issued or guaranteed by any of the following agencies (stripped securities are only permitted if they have been stripped by the agency itself): Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (participation certificates or senior debt obligations), Federal National Mortgage Association (mortgage-backed securities and senior debt obligations), Student Loan Marketing Association (senior debt obligations), Resolution Funding Corp., and Farm Credit System (consolidated system-wide bonds and notes).
- (iii) Certificates of deposit issued by commercial banks, savings and loan associations or mutual savings banks which certificates of deposit are secured at all times by collateral consisting of Government Obligations, including those of the Trustee or any of its affiliates. Such collateral must be held by a third party and the Trustee must have a perfected first security interest in the collateral.
- (iv) Certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and the Borrower, savings accounts, bank deposit products, deposit accounts or money market deposits which are fully insured by the Federal Deposit Insurance Corporation.

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

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

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

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

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

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

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

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

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

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

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

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

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

"Standard & Poor's" or **"S&P"** means S&P Global Ratings, a Standard & Poor's Financial Services LLC business, its successors and assigns, and, if such rating agency shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency designated in writing by the Borrower.

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

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

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

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

THE LOAN AGREEMENT

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

General

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

Loan Payments

To provide funds to pay the principal or redemption price of and interest on the Bonds when due, the Borrower will make loan payments to the Trustee corresponding, as to amounts, to the principal or redemption price of and interest on the Bonds, such payments to be made at least ten days before the corresponding dates for payments on the Bonds. The Borrower will also pay the administrative fees and expenses of the Authority and the Trustee as provided in the Loan Agreement. The Borrower shall also be entitled to credits against the loan payments as and to the extent provided in the Indenture.

Pledge of Revenues

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

Maintenance of Existence

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

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

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

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

Lease by Borrower

The Borrower may, subject to certain provisions of the Loan Agreement, including provisions relating to the tax-exempt status of the Borrower and the Bonds, lease the Project Facilities, in whole or in part, to one or more other Persons, provided that: (a) no such lease shall relieve the Borrower from its obligations under the Loan Agreement; (b) in connection with any such lease the Borrower shall retain such rights and interests as will permit it to comply with its obligations under the Loan Agreement; (c) no such lease shall impair materially the accomplishment of the purposes of the Act to be accomplished by operation of the Project Facilities as herein provided; (d) any such lease shall require the lessee to operate the Project Facilities as a "project" under the Act as long as the Bonds are outstanding; (e) in the case of a lease to a new lessee or an assignment of an existing lease to a new lessee of substantially all of the Project Facilities, such new lessee shall have been approved by the Authority (such approval not to be unreasonably withheld); and (f) the lessees under any such leases, including any leases in force on the date of issuance of the Bonds, shall be subject to certain terms and conditions of the Loan Agreement relating to the tax-exempt status of the Borrower and the Bonds.

Financial Statements

The Borrower shall cause its Annual Financial Statements for each Fiscal Year to be audited by an Independent Certified Public Accountant. A copy of such financial statements and the Independent Certified Public Accountant's report thereon shall be provided to the Authority and the Trustee within 60 days after release of such audited financial statements by the Borrower's Board of Trustees. The Trustee shall have no duty to examine or review such financial statements, shall not be considered to have notice of the contents of such statements or of a default or Event of Default under the Loan Agreement or under any other document based on such content and shall have no duty to verify the accuracy of such statements.

Taxes, Other Governmental Charges and Utility Charges

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

Insurance

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

The Borrower may self-insure solely for professional liability, employee health insurance, workers compensation insurance, unemployment insurance, commercial general liability insurance, automobile insurance, student health and accident insurance, directors and officers insurance, travel insurance, broadcasters liability insurance, publishers liability insurance, and excess liability insurance, so long as the Borrower's self-insurance plan provides (except in the case of unemployment insurance) for (i) the establishment by the Borrower of a separate segregated self-insurance fund funded in an amount confirmed as to sufficiency through the annual auditing process

by an independent auditor or an insurance consultant or nationally recognized independent actuarial consultant employing accepted actuarial techniques and (ii) the establishment and maintenance of a claims processing and risk management program. If the Borrower elects to self-insure for professional liability, the Borrower shall within 150 days after the end of each Fiscal Year cause an independent insurance consultant or nationally recognized independent actuarial consultant to submit a report to the Trustee to the effect that such self-insurance plan maintains adequate reserves and has been adequately funded. For purposes of this provision, "independent insurance consultant" means a firm of insurance agents, brokers or consultants with experience and expertise in assessing the property and casualty and liability risks of the Borrower.

Damage to or Condemnation of Project Facilities

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

Rate Covenant

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

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

Incurrence of Additional Indebtedness

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

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

Refunding Indebtedness. Refunding Indebtedness may be incurred without limitation provided that, except in the case of Refunding Indebtedness incurred to refund Variable Rate Debt, prior to such incurrence, the Borrower shall deliver to the Trustee a Borrower Certificate in form satisfactory to the Trustee demonstrating that the Maximum Annual Debt Service Requirements immediately following the incurrence of such Refunding Indebtedness is not more than 110% of the Maximum Annual Debt Service Requirements immediately prior to the incurrence of such Refunding Indebtedness.

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

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

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

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

Security for Indebtedness

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

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

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

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

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

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

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

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

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

(vi) Any Short-Term Indebtedness incurred pursuant to the Loan Agreement may be secured solely:

(A) by a purchase money security interest in personal property acquired with the proceeds thereof; or

(B) by a lien on or mortgage against any real or personal property not constituting Borrower Facilities; or

(C) by a lien on and security interest in the Pledged Revenues ranking on a parity with or subordinate to that granted under the Loan Agreement; provided, however, that (i) no such permitted indebtedness shall be secured by the moneys and investments in any Funds held by the Trustee under the Indenture; and (ii) if such lien and security interest shall rank on a parity with that granted under the Loan Agreement, the holder or a trustee acting on behalf of such holder shall have confirmed such parity lien and security interest by the execution and delivery of a joinder or other agreement by which such holder or trustee shall be bound by the terms of the Intercreditor Agreement.

Student Loan Guarantees

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

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

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

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

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

(v) If a Consultant's Certificate or Certificate of the issuing agency is not available, as provided above, the extent to which the principal amount of the Student Loan Guarantees shall be considered Long-Term Indebtedness shall be determined by multiplying the principal amount of such Student Loan Guarantees by the

average default ratio, during the three Fiscal Years preceding such Student Loan Guarantees, for university students participating in United States Government guaranteed student loans programs.

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

No Liens or Encumbrances

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

Disposition of Assets

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

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

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

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

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

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

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

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

Tax Covenants of Borrower and Authority

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

The Authority and the Borrower mutually covenant for the benefit of the Holders of the Bonds that they will not use the proceeds of the Bonds, any moneys derived, directly or indirectly, from the use or investment thereof or any other moneys on deposit in any fund or account maintained in respect of the Bonds in a manner which would cause such Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code or would otherwise violate the provisions of the Indenture relating to arbitrage.

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

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

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

Environmental Matters

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

Borrower's Use of the Project Facilities

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

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

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

Events of Default

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

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

Remedies

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

- (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Authority, and require the Borrower to carry out any agreements with or for the benefit of the Bondholders and to perform its duties under the Act or the Loan Agreement; or
- (b) by action or suit in equity require the Borrower to account as if it were the trustee of an express trust for the Authority; or
- (c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Authority; or

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

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

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

Amendments

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

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

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

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

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

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

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

Assignment

The Borrower will not assign the Loan Agreement or any interest of the Borrower therein, either in whole or in part, without the prior written consent of the Trustee, which consent shall be given if the following conditions are fulfilled: (i) the assignee assumes in writing all of the obligations of the Borrower under the Loan Agreement; (ii) in the opinion of Borrower's counsel, neither the validity nor the enforceability of the Loan Agreement will be adversely affected by such assignment; (iii) the Project shall continue in the opinion of Bond Counsel to be a

"project" as such term is defined in the Act after such assignment; (iv) such assignment will not, in the opinion of Bond Counsel, have an adverse effect on the exclusion from gross income for federal income tax purposes of interest on the Bonds; and (v) consent by the Authority, which consent shall not be unreasonably withheld.

THE INDENTURE

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

Pledge of Trust Estate

In order to secure the payment of the principal of, premium, if any, on and interest on the Bonds and the performance of the Authority's covenants in respect of the Bonds, the Authority assigns and pledges to the Trustee pursuant to the Indenture:

- (a) all right, title and interest (but not the obligations) of the Authority under and pursuant to the terms of the Loan Agreement, all Loan Payments and all other payments, revenues and receipts receivable by the Authority thereunder (except for the "Unassigned Rights" as defined in the Loan Agreement); and
- (b) all of the right, title and interest of the Authority in and to all funds (other than the Rebate Fund) and accounts established under the Indenture and all moneys and investments now or hereafter held therein and all present and future Revenues (as defined in the Indenture).

Project Fund

A Project Fund will be established and maintained with the Trustee under the Indenture. Proceeds of the Bonds will be deposited in the Project Fund and disbursed to pay costs of the Project in accordance with provisions set forth in the Loan Agreement.

Bond Fund

A Bond Fund will be established and maintained with the Trustee under the Indenture. Moneys in the Bond Fund will be used to pay (i) the principal or redemption price of Bonds as they mature or become due, upon redemption or acceleration, or otherwise upon surrender thereof, and (ii) the interest on Bonds as it becomes payable whether at maturity, upon redemption or acceleration or otherwise.

Investments

Any moneys held as a part of the Funds established under the Indenture shall be invested by the Trustee in Permitted Investments as provided in the Indenture. Any such investments shall mature or be subject to redemption by the holder at not less than the principal amount thereof, and all deposits in time accounts shall be subject to withdrawal without penalty, not later than the date when the amounts will foreseeably be needed for purposes of the Indenture.

Events of Default and Remedies

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

- (a) Failure to pay the principal or redemption price of any Bond when due and payable, whether at the stated maturity thereof, by redemption, by acceleration or otherwise;
- (b) Failure to pay any interest on any Bond when due and payable;

(c) Failure by the Authority to comply with the provisions of the Act relating to the Bonds or the Project or to perform or observe any other covenant, agreement or obligation on its part to be observed or performed contained in the Indenture or the Bonds, which failure shall have continued for a period of 60 days after written notice has been given by registered or certified mail to the Authority and the Borrower as provided in the Indenture, which notice may be given by the Trustee in its discretion and which notice must be given by the Trustee at the written request of the Holders of not less than 25% in aggregate principal amount of Bonds Outstanding; or

(d) The occurrence and continuance of an "Event of Default" as defined in the Loan Agreement (see "THE LOAN AGREEMENT -- "Events of Default" herein).

The Indenture provides that if an Event of Default occurs, the Trustee may and shall upon the written request of the Owners of 25% in principal amount of all Bonds then outstanding (100% in principal amount of all Bonds then outstanding in the case of an Event of Default described in clause (c) above), declare the principal of all Bonds then outstanding to be immediately due and payable and upon such declaration such principal, together with interest accrued thereon, shall become immediately due and payable to the Owners. Upon any declaration of acceleration under the Indenture, the Trustee shall immediately exercise such rights as it may have as the assignee of the Loan Agreement to declare all payments under the Loan Agreement to be due and payable immediately.

Within five (5) calendar days of the occurrence of any such acceleration, the Trustee shall notify, by first class mail, postage prepaid, the owners of all Bonds then outstanding of the occurrence of such acceleration, the date through which interest has accrued and the time and place of payment.

In addition, upon the occurrence and continuation of an Event of Default under the Indenture, the Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of principal or redemption price of and interest on the Bonds.

The provisions described above are subject to the condition that if, after the principal of all Bonds has been so declared to be due and payable, all arrears of interest on the Bonds are paid by the Authority, and the Authority performs all other things in respect to which it may have been in default under the Indenture and pays the reasonable charges of the Trustee and of the Owners of the Bonds, including reasonable attorneys' fees, then Owners of a majority in principal amount of the Bonds then outstanding, by notice to the Authority and to the Trustee, may annul such declaration and its consequences.

The Owners of a majority in principal of the Bonds then Outstanding will have the right, after furnishing indemnity satisfactory to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee under the Indenture, except that such direction may not (i) be in conflict with the provisions of law and of the Indenture, (ii) unduly prejudice the rights of minority Owners or (iii) involve the Trustee in personal liability against which indemnity would not be satisfactory.

No Bondholder shall have any right to pursue any remedy under the Indenture or the Loan Agreement unless:

- (a) The Trustee shall have been given written notice of an Event of Default;
- (b) The Holders of at least 25% in principal amount of all Bonds then Outstanding shall have requested the Trustee, in writing, to exercise the powers granted in the Indenture or to pursue such remedy in its or their name or names;
- (c) The Trustee shall have been offered indemnity satisfactory to it against costs, expenses and liabilities; and
- (d) The Trustee shall have failed to comply with such request within a reasonable time.

Notwithstanding the foregoing provisions or any other provision of the Indenture, the obligation of the Authority shall be absolute and unconditional to pay or cause to be paid, but solely from the 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.

Modifications and Amendments

The Indenture provides that it may be amended or supplemented at any time without notice to or the consent of any of the Owners of the Bonds, by a supplemental indenture consented to by the Borrower, authorized by the Authority and filed with the Trustee for any one or more of the following purposes:

(a) To add additional covenants of the Authority or to surrender any right or power conferred upon the Authority in the Indenture;

(b) For any purpose not inconsistent with the terms of the Indenture or to cure any ambiguity or to correct or supplement any provision of the Indenture or in any supplemental indenture which may be defective or inconsistent with any other provision in the Indenture or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under the Indenture which shall not be inconsistent with the provisions of the Indenture and which shall not adversely affect the interests of the holders of the Bonds, including the appointment and duties of a bond registrar or authenticating agent;

(c) To modify, eliminate or add to the provisions of the Indenture to such extent as shall be necessary to effect the qualification of the Indenture under the Trust Indenture Act of 1939 or under any similar Federal statute hereafter enacted, and to add to the Indenture such other provisions as may be expressly permitted by the Trust Indenture Act of 1939, as from time to time amended;

(d) 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;

(e) To grant to or confer or impose upon the Trustee for the benefit of the Owners of the Bonds any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with the Indenture as theretofore in effect;

(f) To permit the Bonds to be converted to, or from, certificateless securities or securities represented by a master certificate held in trust, ownership of which, in either case, is evidenced by book entries on the books of the Securities Depository, for any period of time;

(g) To permit the appointment of a co-trustee under the Indenture;

(h) To authorize different authorized denominations of the Bonds and to make correlative amendments and modifications to the Indenture regarding exchangeability of Bonds of different authorized denominations, redemption of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature;

(i) To modify, alter, supplement or amend the Indenture to comply with changes in the Code affecting the status of interest on the Bonds as excluded from gross income for Federal income tax purposes or the obligations of the Authority or the Borrower in respect of Section 148 of the Code;

(j) To modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Owners of the Bonds.

The Indenture may be amended from time to time, except with respect to (i) the principal or interest payable upon any of the Bonds, (ii) the Interest Payment Dates, the dates of maturity or the redemption provisions of any of the Bonds, and (iii) the provisions relating to amendments of the Indenture and the Loan Agreement, in each case by a supplemental indenture consented to by the Borrower and approved by the Owners of at least a majority in aggregate principal amount of the Bonds then outstanding which would be affected by the action proposed to be taken. The Indenture may be amended with respect to the matters enumerated in clauses (i) through (iii) of the

immediately preceding sentence with the unanimous consent of all Owners and the Borrower, if the latter's consent is required by the immediately preceding sentence.

Discharge of Indenture

When interest on, and principal or redemption price (as the case may be) of, all Bonds issued under the Indenture have been paid, or there shall have been deposited with the Trustee (i) cash in an amount sufficient to pay in full the principal or redemption price of and interest on the Bonds, and all other sums payable under the Indenture by the Authority, (ii) "defeasance obligations" (as defined below), the principal of and interest on which, when due, will provide sufficient moneys without reinvestment to pay in full the principal or redemption price of and interest on the Bonds, as well as all other sums payable under the Indenture by the Authority, or (iii) any combination of the foregoing, then upon receipt by the Trustee of (a) all of its necessary and proper fees, compensation and expenses, (b) an opinion of Bond Counsel that all conditions precedent to the defeasance of the lien of the Indenture have been complied with, (c) unless the Bonds will be paid in full within 90 days of the date of deposit of any defeasance obligations, a verification report in form and substance satisfactory to the Trustee from an independent certified public accountant or a nationally recognized firm with experience in preparing verification reports to the effect that the cash and defeasance obligations delivered will be sufficient to provide for the payment of the Bonds as aforesaid, and (d) other assurances from the Authority that the Trustee may deem necessary or appropriate, the right, title and interest of the Trustee in the Loan Agreement and the Trust Estate shall thereupon cease and the Trustee, on demand of the Authority, shall release the Loan Agreement and the Trust Estate from the lien and security interest created by the Indenture and shall execute such documents to evidence such release as may be reasonably required by the Authority or the Borrower and shall turn over to the Borrower or to such Person as may be entitled to receive the same, as it shall be directed in writing by the Borrower all balances remaining in any funds (other than the Rebate Fund) under the Indenture and the Trustee's right, title and interest to and under the Loan Agreement. For the purposes of this paragraph, "defeasance obligations" shall mean the following, but only to the extent they are Permitted Investments at the time of delivery to the Trustee: (1) Government Obligations; and (2) pre-refunded debt obligations of any state or political subdivision thereof or any agency or instrumentality of such a state or political subdivision, provided that such debt obligations are rated at least "AA" by S&P or at least "Aa" by Moody's.

The foregoing requirements may also be met with respect to any portion of the Bonds, as designated by the Borrower, by depositing with the Trustee cash, defeasance obligations, or any combination thereof sufficient to pay or provide for the payment of such Bonds, as described in the preceding paragraph. Upon such deposit, the Bonds for which such deposit has been made shall no longer be deemed Outstanding under the Indenture.

The Trustee

The obligations and duties of the Trustee are described in the Indenture and, except upon an Event of Default, the Trustee has undertaken only those obligations and duties which are expressly set out in the Indenture. If any Event of Default of which the Trustee has been notified or is deemed to have notice under the Indenture has occurred and is continuing, the Trustee is obligated to exercise such of the rights and remedies vested in it by the Indenture and to use the same degree of care in its exercise as a prudent person would exercise or use in the circumstances in the conduct of his own affairs; provided that if in the opinion of the Trustee such action may tend to involve expense or liability, it will not be obligated to take such action unless it is furnished with indemnity satisfactory to it.

The Indenture expressly provides that the Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in principal amount of the Bonds then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture.

Under the terms of the Indenture, the Trustee is liable only for those damages caused by its gross negligence or willful misconduct. Under the terms of the Indenture, the Trustee shall not be deemed to have notice of an Event of Default, other than the failure to pay principal of or interest on the Bonds when due, unless the Trustee has been notified in writing of such events by the Borrower, the Authority or the holders of at least 25% in aggregate principal amount of the Bonds then Outstanding. In the absence of delivery of such notices satisfying these requirements, the Trustee may assume conclusively that there is no such default. The summary of the Trustee's

rights, duties, obligations and immunities contained herein is not intended to be a complete summary, and reference must be made to the Indenture for a complete statement of the Trustee's rights, duties, obligations and immunities.

The Trustee may resign and be discharged by written resignation filed with the Authority (and a copy to the Borrower) not less than 30 days prior to the date the resignation is to take effect. Such resignation will take effect only upon the appointment of, and acceptance of such appointment by, a successor trustee. In addition, the Trustee may be removed at any time by an instrument appointing a successor to the Trustee so removed, executed (i) by the Authority at the direction of the Holders of a majority in principal amount of the Bonds then Outstanding, or (ii) so long as no Event of Default has occurred and is continuing, by the Authority or by the Borrower with the written consent of the Authority

Any successor trustee must be a national banking association or a state bank with trust powers or a bank and trust company having capital and surplus of at least \$50,000,000, if there is one able and willing to accept the trust on reasonable and customary terms.

Limitation of Rights; No Personal Recourse

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

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

No recourse shall be had for any claim based on the Indenture or the Bonds, including but not limited to the payment of the principal or redemption price of, or interest on, the Bonds, against the Authority or any member, officer, agent or employee, past, present or future, of the Authority or of any successor body, as such, either directly or through the Authority or any such successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or by any legal or equitable proceeding or otherwise. The obligations and liabilities of the Authority arising under the Indenture shall be payable solely from the Revenues. The Program Sponsor shall have no liability under the Indenture, under the Bonds or under the Loan Agreement.

BONDHOLDERS' RISKS

General

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

Covenant to Maintain Tax-Exempt Status of the Bonds

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

Enforceability of Remedies

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

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

State and Federal Legislation

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

Other Risk Factors

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

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

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

NO PERSONAL RECOURSE

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

LITIGATION

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

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

CONTINUING DISCLOSURE

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

The Borrower has made similar undertakings in the past (the "Prior Continuing Disclosure Undertakings") in connection with other series of bonds previously issued for the benefit of the Borrower. The Borrower did not timely file a notice of rating upgrades with respect to the Pennsylvania Higher Educational Facilities Authority Revenue Bonds (AICUP Financing Program – Mount Aloysius College Project) Series 2011 R1 and Pennsylvania Higher Educational Facilities Authority Revenue Bonds (AICUP Financing Program – Mount Aloysius College

Project) Series 2011 JJ, which rating upgrades occurred on April 15, 2015. Such notice was subsequently filed by the Borrower.

TAX MATTERS

General

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

Certain of the Bonds may be offered at a discount ("original issue discount") equal generally to the difference between public offering price and principal amount. For Federal income tax purposes, original issue discount on a Bond accrues periodically over the term of the Bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holder's tax basis in the Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Holders should consult their tax advisers for an explanation of the accrual rules.

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

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

Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

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

LEGAL MATTERS

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

Certain legal matters will be passed upon for the Authority by its counsel, Barley Snyder LLP, Lancaster, Pennsylvania. Certain legal matters will be passed upon for the Borrower by its counsel, Dinsmore & Shohl LLP, Pittsburgh, Pennsylvania. Certain legal matters will be passed upon for the Underwriter by its counsel, Campbell & Levine, LLC, Pittsburgh, Pennsylvania.

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The financial statements of the Borrower as of and for the fiscal years ended June 30, 2015 and June 30, 2014 are included in Appendix B hereto and have been audited by Baker Tilly Virchow Krause, LLP, as stated in their report appearing therein.

RATING

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC (the "Rating Service") has assigned its municipal bond rating of "A" to the Bonds with a Stable Outlook, based on the creditworthiness of the Borrower.

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

LEGALITY FOR INVESTMENT

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

UNDERWRITING

The Bonds are being purchased by George K. Baum & Company. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$10,115,299.45 (consisting of the par amount of \$9,330,000.00, plus net original issue premium of \$831,949.45, less an underwriting discount of \$46,650.00). The purchase contract by and among the Underwriter, the Authority and the Borrower (the "Purchase Contract") provides that the Underwriter will purchase all of the Bonds, if any Bonds are purchased, and contains the agreement of the Borrower to indemnify the Underwriter and the Authority against losses, claims, damages and liabilities to third parties arising out of any materially incorrect or incomplete statements of information contained in this Official Statement pertaining to the Borrower or the Project.

George K. Baum & Company and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation ("Pershing"), have a distribution agreement enabling Pershing LLC to obtain and distribute certain municipal securities underwritten by or allocated to George K. Baum & Company. Under the distribution agreement, George K. Baum & Company will allocate a portion of received takedowns, fees or commissions to Pershing for bonds sold under the agreement.

OTHER MATTERS

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

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

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

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

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

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

PENNSYLVANIA HIGHER EDUCATIONAL
FACILITIES AUTHORITY

By: /s/ Robert Baccon
Executive Director

APPENDIX A

INFORMATION CONCERNING MOUNT ALOYSIUS COLLEGE

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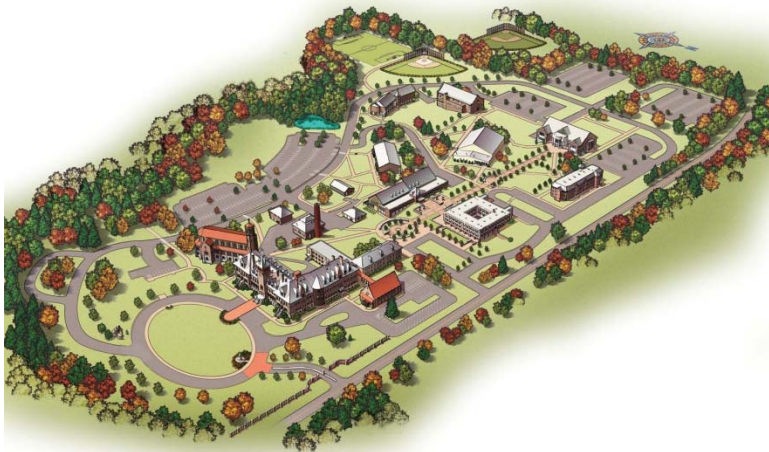
MOUNT ALOYSIUS COLLEGE



**Main
Administration
Building of the
College**

Introduction, Location and History

Mount Aloysius College (the “College” or “Mount Aloysius”) is a private, Catholic sponsored liberal arts college associated with the Religious Sisters of Mercy. It is situated on a 193-acre campus in Cresson, Pennsylvania, in the southern Allegheny Mountains, adjacent to U.S. Route 22 between Altoona and Johnstown, and an approximate 2-hour drive east from the City of Pittsburgh.



Established in 1853, Mount Aloysius is a comprehensive, liberal arts and science-based institution with a commitment to career-directed study. More than 70 academic programs are offered on the undergraduate (both associate and bachelor degrees) and graduate levels in Health Sciences and Nursing, Humanities, Education, Social Sciences, Natural and Applied Sciences, Business Administration and Pre-Professional Study. Students may choose from more than 20 concentrations and minors.

The history of the College is rooted in the life of the Religious Sisters of Mercy who founded and sponsor Mount Aloysius. Catherine McAuley founded the Religious Sisters of Mercy in Dublin, Ireland, in 1831. Mount Aloysius traces its Mercy heritage to the small community of sisters who were later sent to Pittsburgh in 1843. From Pittsburgh, they established a community in Chicago in 1845 and by 1848 they settled in nearby Loretto, Pennsylvania. On St. Mary’s Street in Loretto, the Sisters built a school in a tinner’s shop, which was to be the forerunner of St. Aloysius Academy. The Academy, built in 1853, was moved to its

present site in 1897. In 1939, Mount Aloysius Junior College was founded and, in 1991, Mount Aloysius amended its charter and scope of programs to include bachelor degrees. In the spring of 2000, the College's charter was again amended to include master degrees. Today, Mount Aloysius is one of 16 Mercy sponsored higher education institutions in the U.S.

Mission Statement

The Mission of the College is to respond to individual and community needs with quality programs of education in the tradition of the Religious Sisters of Mercy. Each student will have the opportunity to acquire knowledge and to develop values, attitudes, and competencies necessary for lifelong learning within an environment which reflects a liberal arts orientation and a Catholic, Judeo-Christian heritage.

Vision Statement

Mount Aloysius is committed to being a unique values-based educational environment which prepares students for productive and fulfilling lives through the creative use of a wide variety of learning opportunities enhanced by collaboration with other educational institutions, services and businesses.

Facilities

Eleven buildings comprise the administrative, academic, and residential areas of the College's 193-acre campus.



**The Main
Administration
Building**

The Main Administration Building, shown above, dates back to 1897, and houses administrative and academic offices, classrooms, laboratories, an art studio, and the College's health services department.



Cosgrave Center

Cosgrave Center, shown above, is the College's student union and contains the dining hall, bookstore, commuter lounge, snack bar, day care center, student activities center, and several administrative offices.

The Bertschi Center and Technology Commons (not shown) is located adjacent to Cosgrave Center. This building provides a gathering space for both commuter and residential students. Computer workstations, tables and comfortable seating create a welcoming environment for either studying or relaxing with other students. A large hall located in the back of the Commons provides banquet space as well as a venue for large gatherings. The hall can also be converted for intramural activities and other informal student activities. Academic Hall (not shown) is an instructional facility housing approximately 12 classrooms, labs, seminar rooms and faculty offices.



Misciagna Hall

Ihmsen Hall, Misciagna Hall (shown above), McAuley Hall, and Park Avenue encompass primary housing facilities for approximately 500 resident students. Misciagna Hall and McAuley Hall are recently constructed. Additional housing is made available in renovated portions of St. Joseph Hall and St. Gertrude Hall, which are attached to the Main Administration Building.



Pierce Health and Science Hall

Pierce Health and Science Hall, shown above, houses all laboratory science courses, and certain allied health programs. The facility boasts state-of-the-art instructional resources and, as renovated with proceeds of the 2016 Bonds, will permit Mount Aloysius to continue educating health and science professionals well into the future. Pierce Hall is also to be renamed the Learning Center for Health, Science and Technology.



Library

The Library, shown above, is a state-of-the-art 31,000 square foot facility with flexible seating space, group study rooms, a reading lounge, and a library classroom. The facility also includes a newly created Learning Commons, a state-of-the-art computer lab (Buhl Computer Lab), a presentation room, the Ecumenical Studies Center, and the Information Technology Center. The Learning Commons provides space for research, technology assistance, active learning, and tutoring in one central location. The Library is completely automated with an online catalog, access to more than 25 journal databases, internet access at public workstations, and wireless internet connections throughout the building.



**Convocation
Center**

Mount Aloysius opened its Athletic Convocation and Wellness Center (ACWC) in 2014. The 87,000 square-foot facility boasts wellness, recreation, academic and athletic accommodations.

Recent Campus Additions

Since 1997 the College has successfully constructed and/or renovated over *\$55 million of new capital* additions to the campus, of which *only \$20.4 million required the issuance of debt*, with the balance being funded from available College resources.

Year	New Buildings and Improvements	Approximate Cost
1997	Pierce Hall	\$3,447,072
2004	Cosgrave Student Center	\$4,320,912
2006	Misciagna Hall	\$4,594,787
2009	McAuley Hall	\$6,312,015
2009	Administration Building (Main)	\$784,713
2010	Park Avenue	\$175,434
2012	Mountie Stables (Athletic Facility)	\$496,155
2014	Athletic Convocation and Wellness Center	\$25,000,000
2015	The Bertschi Center and Technology Commons	\$2,797,173

Year	Land Purchases and Improvements	Approximate Cost
2001	Phase 1 Land Improvement	\$1,849,200
2002	Loop Road	\$1,512,880
2003*	Land Purchases	\$929,128
2004	Parking Lot	\$471,895
2007	Pedestrian Mall	\$2,701,126

Total: Land, Buildings & Improvements **\$55,392,490**

*Total amount of land purchases from 2003 until current date

New Project: Learning Center for Health, Science and Technology

The *Series 2016 Bond* proceeds, together with other funds, will be used for substantial renovations and construction of a two-story, approximately 18,500 square-foot addition to the College's Learning Center for Health, Science and Technology (formerly Pierce Health and Science Hall). This facility will be used by many of the College's most popular programs, including Nursing, Medical Imaging, and Surgical Technology.



Accreditations

- Middle States Commission on Higher Education; 2015-2025
- Other Accrediting Agencies ACEN: Accreditation Commission for Education in Nursing; 2016-2026
- CAPTE: Commission on Accreditation in Physical Therapy Education
- CAAHEP: American Association of Medical Assistants
- CAAHEP: Commission on Accreditation for Programs of Diagnostic Medical Sonography
- CAAHEP: Joint Commission on Accreditation for Programs of Surgical Technology
- CCIE: Commission on Collegiate Interpreter Education
- NAACLS: National Accrediting Agency for Clinical Laboratory Sciences
- Pennsylvania State Board of Nursing
- Other Affiliations: National Collegiate Honors Council

Institutional Recognition

The College is recognized on many fronts, but especially for having a premier nursing program in the region. The National Council Licensure Examination (NCLEX) pass rates have exceeded 90% for ten consecutive exam periods over the last five years. The College's students sit for the NCLEX various times each year. This pass rate reflected the highest percentage of any school in the region and one of the highest in the state over that time frame.

Over the past three years the College has been the recipient of several awards and recognitions, including:

1. College of Distinction Recognition
2. Catholic College of Distinction Recognition
3. U S News & World Report's Best Regional Colleges in the North
4. Military Friendly School Designation
5. Nurse Journal's Top Nursing Programs in Pennsylvania Designation
6. U S Dept. of Education Financial Responsibility Rating of 3.0—its highest score—one of 35 in PA (130 rated)
7. President's Higher Education Community Service Honor Roll
8. Association of Student Affairs Catholic Colleges & Universities Best Practices Award
9. Awarded Commission on Collegiate Interpreter Educations Certification—one of only 11 in nation, only one in Pennsylvania
10. Named an "Engine of Opportunity" by the White House (access & affordability for low-income students) – one of four cited nationally and the only private institution.
11. Named to Top Online Schools in Pennsylvania by Accredited Schools Online
12. Named to Top 25 Surgical Technology programs in the Northeast by med-colleges.com
13. Medical Imaging program ranked 15th nationally by ultrasoundtechnicianprograms.org
14. Medical Assistant program ranked 24th in nation for by topmedicalassistantschools.com
15. Ranked 46th nationally for best Catholic Colleges by bestcolleges.com
16. ASL programs ranked 5th in Northeast for by foreign-language-colleges.com
17. RN to BSN program ranked 28th nationally by rntobsn.org

College athletics are a part of the College's academic success, having won the Dean's Cup for overall academic performance in our ten school conference twice in the last four years and achieving our first three Academic All Americans in the current year. [The College participates in NCAA Division III athletics.]

Governance

The Bylaws of Mount Aloysius vest corporate powers in the Board of Trustees, consisting of a minimum of ten (10) members and a maximum of fifty (50) members. The President of the College is an ex-officio member of the Board of Trustees with all voting rights and privileges. Except for the President of the College, and the designated Member of the Corporation, who shall serve ex-officio, the members of the Board of Trustees are elected for terms of three (3) years, and may serve up to three (3) consecutive three year terms. As the governing body of the College, the Board formulates policies necessary for the administration and development of the College. It oversees the College's finances and construction, and selects and employs a President who is responsible to the Board for College administration.

Member

Mark Barnhart

CEO, NPC, Inc.

Ann M. Benzel

President, Benzel's Pretzel Bakery, Inc.

Committee(s)

Educational Life

Committee on Trustees

<u>Member</u>	<u>Committee(s)</u>
Paul Calandra Vice President and General Manager, JennMar Corporation	Educational Life
Philip Devorris (Chair) President & CEO, Blair Companies	Educational Life
Dennis Doll President & CEO, Reliance Bank	Finance & Physical Plant
Dr. Thomas P. Foley, J.D. President, Mount Aloysius College	Committee on Trustees
Sr. Mary Ellen Fuhrman, RSM Life Care Coordinator, Mercy Center, Dallas PA	Institutional Advancement
R. Adele Kupchella Alumna, '60A	Institutional Advancement
T. Scott Lawhead President & CEO, The Hite Company	Institutional Advancement
Sr. Cynthia March, RSM, Psy.D. Psychologist, Misericordia University	Educational Life
Sr. Lisa Mary McCartney, RSM, PhD Vice President of the Institute of the Sisters of Mercy of the Americas, Erie Regional Community	Educational Life
Michael McLanahan (Vice Chair) Chairman of the Board & CEO, McLanahan Corporation	Institutional Advancement
Sr. Jean Messaros, RSM Vice President for Mission Integration, Misericordia University	Educational Life
William C. Polacek CEO & Founder, JWF Industries	Finance & Physical Plant
Daniel W. Rullo Partner; Barbera, Clapper, Beener, Rullo & Melvin, LLP	Finance & Physical Plant
Edward J. Sheehan, Jr. President & CEO, Concurrent Technologies Corporation	Institutional Advancement
Joseph S. Sheetz President & CEO, Sheetz Inc.	Finance & Physical Plant, Audit
Derek A. Walker CEO, Penn Crossing Management, LLC	Finance & Physical Plant, Audit
Ms. Anne Wilms Executive VP & CIO, Rohm & Haas Company (retired)	Finance & Physical Plant, Audit
Christine Wiseman, J.D. President, St. Xavier University	Finance & Physical Plant

Standing Board Committees:

1. Educational Life
2. Institutional Advancement
3. Finance & Physical Plant
4. Committee on Trustees
5. Audit

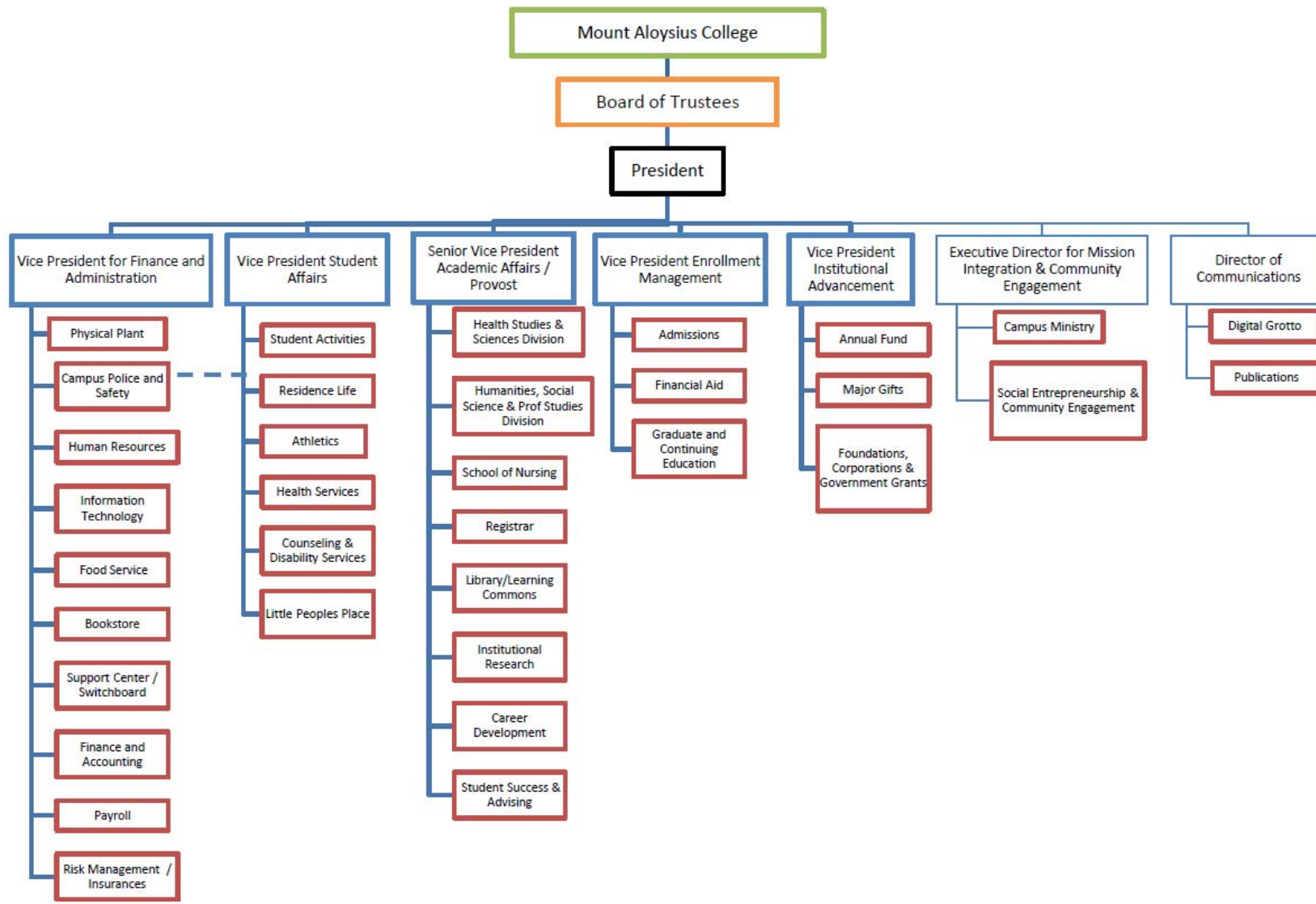
Principal Officers of the College

- **Dr. Thomas P. Foley, J.D., *President*.** Thomas P. Foley is in his 7th year as President of Mount Aloysius. He is a summa cum laude graduate of Dartmouth College and received his Juris Doctoris degree from Yale Law School, where he served as an editor of the *Yale Journal of World Public Order*, as coach of the undergraduate debate team, and received honors for both legal writing and oral advocacy. Like most Mount Aloysius students, Dr. Foley is the first generation in his family to have the opportunity for higher education. Dr. Foley is the author of over 100 Op-Ed, monograph and journal pieces on subjects ranging from job training to higher education, public security to non-profit organizations. He has testified before both federal and state legislatures on more than thirty occasions, has chaired eight statewide Boards and Commissions, including the Governor's Task Force on Workforce Development and PennSERVE. At Mount Aloysius, he helped inaugurate the college's Speaker Series, whose themes have included: "The Role of the University in Civil Discourse," "Citizenship in the 21st Century: The Common Good," "The Good life" and "Voice." Two college publications on the "civil discourse" and "good life" themes have been accepted into the permanent collection of the Library of Congress. Dr. Foley currently serves as the Chair of the President's Council of Mercy Colleges, as Vice-chair of the Association of Independent Colleges and Universities in PA (AICUP), as a member of the Executive Committee of the Association of Catholic Colleges and Universities (ACCU), and as a member of the President's Council for NCAA Division III. He also serves on four regional economic development/community boards. Before coming to Mount Aloysius, Dr. Foley was a leader in multiple sectors-as the head of the third largest chapter of the American Red Cross in the United States, as leader of the statewide United Way of Pennsylvania, in successive Cabinet level positions in PA state government and as a two year, full-time volunteer for a Nobel Peace Prize-winning group in Belfast, Northern Ireland. He also worked in both the executive and legislative branches of the federal government, as legislative aide and counsel to Congressman James M. Shannon and then-Senator Joseph R. Biden.
- **Donna Yoder, C.P.A., *Vice President for Finance & Administration*.** Donna Yoder serves as the Vice President for Finance & Administration at Mount Aloysius. She is responsible for the fiscal oversight of the College and is also a Certified Public Accountant. She is a member of the Pennsylvania Institute of Certified Public Accountants, the American Institute of Certified Public Accountants, and the National and Eastern Associations of College and University Business Officers. Prior to her current position at Mount Aloysius College, she was an accountant for Federal Student Aid at the Department of Education, located in Washington, DC. At the U.S. Department of Education she was responsible for documenting business processes and evaluating internal controls over financial reporting. The position included significant interaction with a variety of team constituents both inside and outside the agency. Donna received her B.A. in 1976 from Eastern Mennonite University in Harrisonburg, VA. In 1977, she received a Master's Degree in Public Health Administration from the University of Pittsburgh. She continued her education at the University of Pittsburgh, where Business and Accounting coursework required for CPA licensure was completed.
- **Dr. Stephen Pugliese, *Senior Vice President for Academic Affairs / Provost*.** Dr. Pugliese earned his doctorate in Human Development/Higher Education Administration from Marywood University. His Master of Science in Human Resource Development was earned at Villanova University, and his Bachelor of Arts in Speech and Theater Communication from Kutztown University, Kutztown, Pennsylvania. Pugliese is an active speaker and presenter. He served as a peer evaluator for the Middle States Commission on Higher Education and was a review committee member for the NCAA Colonial States Athletic Conference's Five Year Study. He has presented on such diverse topics as academic leadership, the oversight of athletics, and the pervasiveness of technology in reported infractions of academic integrity and codes of student conduct. Pugliese is a member of several professional associations including the American College of Personnel Association; the Association of Fundraising Professionals; the Association of Student Affairs at Catholic Colleges and Universities; the Council for Advancement and Support of Education (CASE); the Great Valley Chamber of Commerce; the National Association of Student Personnel Administrators and the National Orientation Director Association. An active service volunteer, he has served in Sicuani, Peru; the St. Francis of Assisi Soup Kitchen in Philadelphia; Merida, Mexico and Wacuco, Panama.

- **Frank C. Crouse, Jr., *Vice President for Enrollment Management and Dean of Admissions.*** Frank C. Crouse, Jr. serves as the Vice President for Enrollment Management and the Dean of Admissions for Mount Aloysius. He oversees offices of freshman, transfer and graduate admissions as well as financial aid. He also holds shared leadership for marketing, communications, retention, institutional research and the college web site. Mr. Crouse participates in the development of financial aid and scholarship policies, and also works in direct collaboration with the CFO to oversee administration of financial aid and scholarship expenditures. Providing leadership with strategic planning and operational planning are also part of his duties along with designing and implementing community partnerships and outreach. Mr. Crouse's professional involvement includes that of past president (1999-2003) for the Pennsylvania Association of Catholic College Admissions Officers, member of the Pennsylvania Association of Secondary School and College Admissions Counselors (1996-Present), member of the National Catholic College Admissions Association (1996-Present), and member of the Health Care Committee at Johnstown Area High School (2001-Present). Mr. Crouse began his education at Mount Aloysius College earning an Associate of Science in Liberal Arts. He then studied at Saint Francis University, earning a Bachelor of Arts in Comprehensive Social Studies and Political Science/Pre-Law. Continuing his education at Saint Francis University, he earned a Master of Educational Leadership with a Higher Education Administration Concentration.
- **Jennifer Dubuque, *Vice President for Institutional Advancement.*** Jennifer Dubuque brings a 20+ year career in higher education development to this position. She has served in positions of increasing responsibility at her alma mater Marist College, at Rensselaer Polytechnic Institute, at SUNY Plattsburgh and for the last five years at Florida Atlantic University-where she served as Assistant Vice President for Development. She has worked in almost all facets of development during her career-Annual Giving, Major Gifts, Marketing and Communications, Grants Management and Planned Giving. She is extremely well versed in the science and the art of fundraising, and is a very high quality addition to our leadership team. Ms. Dubuque has a special connection to the story of Mount Aloysius, having grown up in Dublin, Ireland not far from the Mercy Center built by Catherine McAuley herself. Ms. Dubuque works closely with the President and the Board of Trustees to provide the financial support that is key to so many hopes and dreams at Mount Aloysius.
- **Jane M. Grassadonia, Ph.D., *Vice President for Student Affairs and Dean of Students.*** Dr. Jane M. Grassadonia serves as the Vice President for Student Affairs and the Dean of Students. Her duties include leading and coordinating efforts of the college's student affairs division comprised of an NCAA DIII athletic program, residence life, counseling and disability services, student health, career services, child development center, student activities, orientation, judicial system, and Perkins grant services. Dr. Grassadonia also leads assessment and strategic planning efforts within her division, as well as serving as a member of the President's Executive Council. She facilitates collaborative projects and activities focused on improving recruitment and retention of students with institutional advancement, academic affairs, and enrollment services. Dr. Grassadonia is a member of the American College Personnel Association and the National Association of Student Personnel Administrators. Dr. Grassadonia has given numerous presentations including: "A Case Study of Transformational Change" at the Virginia Commonwealth University Graduate Research Symposium in the Spring of 2006; "VCU's Path to Public/Private Partnerships" at the VASPA/VACUHO Conference in November of 2004; and "New Issues in Residence Life and Higher Education Law" at EDUS 651 in September of 2004. After graduating from Washington State University in 1983 with a B.S. in Journalism and a minor in English Literature, she attended the University of Rochester and attained a Master's degree in Education (Higher Education Administration and Counseling) in 1991. Dr. Grassadonia received her Ph. D. in Urban Services Leadership in 2006 from Virginia Commonwealth University in Richmond, VA, where she wrote her dissertation on Institutional Transformation.

Administrative Organization

Set forth below (as the following page) is an administration organizational chart for the College.



Academic Program Profile

The College offers the following programs and majors:

Main Campus

Accounting
American Sign Language / English Interpreting
Applied Technology
Behavioral Specialist Consulting (Master)
Biology
Business Administration
Business Administration (Masters)
Chiropractic (3-1)
Community Counseling (Master)
Criminology
Dental Medicine (4-4 Bachelor/Doctorate)
Early Childhood Education
Education – Early Level (Pre K-4)
Education – Middle Level (4-8)
Education – Secondary
English
General Science
History/ Political Science
Information Technology
Interdisciplinary Studies: Occupational Therapy
(3-2 Bachelor/Masters)
Legal Studies
Liberal Arts
Medical Assistant
Medical Imaging – Nuclear Medicine
Medical Imaging – Radiography (2+2)
Medical Imaging – Ultrasonography
Medical Laboratory Technician
Nuclear Medicine (3-1 Bachelor)
Nursing – Associate of Science Degree Program

Main Campus (continued)

Nursing – RN to BSN Program
Nursing (2+2 Associate/Bachelor)
Osteopathic Medicine (4-4 Bachelor/Doctorate)
Pharmacy (4-3 Bachelor/Doctorate)
Physical Therapist Assistant
Physical Therapy (4-3 Bachelor/Doctorate of PT)
Physician Assistant (3-2 Bachelor/Masters)
Pre-Law
Psychology
Psychology (Masters)
Surgical Technology
Undecided/ Exploratory

DuBois

Medical Imaging – Radiography (DuBois)

Altoona

Information Technology
Nursing – RN to BSN Program

Online

Business Administration (Online)
Criminal Justice Addictions Professional
Certificate (Online)
Finance Certificate (Online)
Medical Coding Certificate (Online)
Nursing – RN to BSN Program

Altoona & Johnstown

Nursing – RN to BSN Program

Faculty and Staff Profile

The College employs 72 full-time faculty and an additional 131 adjuncts. Fifty-two percent of the full-time faculty hold doctoral degrees. The College does not have a tenure track for its faculty. The student to faculty ratio is 12 to 1. In addition, the College employs 124 full-time and 33 part-time staff members who work in other areas of the College including Administration, Academic Affairs, Student Services, and Plant Operations.

Student Profile

Currently, ninety-two percent of the College's students are residents of Pennsylvania. The remaining 8% of the student population originate from twenty-one additional states and thirteen foreign countries. The following table sets forth admissions and enrollment data:

Admissions and Enrollment for Fall Semesters (All Students)

	<u>Fall 2011</u>	<u>Fall 2012</u>	<u>Fall 2013</u>	<u>Fall 2014</u>	<u>Fall 2015</u>
Freshmen					
Applicants	1,323	1,546	1,563	1,572	1,485
Acceptances	1,004	1,063	1,114	1,163	1,082
Matriculants	362	372	387	370	364
Transfer					
Applicants	504	463	432	429	532
Acceptances	431	345	337	413	400
Matriculants	300	305	319	302	268
Graduate					
Applicants	40	40	43	70	82
Acceptances	27	32	32	44	66
Matriculants	19	30	32	32	40
Freshmen Selectivity & Matriculation Rates					
	<u>Fall 2011</u>	<u>Fall 2012</u>	<u>Fall 2013</u>	<u>Fall 2014</u>	<u>Fall 2015</u>
Selectivity Rate	75.9%	68.8%	71.3%	74.0%	72.9%
Matriculation Rate	36.1%	35.0%	34.7%	31.8%	33.6%

Note: As of July 25, 2016, the College had 2,028 applications (vs. 1,447 on July 22, 2015), 1,177 acceptances (vs. 965 on July 22, 2015), and 376 deposits (vs. 399 on July 22, 2015) for freshmen. The increase in fall 2016 applications reflects increased international recruitment and increased secondary and tertiary market recruitment.

Listed below is historical data related to the breakdown of undergraduate and graduate students.

	<u>Fall 2011</u>	<u>Fall 2012</u>	<u>Fall 2013</u>	<u>Fall 2014</u>	<u>Fall 2015</u>
Undergraduate					
Full-Time	1,230	1,240	1,248	1,247	1,169
Part-Time	281	292	323	318	303
Headcount	1,511	1,532	1,571	1,565	1,472
FTE	1,431	1,403	1,426	1,421	1,338
Graduate					
Full-Time	24	37	29	45	41
Part-Time	29	25	25	27	33
Headcount	53	62	54	72	74
FTE	42	51	44	61	61
Total Headcount	1,564	1,594	1,625	1,637	1,546
Total FTE	1,473.0	1,454	1,470	1,482	1,399

Note: Non-matriculated Dual Enrollment headcount for the fall of 2015 was 327.

Student Housing Fees

<u>Fiscal Year</u>	<u>Ihmsen Hall St. Joseph's Hall</u>	<u>Park Ave St. Gertrude's Hall</u>	<u>Misciagna Hall McAuley Hall</u>
2016-17	\$5,000	\$5,750	\$6,000
2015-16	\$4,804	\$5,532	\$5,768
2014-15	\$4,620	\$5,320	\$5,548
2013-14	\$4,440	\$5,116	\$5,336
2012-13	\$4,270	\$4,920	\$5,130

Student Housing Occupancy Rates

The following table shows the College's housing facilities and occupancy rates for the previous five academic years.

	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
Number of Residence Halls	6	6	6	6	6
Total Beds	486	486	486	486	486
Percent Occupancy	100%	100%	100%	100%	100%

Tuition and Fees

The following table shows tuition, fees, as well as room and board charges for Mount Aloysius:

	<u>Tuition</u>			<u>Fees</u>			<u>Total</u>		
	<u>Non-Health</u>	<u>Health Sciences</u>	<u>Nursing (1)</u>	<u>Room (2)</u>	<u>Board</u>	<u>Comprehensive Fee</u>	<u>Non-Health</u>	<u>Health Sciences</u>	<u>Nursing</u>
<u>2016-17</u>	\$20,710	\$22,740	\$23,620	\$5,583	\$4,940	\$1,140	\$32,373	\$34,403	\$35,283
<u>2015-16</u>	\$20,300	\$22,400	\$23,380	\$5,368	\$4,748	\$1,060	\$31,476	\$33,576	\$34,556
<u>2014-15</u>	\$19,790	\$21,730	\$21,730	\$5,163	\$4,566	\$1,000	\$30,519	\$32,459	\$32,459
<u>2013-14</u>	\$19,328	\$21,428	\$21,428	\$4,964	\$4,390	\$940	\$29,622	\$31,722	\$31,722
<u>2012-13</u>	\$18,640	\$20,664	\$20,664	\$4,772	\$4,180	\$880	\$28,472	\$30,496	\$30,496
<u>2011-12</u>	\$17,930	\$20,180	\$20,180	\$4,583	\$4,020	\$820	\$27,353	\$29,603	\$29,603

(1) Health Sciences and Nursing were at the same tuition level until 2015-16. In 2015-16, an additional tuition level was added specifically for Nursing.

(2) Room fee based on average of Ihmsen/St. Joseph, St. Gertrude/Park Ave., and Misciagna/McAuley rates.

Competitor Tuition and Fees

The following table outlines tuition, fees and room and board charges for in-state students at key competitors, compared with the College:

	<u>Fall 2015</u>
Indiana University of Pennsylvania	\$21,816
Lock Haven University	\$19,009
Mount Aloysius Non-Health Science	\$31,476
Mount Aloysius Health Sciences	\$33,576
Mount Aloysius Nursing	\$34,556
Penn State – Altoona	\$25,530
Saint Francis University	\$43,210
University of Pittsburgh – Johnstown	\$22,574

Source: Collegeboard.org & Mount Aloysius College data

Student Financial Aid

Each student's eligibility for financial assistance is based on financial need utilizing the Title IV federal guidelines for need assessment. This aid may include scholarships, grants, loans and work study employment. The scope and composition of each student's financial aid package vary according to individual financial needs. For the 2015-16 fiscal year, nearly all of the College's students received some form of financial assistance.

2015-2016 Financial Aid

Institutional Funded Aid	\$7,248,421
State and Federal Aid/Outside Sources	<u>\$24,761,183</u>
Total	\$32,009,604

Litigation

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

Accounting Matters

The College's financial statements are prepared on the accrual basis of accounting. Additionally, the statements are presented in accordance with accounting principles generally accepted in the United States of America as promulgated by the Financial Accounting Standards Board.

Potential purchasers of the Bonds should read the College's audited financial statements for the year ended June 30, 2015 in their entirety for more complete information regarding the College's financial position, results of its operations and changes in its accounting and reporting methods. The report of Baker Tilly Virchow Krause, LLP, the College's independent auditors, together with the College's financial statements as of June 30, 2015 and related notes to financial statements are included in the Official Statement as Appendix B.

Summary of Financial Statements

For the fiscal years ended June 30, 2015, 2014, 2013, 2012, and 2011, the financial information presented below has been derived from the audited financial statements of the College. In the opinion of College management, there has been no material adverse change in the financial condition of the College since June 30, 2015, the date of the last audited financial statements.

Mount Aloysius College Consolidated Statements of Financial Position For Years Ended 2011-2015

	2011	2012	2013	2014	2015
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 988,347	\$ 688,151	\$ 597,566	\$ 715,565	\$ 761,426
Accounts receivable:					
Student, net	447,349	369,566	542,107	525,147	472,635
Other	169,398	606,706	4,393,822	1,860,473	601,013
Contributions receivable, net	40,735	173,780	265,718	429,095	418,799
Inventory	163,614	203,917	234,274	235,741	182,243
Prepaid expenses and other current assets	336,614	250,419	320,973	441,524	432,698
Investments	15,463,946	16,811,830	15,645,159	16,734,917	10,844,736
Restricted investments	-	1,521,617	-	-	-
Total current assets	<u>17,610,003</u>	<u>20,625,986</u>	<u>21,999,619</u>	<u>20,942,462</u>	<u>13,713,550</u>
Noncurrent Assets					
Contributions receivable, net	86,093	554,075	716,196	961,079	618,394
Deferred financing costs, net	95,135	214,318	200,656	193,365	177,671
Investments	41,585,777	43,922,701	49,269,025	58,256,195	66,994,893
Restricted investments	-	7,342,071	-	-	-
Student loans receivable	751,191	703,620	753,597	889,792	874,628
Collections	260,998	266,685	273,715	276,206	287,004
Plant assets, net	38,210,150	40,784,977	56,972,157	60,460,908	63,451,373
Total noncurrent assets	<u>80,989,344</u>	<u>93,788,447</u>	<u>108,185,346</u>	<u>121,037,545</u>	<u>132,403,963</u>
TOTAL ASSETS	<u>\$ 98,599,347</u>	<u>\$ 114,414,433</u>	<u>\$ 130,184,965</u>	<u>\$ 141,980,007</u>	<u>\$ 146,117,513</u>
LIABILITIES					
Current Liabilities					
Current portion of bonds payable	\$ 400,000	\$ 5,400,000	\$ 400,000	\$ 5,500,000	\$ 5,500,000
Current maturities of obligations under capital leases	147,724	-	-	-	-
Accounts payable	335,262	563,694	660,822	332,850	224,494
Construction accounts payable	-	1,521,617	1,077,186	14,728	105,390
Retainage payable	20,000	122,953	1,246,111	-	-
Accrued payroll and related liabilities	1,378,927	1,070,540	1,110,771	1,206,188	1,386,985
Student deposits and prepayments	460,414	454,302	488,408	704,354	714,301
Other accrued liabilities	137,965	155,905	75,387	173,798	104,178
Total current liabilities	<u>2,880,292</u>	<u>9,289,011</u>	<u>5,058,685</u>	<u>7,931,918</u>	<u>8,035,348</u>
Noncurrent Liabilities					
Bonds payable	8,900,000	13,457,757	18,059,766	12,561,776	12,063,785
Interest rate swaps payable	1,060,594	1,821,091	1,261,139	1,183,824	1,199,579
Annuities payable	110,122	128,742	127,010	110,501	107,058
Advance from federal government for student loans	773,336	821,026	823,419	1,065,598	1,083,607
Total noncurrent liabilities	<u>10,844,052</u>	<u>16,228,616</u>	<u>20,271,334</u>	<u>14,921,699</u>	<u>14,454,029</u>
TOTAL LIABILITIES	<u>\$ 13,724,344</u>	<u>\$ 25,517,627</u>	<u>\$ 25,330,019</u>	<u>\$ 22,853,617</u>	<u>\$ 22,489,377</u>
NET ASSETS					
Unrestricted	\$ 80,602,005	\$ 83,946,334	\$ 99,101,760	\$ 112,201,514	\$ 116,619,381
Temporarily Restricted	812,060	1,324,586	2,060,321	3,032,929	2,731,936
Permanently Restricted	3,460,938	3,625,886	3,692,865	3,891,947	4,276,819
TOTAL NET ASSETS	<u>\$ 84,875,003</u>	<u>\$ 88,896,806</u>	<u>\$ 104,854,946</u>	<u>\$ 119,126,390</u>	<u>\$ 123,628,136</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 98,599,347</u>	<u>\$ 114,414,433</u>	<u>\$ 130,184,965</u>	<u>\$ 141,980,007</u>	<u>\$ 146,117,513</u>

Mount Aloysius College
Consolidated Statements of Activities
For Years Ended 2011-2015

	2011	2012	2013	2014	2015
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT					
Tuition and fees, net	\$ 20,528,249	\$ 21,416,277	\$ 22,396,655	\$ 22,947,174	\$ 23,079,775
Federal grants	683,499	541,957	565,504	551,528	522,845
State grants	1,585,366	454,681	480,677	465,748	456,173
Contribution and private grants	574,268	407,954	369,923	793,959	442,932
Auxiliary enterprises	4,604,724	4,705,229	4,966,489	5,056,660	5,177,001
Other	129,395	155,785	124,878	78,495	117,774
Net assets released from restrictions	182,755	252,146	457,056	379,424	572,319
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	28,288,256	27,934,029	29,361,182	30,272,988	30,368,819
UNRESTRICTED EXPENSES AND OTHER DEDUCTIONS					
Instructional	8,330,710	8,873,448	9,271,119	9,356,188	9,912,152
Academic support	2,187,467	2,264,068	2,287,994	2,114,470	2,175,428
Student services	3,875,570	4,079,315	4,179,465	5,001,672	5,570,705
General administration	4,253,748	4,628,310	4,692,593	4,615,313	4,915,232
General institutional	990,224	1,102,086	1,043,086	1,418,158	1,539,661
Student aid	483,403	517,599	563,859	549,081	585,035
Auxiliary enterprises	3,226,931	3,305,272	3,448,153	3,406,616	3,667,624
TOTAL OPERATING EXPENSES	23,348,053	24,770,098	25,486,269	26,461,498	28,365,837
INCOME (LOSS) FROM OPERATIONS	4,940,203	3,163,931	3,874,913	3,811,490	2,002,982
UNRESTRICTED NON-OPERATING INCOME (LOSS)					
Investment income	5,133,074	402,692	4,240,978	6,244,305	2,188,391
Capital grants, state	-	556,834	6,485,441	2,957,725	246,396
Change in value of interest rate swaps	87,504	(760,497)	559,952	77,315	(15,755)
Change in value of split-interest agreements	(9,982)	(18,631)	(5,858)	8,919	(4,147)
TOTAL NON-OPERATING INCOME (LOSS)	5,210,596	180,398	11,280,513	9,288,264	2,414,885
CHANGES IN UNRESTRICTED NET ASSETS	10,150,799	3,344,329	15,155,426	13,099,754	4,417,867
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	604,782	512,526	735,735	972,608	(300,993)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS	376,108	164,948	66,979	199,082	384,872
NET ASSETS, BEGINNING	73,743,314	84,875,003	88,896,806	104,854,946	119,126,390
NET ASSETS, ENDING	\$ 84,875,003	\$ 88,896,806	\$ 104,854,946	\$ 119,126,390	\$ 123,628,136

2016 Nine-Month Financial Performance

The following financial information for the nine months ended March 31, 2016 and 2015 has been derived from internally prepared financial statements and such information has not been finalized and may be subject to adjustment. Note that most student generated revenues have been received by March 31, 2016, while only nine months of expenses have been incurred.

MOUNT ALOYSIUS COLLEGE		
Consolidated Interim Statement of Financial Position		
As of March 31, 2016 and 2015		
(Unaudited)		
ASSETS		
	March 31, 2016	March 31, 2015
CURRENT ASSETS:		
Cash and cash equivalents	\$1,438,757	\$841,446
Accounts receivable:		
Students, net	1,273,558	1,297,304
Other	26,973	251,513
Contributions receivable, net	318,743	329,080
Inventory	182,243	235,741
Prepaid expenses and other current assets	208,656	200,826
Investments	29,804,690	27,793,714
Total current assets	\$33,253,620	\$30,949,624
NONCURRENT ASSETS:		
Contributions receivable, net	\$618,394	\$961,079
Deferred financing costs, net	165,812	181,020
Investments	54,358,323	55,439,239
Student loans receivable	1,252,036	939,893
Collections	290,895	284,529
Plant assets, net	62,237,497	63,446,296
Total assets	\$152,176,577	\$152,201,680
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of bonds payable	\$100,000	\$200,000
Accounts payable	377,538	346,291
Retainage payable	0	97,249
Accrued payroll and related liabilities	426,499	370,875
Student deposits and prepayments	546,224	515,764
Other accrued liabilities	102,890	172,343
Total current liabilities	\$1,553,151	\$1,702,522
NONCURRENT LIABILITIES:		
Bonds payable	\$17,063,785	\$17,561,776
Annuities payable	101,366	104,809
Interest rate swap payable	1,199,579	1,183,824
Advance from federal government for student loans	1,419,191	1,065,598
Total liabilities	\$21,337,072	\$21,618,529
NET ASSETS:		
Unrestricted:		
Designated for plant facilities and other specific purposes	\$70,780,951	\$67,365,862
Quasi-endowment funds	29,185,960	24,559,922
Loan funds	97,216	97,216
Other unrestricted	16,555,254	20,158,255
Net income	7,221,369	11,477,020
Total unrestricted net assets	\$123,840,750	\$123,658,275
Temporarily restricted	\$2,731,936	\$3,032,929
Permanently restricted	\$4,266,819	\$3,891,947
Total net assets	\$130,839,505	\$130,583,151
Total liabilities and net assets	\$152,176,577	\$152,201,680

MOUNT ALOYSIUS COLLEGE
Consolidated Interim Statement of Activities
For the Nine Months Ended March 31, 2016 and 2015
(Unaudited)

	March 31, 2016	March 31, 2015
CHANGES IN UNRESTRICTED NET ASSETS:		
Operating revenues and other additions:		
Tuition and fees, net	\$22,397,915	\$22,896,782
Federal grants	497,074	474,590
State grants	380,622	498,756
Contributions and private grants	271,106	247,992
Auxiliary enterprises	5,205,959	5,092,312
Other	78,688	55,991
Net assets released from restriction	261,284	129,015
	\$29,092,648	\$29,395,438
Total operating revenues and other additions		
EXPENSES:		
Instructional	\$5,243,575	\$5,492,251
Academic support	1,509,822	1,323,367
Student services	2,848,971	2,954,043
General administration	3,424,047	3,447,762
General institutional	1,461,773	1,519,910
Operation and maintenance	1,609,107	1,512,827
Student aid	443,606	475,489
Auxiliary enterprises	1,571,646	1,687,101
Depreciation/Amortization	2,163,781	1,890,624
	\$20,276,328	\$20,303,374
Total operating expenses		
	\$8,816,320	\$9,092,064
Increase in operational unrestricted net assets		
NONOPERATING ACTIVITIES:		
Investment Income	(\$1,406,800)	\$1,992,276
Capital Grants - State	0	0
Change in value of interest rate swaps	0	0
Change in value of split interest agreements	0	0
Gain/(loss) on sale of plant assets	1,000	(4,041)
	(\$1,405,800)	\$1,988,235
Total nonoperating changes		
	\$7,410,520	\$11,080,299
Increase in unrestricted net assets		
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	\$232,866	\$163,858
Investment Income	(297,566)	239,880
Net assets released from restriction	(261,284)	(129,015)
	(\$325,984)	\$274,723
Increase in temporarily restricted net assets		
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:		
Contributions	\$136,833	\$121,998
	\$136,833	\$121,998
CHANGE IN NET ASSETS(NET INCOME)		
	\$7,221,369	\$11,477,020

Financial Planning

Financial planning at the College centers around the preparation and administration of the annual budget. The participatory budgeting process begins early in the fiscal year and involves administrators and other staff, faculty and department chairs, the Finance Committee and the trustees. Although the objectives for the budget are derived primarily from the strategic planning process, the College community also has an opportunity to submit objectives for consideration. Throughout the year, financial reports are generated which compare the annual budget to forecasted year-end results.

Endowment and Similar Funds and Investment Policy

Prudent investing in addition to the annual budget allocation of at least 2.5% of annual tuition and fees to the quasi-endowment, has resulted in the College's endowment fund having grown from \$250,000 in fiscal year 1985-86 to more than \$35 million in fiscal year 2015-16, when combined with cash and other unrestricted investments was equal to \$78.6 million as of June 30, 2016.

The investment policy, which was last updated in June 2013, outlines the College's financial objectives, asset allocation policy, policies for endowment spending and general investment practices. Asset allocations as of June 30, 2015 may be found in the notes to the College's fiscal 2015 audited financial statements (attached to this Official Statement as Appendix B).

Debt Service Schedule

<u>DATE</u>	<u>Series 1998 C3</u>	<u>Series 2001 I5</u>	<u>Series 2003 L3</u>	<u>Series 2011 R1</u>	<u>Series 2011 JJ1</u>	<u>Series 2016 OO4</u>	<u>TOTAL</u>
6/30/2016	\$118,280.22	\$430,951.44	\$354,858.33	\$42,500.00	\$250,000.00		\$1,196,589.99
6/30/2017	112,982.30	414,817.70	349,310.45	62,500.00	250,000.00	\$269,357.15	1,458,967.60
6/30/2018	107,684.38	398,683.94	343,762.56	106,250.00	250,000.00	383,275.00	1,589,655.88
6/30/2019	102,386.46	382,550.18	437,868.74	150,000.00	250,000.00	383,275.00	1,706,080.38
6/30/2020	-	463,458.36	426,772.97	150,000.00	250,000.00	383,275.00	1,673,506.33
6/30/2021	-	538,988.56	316,022.93	150,000.00	250,000.00	383,275.00	1,638,286.49
6/30/2022	-	512,098.95	310,475.04	150,000.00	250,000.00	383,275.00	1,605,848.99
6/30/2023	-	-	803,197.88	150,000.00	250,000.00	383,275.00	1,586,472.88
6/30/2024	-	-	769,910.40	150,000.00	250,000.00	383,275.00	1,553,185.40
6/30/2025	-	-	736,622.88	150,000.00	250,000.00	383,275.00	1,519,897.88
6/30/2026	-	-	703,335.40	150,000.00	250,000.00	383,275.00	1,486,610.40
6/30/2027	-	-	670,047.88	150,000.00	250,000.00	383,275.00	1,453,322.88
6/30/2028	-	-	736,414.57	150,000.00	250,000.00	383,275.00	1,519,689.57
6/30/2029	-	-	-	150,000.00	757,000.00	551,043.75	1,458,043.75
6/30/2030	-	-	-	150,000.00	760,250.00	546,581.25	1,456,831.25
6/30/2031	-	-	-	150,000.00	757,125.00	551,987.50	1,459,112.50
6/30/2032	-	-	-	150,000.00	757,625.00	547,262.50	1,454,887.50
6/30/2033	-	-	-	150,000.00	756,625.00	552,050.00	1,458,675.00
6/30/2034	-	-	-	150,000.00	759,000.00	551,275.00	1,460,275.00
6/30/2035	-	-	-	150,000.00	759,625.00	550,350.00	1,459,975.00
6/30/2036	-	-	-	150,000.00	758,500.00	549,275.00	1,457,775.00
6/30/2037	-	-	-	938,000.00	-	523,425.00	1,461,425.00
6/30/2038	-	-	-	914,000.00	-	542,500.00	1,456,500.00
6/30/2039	-	-	-	890,000.00	-	570,675.00	1,460,675.00
6/30/2040	-	-	-	866,000.00	-	592,875.00	1,458,875.00
6/30/2041	-	-	-	940,500.00	-	520,600.00	1,461,100.00
6/30/2042	-	-	-	913,500.00	-	543,850.00	1,457,350.00
6/30/2043	-	-	-	-	-	1,457,625.00	1,457,625.00
6/30/2044	-	-	-	-	-	1,459,375.00	1,459,375.00
6/30/2045	-	-	-	-	-	1,461,500.00	1,461,500.00
6/30/2046	-	-	-	-	-	1,460,375.00	1,460,375.00
6/30/2047	-	-	-	-	-	1,465,750.00	1,465,750.00
Total	\$441,333.36	\$3,141,549.13	\$6,958,600.03	\$8,373,250.00	\$9,315,750.00	\$19,483,757.15	\$47,714,239.67

Notes: The Series 1998 C3 bonds assume the swap rate of 3.90% to maturity and an estimated letter of credit fee.

The Series 2001 I5 bonds assume the swap rate of 3.98% to maturity and an estimated letter of credit fee.

The Series 2003 L3 bonds assume the swap rate of 4.15% to maturity and an estimated letter of credit fee.

The Series 2011 R1 bonds assume the multi-mode coupon of 1.25% to October 31, 2017 followed by a plug rate of 3.00%.

The Series 2011 JJ1 bonds are traditional fixed rate bonds.

Management Discussion

History

Mount Aloysius College, rooted in the tradition of the Religious Sisters of Mercy, has evolved throughout the years from St. Aloysius Academy founded in 1853 to the current Masters Degree granting institution positioned to meet the needs of today's students. The College has thrived and is recognized for its health studies programs, the largest of which is Nursing. The Mount Aloysius Compact has identified preparation of graduates who are job-ready, community-ready and technology ready as the niche of the College.

Physical Infrastructure

The College has been able to consistently improve/add to its physical infrastructure by a commitment to fiscal responsibility on the part of the College. Approximately \$55 million of new construction/renovations and land has been added to the campus since 1997 with only \$20.4 million of related debt issuance. These additions increased the floor capacity by well over 60%. The College's fiscal responsibility, having consistently generated solid operating surpluses, has not only enabled significant physical plant expansion but also enabled the College to maintain a relatively low tuition and fee structure.

Cost of Attendance

The average fall 2016 tuition and fees is approximately \$24,700 (for the most expensive curriculum) prior to discounting and other financial aid. Room and board (40% of our students) is slightly over \$10,000. This relatively low cost for a private institution is achieved through dedicated educator and staff initiatives, the strategic use of adjunct faculty, and efficient staffing of administrative offices. At the same time, the College has thrived and provided quality programs of education while maintaining a student to faculty ratio of 12.2.

Academic Excellence

Mount Aloysius College is not only recognized for its health studies majors but also for other career-centric programs. Pass rates for program related certification exams are high when compared to national averages. Examples include the following results: Medical Assistant 82% vs. national 69%; Nursing 92% vs. national 84%; Surgical Technology 91% vs. national 68%; Radiologic Technology 94% vs. national 89%; Physical Therapy Assistant 90% vs. national 94%; Medical Laboratory Technician 78% vs. national 78%; National Interpreter Certification 92% vs. national 78%; and National Counselor Examination 100% vs. national 90%. The College consistently receives positive rankings in various publications and has been ranked nationally. Recognitions include Military Friendly School Designation; Nurse Journal's Top Nursing Programs in Pennsylvania Designation; Named an "Engine of Opportunity" by the White House; Medical Imaging program ranked 15th nationally by ultrasoundtechnicianprograms.org; and RN to BSN program ranked 28th nationally by rntobsn.org.

Enrollment

Fall 2015 full time undergraduate enrollment dropped by approximately 78 students or -6%. The potential impact of the decrease in enrollment on the change in operating unrestricted net assets was mitigated by the cost savings measures that were implemented, resulting in a projected full accrual surplus. The College is also taking active steps to increase applications, acceptances, and yield for fall 2016 and all categories are currently tracking ahead of last year at this time. The Strategic Enrollment Management Plan is guiding several of the new enrollment initiatives and contains both short term and long term initiatives.

Results from Operations

The College has enjoyed several years of strong financial performance with resultant increases in unrestricted cash and investments. At June 30, 2015, the College had \$73.5 million in expendable resources, equal to 2.04x operations and 4.17x outstanding debt. Cash and investments are at \$78.6 million as of June 30, 2015, equal to 2.2x operations and 4.4x outstanding debt. The operating surplus for fiscal 2015 was \$2 million, which was equal to a 4.93% margin. The College has generated cash flow surpluses from operations of approximately \$5 million over the last several years and cash flow from operations at June 30, 2015 was \$5.9 million. The College is well situated to move forward into the future with its strong financial resources, most of which are unrestricted.

Conclusion

The College is committed to being a change agent, bringing new comprehensive programs of study to students as society and its needs evolve. It is committed to a cost structure which is affordable for students and does not create significant debt, all the while providing an environment conducive to preparing a diverse student population for both professional and personal competencies by providing the necessary resources to ensure these outcomes.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF MOUNT ALOYSIUS COLLEGE FOR THE FISCAL
YEARS ENDED JUNE 30, 2015 AND 2014

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Mount Aloysius College

Financial Statements

June 30, 2015 and 2014



BAKER TILLY

Candor. Insight. Results.

Mount Aloysius College

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June 30, 2015 and 2014

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Baker Tilly Virchow Krause, LLP
220 Regent Ct, Ste C
State College, PA 16801-7969
tel 814 237 6586
tel 800 267 9405
fax 888 264 9617
bakertilly.com

Independent Auditors' Report

Board of Trustees
Mount Aloysius College

We have audited the accompanying financial statements of Mount Aloysius College, which comprise the statement of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mount Aloysius College as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

State College, Pennsylvania
September 14, 2015

Mount Aloysius CollegeStatement of Financial Position
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 761,426	\$ 715,565
Accounts receivable:		
Student, net	472,635	525,147
Other	601,013	1,860,473
Contributions receivable, net	418,799	429,095
Inventory	182,243	235,741
Prepaid expenses and other current assets	432,698	441,524
Investments	10,844,736	16,734,917
	<hr/>	<hr/>
Total current assets	13,713,550	20,942,462
Noncurrent Assets		
Contributions receivable, net	618,394	961,079
Deferred financing costs, net	177,671	193,365
Investments	66,994,893	58,256,195
Student loans receivable	874,628	889,792
Collections	287,004	276,206
Plant assets, net	63,451,373	60,460,908
	<hr/>	<hr/>
Total assets	\$ 146,117,513	\$ 141,980,007
Liabilities and Net Assets		
Current Liabilities		
Current portion of bonds payable	\$ 5,500,000	\$ 5,500,000
Accounts payable	224,494	332,850
Construction accounts payable	105,390	14,728
Accrued payroll and related liabilities	1,386,985	1,206,188
Student deposits and prepayments	714,301	704,354
Other accrued liabilities	104,178	173,798
	<hr/>	<hr/>
Total current liabilities	8,035,348	7,931,918
Noncurrent Liabilities		
Bonds payable	12,063,785	12,561,776
Interest rate swaps payable	1,199,579	1,183,824
Annuities payable	107,058	110,501
Advance from federal government for student loans	1,083,607	1,065,598
	<hr/>	<hr/>
Total liabilities	22,489,377	22,853,617
Net Assets		
Unrestricted:		
Designated for plant facilities and other specific purposes	70,780,951	67,365,862
Quasi-endowment funds	29,185,960	24,559,922
Loan funds	97,216	97,216
Other unrestricted	16,555,254	20,178,514
	<hr/>	<hr/>
Total unrestricted net assets	116,619,381	112,201,514
Temporarily Restricted	2,731,936	3,032,929
Permanently Restricted	4,276,819	3,891,947
	<hr/>	<hr/>
Total net assets	123,628,136	119,126,390
	<hr/>	<hr/>
Total liabilities and net assets	\$ 146,117,513	\$ 141,980,007

See notes to financial statements

Mount Aloysius College

Statement of Activities

Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Changes in Unrestricted Net Assets		
Operating Revenues and Other Additions		
Tuition and fees, net	\$ 23,079,775	\$ 22,947,174
Federal grants	522,845	551,528
State grants	456,173	465,748
Contributions and private grants	442,932	793,959
Auxiliary enterprises	5,177,001	5,056,660
Other	117,774	78,495
Net assets released by satisfaction of program and plant acquisition restrictions	<u>572,319</u>	<u>379,424</u>
Total operating revenues and other additions	<u>30,368,819</u>	<u>30,272,988</u>
Expenses		
Instructional	9,912,152	9,356,188
Academic support	2,175,428	2,114,470
Student services	5,570,705	5,001,672
General administration	4,915,232	4,615,313
General institutional	1,539,661	1,418,158
Student aid	585,035	549,081
Auxiliary enterprises	<u>3,667,624</u>	<u>3,406,616</u>
Total operating expenses	<u>28,365,837</u>	<u>26,461,498</u>
Increase in operational unrestricted net assets	<u>2,002,982</u>	<u>3,811,490</u>
Nonoperating Activities		
Investment income	2,188,391	6,244,305
Capital grants, state	246,396	2,957,725
Change in value of interest rate swaps	(15,755)	77,315
Change in value of split-interest agreements	<u>(4,147)</u>	<u>8,919</u>
Total nonoperating changes	<u>2,414,885</u>	<u>9,288,264</u>
Increase in unrestricted net assets	<u>4,417,867</u>	<u>13,099,754</u>
Changes in Temporarily Restricted Net Assets		
Contributions	44,440	527,147
Investment income	226,886	824,885
Net assets released by satisfaction of program and plant acquisition restrictions	<u>(572,319)</u>	<u>(379,424)</u>
(Decrease) increase in temporarily restricted net assets	<u>(300,993)</u>	<u>972,608</u>
Changes in Permanently Restricted Net Assets		
Contributions	<u>384,872</u>	<u>199,082</u>
Change in Net Assets	<u>4,501,746</u>	<u>14,271,444</u>
Net Assets, Beginning of Year	<u>119,126,390</u>	<u>104,854,946</u>
Net Assets, End of Year	<u>\$ 123,628,136</u>	<u>\$ 119,126,390</u>

See notes to financial statements

Mount Aloysius College

Statement of Cash Flows

Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 4,501,746	\$ 14,271,444
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,596,912	2,158,939
Loss on disposal of property and equipment	2,542	1,289
In-kind contributions of collections	(10,798)	(2,491)
Realized and unrealized gains on investments	(525,396)	(4,888,860)
State grants for capital purposes	(246,396)	(2,957,725)
Change in value of interest rate swaps	15,755	(77,315)
Change in value of split-interest agreements	4,147	(8,919)
Contributions restricted for long-term investment	(429,312)	(725,229)
Changes in assets and liabilities:		
Accounts receivable, student	52,512	16,960
Accounts receivable, other	(91,704)	65,207
Inventory	53,498	(1,467)
Prepaid expenses and other current assets	8,826	(120,551)
Accounts payable	(108,356)	(327,972)
Accrued payroll and related liabilities	180,797	95,417
Student deposits and prepayments	9,947	215,946
Other accrued liabilities	(69,620)	98,411
Net cash provided by operating activities	<u>5,945,100</u>	<u>7,813,084</u>
Cash Flows from Investing Activities		
Proceeds from sales of investments	28,727,908	29,472,799
Purchases of investments	(31,051,029)	(34,660,867)
Proceeds from sales of plant assets	8,300	-
Purchases of plant assets	(5,491,863)	(7,950,257)
Payments on student loans receivable	187,964	180,255
Student loans advanced	(172,800)	(316,450)
Net cash used in investing activities	<u>(7,791,520)</u>	<u>(13,274,520)</u>
Cash Flows from Financing Activities		
Payments on bonds payable	(497,991)	(397,990)
Proceeds from contributions for capital purposes and scholarships	400,561	218,735
Proceeds from contributions restricted for long-term investments	381,732	98,234
Proceeds from capital grants	1,597,560	5,425,867
Net (borrowings) repayments from refundable advances from government agencies	18,009	242,179
Payment of annuity obligations	(7,590)	(7,590)
Net cash provided by financing activities	<u>1,892,281</u>	<u>5,579,435</u>
Net Increase in Cash and Cash Equivalents	45,861	117,999
Cash and Cash Equivalents, Beginning of Year	<u>715,565</u>	<u>597,566</u>
Cash and Cash Equivalents, End of Year	<u>\$ 761,426</u>	<u>\$ 715,565</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest (excluding capitalized interest of \$47,801, and \$391,377, respectively)	<u>\$ 641,746</u>	<u>\$ 299,324</u>
Supplemental Disclosure of Noncash Investing Activities		
Plant assets included in accounts payable and retainage payable	<u>\$ 105,390</u>	<u>\$ 14,728</u>

See notes to financial statements

Mount Aloysius College

Notes to Financial Statements

June 30, 2015 and 2014

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Mount Aloysius College (the "College"), founded by the Religious Sisters of Mercy, is a coeducational, independent college located in Cresson, Pennsylvania. The College awards grants-in-aid and scholarships from its unrestricted and temporarily restricted net assets to individuals who meet the College's academic standards. The amounts of such awards are determined primarily based upon the academic performance of each applicant. Additional financial aid is provided to students from federal and state programs in which the College participates and from monies contributed to the College by alumni and friends.

During the years ended June 30, 2015 and 2014, the College provided student financial aid from internal resources of approximately \$7,368,000 and \$6,828,000, respectively, which represented 24% and 23% of gross tuition and fee revenue. During the years ended June 30, 2015 and 2014, the College provided student financial aid from monies contributed to the College by alumni and friends of approximately \$232,000 and \$215,000, respectively.

The College evaluated subsequent events for recognition or disclosure through September 14, 2015, the date the financial statements were issued.

Basis of Presentation

The financial statements of the College have been prepared on the accrual basis of accounting.

These financial statements present financial information showing the financial position, the activities, and the cash flows of the College reflecting the presence or absence of donor-imposed restrictions. Accordingly, the amounts of net assets are classified according to the nature of restrictions, as follows:

Permanently Restricted Net Assets - Net assets which are subject to donor-imposed restrictions that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets - Net assets which are subject to donor-imposed restrictions that will be met when expenditures are made for the designated purposes or with passage of time. The expiration of temporary restrictions on net assets is reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions and temporarily restricted endowment income whose restrictions are not met in the same period as received or earned are reported as increases in temporarily restricted net assets.

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions.

Reclassifications

Certain amounts on the statement of financial position relating to 2014 have been reclassified to conform to the 2015 reporting format.

Mount Aloysius College

Notes to Financial Statements
June 30, 2015 and 2014

Use of Estimates

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

Accounts Receivable, Students

Accounts receivable, students are reported at net realizable value. Accounts receivable, students are not collateralized. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based on the College's historical losses and periodic review of individual accounts.

Investments

Equity securities with readily determinable fair values and debt securities are valued at fair value based on quoted market prices as reported by the College's investment custodians. Adjustments to reflect increases or decreases in market value, referred to as unrealized gains and losses, are reported in the statement of activities.

The cost of investments received as gifts is fair value as determined upon receipt. The cost of investments sold is determined by use of the specific identification method.

All realized and unrealized gains and losses arising from the sale or appreciation (depreciation) in fair value of investments, and all income from investments, are reported as changes in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor-imposed stipulations, or by law.

Alternative investments, representing ownership in limited liability companies are valued at the net asset value of the underlying holdings.

Certificates of deposit are valued using cost which approximates fair value.

Investments are classified as current assets in the statement of financial position if liquidation of the investments is anticipated within the next twelve months to meet operating needs.

The College's principal financial instruments subject to credit risk are its investments. The investments are managed by professional advisors subject to the College's investment policy. The degree and concentration of credit risk varies by type of investment. The fair values reported in the statement of financial position are exposed to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near term.

Mount Aloysius College

Notes to Financial Statements

June 30, 2015 and 2014

Investment Policy

The College has a formal investment policy that enables it to utilize a portion of investment return for operating purposes. The Board of Trustees sets the level of distribution within the limitation imposed by Pennsylvania statute.

Plant Assets

Plant assets are stated at cost, if purchased, or fair market value at the date of gift, if donated, less accumulated depreciation, computed on a straight-line basis over their estimated useful lives: buildings (50 years); land improvements (20 years); building improvements (10 years); furniture, vehicles and miscellaneous equipment (7 years); telecommunications equipment (5 years); and computers (3 years). Library books are stated at cost and are depreciated on a straight-line basis over an estimated useful life of 10 years. Maintenance and repairs are charged to expense as incurred; replacements and betterments are capitalized.

Student Deposits and Prepayments

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

Derivative Financial Instruments

The College has entered into interest rate swap agreements, which are considered derivative financial instruments, to manage interest rate exposure on certain bonds payable. The interest rate swap agreements are reported at fair value in the statement of financial position, and related changes in fair value are reported currently in the statement of activities.

Advance from Federal Government for Student Loans

The College is a participant in the Perkins Loan and Nursing Student Loan federal programs, which make student loans available to eligible participants. These programs are funded by both the federal government and the College, with the portion estimated to be allocable to the federal government recorded as a liability in the statement of financial position, and the portion allocable to the College included in unrestricted net assets.

Nonoperating Activities

For the purpose of the statement of activities, the College considers its changes in unrestricted net assets to be operational changes, except for changes related to unrestricted net assets that have been designated by the Board of Trustees for endowment or plant, as well as all gains or losses on investments, gains or losses on disposal of plant assets, capital grants, changes in value of interest rate swaps, and changes in value of split-interest agreements.

Tuition and Fees

Tuition and fees are presented net of grants-in-aid; scholarships funded from internal resources and private contributions.

Mount Aloysius College

Notes to Financial Statements
June 30, 2015 and 2014

Government Grants

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

Advertising Costs

Advertising costs are expensed as incurred and amounted to approximately \$493,000 in 2015 and \$325,000 in 2014.

Fund-Raising Costs

Fund-raising costs are expensed as incurred and amounted to approximately \$397,000 in 2015 and \$364,000 in 2014. Fundraising costs are included in general administration in the statement of activities.

Promises to Give

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-adjusted interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue.

Conditional promises to give are promises for which donor-imposed conditions specify future and uncertain events whose occurrence or failure to occur release the donors from the obligation to transfer assets in the future. If and when such conditions have been substantially met, these promises cease to be conditional, and revenues are recorded, as appropriate.

Donor-Restricted Gifts

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classifications. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

For contributed property and equipment, and contributions restricted by donors for purchases of property and equipment, if donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, these types of contributions are recorded as unrestricted support.

Cash Flows

For the purposes of the statement of cash flows, the College considers all highly liquid financial instruments with original maturities of three months or less (excluding certain short-term instruments which are classified as investments) to be cash equivalents.

Mount Aloysius College

Notes to Financial Statements
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Income Taxes

The College is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

The College accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in fiscal 2015 and 2014.

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

The College's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

Title IV Requirements

The College participates in Government Student Financial Assistance Programs ("Title IV") administered by the U.S. Department of Education ("DOE") for the payment of student tuitions. Substantial portions of the revenue and collection of ending accounts receivable as of June 30, 2015 and 2014 are dependent upon the College's continued participation in the Title IV programs.

Institutions participating in the Title IV programs are also required by DOE to demonstrate financial responsibility. DOE determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in the regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score between 1.0 and 1.4 are subject to additional monitoring, and institutions receiving a score below 1.0 are required to submit financial guarantees in order to continue participation in the Title IV programs. As of June 30, 2015 and 2014 and for the years then ended, the College's composite score exceeded 1.5.

New Accounting Standards

In April 2013, the FASB issued ASU 2013-06, *Not-for-Profit Entities (Topic 958): Services Received from Personnel of an Affiliate*. This amendment requires a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Such services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if this measurement will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either the cost recognized by the affiliate for the personnel providing that service or the fair value of that service. This update was effective for the College's fiscal year beginning July 1, 2014. The guidance is prospective and the adoption of this ASU did not have a significant impact on the College's financial position or results of operations.

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In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities the Calculate Net Asset Value per Share (or Its Equivalent)*. This amendment was issued to address the diversity in practice relating to how certain investments measured at net asset value are categorized in the fair value hierarchy. The amendments in this Update remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. This Update also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. This update is effective for the College's fiscal year beginning July 1, 2016; early adoption is permitted. The College adopted the guidance for the fiscal year beginning July 1, 2014. The guidance is retrospective, and the adoption of this ASU did not have a significant impact on the College's financial position or results of operations.

2. Accounts Receivable, Student

Student accounts receivable represent amounts due for tuition, fees, and room and board from currently enrolled and former students. The College extends unsecured credit to students and parents of dependent students in connection with their studies. Some of those students are no longer enrolled in the College.

Student accounts receivable consists of the following at June 30:

	<u>2015</u>	<u>2014</u>
Accounts receivable	\$ 753,345	\$ 802,479
Allowance for doubtful accounts	<u>(280,710)</u>	<u>(277,332)</u>
Total	<u>\$ 472,635</u>	<u>\$ 525,147</u>

3. Contributions Receivable

Contributions received, including unconditional promises, are recognized as revenue when the donor's commitment is received. Unconditional promises to be received after one year are recognized at the estimated present value of future cash flows, net of allowances (fair value).

Contributions receivable at June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
In one year or less	\$ 423,608	\$ 434,248
Between one year and five years	640,025	996,186
Thereafter	-	2,000
Less, Discount	<u>(26,440)</u>	<u>(42,260)</u>
Total	<u>\$ 1,037,193</u>	<u>\$ 1,390,174</u>

The net present value of these cash flows was determined by using risk-adjusted discount rates between .5% and 3.0% to account for the time value of money for 2015 and 2014.

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The College has not provided an allowance for doubtful collections at June 30, 2015 and 2014. Management believes no allowance is necessary based upon previous experience with these donors and information currently known. However, events impacting donors can occur in subsequent years that may cause a material change in the allowance.

4. Student Loans Receivable

Student loans are made with funds advanced to the College by the federal government under the Perkins Loan and Nursing Student Loan programs (the "Programs"). Such funds may be reloaned by the College after collection, but in the event that the College no longer participates in the Programs, the amounts are refundable to the federal government. The federal government's portion of these funds at June 30, 2015 and 2014 was \$1,083,607 and \$1,065,598, respectively.

The prescribed practices for the Programs do not provide for accrual of interest on student loans receivable or for a provision for doubtful loans. Accordingly, interest on loans is recorded as received; uncollectible loans are not recognized until the loans are canceled or written off in conformity with Perkins Loan and Nursing Student Loan Program requirements. The impact of recording interest income on a cash basis is not considered significant. In addition, the credit quality of the student is not evaluated after the initial approval and calculation of the loans. Delinquent loans and the allowance for losses on loans receivable are reviewed by management, but are not material to the overall financial statements.

5. Fair Value Measurements, Investments and Other Financial Instruments

The College measures its investments and interest rate swap payable at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance established for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the College for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the same term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

Mount Aloysius College

Notes to Financial Statements

June 30, 2015 and 2014

The following tables present the financial instruments measured at fair value as of June 30, 2015 and 2014 by caption on the statement on financial position by the valuation hierarchy defined above:

	2015			Total Fair Value
	Level 1	Level 2	Level 3	
Assets Reported at Fair Value:				
Investments:				
Cash and cash equivalents	\$ 13,249,940	\$ -	\$ -	\$ 13,249,940
Certificates of deposit	-	554,696	-	554,696
Equity mutual funds:				
Large cap	21,741,694	-	-	21,741,694
Small/Mid cap	4,570,836	-	-	4,570,836
International	12,541,423	-	-	12,541,423
Fixed income mutual funds:				
Core fixed income	3,608,840	-	-	3,608,840
High yield bond	5,474,472	-	-	5,474,472
Emerging markets debt	1,741,393	-	-	1,741,393
TIPS bond	1,010,691	-	-	1,010,691
Opportunistic	722,793	-	-	722,793
Short-term	715,881	-	-	715,881
Mutual fund,				
Fixed income (common fund)	-	3,807,528	-	3,807,528
U.S. government and agency obligations	-	2,841,991	-	2,841,991
Privately held stock	-	-	100,015	100,015
	<u>\$ 65,377,963</u>	<u>\$ 7,204,215</u>	<u>\$ 100,015</u>	<u>72,682,193</u>
				<u>5,157,436</u>
Alternative investments reported at net asset value				<u>5,157,436</u>
				<u>\$ 77,839,629</u>
Liabilities Reported at Fair Value,				
Interest rate swaps payable	\$ -	\$ 1,199,579	\$ -	\$ 1,199,579
Assets Disclosed at Fair Value:				
Contributions receivable, net	\$ -	\$ -	\$ 1,037,193	\$ 1,037,193
Student loans receivable	-	874,628	-	874,628
	<u>\$ -</u>	<u>\$ 874,628</u>	<u>\$ 1,037,193</u>	<u>\$ 1,911,821</u>
Liabilities Disclosed at Fair Value:				
Bonds payable, fixed rate (carrying value of \$4,963,785)	\$ -	\$ 4,439,495	\$ -	\$ 4,439,495
Bonds payable, variable rate	-	12,624,827	-	12,624,827
Advance from federal government for student loans	-	1,083,607	-	1,083,607
	<u>\$ -</u>	<u>\$ 18,147,929</u>	<u>\$ -</u>	<u>\$ 18,147,929</u>
Total liabilities	<u>\$ -</u>	<u>\$ 18,147,929</u>	<u>\$ -</u>	<u>\$ 18,147,929</u>

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Notes to Financial Statements
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	2014			
	Level 1	Level 2	Level 3	Total Fair Value
Assets Reported at Fair Value:				
Investments:				
Cash and cash equivalents	\$ 14,676,684	\$ -	\$ -	\$ 14,676,684
Certificates of deposit	-	4,833,406	-	4,833,406
Equity mutual funds:				
Large cap	18,645,151	-	-	18,645,151
Small/Mid cap	4,087,871	-	-	4,087,871
International	11,070,035	-	-	11,070,035
Fixed income mutual funds:				
Core fixed income	3,223,376	-	-	3,223,376
High yield bond	3,567,612	-	-	3,567,612
Emerging markets debt	1,594,644	-	-	1,594,644
TIPS bond	866,700	-	-	866,700
Opportunistic	585,702	-	-	585,702
Short-term	576,648	-	-	576,648
Mutual fund, Fixed income (common fund)	-	3,775,511	-	3,775,511
U.S. government and agency obligations	-	2,858,273	-	2,858,273
Total investments/assets by valuation hierarchy	<u>\$ 58,894,423</u>	<u>\$ 11,467,190</u>	<u>\$ -</u>	70,361,613
Alternative investments reported at net asset value				<u>4,629,499</u>
Total investments/assets				<u>\$ 74,991,112</u>
Liabilities Reported at Fair Value,				
Interest rate swaps payable	<u>\$ -</u>	<u>\$ 1,183,824</u>	<u>\$ -</u>	<u>\$ 1,183,824</u>
Assets Disclosed at Fair Value:				
Contributions receivable, net	\$ -	\$ -	\$ 1,390,174	\$ 1,390,174
Student loans receivable	-	889,792	-	889,792
Total assets	<u>\$ -</u>	<u>\$ 889,792</u>	<u>\$ 1,390,174</u>	<u>\$ 2,279,966</u>
Liabilities Disclosed at Fair Value:				
Bonds payable, fixed rate (carrying value of \$4,938,958)	\$ -	\$ 4,374,593	\$ -	\$ 4,374,593
Bonds payable, variable rate	-	13,122,818	-	13,122,818
Advance from federal government for student loans	-	1,065,598	-	1,065,598
Total liabilities	<u>\$ -</u>	<u>\$ 18,563,009</u>	<u>\$ -</u>	<u>\$ 18,563,009</u>

Valuation Methodologies

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value and for financial instruments disclosed at fair value. The College has a number of other financial instruments. The College estimates that the fair value of all financial instruments as of June 30, 2015 and 2014 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The fair values of financial instruments were determined as follows:

Cash and cash equivalents, certificates of deposit, accounts receivables, accounts payable, accrued and other liabilities and contributions receivable to be received in less than one year: The carrying amounts approximate fair value because of the short maturity of those financial instruments.

Contributions receivable to be received in more than one year: The fair value is estimated based on future cash flows discounted at rates between .5% and 3.0%.

Investments: The valuation methodology of utilizing closing prices in an active exchange market was applied to mutual funds. The Common Fund and U.S. government and agency obligations are valued based on quoted prices of similar assets, with similar terms, in actively traded markets and are measured using Level 2 inputs. The certificates of deposit were measured using Level 2 inputs in which cost approximates fair value. The privately held stock was measured using Level 3 inputs utilizing an income approach.

Alternative Investments: The investments in limited liability companies represent investments in offshore hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The Special Situations Fund offers continual exposure to unique higher return investment opportunities through a fluid structure that adapts to changes in markets and corresponding opportunities. The Structured Credit Fund's strategy seeks to make investments that generate high absolute returns, have low correlation to traditional and other alternative asset classes, have minimal interest rate risk and are highly transparent. The Core Property Fund will seek to invest in a diversified set of private equity real estate funds. Investments will primarily be in open-ended funds with evergreen structures. The Absolute Return Fund is a share class that invests in a diversified basket of hedge fund managers and strategies in order to achieve a long-term, fixed income-like return with less volatility and limited correlation to traditional assets classes. The Strategic Return Fund is a share class that invests in a diversified basket of hedge fund managers and strategies in order to achieve a long-term, equity-like return with less volatility and moderate correlation to traditional asset classes. The Special Situations Fund had a two year redemption restriction, which lapsed December 31, 2012. The College may redeem shares after December 31, 2012, in whole or in part, on 95 days prior written notice as of the last business day on a semi-annual basis (June, December). The Core Property Fund may redeem shares as of the last business day of any calendar quarter with a 65 day prior written notice. There is no lock up period. The Structured Credit Fund had a two year redemption restriction which lapsed March 31, 2014. The College may redeem shares after March 31, 2014 as of the last business day of any calendar quarter with a 65 day prior written notice. The Absolute Return and Strategic Return Funds had two year redemption restrictions which lapsed March 31, 2014. The College may redeem shares after March 31, 2014 as of the last business day of any calendar year with a 65 day prior written notice. All funds have a 10% hold back provision which lapses after audited financial statements are issued. The College does not have any remaining unfunded commitments related to these investments.

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The College measures the fair value for these alternative investments based on net asset value (“NAV”) as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a significantly different value. If not determined as of the College’s measurement date, NAV is adjusted to reflect any significant events that would materially affect the security’s value. Certain attributes that impact the security’s fair value may not be reflected in NAV, including, but not limited to, the investor’s ability to redeem the investment at the measurement date and unfunded purchase commitments. If the College sold all or a portion of its alternative investments, it is reasonably possible that the transaction value could differ significantly from the estimated fair value at the measurement date, because of the nature of the investments, changes in market conditions and the overall economic environment. In accordance with Subtopic 820-10, investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Student loans receivable and advance from federal government for student loans: The fair value of these loans receivable and advances from the federal government are based upon management’s best estimate of the indicated future cash flows and interest rates required by market participants.

Bond payable: The carrying value of the bonds approximate fair value as a result of the variable interest rate feature of the bond series. The fair value of fixed rate bonds payable was estimated using discounted cash flow analysis based on the College’s incremental borrowing rate for debt instruments with comparable maturities.

Interest rate swap agreements: The valuation methodology consisted of measurements based on mid-market valuations derived from proprietary models.

The privately held stock was immaterial to the overall investment portfolio as of June 30, 2014 therefore a Level 3 reconciliation is not presented in these financial statements.

The following summarizes the composition of investment return for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 1,889,881	\$ 2,180,330
Realized gains	3,335,202	917,977
Unrealized (losses) gains	(2,809,806)	3,970,883
Investment fees, included in general administration	(294,350)	(270,117)
Net investment return	<u>\$ 2,120,927</u>	<u>\$ 6,799,073</u>

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6. Plant Assets

The composition of plant assets was as follows at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land	\$ 1,674,575	\$ 1,674,575
Land improvements	8,279,766	7,526,828
Buildings	76,426,831	74,721,247
Building improvements	10,621,014	7,727,428
Furniture and equipment	7,934,882	8,154,886
Library books	2,984,639	2,908,627
Construction in progress	29,469	286,864
Total	107,951,176	103,000,455
Accumulated depreciation	<u>(44,499,803)</u>	<u>(42,539,547)</u>
Total	<u>\$ 63,451,373</u>	<u>\$ 60,460,908</u>

The College provides for depreciation using the straight-line method based on lives, which, in the opinion of management, are adequate to allocate asset costs over their productive years. Depreciation expense was approximately \$2,581,000 in 2015 and \$2,152,000 in 2014.

7. Bonds Payable

Bonds payable at June 30, 2015 and 2014 are comprised of the following issues:

	<u>2015</u>	<u>2014</u>
Revenue Bonds, Series 2003 L3, due in varying annual installments beginning June 2012 through June 2028, weekly variable interest at a maximum of 12% (4.15% at June 30, 2015)	\$ 4,600,000	\$ 4,800,000
Revenue Bonds, Series 2001 I5, due in varying annual installments beginning November 2008 through November 2021, weekly variable interest rate at a maximum of 12% (3.98% at June 30, 2015)	2,600,000	2,800,000
Revenue Bonds, Series 1998 C-3, due in annual installments of \$100,000 beginning December 2007 through November 2018, weekly variable interest rate at a maximum of 12% (3.90% at June 30, 2015)	400,000	500,000

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	<u>2015</u>	<u>2014</u>
Revenue Bonds, Series 2011 JJ1, due in varying annual installments beginning November 2028 through November 2035, with interest at 5%	\$ 5,000,000	\$ 5,000,000
Revenue Bonds, Series 2011 R1, due in varying annual installments beginning November 2036 through November 2041, with interest at .85% through April 2016 at which time the term rate will reset	5,000,000	5,000,000
Unamortized bond discount, net	<u>(36,215)</u>	<u>(38,224)</u>
Total	17,563,785	18,061,776
Current portion	(1) <u>(5,500,000)</u>	<u>(5,500,000)</u>
Long-term	<u>\$ 12,063,785</u>	<u>\$ 12,561,776</u>

- (1) Includes \$5,000,000 of Revenue Bonds, Series 2011 R1 scheduled to have a mandatory tender at the end of a mode period (April 2016) and remarketed in a mode selected by the College, pursuant to the bond indenture associated with such bonds. In the event any such bonds were unable to be remarketed, the College would be required to purchase the bonds. Scheduled debt service payments on the Revenue Bonds, Series 2011 R1 begin in fiscal year ending June 30, 2037 and mature fiscal year ending June 30, 2042.

The aggregate future scheduled principal payments on bonds payable at June 30, 2015, is as follows:

Years ending June 30:	
2016	\$ 500,000
2017	497,991
2018	497,991
2019	597,991
2020	597,991
Thereafter	<u>14,871,821</u>
Total	<u>\$ 17,563,785</u>

The indentures of the Revenue Bonds, Series 2003 L3, 2001 I5, 1998 C-3, 2011 JJ1, and 2011 R1 requires the College to pledge as collateral its unrestricted gross revenues not previously pledged. Series 2003 L3, 2001 I5, and 1998 C-3 are backed by individual letters of credit in amounts equal to the outstanding balances of the bonds, plus accrued interest. These letters of credit require payment of additional fees (1.0% of bonds payable at June 30, 2015). The letters of credit expire on August 15, 2016; bond agreements require that the letters of credit be maintained through the term of the related debt. In the event of a draw on the letters of credit principal repayment is due at the expiration of the letters of credit. Series 2011 JJ1 and 2011 R1 were issued based on the College's credit rating and are not backed by letters of credit.

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The Revenue Bonds, Series 2003 L3, 2001 I5, 1998 C-3 are subject to remarketing agreements. The failure to remarket Series 2003 L3, 2001 I5 and 1998 C-3 bonds is not considered to be an event of default under the letter of credit agreements. If the remarketing agent does not position the bonds that cannot be remarketed, the bank provides that the letter of credit will purchase the bonds. A default on the letter of credit agreement would occur if the issuer failed to repay the amounts outstanding on the letter of credit or failed to meet certain nonfinancial requirements.

The Revenue Bonds, Series 2011 R1 bonds bear interest based on one of three rate modes at the election of the College as defined below. The three rates are the weekly rate, Libor-CUBBS rate and the term rate. The weekly rate is based on the current market rate determined by the remarketing agent. If the remarketer is unable to determine the weekly rate it shall be 135% of the SIFMA Municipal Swap Index published for that week. In no case will the rate exceed the maximum rate of 10% per annum based on a 365-day year. The weekly rate period means the seven-day period commencing on the first Thursday following the corresponding weekly rate calculation date. The Libor-CUBBS rate shall be determined by the remarketing agent on the Libor-CUBBS rate calculation date and shall be equal to the applicable percentage multiplied by the sum of Libor plus the applicable spread. In no case will the rate exceed the maximum rate of 20% per annum based on a 365-day year. The Libor-CUBBS rate period means two or more consecutive semiannual periods. The term rate shall be determined by the remarketing agent taking into account the lowest rate financial market conditions that would enable the bonds to be sold in a secondary market. In no case will the rate exceed the maximum rate of 15% per annum based on a 360-day year. The term rate period means two or more consecutive semiannual periods. The College chose in October 2014 the term rate option at .85% with a term period end of April 2016.

The Revenue Bonds, Series 2011 R1 are subject to a remarketing agreement in which they can be redeemed on demand while in the weekly mode or at the end of the period when in the Libor-CUBBS or term mode. In addition, at the end of a term rate period or Libor-CUBBS rate period the bonds are subject to mandatory tender by the bond holders. At that time the College may choose to convert to one of the other rate options detailed above. There is no individual letter of credit backing the Series 2011 R1 bonds. In the event the bonds were unable to be remarketed at the end of the term period the College would be required to purchase the bonds and are therefore presented as current in the statement of financial position.

Series 2011 JJ1 is not subject to a remarketing agreement.

Interest expense was approximately \$644,000 in 2015 and \$300,000 in 2014. Capitalized interest was \$47,801 in 2015 and \$391,377 in 2014.

The College is required to meet certain financial covenants under the bond issues.

8. Pension Plan

The College sponsors a defined contribution pension plan. Pension expense related to this plan was approximately \$570,000 in 2015 and \$578,000 in 2014.

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9. Operating Leases

The College leases fitness equipment under an operating lease having noncancellable lease terms exceeding one year at June 30, 2015. Total rents paid under this lease approximated \$71,665 for the years ended June 30, 2015 and 2014. Future minimum payments required under this lease by year and in the aggregate at June 30, 2015 follow:

Year ending June 30:	
2016	<u>\$ 71,665</u>

10. Net Assets

Temporarily restricted net assets are available for the following purposes or in future periods as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Gifts available for capital purposes	\$ 818,837	\$ 1,073,789
Gifts available for scholarships and other academic purposes	83,195	115,717
Other amounts available for use in future years	136,979	172,864
Accumulated income and gains on permanently restricted net assets	<u>1,692,925</u>	<u>1,670,559</u>
Total	<u>\$ 2,731,936</u>	<u>\$ 3,032,929</u>

Permanently restricted net assets are related to the following as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Permanently restricted contributions receivable	\$ 126,885	\$ 123,745
Investments to be held in perpetuity by donor stipulations or by Pennsylvania law, the income from which is generally available for scholarships (Note 12)	<u>4,149,934</u>	<u>3,768,202</u>
Total	<u>\$ 4,276,819</u>	<u>\$ 3,891,947</u>

Net assets are released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events specified by the donors. Net assets released from restrictions consisted of the following as of June 30, 2015 and 2014, respectively:

	<u>2015</u>	<u>2014</u>
Endowment spending policy	\$ 204,504	\$ 172,980
Capital purchases	229,520	132,492
Scholarships and academics	<u>138,295</u>	<u>73,952</u>
Total	<u>\$ 572,319</u>	<u>\$ 379,424</u>

11. Endowment Funds

The College's endowment consists of approximately 90 donor-restricted individual funds established primarily for scholarships. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

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

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The College expects its endowment funds, over time, to provide an average rate of return which is at least equal to the spending rate plus inflation. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Mount Aloysius College

Notes to Financial Statements

June 30, 2015 and 2014

Commonwealth of Pennsylvania law permits the College to allocate to income each year a portion of endowment return. The law allows non-profit organizations to spend a percentage of the market value of their endowment funds, including realized and unrealized gains. The percentage, which by law must be between 2% and 7%, is elected annually by the Board of Trustees. The endowment market value is determined based on an average spanning three years. The College's policy for fiscal years 2015 and 2014 allowed for a payout of 4.25% and 4.0% of the three-year average balance, respectively, which is based on market value. In establishing this policy, the College considered the long-term expected return on its endowment. This is consistent with the College's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. Changes in endowment net assets for the fiscal years ended June 30, 2015 and 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2013	\$ 19,065,825	\$ 1,018,800	\$ 3,669,968	\$ 23,754,593
Investment return:				
Investment income	1,097,748	267,067	-	1,364,815
Net realized and unrealized appreciation (depreciation)	2,293,433	557,672	-	2,851,105
Total investment return	3,391,181	824,739	-	4,215,920
Contributions	-	-	98,234	98,234
Appropriation of endowment assets for expenditure	-	(172,980)	-	(172,980)
Transfers to create board-designated endowment funds	2,102,916	-	-	2,102,916
Change	5,494,097	651,759	98,234	6,244,090
Endowment net assets, June 30, 2014	24,559,922	1,670,559	3,768,202	29,998,683
Investment return:				
Investment income	592,856	131,579	-	724,435
Net realized and unrealized appreciation (depreciation)	428,670	95,291	-	523,961
Total investment return	1,021,526	226,870	-	1,248,396
Contributions	-	-	381,732	381,732
Appropriation of endowment assets for expenditure	-	(204,504)	-	(204,504)
Transfers to create board-designated endowment funds	3,604,512	-	-	3,604,512
Change	4,626,038	22,366	381,732	5,030,136
Endowment net assets, June 30, 2015	<u>\$ 29,185,960</u>	<u>\$ 1,692,925</u>	<u>\$ 4,149,934</u>	<u>\$ 35,028,819</u>

Mount Aloysius College

Notes to Financial Statements

June 30, 2015 and 2014

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or law requires the College to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies as of June 30, 2015 or 2014.

12. Government Grants and Student Aid

The government grants and student aid amounts reported do not include funds credited to students under various federal and state grant programs. These grants are similar to agency funds as the College acts only as custodian and disbursing agent. Had these amounts been included, revenues and expenses would have increased by \$5,338,000 in 2015 and \$5,614,000 in 2014.

13. Significant Group Concentration of Credit Risk

A significant portion of the College's business activity is with students located in Cambria County, Pennsylvania and surrounding communities. The College grants credit to its students for tuition and fees and the general public for contributions, if any.

The College maintains its cash accounts in commercial banks located in Pennsylvania. Accounts are insured by the Federal Deposit Insurance Corporation. From time to time the bank balances will exceed this coverage.

14. Contingencies

The College participates in a Private College Consortium (the "Consortium"), a cooperative effort between educational institutions to purchase medical services for their collective group. The Consortium uses "cost plus funding", a fully insured product provided by Highmark Blue Cross Blue Shield ("Highmark"). Under this arrangement, the Consortium pays a predetermined premium based on Highmark's underwriting projections. At the close of each contract period, Highmark calculates an amount by which the Consortium has either overfunded or underfunded its premium obligation. This calculation takes into consideration the premiums paid by the group, claims paid during the contract period, claims paid but not incurred during the contract period, claims incurred but not paid during the contract period, stop loss insurance, administrative expenses, and a reserve deposit. The Consortium limits its claims exposure through the purchase of stop loss insurance, which pays 100% of the sum of all actual claim payments for covered health benefits made to a covered individual in a policy year that exceed \$275,000, subject to a lifetime maximum of \$5,000,000. The College's share of the Consortium's surplus was approximately \$323,000 and \$528,000 at June 30, 2015 and 2014, respectively, which is retained by the Consortium for uncertainties. The College's premium payments to the Consortium amounted to approximately \$1,286,000 in 2015 and \$1,204,000 in 2014.

Mount Aloysius College

Notes to Financial Statements

June 30, 2015 and 2014

The College owns several buildings constructed prior to the passage of the Clean Air Act that may contain encapsulated asbestos material. Current law requires that this asbestos be removed in an environmentally safe manner prior to demolition or renovation of the buildings. The College has not recognized the asset retirement obligation for asbestos removal in its financial statements because it currently has no plans to demolish or renovate these buildings, and, as such, cannot reasonably estimate the fair value of the obligation. If plans change with respect to the use of the buildings and sufficient information becomes available to estimate the liability, it will be recognized at that time.

15. Interest Rate Swaps

The College entered into interest rate swap agreements, which are considered derivative financial instruments. The agreements, which are not designated as hedging instruments, were entered into in order to manage interest rate risk on certain bonds payable. The College does not utilize interest rate swaps or other similar financial instruments for trading or other speculative purposes. The counterparty, in fiscal years 2015 and 2014, for the swap agreements is PNC Bank, National Association ("PNC"). The counterparty is a major financial institution with which the College also has other financial relationships.

The principal objective of the swap agreements is to minimize the risks associated with financing activities by reducing the impact of changes in interest rates on variable rate debt. The swap agreements are contracts to exchange variable rate for fixed interest payments over the life of the swap agreements without the exchange of the underlying notional amounts. The notional amounts of the swap agreements are used to measure the interest to be paid or received and do not represent the amount of exposure to credit loss. Exposure to credit loss is limited to the receivable amount, if any, that may be generated as a result of the swap agreements.

Management believes that losses related to credit risk are remote. The net cash paid or received under the swap agreements is recognized as an adjustment to interest expense.

At June 30, 2015, the College had the following interest rate swaps in effect:

Notional amount	\$400,000
Strike rate	3.90%
Period	November 2007-November 2018
Notional amount	\$2,600,000
Strike rate	3.98%
Period	February 2007-November 2021
Notional amount	\$4,600,000
Strike rate	4.15%
Period	June 2008-May 2028

Mount Aloysius College

Notes to Financial Statements
June 30, 2015 and 2014

Fair Value of Derivative Instruments

As of June 30:	2015		2014	
	<u>Balance Sheet Location</u>	<u>Fair Value</u>	<u>Balance Sheet Location</u>	<u>Fair Value</u>
Derivative not designated as hedging instruments, Interest rate swaps	Noncurrent Liabilities	\$ 1,199,579	Noncurrent Liabilities	\$ 1,183,824

The effect of derivative instruments on the statement of activities for the year ended June 30, 2015 and 2014:

<u>Derivatives not Designated as Hedging Instruments</u>	<u>Location of Gain or (Loss) Recognized in Statement of Activities</u>	<u>Amount of Gain or (Loss) Recognized in Statement of Activities</u>	
		<u>2015</u>	<u>2014</u>
Interest Rate Swaps	Non-operating activities	\$ (15,755)	\$ 77,315

The PNC swap agreements extend to the maturity date of certain bonds payable as disclosed in Note 8. The terms of the PNC swap agreements provide for the notional amounts to decline in accordance with the amortization of the respective bonds payable.

The fair value of these swap agreements was recorded at amounts measured using mid-market valuations derived from proprietary models. The College would have paid \$1,199,579 and \$1,183,824 upon termination of the PNC swap agreements on June 30, 2015 and 2014, respectively. The changes in the value of interest rate swaps is reflected in the nonoperating activities section of the Statement of Activities decreasing unrestricted net assets by \$15,755 in 2015 and increasing unrestricted net assets by \$77,315 in 2014.

The net cash paid or received under the swap agreements is recognized as an adjustment to interest expense. As a result of the swap agreements, interest expense was increased by \$317,310 in 2015 and \$332,560 in 2014.

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APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "*Disclosure Agreement*") is made and entered into as of August 18, 2016, by and between MOUNT ALOYSIUS COLLEGE, a Pennsylvania nonprofit corporation (the "*Borrower*"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association, in connection with the issuance by the Pennsylvania Higher Educational Facilities Authority (the "*Issuer*") of its \$9,330,000 Revenue Bonds (AICUP Financing Program – Mount Aloysius College Project) Series 2016 OO4 (the "*Bonds*"). The Bonds are being issued pursuant to the terms of a Trust Indenture dated as of August 1, 2016 (the "*Indenture*") between the Issuer and The Bank of New York Mellon Trust Company, N.A., in its capacity as trustee for the holders of the Bonds (in such capacity, together with any successor trustee, the "*Trustee*").

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

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

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

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

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

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

"*Commonwealth*" shall mean the Commonwealth of Pennsylvania.

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

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

"*EMMA*" or the "*EMMA System*" shall mean the Electronic Municipal Market Access system maintained by the MSRB (or any successor electronic filing system established in accordance with the Rule for the submission of information required to be filed under the Rule). As of the date of this

Disclosure Agreement, information regarding submissions to the MSRB through EMMA is available at <http://emma.msrb.org/submission>.

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

"Issuance Date" means August 18, 2016, the date of issuance and delivery of the Bonds.

"Listed Event" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"Loan Agreement" shall mean the Loan Agreement, dated as of August 1, 2016, between the Borrower and the Issuer.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Obligated Person" shall mean, at any applicable time, each "obligated person" (as that term is defined in paragraph (f)(10) of the Rule) with respect to the Bonds. As of the Issuance Date, "Obligated Person" means the Borrower. The Borrower has determined that as of the Issuance Date, there are no "obligated persons" with respect to the Bonds for purposes of the Rule other than the Borrower, and that the Issuer is not an "obligated person" with respect to the Bonds for purposes of the Rule.

"Official Statement" means the Official Statement relating to the Bonds, dated August 10, 2016.

"Participating Underwriter" shall mean George K. Baum & Company, as the underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Repository" shall mean each nationally recognized municipal securities information repository for purposes of the Rule. The SEC has appointed EMMA as the sole Repository effective as of July 1, 2009.

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

"SEC" shall mean the United States Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

(a) In accordance with the requirements of the Rule, the Borrower shall deliver, or shall provide to the Dissemination Agent and shall cause the Dissemination Agent to deliver, to each Repository not later than 60 days after the date on which the Borrower's Board of Trustees shall have approved the Borrower's audited financial statements for the preceding fiscal year, commencing with the fiscal year ending June 30, 2016, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement; provided, that, in no event will the Borrower's audited financial statements be published by the Borrower later than nine (9) months following the end of the related fiscal year. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the financial statements of the Borrower may be submitted separately from the balance of the Annual Report and later than the date required

above for the filing of the Annual Report, if submitted in accordance with the provisions of Section 4. If the fiscal year of the Borrower changes, the Borrower shall give notice of such change in the same manner as for a Listed Event under Section 5.

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

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

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

(a) The audited financial statements of the Borrower for the prior fiscal year prepared in accordance with Generally Accepted Accounting Principles. If such financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain preliminary financial statements in a format similar to the financial statements contained in the Official Statement, and the final financial statements shall be filed in the same manner as the Annual Report when they become available. Notwithstanding the foregoing, the Borrower may change the accounting principles used for preparation of the audited financial statements so long as the Borrower includes, in its next Annual Report as part of the information set forth therein, a statement to the effect that different accounting principles are being used, stating the reason for such change and providing a method by which to compare the financial information provided by the differing financial accounting principles.

(b) Operating data and financial information regarding the Borrower for the prior fiscal year of the same type as included in Appendix A to the Official Statement under the headings "Student Profile" and "Tuition and Fees".

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Borrower is an Obligated Person, which have been filed with the Repository or the SEC. If the document included by reference is a final official statement, it must be available from the MSRB. The Borrower shall clearly identify each such other document so included by reference. In the event the Borrower's audited financial statements for the fiscal year which have been provided pursuant to Section 3 of this Disclosure Agreement together with audited financial statements for other fiscal years which have been filed with the Repository or SEC contain any of the information described in clause (b) above, the related requirement of this Section 4 shall be deemed to be satisfied with respect to including such information in the Borrower's Annual Report.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Borrower shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds (each, a "*Listed Event*") in a timely manner not in excess of ten (10) Business Days after the occurrence of the Listed Event:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements, if any, reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, if any, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of the registered owners and Beneficial Owners of the Bonds, if material;
- (viii) Bond calls (other than mandatory sinking fund redemption), if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the Borrower;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Listed Events listed in clauses (i) through (xiv) above are quoted from the Rule. Not all Listed Events listed above may be applicable to the Bonds.

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

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

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

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

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

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

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

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

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

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

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

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article X of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and applicable to the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and no further duties or responsibilities shall be implied. The Dissemination Agent shall not have any liability under, nor duty to inquire into the terms and provisions of, any agreement or instructions, other than as outlined in this Disclosure Agreement. The Dissemination Agent

may rely and shall be protected in acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. The Dissemination Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document. The Dissemination Agent shall not be liable for any action taken or omitted by it in good faith unless a court of competent jurisdiction determines that the Dissemination Agent's negligent or willful misconduct was the primary cause of any loss to the Borrower. The Dissemination Agent shall not incur any liability for following the instructions herein contained or expressly provided for, or written instructions given by the Borrower. In the administration of this Disclosure Agreement, the Dissemination Agent may execute any of its powers and perform its duties hereunder directly or through agents or attorneys and may consult with counsel, accountants and other skilled persons to be selected and retained by it. The Dissemination Agent shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons. The Dissemination Agent may resign and be discharged from its duties or obligations hereunder by giving notice in writing of such resignation specifying a date when such resignation shall take effect. Any corporation or association into which the Dissemination Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Dissemination Agent in its individual capacity shall be a party, or any corporation or association to which all or substantially all the corporate trust business of the Dissemination Agent in its individual capacity may be sold or otherwise transferred, shall be the Dissemination Agent under this Disclosure Agreement without further act. The Borrower covenants and agrees to hold the Dissemination Agent and its directors, officers, agents and employees (collectively, the "*Indemnitees*") harmless from and against any and all liabilities, losses, damages, fines, suits, actions, demands, penalties, costs and expenses, including out-of-pocket, incidental expenses, legal fees and expenses, the allocated costs and expenses of in-house counsel and legal staff and the costs and expenses of defending or preparing to defend against any claim ("*Losses*") that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction or other direction upon which the Dissemination Agent is authorized to rely pursuant to the terms of this Disclosure Agreement. In addition to and not in limitation of the immediately preceding sentence, the Borrower also covenants and agrees to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Dissemination Agent's performance under this Disclosure Agreement provided the Dissemination Agent has not acted with gross negligence or engaged in willful misconduct. Anything in this Disclosure Agreement to the contrary notwithstanding, in no event shall the Dissemination Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Dissemination Agent has been advised of such loss or damage and regardless of the form of action. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

To the Borrower:

Mount Aloysius College
7373 Admiral Peary Highway
Cresson, PA 16630
Attention: Donna Yoder
Vice President for Finance and Administration
Telecopier Number: 814-886-4655

To the Dissemination Agent:

The Bank of New York Mellon Trust Company, N.A.
Global Corporate Trust
1735 Market Street, 9th Floor AIM No. 193-0950
Philadelphia, PA 19103
Attention: Noreen Wichert
Telecopier Number: 215-553-6915/6919

To the Issuer:

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

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

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

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

[SIGNATURE PAGE FOLLOWS]

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

MOUNT ALOYSIUS COLLEGE

By: _____
Title: President

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

By: _____
Title: Authorized Signatory

This execution page is part of the Continuing Disclosure Agreement dated as of August 18, 2016 between Mount Aloysius College and The Bank of New York Mellon Trust Company, N.A., respecting the Pennsylvania Higher Educational Facilities Authority Revenue Bonds (AICUP Financing Program – Mount Aloysius College Project) Series 2016 OO4.

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Pennsylvania Higher Educational Facilities Authority
Name of Bond Issue: \$9,330,000 Pennsylvania Higher Educational Facilities
Authority Revenue Bonds (AICUP Financing Program –
Mount Aloysius College Project) Series 2016 OO4

CUSIP:

Date of Issuance: August 18, 2016

NOTICE IS HEREBY GIVEN that Mount Aloysius College has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated as of August 18, 2016.

Dated: _____

cc: Mount Aloysius College
Pennsylvania Higher Educational Facilities Authority

EXHIBIT B

FORM OF ACCEPTANCE OF DISSEMINATION AGENT'S DUTIES

_____ hereby accepts and assumes all of the duties and obligations as Dissemination Agent under that certain Continuing Disclosure Agreement, dated as of August 18, 2016, by and between Mount Aloysius College and The Bank of New York Mellon Trust Company, N.A. respecting the Pennsylvania Higher Educational Facilities Authority Revenue Bonds (AICUP Financing Program – Mount Aloysius College Project) Series 2016 OO4.

[NAME OF SUCCESSOR
DISSEMINATION AGENT]

Dated: _____ By: _____
Authorized Officer

cc: Pennsylvania Higher Educational Facilities Authority
Mount Aloysius College

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APPENDIX D

FORM OF OPINION OF CO-BOND COUNSEL

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[PROPOSED FORM OF OPINION OF CO-BOND COUNSEL]

Re: \$9,330,000 Pennsylvania Higher Educational Facilities Authority Revenue Bonds (AICUP Financing Program – Mount Aloysius College Project), Series 2016 OO4

Ladies and Gentlemen:

We have acted as Co-Bond Counsel to the Pennsylvania Higher Educational Facilities Authority (the “Issuer”) in connection with the issuance of \$9,330,000 aggregate principal amount of its Revenue Bonds (AICUP Financing Program – Mount Aloysius College Project), Series 2016 OO4 (the “Bonds”). The Bonds are issued under and pursuant to the provisions of the Pennsylvania Higher Educational Facilities Authority Act of 1967 (Act of December 6, 1967, P.L. 678, as amended) (the “Act”) and a Trust Indenture (the “Indenture”), dated as of August 1, 2016 between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The Bonds are being issued pursuant to a financing program sponsored by the Association of Independent Colleges and Universities of Pennsylvania to provide funds to be loaned to Mount Aloysius College (the “College”) to finance certain costs of a project (the “Project”) consisting of: (i) substantial renovations of and construction of a two-story, approximately 18,500 square-foot addition to the College’s Learning Center for Health, Science & Technology; (ii) miscellaneous capital expenditures; and (iii) the payment of certain costs of issuing the Bonds.

The Issuer and the College have entered into a Loan Agreement dated as of August 1, 2016 (the “Loan Agreement”) providing for the loan of the proceeds of the Bonds to the College to pay certain costs of the Project. Under the Loan Agreement the College is unconditionally obligated to make loan payments in the amounts and at the times necessary to pay, when due, the principal or redemption price of and interest on the Bonds. The Issuer has assigned certain of its interests under the Loan Agreement, including its right to receive payments thereunder in respect of the Bonds, to the Trustee for the benefit of the holders of the Bonds.

The College has represented in the Loan Agreement that it is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), is not a “private foundation” within the meaning of Section 509(a) of the Code, and is exempt from federal income tax under Section 501(a) of the Code. The College has covenanted that it will maintain its status as a 501(c)(3) organization under the Code and will take whatever actions are necessary to continue to be organized and operated in a manner which will preserve and maintain its status as an organization which is described in Section 501(c)(3) of the Code and exempt from federal income taxes under Section 501(a) of the Code (except as to unrelated business income).

The Code sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to remain excludable from the gross income of the owners of the Bonds for federal income tax purposes. The Issuer and the College have covenanted to comply with such requirements. Noncompliance with such requirements may cause the interest on the Bonds to be includible in the gross income of the owners of the Bonds for federal income tax purposes, retroactive

to the date of issue of the Bonds or as of some later date. Under the Loan Agreement, the College has covenanted that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103(a) of the Code. For the purposes of the opinions set forth below, we have assumed that the Issuer and the College will comply with the covenants set forth in the Loan Agreement relating to the tax-exempt status of the Bonds.

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

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

Based on the foregoing, it is our opinion that:

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

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

3. The issuance and sale of the Bonds have been duly authorized by the Issuer and, on the assumption as to execution and authentication stated above, such Bonds have been duly executed and delivered by the Issuer and authenticated by the Trustee, and are legal, valid and binding limited obligations of the Issuer entitled to the benefit and security of the Indenture, except as the rights created thereunder and enforcement thereof may be limited by bankruptcy, insolvency or other laws or equitable principles affecting the enforcement of creditors' rights generally.

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

5. Assuming the accuracy of the certifications of the Issuer and the College and their continuing compliance with the requirements of the Code, interest on the Bonds (including original issue discount on certain of the Bonds) is excludable from gross income for purposes of federal income taxation under existing laws as enacted and construed on the date hereof. Interest on the Bonds is not an

item of specific tax preference for purposes of either individual or corporate federal alternative minimum tax; however, interest on Bonds held by a corporation (other than an S corporation, regulated investment company or real estate investment trust) may be indirectly subject to corporate federal alternative minimum tax because of its inclusion in the adjusted current earnings of the corporate holder. We express no opinion regarding other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

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

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

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

Very truly yours,

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THE ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES OF PENNSYLVANIA*

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

* Neither AICUP nor any AICUP member (other than any AICUP member in its individual capacity as the Borrower of proceeds of a particular Series of Bonds) has any liability for the repayment of any Series of Bonds, or the loan of Bond proceeds to the Borrower.

