**NEW ISSUE – BOOK-ENTRY ONLY** | **Rating: S&P: "A" Stable Outlook (See "RATING" herein)**

*In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the 2016 Bonds (including, in the case of 2016 Bonds sold at an original issue discount, the difference between the initial offering price and par) is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that interest on the 2016 Bonds is not a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of Federal individual or corporate alternative minimum taxes. The Bonds, and the interest income therefrom, are free from taxation for purposes of personal income, corporate net income and personal property taxes within the Commonwealth of Pennsylvania. (See "TAX EXEMPTION" herein.)*

Pennsylvania College of Technology
PENNSTATE
1855

# $56,665,000
# LYCOMING COUNTY AUTHORITY
## College Revenue Bonds, Series of 2016 (Pennsylvania College of Technology)

**DATED:** Date of Delivery

**DUE:** October 1, as shown on inside front cover
**FIRST INTEREST PAYMENT:** October 1, 2016

The Lycoming County Authority College Revenue Bonds, Series of 2016 (Pennsylvania College of Technology) (the "2016 Bonds") are issuable as fully registered bonds without coupons, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the 2016 Bonds. Purchases of the 2016 Bonds will be made in book-entry form. Purchasers will not receive certificates representing their beneficial ownership interest in the 2016 Bonds. References herein to the registered owners of the 2016 Bonds shall mean Cede & Co., as aforesaid, and shall not mean the actual purchasers of the 2016 Bonds. See "THE 2016 BONDS -- Book-Entry Only System" herein.

Interest on the 2016 Bonds is payable initially on October 1, 2016 and semiannually thereafter on each April 1 and October 1. The 2016 Bonds are issuable only in registered form without coupons in denominations of $5,000 or any integral multiple thereof. Interest on the 2016 Bonds will be paid by check or draft mailed, or under certain conditions by wire transfer, to the persons in whose names such 2016 Bonds are registered at the close of business on the Regular Record Date (as defined herein). Principal of the 2016 Bonds will be payable at the designated agency office of The Bank of New York Mellon Trust Company, N.A., as Trustee, or at the designated office of any successor trustee.

**The 2016 Bonds are limited obligations of the Lycoming County Authority (the "Authority"), and are not a debt of the County of Lycoming, the Commonwealth of Pennsylvania or any political subdivision thereof and are payable solely from the sources referred to in the Indenture and in the 2016 Bonds as described herein. Neither the general credit of the Authority nor the credit or taxing power of the County of Lycoming, the Commonwealth of Pennsylvania or any political subdivision thereof is pledged to the payment of the principal or redemption price of, or interest on, the 2016 Bonds. The Authority has no taxing power.**

The 2016 Bonds are subject to optional, mandatory and extraordinary mandatory redemption prior to maturity as more fully described herein.

The 2016 Bonds are offered when, as and if issued by the Authority and accepted by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and the approval of the legality of the 2016 Bonds by Dinsmore & Shohl LLP, Pittsburgh, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the Authority by its Counsel, McCormick Law Firm, Williamsport, Pennsylvania, which is also passing upon certain legal matters for the College; and for the Underwriter by its Counsel, Ballard Spahr LLP, Philadelphia, Pennsylvania. It is expected that the 2016 Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about August 24, 2016.

# George K. Baum & Company

The date of this Official Statement is August 10, 2016.

## MATURITY SCHEDULE

Serial Bonds

| Maturity Date (October 1) | Principal Amount Due | Interest Rate | Yield | Price | CUSIP† |
|---|---|---|---|---|---|
| 2016 | $2,475,000 | 3.000% | 0.670% | 100.238% | 550802 HY1 |
| 2017 | 1,725,000 | 3.000 | 0.770 | 102.443 | 550802 HZ8 |
| 2018 | 1,790,000 | 4.000 | 0.850 | 106.550 | 550802 JA1 |
| 2019 | 1,855,000 | 4.000 | 1.000 | 109.142 | 550802 JB9 |
| 2020 | 1,930,000 | 4.000 | 1.190 | 111.218 | 550802 JC7 |
| 2021 | 2,025,000 | 5.000 | 1.390 | 117.722 | 550802 JD5 |
| 2022 | 2,130,000 | 5.000 | 1.610 | 119.627 | 550802 JE3 |
| 2023 | 2,160,000 | 5.000 | 1.760 | 121.542 | 550802 JF0 |
| 2024 | 2,185,000 | 5.000 | 1.870 | 123.430 | 550802 JG8 |
| 2025 | 2,515,000 | 5.000 | 2.010 | 124.757 | 550802 JH6 |
| 2026 | 2,350,000 | 5.000 | 2.160 | 125.651 | 550802 JJ2 |
| 2027 | 2,110,000 | 2.125 | 2.400 | 97.332 | 550802 JK9 |
| 2028 | 1,845,000 | 2.375 | 2.650 | 97.167 | 550802 JL7 |
| 2029 | 1,575,000 | 2.500 | 2.720 | 97.587 | 550802 JM5 |
| 2030 | 1,545,000 | 2.625 | 2.900 | 96.833 | 550802 JN3 |
| 2031 | 3,490,000 | 4.000 | 2.700 | 111.425* | 550802 JP8 |
| 2032 | 3,615,000 | 3.000 | 3.060 | 99.239 | 550802 JQ6 |

$19,345,000 3.000% Term Bond maturing October 1, 2037, Priced @ 98.001 to Yield 3.130%
CUSIP† 550802 JV5

* Priced to first optional call date of October 1, 2026.

AUTHORITY
Lycoming County Authority
Williamsport, Pennsylvania

AUTHORITY'S COUNSEL
McCormick Law Firm
Williamsport, Pennsylvania

COLLEGE
Pennsylvania College of Technology
Williamsport, Pennsylvania

COLLEGE COUNSEL
McCormick Law Firm
Williamsport, Pennsylvania

BOND COUNSEL
Dinsmore & Shohl LLP
Pittsburgh, Pennsylvania

UNDERWRITER
George K. Baum & Company
Pittsburgh, Pennsylvania

UNDERWRITER'S COUNSEL
Ballard Spahr LLP
Philadelphia, Pennsylvania

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2016 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 NOTICE.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE 2016 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

THE 2016 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE 2016 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF CERTAIN STATES, IF ANY, IN WHICH THE 2016 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE 2016 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

This Official Statement and the information herein are subject to completion or amendment without notice. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No dealer, broker, salesman or any other person has been authorized by the Lycoming County Authority (the "Authority"), Pennsylvania College of Technology (the "College") or George K. Baum & Company (the "Underwriter") to give any information or make any representation, other than those contained in this Official Statement, in connection with the offering of or solicitation of offers for the 2016 Bonds. If given or made, such information or representation must not be relied upon as having been authorized by the Authority, the College or the Underwriter.

The information contained in this Official Statement has been obtained from the Authority and other sources which are deemed reliable, but is not guaranteed as to accuracy or completeness. The information and opinions expressed herein are subject to change without notice. This Official Statement is submitted in connection with the sale of securities as referred to herein, and may not be reproduced or be used, in whole or in part, for any other purpose. The delivery of this Official Statement at any time does not imply that information contained herein is correct as of any time subsequent to its date.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities 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.

All quotations from and summaries and explanations of provisions of laws and documents in this Official Statement do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the 2016 Bonds shall under any circumstances create any implication that there has been no change in the matters described herein since the date of this Official Statement.

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# OFFICIAL STATEMENT
**relating to**
**$56,665,000**
**of**
# LYCOMING COUNTY AUTHORITY
**College Revenue Bonds, Series of 2016**
**(Pennsylvania College of Technology)**

## INTRODUCTION

### Purpose of this Official Statement

The purpose of this Official Statement, including the cover page and the Appendices hereto, is to set forth information in connection with the offering by the Lycoming County Authority (the "Authority") of $56,665,000 of its College Revenue Bonds, Series of 2016 (Pennsylvania College of Technology) (the "2016 Bonds"). The 2016 Bonds will be issued under and secured pursuant to a Trust Indenture dated as of May 1, 1990, as amended and supplemented by a First Supplemental Indenture dated as of May 1, 1993, a Second Supplemental Indenture dated as of January 1, 1996, a Third Supplemental Indenture dated as of September 15, 1997, a Fourth Supplemental Indenture dated as of December 1, 2000, a Fifth Supplemental Indenture dated as of May 1, 2002, a Sixth Supplemental Indenture dated as of February 15, 2003, a Seventh Supplemental Indenture dated as of February 15, 2005, an Eighth Supplemental Indenture dated as of February 1, 2008, a Ninth Supplemental Indenture dated as of June 14, 2011, a Tenth Supplemental Indenture dated May 17, 2012, an Eleventh Supplemental Indenture dated June 18, 2015 and a Twelfth Supplemental Indenture dated August 24, 2016 (collectively, the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., Pittsburgh, Pennsylvania, as successor trustee (the "Trustee"). The 2016 Bonds will be issued to finance a project described under the headings "THE PLAN OF FINANCING" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

### The Authority

The Authority is a public instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth") and a body corporate and politic organized by the County of Lycoming, Pennsylvania, under provisions of the Pennsylvania Municipality Authorities Act, Ch. 56, 2001 Pa. Laws 22, as amended (53 Pa. Cons. Stat. § 5601-5622 (2001)) (the "Act"). See "THE AUTHORITY" herein.

### Pennsylvania College of Technology

Pennsylvania College of Technology (the "College") is a nonprofit corporation incorporated under the laws of the Commonwealth and located in Williamsport, Pennsylvania. In 1989, the State Legislature enacted The Pennsylvania College of Technology Act, 24 P.S. §2510-501 *et seq*., which transformed The Williamsport Area Community College into Pennsylvania College of Technology, a wholly controlled subsidiary of The Corporation For Penn State, and an affiliate of The Pennsylvania State University. Under The Pennsylvania College of Technology Act, Commonwealth funding for the College (in the form of annual appropriations for operations and for debt service) is included as separate line items in The Pennsylvania State University's appropriations from the Commonwealth. The College presently has two and four year programs with an emphasis on education in the emerging and advanced technologies. The College has the authority to issue associate, baccalaureate and graduate degrees. See Appendix A and Appendix B hereto for further information regarding the College.

### Purpose of the Issue

The proceeds of the 2016 Bonds will be applied to a project consisting of: (i) the advance refunding of the Authority's $55,000,000 College Revenue Bonds, Series of 2008 (Pennsylvania College of Technology) of which $55,000,000 are currently outstanding (the "2008 Bonds") and (ii) the payment of the cost of issuing the 2016 Bonds (the "2016 Project"). See "THE PLAN OF FINANCING" and "ESTIMATED SOURCES AND USES OF FUNDS."

In connection with the advance refunding of the 2008 Bonds, the Authority and The Bank of New York Mellon Trust Company, N.A., as the escrow agent will enter into an Escrow Deposit Agreement dated as of August 24, 2016 (the "Escrow Deposit Agreement") to effect the payment, redemption and discharge of the 2008 Bonds.

**Security for the Bonds**

The 2016 Bonds will be issued under and secured equally and ratably by the Indenture with any other series of bonds heretofore and hereafter issued under the Indenture. The proceeds of the 2016 Bonds will be loaned to the College pursuant to a Loan Agreement dated as of May 1, 1990, as supplemented by a First Supplemental Loan Agreement dated as of May 1, 1993, a Second Supplemental Loan Agreement dated as of January 1, 1996, a Third Supplemental Loan Agreement dated as of September 15, 1997, a Fourth Supplemental Loan Agreement dated as of December 1, 2000, a Fifth Supplemental Loan Agreement dated as of May 1, 2002, a Sixth Supplemental Loan Agreement dated as of February 15, 2003, a Seventh Supplemental Loan Agreement dated as of February 15, 2005, an Eighth Supplemental Loan Agreement dated as of February 1, 2008, a Ninth Supplemental Loan Agreement dated as of June 14, 2011, a Tenth Supplemental Loan Agreement dated May 17, 2012, an Eleventh Supplemental Loan Agreement dated June 18, 2015 and a Twelfth Supplemental Loan Agreement dated August 24, 2016 (collectively, the "Loan Agreement") between the Authority and the College. The Authority will assign certain of its rights under the Loan Agreement, including the right to receive loan repayments thereunder, to the Trustee as security for the 2016 Bonds. The Loan Agreement requires the College, among other things, to make loan repayments in amounts sufficient to pay, inter alia, the principal or redemption price of and interest on the 2016 Bonds when due. Under the Loan Agreement, the College has created in favor of the Authority (and the Trustee as the Authority's assignee) a security interest in all tuition payments received and receivable by the College from time to time from students enrolled in full-time or part-time courses at the College. See "SECURITY FOR THE BONDS" herein.

**NEITHER THE CREDIT NOR THE TAXING POWER OF THE COUNTY OF LYCOMING OR OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF, THE INTEREST ON, OR THE PREMIUM (IF ANY) PAYABLE UPON THE REDEMPTION OF THE 2016 BONDS; NOR SHALL THE 2016 BONDS BE DEEMED AN OBLIGATION OF THE COUNTY OF LYCOMING OR OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF; NOR SHALL THE COUNTY OF LYCOMING OR THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, THE INTEREST ON, OR THE PREMIUM (IF ANY) PAYABLE UPON THE REDEMPTION OF THE 2016 BONDS. THE 2016 BONDS ARE A LIMITED (NOT A GENERAL) OBLIGATION OF THE AUTHORITY PAYABLE ONLY OUT OF THE REVENUES AND FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. THE AUTHORITY HAS NO TAXING POWER.**

**Outstanding Bonds**

The Authority has heretofore issued various series of bonds on behalf of the College, including the 2008 Bonds, none of which will be outstanding upon the issuance of the 2016 Bonds, the Series of 2011 issued in the amount of $39,050,000, of which $37,810,000 are currently outstanding (the "2011 Bonds"), the Series of 2012 issued in the amount of $24,685,000, all of which are currently outstanding (the "2012 Bonds") and the Series of 2015 issued in the amount of $8,840,000, $7,660,000 of which are currently outstanding (the "2015 Bonds").

The Indenture permits the creation and issuance from time to time of additional series of bonds thereunder on a parity with the 2011 Bonds, the 2012 Bonds, the 2015 Bonds and the 2016 Bonds, subject to the conditions provided therein. The 2011 Bonds, the 2012 Bonds, the 2015 Bonds, the 2016 Bonds and any additional bonds which may hereafter be issued under the Indenture are referred to herein as the "Bonds." See "SECURITY FOR THE BONDS" herein. Under the Loan Agreement, the College may incur additional indebtedness and may grant to the holders of such indebtedness liens on or security interests in certain property of the College. See "The Indenture" and "The Loan Agreement" in Appendix C hereto for a description of the provisions relating to the incurrence of and security for additional indebtedness of the College.

### Bondholders' Risks

There are certain risks involved in the purchase of the 2016 Bonds. See "BONDHOLDERS' RISKS" herein.

### Underlying Documents

The descriptions and summaries of various documents set forth in this Official Statement do not purport to be comprehensive or definitive and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by the terms of each such document. Copies of all such documents will be available for inspection at the corporate trust office of the Trustee in Pittsburgh, Pennsylvania.

## THE AUTHORITY

### General

The Authority is a body corporate and politic, created by resolutions of the Board of County Commissioners of the County of Lycoming, Pennsylvania (the "County"), pursuant to the Act. The Act authorizes the Authority to acquire, hold, construct, finance, improve, maintain and operate various projects, including projects for "eligible educational institutions" as defined in the Act, and to borrow money, to make and issue bonds and to secure the payment of such bonds by pledge or deed of trust of all or any of its revenues and receipts. A Certificate of Incorporation, dated May 19, 1972, was issued to the Authority by the Secretary of the Commonwealth. The Authority's initial life of 50 years was extended to September 9, 2059 by an amendment adopted by the Authority and the County, filed with the Commonwealth and effective as of September 29, 2009.

On July 7, 2016 the Board of County Commissioners of the County approved the issuance of the 2016 Bonds and the application of proceeds thereof, pursuant to Section 147(f) of the Internal Revenue Code, as amended (the "Code"). The 2016 Bonds are authorized to be issued pursuant to the Act, a resolution of the Authority duly adopted on July 11, 2016, to be confirmed on August 16, 2016, and the Indenture.

The governing body of the Authority is a Board consisting of seven members appointed by the Board of County Commissioners of the County, the latter of whom are elected officials. Members of the Authority Board are appointed for staggered five-year terms and may be reappointed, but they may not be County Commissioners. There is currently one vacancy on the Board. Present members of the Authority Board are as follows:

| Members | Office | Term Expires | Occupation |
|---|---|---|---|
| Dr. David M. Heiney | Chairman | December 31, 2018 | Retired, formerly, Director of Administrative Services, Lycoming College |
| Joseph Stewart | Vice Chair | December 31, 2016 | President, West Branch Petroleum Equipment, Inc. |
| Robert Wise | Secretary | December 31, 2019 | Retired Attorney |
| Daniel P. Clark | Treasurer | December 31, 2018 | Retired, formerly, Vice President, Citizens & Northern Bank |
| Ronald A. Frick | Assistant Secretary/ Assistant Treasurer | December 31, 2020 | Vice President, Middle Market and Healthcare Banking, M&T Bank |
| Jennifer Wilson | Member | December 31, 2020 | President, First Community Foundation Partnership of Pennsylvania |

**Other Bond and Note Issues of the Authority**

The Authority has in the past issued and may, in the future, issue bonds and notes other than the 2016 Bonds. None of the revenues of the Authority with respect to any bond or note other than bonds issued pursuant to the Indenture (including the 2016 Bonds) will be pledged as security for the Bonds. Further, no bonds or notes of the Authority (other than bonds previously or hereafter issued for the benefit of the College) are or will be payable from or secured by the revenues of the Authority or other moneys securing the Bonds.

## THE 2016 BONDS

**General**

The aggregate face amount of the 2016 Bonds is $56,665,000. The 2016 Bonds will be initially dated their date of delivery, and will bear interest at the rates and mature in the amounts and on the dates listed in the maturity schedule on the inside front cover page of this Official Statement, and will be subject to redemption prior to maturity as described below. Interest on the 2016 Bonds is payable semiannually on April 1 and October 1 (each, an "Interest Payment Date") of each year, commencing October 1, 2016. Interest on the 2016 Bonds accrues from the Interest Payment Date to which interest on the 2016 Bonds has been paid in full, or if no interest has been paid, from their date of delivery.

Subject to the provisions relating to the book-entry only system described below, the principal or redemption price of the 2016 Bonds will be payable upon surrender thereof at the agency office of the Trustee in Pittsburgh, Pennsylvania. Interest on the 2016 Bonds will be paid by check mailed to the registered owners of such 2016 Bonds as shown on the registration books kept by the Trustee at the close of business on the Regular Record

Dates described below. Holders of $500,000 or more in aggregate principal amount of 2016 Bonds may receive payments of interest by wire transfer to a designated bank account in the United States if a written request therefor has been filed with the Trustee at least 10 days before the payment date to which it relates.

Except in the case of overdue interest, the Regular Record Date for interest due on any April 1 shall be the immediately preceding March 15 and for interest due on any October 1 shall be the immediately preceding September 15.

Interest which is due and payable on any April 1 or October 1, but which cannot be paid on such date from available funds under the Indenture, shall thereupon cease to be payable to the registered owners otherwise entitled thereto as of such date. At such time as sufficient funds are available for the payment of such overdue interest, the Trustee shall establish a special payment date and a special record date in respect thereof. The Trustee shall mail a notice specifying each date so established to each registered owner of the 2016 Bonds, such notice to be mailed at least 15 days prior to the special record date but not more than 30 days prior to the special interest payment date.

**Book-Entry Only System**

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2016 Bonds. The 2016 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the 2016 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of bond 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 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2016 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 2016 Bonds, except in the event that use of the book-entry system for the 2016 Bonds is discontinued.

To facilitate subsequent transfers, all 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016 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 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of 2016 Bonds may wish to ascertain that the nominee holding the 2016 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the 2016 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the 2016 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2016 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

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

NEITHER THE AUTHORITY, THE UNDERWRITER, THE COLLEGE NOR THE TRUSTEE SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A BONDHOLDER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT, (2) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS, (3) THE DELIVERY OR THE TIMELINESS OF ANY NOTICE

TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO THE OWNER OF THE BONDS OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

**Registration, Transfer and Exchange**

The 2016 Bonds may be transferred or exchanged by a Bondholder upon surrender to the Trustee of such 2016 Bonds, accompanied by a written instrument or instruments of transfer in form satisfactory to the Trustee, duly executed by the Bondholder or a duly authorized representative.

In all cases of the transfer of a 2016 Bond, the Trustee will enter the transfer of ownership in the 2016 Bond register and will authenticate and deliver in the name of the transferee or transferees a new fully registered 2016 Bond or 2016 Bonds of authorized denominations of the same maturity and interest rate for the aggregate principal amount which such transferee is entitled to receive. No transfer of any 2016 Bond will be effective until entered on the bond register.

The 2016 Bonds may, at the option of the Bondholder, be exchanged for an equal aggregate principal amount of 2016 Bonds of the same maturity and interest rate in any other authorized denominations, upon surrender of such 2016 Bonds.

Upon the transfer or exchange of any 2016 Bond, the Bondholder shall be required to pay any taxes, fees or other governmental charges that may be imposed in relation thereto.

Upon surrender of any 2016 Bonds to be transferred or exchanged, the Trustee shall record the transfer or exchange in the bond register and shall authenticate and deliver new 2016 Bonds appropriately registered and in appropriate authorized denominations. The Trustee shall not be required to effect any transfer or exchange of any 2016 Bond during the 15 days immediately preceding the date of mailing of any notice of redemption or at any time following the mailing of any such notice, if the 2016 Bond to be transferred or exchanged has been called for such redemption, except that 2016 Bonds properly surrendered for partial redemption may be exchanged for new 2016 Bonds in authorized denominations equal in the aggregate to the unredeemed portion. No transfer or exchange made other than as described above and in the Indenture shall be valid or effective for any purpose under the Indenture.

**Redemption**

*Optional Redemption*

The 2016 Bonds maturing on or after October 1, 2027, are subject to optional redemption, in whole or in part (in the amount of $5,000 or any integral multiple thereof) on any date at the option of the Authority on or after October 1, 2026, at a price of par, which is 100% of the face value of such 2016 Bonds.

*Mandatory Sinking Fund Redemption*

The 2016 Bonds maturing on October 1, 2037, are subject to mandatory redemption at a redemption price equal to 100% of the stated principal amount thereof, plus accrued interest to the date fixed for redemption, in the years and in the respective principal amounts as follows:

| Redemption Date (Oct. 1) | Principal Amount Subject to Mandatory Redemption |
|---|---|
| 2033 | $3,730,000 |
| 2034 | 3,840,000 |
| 2035 | 3,955,000 |
| 2036 | 4,075,000 |
| 2037† | 3,745,000 |

† Maturity

*Extraordinary Mandatory Redemption*

The 2016 Bonds are subject to extraordinary redemption prior to maturity by the Authority in the event of certain casualties or condemnation related events described in the Indenture, in whole or in part at any time, out of moneys deposited with or held by the Trustee for such purpose in accordance with the terms of the Indenture, upon payment of a redemption price equal to 100% of the stated principal amount thereof, plus accrued interest to the date fixed for redemption. In the case of any extraordinary redemption in part, the 2016 Bonds to be redeemed shall be selected for redemption in inverse order of maturities and within each maturity by lot, or in any manner reasonably determined by the Trustee at the direction of the College.

*Notice of Redemption*

The Trustee will cause notice to be given to the holder of any 2016 Bonds designated for redemption in whole or in part at the holder's registered address as the same shall last appear upon the registration books, which notice must be given by mail at least 30 days prior to the date fixed for redemption. If at the time of mailing of any notice of optional redemption the Authority shall not have deposited with the Trustee moneys sufficient to redeem all the 2016 Bonds called for redemption, such notice shall state that it is subject to the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date and shall be of no effect unless such moneys are so deposited. So long as the book-entry only system described herein is in effect, notices of redemption of 2016 Bonds will be sent to Cede & Co. and will not be sent to Beneficial Owners of the 2016 Bonds.

If notice of redemption shall have been given as aforesaid, the 2016 Bonds specified in said notice shall become due and payable at the stated redemption prices on the redemption date therein fixed, and if, on the redemption date, moneys for payment of the stated redemption prices of all the 2016 Bonds to be redeemed, together with interest to the redemption date, shall be held by the Trustee so as to be available therefor on said date, then from and after the redemption date the 2016 Bonds so specified shall cease to bear interest.

*Selection of 2016 Bonds for Redemption*

If fewer than all of the Bonds of a maturity are to be redeemed, the 2016 Bonds or portions thereof to be redeemed shall be selected by the Trustee by lot or in such manner as the Trustee in its discretion may determine and at such time as will permit the mailing of the notice referred to above. In the event a 2016 Bond is of a denomination larger than $5,000, a portion of such 2016 Bond may be redeemed, but such 2016 Bonds shall be redeemed only in the principal amount of $5,000 each or any integral multiple thereof.

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**Debt Service Requirements**

Principal and interest requirements for the Outstanding Bonds and the 2016 Bonds are shown below.

| Fiscal Year Ending June 30 | Principal and Interest Outstanding Bonds* | Principal 2016 Bonds | Interest 2016 Bonds | Total Debt Service Requirement |
|---|---|---|---|---|
| 2017 | $5,008,712.50 | $2,475,000.00 | $1,177,012.60 | $ 8,660,725.10 |
| 2018 | 5,663,787.50 | 1,725,000.00 | 1,914,112.50 | 9,302,900.00 |
| 2019 | 5,880,112.50 | 1,790,000.00 | 1,852,437.50 | 9,522,550.00 |
| 2020 | 6,062,812.50 | 1,855,000.00 | 1,779,537.50 | 9,697,350.00 |
| 2021 | 6,281,012.50 | 1,930,000.00 | 1,703,837.50 | 9,914,850.00 |
| 2022 | 6,512,262.50 | 2,025,000.00 | 1,614,612.50 | 10,151,875.00 |
| 2023 | 6,754,543.75 | 2,130,000.00 | 1,510,737.50 | 10,395,281.25 |
| 2024 | 7,002,459.38 | 2,160,000.00 | 1,403,487.50 | 10,565,946.88 |
| 2025 | 7,082,390.63 | 2,185,000.00 | 1,294,862.50 | 10,562,253.13 |
| 2026 | 6,873,553.13 | 2,515,000.00 | 1,177,362.50 | 10,565,915.63 |
| 2027 | 7,161,471.88 | 2,350,000.00 | 1,055,737.50 | 10,567,209.38 |
| 2028 | 7,464,750.00 | 2,110,000.00 | 974,568.75 | 10,549,318.75 |
| 2029 | 7,772,000.00 | 1,845,000.00 | 930,240.63 | 10,547,240.63 |
| 2030 | 8,092,125.00 | 1,575,000.00 | 888,643.76 | 10,555,768.76 |
| 2031 | 8,159,750.00 | 1,545,000.00 | 848,678.13 | 10,553,428.13 |
| 2032 | 677,250.00 | 3,490,000.00 | 758,600.00 | 4,925,850.00 |
| 2033 | | 3,615,000.00 | 634,575.00 | 4,249,575.00 |
| 2034 | | 3,730,000.00 | 524,400.00 | 4,254,400.00 |
| 2035 | | 3,840,000.00 | 410,850.00 | 4,250,850.00 |
| 2036 | | 3,955,000.00 | 293,925.00 | 4,248,925.00 |
| 2037 | | 4,075,000.00 | 173,475.00 | 4,248,475.00 |
| 2038 | | 3,745,000.00 | 56,175.00 | 3,801,175.00 |

* "Outstanding Bonds" are the 2011 Bonds, the 2012 Bonds and the 2015 Bonds. Amount does not include principal and interest on the 2008 Bonds, which will be refunded with proceeds of the 2016 Bonds.

## SECURITY FOR THE BONDS

Set forth below is a brief discussion of certain provisions of the Indenture and the Loan Agreement which relate to the security for the Bonds. Reference should be made to Appendix C hereto for a further discussion of the provisions of such documents, including definitions for the terms capitalized herein, and to the documents themselves, copies of which are available at the corporate trust office of the Trustee in Pittsburgh, Pennsylvania.

### The Indenture

*General*

The 2016 Bonds are to be issued under the Indenture as Additional Bonds to the 2011 Bonds, the 2012 Bonds and the 2015 Bonds previously issued and currently outstanding pursuant to the Indenture and, together with any Additional Bonds which may hereafter be issued from time to time under the Indenture, will, except as otherwise provided in the Indenture, be equally and ratably secured thereby. The Indenture provides that all Bonds issued thereunder shall be limited obligations of the Authority, payable solely from and secured solely by the following sources: (a) all funds established under the Indenture (except the Rebate Fund) and all income derived from the investment of moneys on deposit in such funds; and (b) the Authority's rights to receive payments from the College under the Loan Agreement (except for the Authority's rights thereunder to receive payments of administrative fees and expenses and indemnification against liabilities).

*Debt Service Fund – Reserve Account*

The Indenture provides for the creation of a Reserve Account in connection with the issuance of a series of bonds, which Reserve Account will be held for the benefit solely of that series of Bonds. No Reserve Account is being established in connection with the issuance of the 2016 Bonds.

### The Loan Agreement

The Loan Agreement will provide among other things that: (a) the Authority will lend the proceeds of the 2016 Bonds to the College, (b) the Loan Agreement is a general obligation of the College, (c) the College will make payments to the Trustee, as the assignee of the Authority, in amounts necessary to provide for the payment as and when due of principal or redemption price of and interest on the Bonds and, from time to time, additional payments in amounts necessary to make up deficiencies in funds established under the Indenture and to provide for certain other payments required by the Indenture and (d) the College's obligations under the Loan Agreement are secured by a security interest in the College's tuition revenues. The Authority will assign certain of its rights under the Loan Agreement, including the right to receive such loan repayments thereunder (but excluding the Authority's right to be paid its administrative fees and expenses and its rights to be indemnified) to the Trustee for the benefit of Bondholders.

## THE PLAN OF FINANCING

### General

The proceeds of the 2016 Bonds will be applied to the 2016 Project consisting of: (i) the advance refunding of the Authority's 2008 Bonds, of which $55,000,000 is currently outstanding and (ii) the payment of the cost of issuing the 2016 Bonds.

### Advance Refunding of 2008 Bonds

Concurrently with the issuance of the 2016 Bonds, a portion of the proceeds of the 2016 Bonds, together with amounts held in the Reserve Account for the 2008 Bonds, will be deposited with The Bank of New York Mellon Trust Company, N.A., as escrow agent, pursuant to the Escrow Deposit Agreement, to be held in escrow until the redemption of the 2008 Bonds on April 1, 2018 (the "Redemption Date"), at a redemption price equal to 100% of the outstanding principal amount thereof, plus unpaid interest accrued to the redemption date. See

"ESTIMATED SOURCES AND USES OF FUNDS" below. Such funds, except to the extent held as uninvested cash, will be used to purchase non-callable United States obligations, the maturing principal of and interest on which, together with uninvested cash, if any, held under the Escrow Deposit Agreement, will be sufficient to provide for the principal or mandatory sinking fund redemption requirements of and interest on the 2008 Bonds up to and including the Redemption Date, and to redeem the outstanding 2008 Bonds on the Redemption Date.

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## ESTIMATED SOURCES AND USES OF FUNDS

| | |
|---|---|
| **Sources:** | |
| Par Amount of 2016 Bonds | $56,665,000.00 |
| Net Original Issue Premium/Discount | 3,320,001.35 |
| Transfer from Reserve Account of the Debt Service Fund | 448,043.10 |
| TOTAL SOURCES | $60,433,044.45 |
| **Uses:** | |
| Deposit to Escrow Account for 2008 Bonds | $59,931,496.37 |
| Costs of Issuance[(1)] | 501,548.08 |
| TOTAL USES | $60,433,044.45 |

(1) Costs of issuance include Underwriter's discount, legal fees, Trustee fees, escrow agent fees, verification agent fees, rating agency fees, printing costs, Authority fees and other fees and expenses associated with the transaction.

## BONDHOLDERS' RISKS

### General

The 2016 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 pursuant to the Indenture. No representation or assurance can be given to the effect that the College will generate sufficient revenues to meet the College's payment obligations under the Loan Agreement. Future legislation, regulatory actions, economic conditions, changes in the number of students in attendance at the College, changes in the level of the Commonwealth of Pennsylvania's appropriation, changes in the level of grants and contracts or other factors could adversely affect the College'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 would have an adverse impact on the revenues of the College.

### Potential Effects of Bankruptcy

If the College were to file a petition for relief under Title 11 of the United States Code, as amended (the "Bankruptcy Code"), the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the College and its property. If the bankruptcy court so ordered, the College's property, including its revenues, could be used for the benefit of the College despite the claims of its creditors (including the Trustee and the holders of the 2016 Bonds).

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

Each class of claims will have accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

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

**Covenant to Maintain Tax-Exempt Status of the 2016 Bonds**

The tax-exempt status of the 2016 Bonds is based on the continued compliance by the Authority and the College with certain covenants contained in the Indenture, the Loan Agreement, and certain other documents executed by the Authority and the College. These covenants relate generally to restrictions on the use of facilities financed or refinanced with proceeds of the 2016 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 2016 Bonds. Failure to comply with such covenants could cause interest on the 2016 Bonds to become subject to federal income taxation retroactive to the date of issuance of the 2016 Bonds.

**Enforceability of Remedies**

The remedies available to the Trustee and 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 2016 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**

In recent years, the activities of nonprofit tax-exempt corporations have been subjected to increasing scrutiny by federal, state, and local legislative and administrative agencies (including the United States Congress, the Internal Revenue Service, the Pennsylvania General Assembly and local taxing authorities). Various proposals either have been considered previously or are presently being considered at the federal, state, and local level which would restrict the definition of tax-exempt or nonprofit status, impose new restrictions on the activities of tax-exempt nonprofit corporations, and/or tax or otherwise burden the activities of such corporations (including proposals to broaden or strengthen federal and local tax law provisions respecting unrelated business income of nonprofit corporations). There can be no assurance that future changes in the laws, rules, regulations, interpretations, and policies relating to the definition, activities, and/or taxation of nonprofit tax-exempt corporations will not have material adverse effects on the future operations of the College.

**Failure to Appropriate**

During the fiscal year ended June 30, 2015, approximately 11.6% of the College's unrestricted operating revenues came from an annual appropriation from the Commonwealth. The College did not receive any appropriations for debt service. The Commonwealth has no obligation to appropriate funds sufficient to enable the College to meet its current fiscal and educational needs. A failure by the Commonwealth to appropriate funds could materially adversely affect the College's ability to maintain operations at current levels or to repay the 2016 Bonds.

For the 2015-16 fiscal year, the College received appropriations of $19,584,000, which was an increase of $2,000,000 or 11.4% over the 2014-15 appropriations. The Commonwealth budget for 2016-17 includes an appropriation of $20,074,000 for the College, which is an increase of 2.5%, and represents 13.3% of the College's total budget.

Once an appropriation is made, it may be reduced administratively, due to Commonwealth budgetary constraints.

**Other Risk Factors**

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

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

(2) Increased costs and decreased availability of public liability insurance.

(3) Increased competition or changes in the demand for higher education in general or for programs offered by the College in particular.

(4) Cost and availability of energy.

(5) High interest rates, which could strain cash flow or prevent borrowing for needed capital expenditures.

(6) A decrease in student loan funds or other aid that permits many students the opportunity to pursue higher education.

(7) An increase in the costs of health care benefits, retirement plans, or other benefit packages offered by the College to its employees.

## TAX EXEMPTION

### Federal Income Tax Matters

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the 2016 Bonds (including, in the case of the 2016 Bonds sold at an original issue discount, the difference between the initial offering price and par) is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that interest on the 2016 Bonds is not a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of Federal individual or corporate alternative minimum taxes.

### Original Issue Discount

Certain of the 2016 Bonds are being offered and sold to the public at an original issue discount ("OID") from the amounts payable at their maturity. OID is the excess of the stated redemption price of a bond at maturity (par) over the price to the public at which a substantial amount of bonds of the same maturity are sold pursuant to the initial offering. Under the Code, OID on each such 2016 Bond will accrue over its term and the amount of accretion will be based on the yield to maturity, compounded semi-annually. The amount of OID that accrues during each semi-annual period will do so ratably within that period on a daily basis. With respect to an initial purchaser of such Bond at its initial offering price, the portion of OID that accrues during the period that such purchaser owns such Bond is added to the purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale, or other disposition of that Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

Holders of 2016 Bonds sold at an original issue discount should consult their own tax advisors as to the effect of OID with respect to their federal tax liability.

### Original Issue Premium

Certain of the 2016 Bonds are being offered and sold to the public at an original issue premium ("OIP"). Under the Code, OIP is an adjustment to basis and must be amortized. The method of amortization may be the method regularly employed by the taxpayer if such method is reasonable, or, in all other cases, must be the method prescribed by applicable Treasury Regulations, which provide that the amortizable bond premium is an amount which bears the same ratio to the OIP as the number of months in the taxable year during which the bond was held by the taxpayer bears to the number of months from the beginning of the taxable year (or, if such Bond was acquired in the taxable year, from the date of acquisition) to the date of maturity. The basis of such Bond is reduced by the amount of the amortizable bond premium. The amortized bond premium is treated as a reduction in the tax-exempt interest received on such Bond. No deduction is allowed on account of OIP.

Holders of 2016 Bonds sold at an original issue premium should consult their own tax advisors as to the effect of such OIP with respect to their federal tax liability.

**State Tax Matters**

In the opinion of Bond Counsel, the 2016 Bonds, and the interest income therefrom, are free from taxation for purposes of personal income, corporate net income and personal property taxes within the Commonwealth of Pennsylvania.

The residence of a holder of a 2016 Bond in a state other than Pennsylvania, or being subject to tax in a state other than Pennsylvania, may result in income or other tax liabilities being imposed by such other state or its political subdivisions based on the interest or other income from the 2016 Bonds.

**Other Tax Matters**

*Continuing Compliance*

The Code imposes various terms, restrictions, conditions and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the 2016 Bonds. The Authority and the College have covenanted to comply with all such requirements, including non-arbitrage requirements under Section 148 of the Code, that are necessary to ensure that interest on the 2016 Bonds will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the 2016 Bonds being includable in gross income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the 2016 Bonds. The opinion of Bond Counsel assumes compliance with the aforesaid covenants. Moreover, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2016 Bonds may adversely affect the tax-exempt status of the interest on the 2016 Bonds.

Certain requirements and procedures contained or referred to in the Indenture, in a Tax Regulatory Certificate executed and delivered by the Authority and the College on the date of issuance of the 2016 Bonds and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the 2016 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Such changes or actions could constitute an exchange or other tax event with respect to the 2016 Bonds, which could result in gain or loss to the holder of a Bond, and a consequent tax liability.

Pursuant to its continuing disclosure obligations made pursuant to SEC Rule 15c2-12 (see "Continuing Disclosure Undertaking" herein), the College may be required to provide notice of such changes or actions, as Material Events under said Rule. However, holders of the 2016 Bonds should consult their own tax advisors as to the effect of such changes or actions with respect to their federal tax liability.

*Collateral Tax Liabilities*

Although Bond Counsel has rendered an opinion that interest on the 2016 Bonds is excludable from gross income for Federal and Pennsylvania income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the 2016 Bonds may result in other collateral effects on a Bondholder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion; each Bondholder or potential Bondholder is urged to consult with its own tax advisors with respect to the effects of purchasing, holding or disposing of the 2016 Bonds on its tax liabilities.

For example, corporations are required to include all tax-exempt interest in determining "adjusted current earnings" under Section 56(c) of the Code, which may increase the amount of any alternative minimum tax owed. Other tax consequences for certain taxpayers include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies under Section 832 of the Code, increasing the federal tax liability of certain S corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of social security or railroad retirement benefits under Section 86 of the Code, limiting the use of the Earned Income Credit under Section 32 of the Code, limiting the use of the refundable credit for coverage under a qualified health plan under Section 36B of the Code, and denying an interest expense deduction to certain financial institutions under Section 265 of the Code.

*Change in Law; Adverse Determinations*

From time to time, certain legislative proposals may be introduced, or are pending, in the Congress of the United States, including some that carry retroactive effective dates, that, if, enacted, could alter or amend the federal tax matters described above or affect the market value of the 2016 Bonds. No prediction can be made whether or in what form any such proposal or proposals might be enacted into law or whether, if enacted, the same would apply to bonds issued prior to enactment. Prospective purchasers of the 2016 Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") regularly audits tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. No prediction can be made whether or not the Service will commence an audit of the 2016 Bonds. If an audit is commenced, under current procedures, the Service may treat the Authority as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the 2016 Bonds until such time as the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, such as the 2016 Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bondholder who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or to any Bondholder who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns.

**THE FOREGOING IS NOT INTENDED AS AN EXHAUSTIVE LIST OF THE PROVISIONS OF FEDERAL, STATE AND LOCAL TAX LAWS WHICH MAY HAVE AN EFFECT ON INDIVIDUALS AND CORPORATIONS HOLDING THE BONDS OR RECEIVING INTEREST THEREON. PROSPECTIVE PURCHASERS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE EFFECT ON THEIR FEDERAL, STATE OR LOCAL TAX LIABILITY AND GENERAL FINANCIAL AFFAIRS OF HOLDING THE BONDS OR RECEIVING INTEREST THEREON.**

## LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the 2016 Bonds will be passed upon on the date of delivery of the 2016 Bonds by Dinsmore & Shohl LLP, Pittsburgh, Pennsylvania, Bond Counsel. Certain legal matters regarding the 2016 Bonds will be passed upon for the Authority by McCormick Law Firm, Williamsport, Pennsylvania, which is also passing on certain legal matters for the College; and for the Underwriter by its Counsel, Ballard Spahr LLP, Philadelphia, Pennsylvania.

## CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the College has covenanted in the Loan Agreement to provide to the Municipal Securities Rule Making Board (the "MSRB"), through its Electronic Municipal Market Access ("EMMA") System, not later than 180 days after the end of each fiscal year of the College, commencing with the fiscal year ending June 30, 2016, certain financial information and other operating data with respect to the College (collectively, the "Annual Report"), as follows:

- The financial statements of the College for the most recent fiscal year, with information of the type presented in Appendix B hereto and prepared in accordance with generally accepted accounting principles (as more particularly described in Note 1 to the College's audited financial statements included in Appendix B), applied on a consistent basis, and audited by the College's independent public accountants in accordance with generally accepted auditing standards;

- A summary, as of the date of the Annual Report, of all full-time and part-time employment at the College (with information of the type set forth under the heading "Employment" in Appendix A hereto);

- A summary, as of the date of the Annual Report, of the full-time and part-time enrollment at the College for the current academic year of the College (with information of the type set forth under the heading "College Enrollment" in Appendix A hereto);

- A summary, as of the date of the Annual Report, of applications, acceptances and matriculating students at the College for the current academic year of the College, including comparative information for the immediately preceding academic year (with information of the type set forth under the heading "Headcount Enrollment - Applicants, Acceptances and Enrollees" in Appendix A hereto);

- A summary of undergraduate full-time tuition and fees for the current academic year of the College (with information of the type set forth under the heading "Tuition, Fees and Financial Aid" in Appendix A hereto);

- A summary of the availability of financial aid to College students for the current academic year (with information of the type set forth under the heading "Total Financial Aid Awarded by Aid Category" in Appendix A hereto);

- A summary of Commonwealth appropriations to the College and other revenue sources for the current academic year (with information of the type set forth under the headings "Commonwealth Appropriations" and "Other Revenue Sources" in Appendix A hereto);

- A summary for the most recent fiscal year of the financial information with respect to the College of the type set forth under the heading "Financial Information" in Appendix A hereto; and

- A summary of the outstanding indebtedness of the College as of the end of the most recently completed fiscal year (with information of the type set forth under the heading "Long-Term Obligations" in Appendix A hereto)

In the Loan Agreement, the College has undertaken to provide in a timely manner not in excess of 10 business days after the occurrence of the event, notice to the MSRB of any of the following events with respect to the 2016 Bonds: (1) principal and interest payment delinquencies, (2) non-payment related defaults, if material, (3) unscheduled draws on debt service reserves reflecting financial difficulties, (4) unscheduled draws on credit enhancements reflecting financial difficulties, (5) substitution of credit or liquidity providers, or their failure to perform, (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701–TEB) or other material notices or determinations with respect to the tax status of the 2016 Bonds, or other material events affecting the tax status of the 2016 Bonds, (7) modifications to rights of Bondholders, if material, (8) bond calls, if material, and tender offers, (9) defeasances, (10) release, substitution or sale of property securing repayment of the 2016 Bonds, if material, (11) rating changes, (12) bankruptcy, insolvency, receivership or similar event of the College, (13) the consummation of a merger, consolidation or acquisition involving the College or the sale of all or substantially all of the assets of the College, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

The College is required under the Loan Agreement to notify the MSRB of any failure by the College to provide any of the annual financial information and operating data described above, within 180 days of the end of each fiscal year of the College.

The College may, from time to time, choose to provide notice of the occurrence of certain other events, or to provide other information which may be relevant to an investment in the 2016 Bonds, in addition to the notices of material events or other information specified above, but the College is not obligated to provide notice of any event whether or not material or to provide any information, other than the notices and information described herein.

The College reserves the right to terminate its obligation to provide Annual Reports and notices of material events, as set forth above, if and when the College no longer remains an "obligated person" with respect to the 2016 Bonds within the meaning of the Rule as when, for example, the 2016 Bonds have been fully paid and discharged or the 2016 Bonds have been defeased in accordance with the provisions of the Indenture (see "The Indenture -- Additional Bonds for Refunding Program" in Appendix C hereto).

The obligation of the College set forth in the Loan Agreement is intended by the College to be for the benefit of the beneficial owners of the 2016 Bonds and may be enforced by any beneficial owner of the 2016 Bonds, provided, however, that the right of a beneficial owner of the 2016 Bonds to enforce the provisions of such undertaking is limited to a right to obtain specific enforcement of the College's obligations thereunder, and any failure by the College to comply with the provisions of such undertaking will not constitute an Event of Default with respect to the 2016 Bonds.

The College did not timely file notices of rating downgrades of the 2008 Bonds resulting from rating downgrades of the bond insurer insuring the 2008 Bonds that occurred in November 2009, October 2010, November 2011, and January 2013, and a rating upgrade of the 2008 Bonds resulting from a rating upgrade of the bond insurer insuring the 2008 Bonds that occurred in March 2014. The College posted notice of these rating changes on EMMA in July 2016.

## FINANCIAL STATEMENTS

Included in Appendix B attached hereto are the financial statements of the College for the years ended June 30, 2015 and 2014 and an independent auditor's report relating thereto. The financial statements of the College for the year ended June 30, 2015 included in Appendix B to this Official Statement have been audited by Baker Tilly Virchow Krause, LLP, a firm of independent certified public accountants, to the extent and for the period indicated in their report, which also appears in Appendix B to this Official Statement.

## LITIGATION

There is no litigation of any nature, pending or threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2016 Bonds, or in any way contesting or affecting the validity of the 2016 Bonds or any proceedings of the Authority with respect to the issuance or sale thereof, or the pledge or application of any money or security provided for the payment of the 2016 Bonds or the existence of the Authority, or any of the transactions contemplated by the 2016 Bonds, the Indenture or the Loan Agreement.

For certain information regarding litigation related to the College, see "LITIGATION" in Appendix A.

## LIMITED OBLIGATIONS

The 2016 Bonds are limited (not general) obligations of the Authority, payable solely from the payments made pursuant to the Loan Agreement, and from funds established under the Indenture (except the Rebate Fund). **The Authority has no taxing power.** Neither the credit nor the taxing power of the County of Lycoming or the Commonwealth of Pennsylvania or any political subdivision thereof is pledged for the payment of the principal of, the interest on, or the premium (if any) payable upon the redemption of the 2016 Bonds; nor shall the 2016 Bonds be or be deemed to be an obligation of the County of Lycoming or the Commonwealth of Pennsylvania, or any political subdivision thereof; nor shall the County of Lycoming or the Commonwealth of Pennsylvania or any political subdivision thereof be liable for the payment of the principal of, the interest on, or the premium (if any) payable upon the redemption of the 2016 Bonds. Except as stated above, the Authority shall not be liable on its obligations in respect of the 2016 Bonds; nor are the members, officers or employees of the Authority personally liable on such obligations.

## THE TRUSTEE

The obligations and duties of the Trustee are described in the Indenture and the Trustee has undertaken only those obligations and duties which are expressly set forth in the Indenture. The Trustee has not independently passed upon the validity of the 2016 Bonds, the security therefor, the adequacy of the provisions for payment thereof or the tax-exempt status of the interest on the 2016 Bonds. The Indenture expressly provides that the Trustee shall not be responsible for any loss or damage resulting from any action or inaction taken in good faith in reliance upon an opinion of counsel.

## UNDERWRITING

George K. Baum & Company (the "Underwriter") has agreed to purchase the 2016 Bonds at a price of $59,701,676.35, which represents the par amount of the 2016 Bonds plus net original issue premium of $3,320,001.35, and less the underwriter's discount of $283,325.00. The bond purchase agreement provides, among other things, that the Underwriter will purchase all the 2016 Bonds, if any are purchased. The bond purchase agreement also provides that the College will indemnify the Underwriter and the Authority against losses, claims and liabilities arising out of any materially incorrect statement or information contained in or material information omitted from this Official Statement pertaining to the College. The initial public offering prices set forth on the cover page of this Official Statement may be changed by the Underwriter from time to time without any requirement of prior notice. The Underwriter reserves the right to offer to sell 2016 Bonds to certain dealers and others at prices lower than those offered to the public.

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.

## VERIFICATION AGENT

Causey Demgen & Moore P.C., independent certified public accountants (the "Verification Agent") will deliver a report dated as of the closing date for the 2016 Bonds, verifying the accuracy of the mathematical computations of the adequacy of the maturing principal amount of non-callable United States obligations and the interest income to be realized thereon and/or uninvested cash, if any, to provide for the principal or mandatory sinking fund redemption requirements of and interest on the 2008 Bonds up to and including the Redemption Date and to redeem the outstanding 2008 Bonds on the Redemption Date as provided for in the Escrow Deposit Agreement.

## RATING

The 2016 Bonds have been assigned a rating of "A" with a stable outlook by Standard & Poor's Global Rating Services, Inc. Any explanation of the significance of such rating may only be obtained from the rating agency furnishing the same. There is no assurance that such rating will be maintained for any given period of time or that it may not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any downward change in or the withdrawal of such rating may have an adverse effect on the price at which the 2016 Bonds may be resold by the holder of such 2016 Bonds. The College has provided the rating agency with information not included herein.

## CERTAIN RELATIONSHIPS

Pennsylvania State Senator Gene Yaw is a member of the Board of Directors of the College and is Of Counsel at the firm McCormick Law Firm, Counsel for both the Authority and the College.

## OTHER MATTERS

The references herein to the 2016 Bonds, the Indenture and the Loan Agreement are brief summaries of certain provisions thereof. Such summaries do not purport to be complete. For full and complete statements of such provisions, reference is made to the Indenture, the Loan Agreement and the form of the 2016 Bonds.

The agreements of the Authority and the College with the owners of the 2016 Bonds are fully set forth in the Indenture and the Loan Agreement, respectively, and neither advertisements of the 2016 Bonds nor this Official Statement are to be construed as constituting an agreement with the owners of the 2016 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. Copies of the documents mentioned under this heading are on file at the corporate trust office of the Trustee in Pittsburgh, Pennsylvania.

The attached Appendices are integral parts of this Official Statement and should be read together with all foregoing statements.

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The Authority and the College have authorized the execution and distribution of this Official Statement.

**LYCOMING COUNTY AUTHORITY**

By: /s/ Dr. David M. Heiney
Dr. David M. Heiney
Chairman

Approved:

**PENNSYLVANIA COLLEGE OF TECHNOLOGY**

By: /s/ Dr. Davie Jane Gilmour
Dr. Davie Jane Gilmour
President

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# APPENDIX A

## INFORMATION CONCERNING PENNSYLVANIA COLLEGE OF TECHNOLOGY

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# INTRODUCTION

Pennsylvania College of Technology (the "College" or "Penn College") is located in Williamsport, Pennsylvania, a city of approximately 29,000 and the county seat of Lycoming County, located in the northern central region of Pennsylvania. The College, which became an affiliate of The Pennsylvania State University in 1989, is a national leader in applied technology education.

The first classes were offered in 1914 on the site of the present-day college in Williamsport, Pennsylvania. What began as adult training classes in a small industrial arts shop at the Williamsport High School evolved into a full-time adult day school and evening school by 1920. Williamsport Technical Institute was founded in 1941, encompassing both adult and high school vocational-education programs.

In 1963, the Commonwealth of Pennsylvania (the "Commonwealth") enacted the Community College Act under which Williamsport Technical Institute became The Williamsport Area Community College in 1965. As a community college, the institution expanded programming to include a broad range of academic and vocational instruction.

On July 1, 1989, the Pennsylvania state Legislature enacted the Pennsylvania College of Technology Act (P.L. 132, No. 27), which transformed The Williamsport Area Community College into Pennsylvania College of Technology, a wholly controlled affiliate of The Corporation for Penn State (the "Corporation"). As a special mission affiliate of Penn State, committed to applied technology education, Penn College maintains its own mission, goals, and board of directors. Neither The Pennsylvania State University nor the Corporation has any obligation in respect to the Loan Agreement or the Bonds.

Under P.L. 132, No. 27, the institution was granted the authority to add baccalaureate degree programming to its curriculum portfolio, which was previously limited to two-year, associate degrees and certificates. Baccalaureate of Science degrees were added in 1992, and now, Penn College offers 48 Bachelor of Science degree programs.

Penn College currently attracts the second-highest enrollment among Penn State campuses and serves students from across the Commonwealth and the nation, as well as international students. A diverse range of programs and courses provides opportunities in more than 100 career fields. Students may earn Bachelor of Science, Associate of Applied Science, Associate of Applied Arts, and Associate of Arts degrees, as well as certificates and competency credentials in selected fields of study.

With a special mission to focus on applied technology education, Penn College offers unique majors in six academic schools: Business & Hospitality; Construction & Design Technologies; Health Sciences; Industrial, Computing & Engineering Technologies; Transportation & Natural Resources Technologies; and Sciences, Humanities & Visual Communications.

Distance education, provided through online classes, offers opportunities for associate-degree graduates to complete baccalaureate degrees in: Applied Health Studies; Applied Management; Automotive Technology Management; Dental Hygiene: Health Policy and

Administration Concentration; Health Information Management; and Nursing (RN-to-BSN Completion).

Penn College is accredited by the Commission on Higher Education of the Middle States Association of Colleges and Schools (the "Commission"). The Commission is an institutional accrediting agency recognized by the U.S. Secretary of Education and the Council for Higher Education Accreditation.

The Commission's evaluation and accreditation team visited the College in the spring of 2012. The Commission affirmed compliance with all aspects of its 14 standards of excellence, and the College received full accreditation. Currently, a select committee of College faculty and staff is preparing a draft Periodic Review Report (PRR), scheduled to be delivered to the Commission by June 30, 2017. The PRR is a report prepared between the decennial evaluations that addresses progress on any recommendations made to the institution by the Commission, as well as any internal recommendations made in the College's self-study. The Commission made one recommendation with regard to student assessment, which the College has addressed with changes to its assessment plan and processes, and the four internal suggestions, related to distance learning, governance, core curriculum, and remedial education are either being addressed or have been addressed by groups charged with their implementation.

In addition to offering its portfolio of degree and certificate programs, Penn College serves as an important asset for economic and workforce development. Through its Workforce Development & Continuing Education unit, the College manages the Commonwealth's largest worker training program under WEDnetPA, which offers free training, funded by the Commonwealth, to employees of Pennsylvania companies.

The College also is home to important workforce development initiatives, including:

- The Shale Training & Education Center (ShaleTEC): a cooperative arrangement between Penn College and Penn State Cooperative Extension that provides workforce training for the development of the natural gas industry in Pennsylvania;

- The National Sustainable Structures Center: Pennsylvania's primary resource for weatherization-related technical education and training since 1985, it recently expanded operations in response to a growing demand for service; and

- The Plastics Innovation & Resource Center: one of the top centers in the nation for research, development, and education related to injection molding, extrusion, blow molding, rotational molding, and thermoforming.

Penn College offers programs and services at six locations in Pennsylvania: the Main Campus in Williamsport; the Aviation Center located at the Williamsport Regional Airport; the Earth Science Center in Allenwood; the Advanced Automotive Technology Center in Williamsport; and in Wellsboro and Towanda, for noncredit instruction only. In addition, a number of cooperative ventures exist with business, industry, other colleges, and universities across the Commonwealth.

Commitment to advanced and emerging technologies is a tradition, and a top priority, at Penn College. The nation's first National Science Foundation (NSF)-endorsed Technology Transfer Center was created at the College in 1988. That Center evolved over time into the current Workforce Development & Continuing Education unit, which is focused on noncredit training and education.

Various companies, including Autodesk, Inc.; Microsoft Corporation; and Textron, Inc., in Lycoming County and others, recognize Penn College as an authorized training center for their products. In addition, the College offers comprehensive associate degree programs sponsored by industry leaders Ford Motor Company; Chrysler Mopar; American Honda Motor Company, Inc.; and Caterpillar, Inc.

Penn College is responsive to the needs of the communities it serves and is particularly agile in modifying existing programs and developing new curricula in response to changes in industry. Recent, noteworthy examples include the College's response to the Marcellus Shale natural gas industry and the demand for "green" career options.

To respond to the needs in the natural gas industry, the College developed or modified programs in more than 17 areas of study including Electronics & Computer Engineering Technology, Civil Engineering Technology, Welding Technology, and Heavy Construction Equipment Technology.

The desire to promote more "green" career opportunities led the College to adapt, modify, and add to its curriculum portfolio in 10 program areas including Forest Technology, Automotive Technology, On-Site Power Generation, and Building Science & Sustainable Design.

In all programs, an emphasis on applied technology is enhanced by an institutional commitment to hands-on learning and a close integration between theory and practice. Classrooms and learning laboratories contain the types of industry-standard equipment that students will find when they enter the job market.

The five-year average placement rate for Penn College graduates is 94.7%. Most recently, 95.5% of 2014-15 graduates found employment, served in the military, and/or continued their education. Among them, 73.7% found employment directly related to their majors, 8.4% obtained employment unrelated to their majors, and 13.1% exclusively continued their education after graduating from Penn College.

## ORGANIZATION AND GOVERNANCE Board of Directors

Although the College is an affiliate of The Pennsylvania State University, it is governed by a separate board of directors (the "Board of Directors"). The Board of Directors of the College has complete responsibility for the governance and welfare of the College, including students, faculty, staff and alumni.

In accordance with the Pennsylvania College of Technology Act, the Board of Directors is composed of 11 members. One member must be a State Senator appointed by the President Pro Tempore of the Pennsylvania Senate, and one member must be a State Representative appointed by the Speaker of the Pennsylvania House of Representatives. The remaining members of the Board of Directors are appointed by the Corporation. Current board membership is as follows:

| Name and Affiliation | Board Position |
|---|---|
| Senator E. Eugene Yaw<br>*State Legislator, Pennsylvania Senate, 23rd Senatorial District*<br>Of Counsel, McCormick Law Firm | Chair |
| Dr. John J. Cahir<br>(*Retired) Vice Provost and Dean of Undergraduate Education*<br>The Pennsylvania State University | Vice Chair |
| Mr. Joseph J. Doncsecz<br>*Associate Vice President for Finance and Corporate Controller*<br>The Pennsylvania State University | Treasurer |
| Representative Garth D. Everett<br>*State Legislator, Pennsylvania House of Representatives, 84th District* | Member |
| Mr. Steven P. Johnson<br>*President/CEO*<br>Susquehanna Health | Member<br><br>Member |
| Ms. Lynda M. Livingston<br>*Vice President*<br>Plastic Development Company of Pennsylvania | Member |
| Dr. Robert N. Pangborn<br>*Vice President and Dean for Undergraduate Education*<br>The Pennsylvania State University | Member |
| Dr. Thomas G. Poole<br>*Vice President for Administration*<br>The Pennsylvania State University | Member |
| Dr. John J. Romano<br>*(Retired) Vice President for Commonwealth Campuses*<br>The Pennsylvania State University | Member |
| Dr. Robert A. Secor<br>*(Retired) Vice Provost for Academic Affairs*<br>The Pennsylvania State University | Member |

Mr. John M. Young — Member
*President*
Young Industries, Inc.

In addition to the eleven voting members listed above, the Board of Directors includes the following emeritus members:

The Honorable Alvin C. Bush — Chairman Emeritus
*Retired State Legislator*

Dr. Robert Dunham — Chairman Emeritus
*Retired Senior Vice President and Dean of the Commonwealth Educational System*
The Pennsylvania State University

Ms. Carol Herrmann — Member Emerita
*(Retired) Senior Vice President for Administration*
The Pennsylvania State University

## ORGANIZATION AND SENIOR MANAGEMENT

The organization chart on page A-6 highlights the administrative structure of the College and identifies the major divisions within the College.

The senior management (referred to as President's Council) of the College is composed of the President, seven Vice Presidents, two Associate Vice Presidents, and one Chief Student Affairs Officer.

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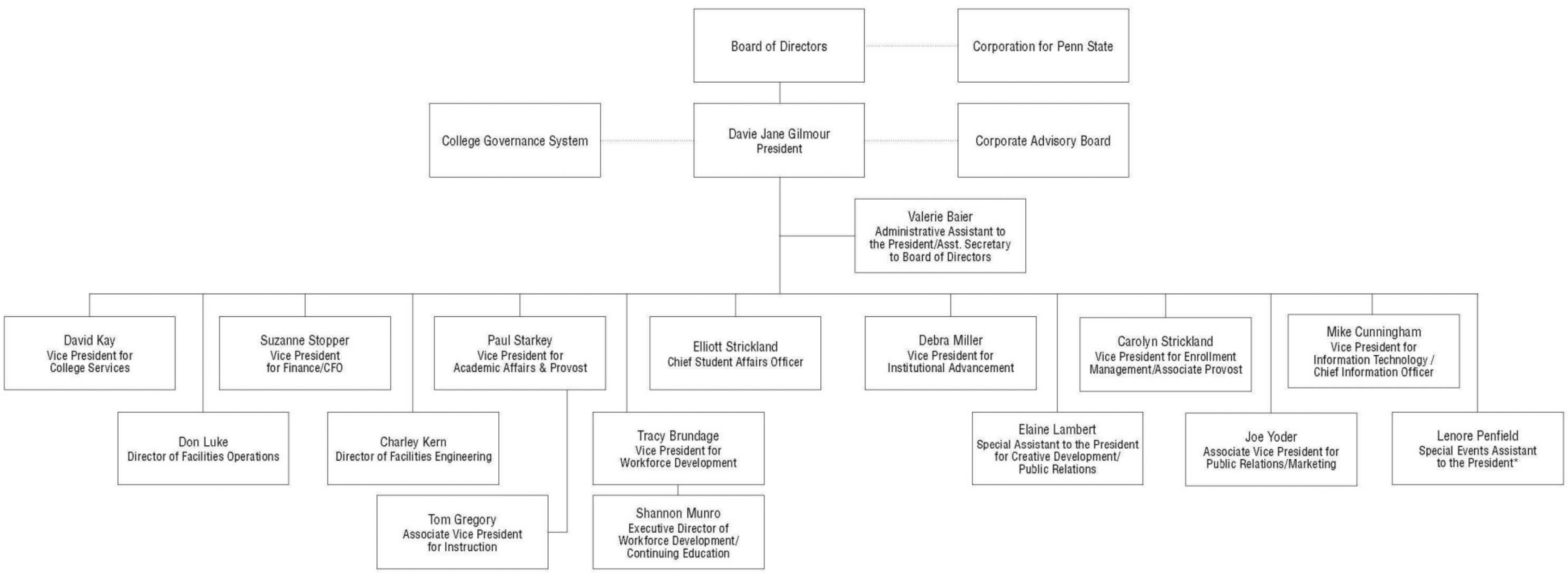
Chart 1.1a

# Pennsylvania College of Technology
## Organizational Chart
## Fall 2015
## Office of the President

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**President**

The President is the chief executive officer of the College and is responsible only to the Board of Directors.

Dr. Davie Jane Gilmour became President of the College in May 1998. She has been employed at the College since November 1977, when she came as an instructor and curriculum developer in the Dental Hygiene program. Dr. Gilmour has an A.S. and a B.S. in Dental Hygiene from West Liberty State College and an M.S. in Health Sciences and a Ph.D. in Health Education from The Pennsylvania State University.

**Vice President for Workforce Development**

Dr. Tracy L. Brundage joined the College in June 2007 as the Managing Director, Workforce Development and Continuing Education. She has more than 24 years' experience in the workforce development arena and has worked in both the private and public sectors. She holds a B.A. from Gettysburg College, as well as a M.Ed. in Training and Development, and a Ph.D. in Workforce Education and Development from The Pennsylvania State University.

**Vice President for Information Technology/Chief Information Officer**

Michael M. Cunningham began his employment at the College in March 1978 and has served the College under a variety of titles in the Information Systems department. He assumed the role of Director in 1995 and Chief Information Officer in 2002. He earned his B.S. in Technology Management from Penn College in 1995 and graduated Magna Cum Laude.

**Associate Vice President for Academic Instruction**

Tom F. Gregory joined the College in 1991 after working as an engineer in several defense-related businesses. He has a B.S. in Mathematics/Physics from Elmira College, and has served as an instructor in Electrical Technology, Director of Instructional Technology, Faculty Development Specialist, and Dean of Construction and Design Technologies, prior to his current assignment.

**Vice President for College Services**

R. David Kay began his employment at the College in October 1986 and has served the College under a variety of titles. He earned his B.S. in Education from Slippery Rock University of Pennsylvania and his M.A. in Industrial and Labor Relations from Indiana University of Pennsylvania. He is certified as a Senior Professional in Human Resources (SPHR).

**Vice President for Institutional Advancement**

Debra M. Miller joined the College in 2004 and served as director of corporate relations in the Office of Institutional Advancement for 10 years. Prior to joining the College, she was employed by the Williamsport-Lycoming Foundation (now First Community Foundation Partnership) as manager of program and scholarship services. She attended Williamsport Area

Community College, studying business administration, and she holds a certificate in fundraising management from The Center on Philanthropy at Indiana University.

**Vice President for Academic Affairs and Provost**

Dr. Paul L. Starkey joined the College in July 2010. He spent twenty-four years at Delta State University in Cleveland, Mississippi, in various faculty and administrative roles, including Dean of Graduate & Continuing Studies, and Chair of the Division of Management, Marketing & Business Administration. He holds a B.B.A. in Marketing from Delta State University and an M.B.A. and Ph.D. in Management from the University of Mississippi.

**Vice President for Finance/Chief Financial Officer**

Suzanne T. Stopper joined the staff at the College in September 2006. She has a B.A. in Accounting from Lycoming College and is a Certified Public Accountant. Prior to coming to the College, she spent fourteen years at Susquehanna Health in Williamsport, most recently as Vice President/Controller.

**Vice President for Enrollment Management/Associate Provost**

Dr. Carolyn R. Strickland joined the College in 2003 as the Director of Student Activities and then served as the Assistant Vice President for Academic Services until 2014. She earned a Ph.D. in Educational Psychology with a minor in Higher Education from The Pennsylvania State University, an M.Ed. in Student Personnel Services from the University of South Carolina, and a B.S. in Psychology and Urban Studies from the University of Pittsburgh.

**Chief Student Affairs Officer**

Elliott Strickland joined the College in January 1997. He has a B.S. in Business Administration from the University of South Carolina – Aiken and an M.Ed. in Student Personnel and Higher Education Administration from the University of South Carolina. Mr. Strickland is currently pursuing his Ph.D. in Higher Education Administration at The Pennsylvania State University.

**Associate Vice President for Public Relations & Marketing**

Joseph S. Yoder joined the College in 1999 and has served in a variety of roles within Public Relations & Marketing (formerly College Information & Community Relations) including Public Information Officer, News Bureau Manager and Public Information Director. Previously, he worked for 10 years as a newspaper reporter and editor. He earned a B.A. in English with a Concentration in Journalism from Millersville University, graduating Magna Cum Laude.

## CURRICULUM

Students earn Bachelor of Science, Associate of Applied Science, Associate of Applied Arts, and Associate of Arts degrees, as well as certificates and competency credentials in selected fields of study.

At the inception of baccalaureate degree programs in 1992, the College built upon existing centers of excellence, especially in advanced technologies. Since then, enrollment in these programs has grown to 51.25% of Penn College's total enrollment (Fall 2015). Many students begin their education in an Associate Degree program and ultimately move to baccalaureate studies.

**Bachelor of Science Degrees**

Accounting
Applied Health Studies
Applied Human Services
Applied Management
Applied Technology Studies
Automotive Technology Management
Aviation Maintenance Technology
Building Automation Technology
Concentrations:
- Electrical Technology
- Electromechanical Maintenance Technology
- Electronics Technology - Robotics and Automation
- Heating, Ventilation & Air Conditioning Technology
- Mechatronic Engineering Technology
- Renewable Energy Technologies

Building Science and Sustainable Design
Concentrations:
- Architectural Technology
- Building Construction Technology

Business Administration
Concentrations:
- Banking and Finance
- Management
- Marketing
- Sport and Event Management

Civil Engineering Technology
Construction Management
Culinary Arts and Systems
Dental Hygiene: Health Policy and Administration Concentration
Electronics and Computer Engineering Technology
Emergency Management Technology
Engineering Design Technology
Graphic Design
Health Information Management
Heating, Ventilation & Air Conditioning Design Technology
Industrial Design
Information Assurance and Cyber Security
Information Technology Sciences - Gaming and Simulation
Information Technology: Network Specialist Concentration
Legal Assistant-Paralegal Studies
Manufacturing Engineering Technology
Nursing
Physician Assistant
Plastics and Polymer Engineering Technology
Residential Construction Technology and Management
Concentrations:
- Architectural Technology
- Building Construction Technology - Masonry
- Building Construction Technology

Software Development & Information Management
Web and Interactive Media
Welding and Fabrication Engineering Technology

Associate of Applied Science (A.A.S.) offerings enable students to gain comprehensive education including technical and workforce skills needed for employment. Some of these programs include Health Information Technology, Legal Assistant-Paralegal, Architectural Technology, Mechatronics Engineering Technology, Automotive Restoration Technology, Renewable Energy Technologies, Dental Hygiene, Emergency Medical Services, Surgical Technology, Culinary Arts, Hospitality Management, Automated Manufacturing, CAD Technology, Welding Technology, Early Childhood Education, Human Services, Diesel Technology, Heavy Construction Equipment Technology, On-Site Power Generation, and Collision Repair Technology.

An Associate of Applied Arts (A.A.A.) degree is offered in Advertising Art. Associate of Arts (A.A.) degrees, transfer degrees designed to parallel the first two years of a liberal arts education at a four-year college, are offered in General Studies and Studio Arts.

Career-focused certificates are awarded in 13 fields of study including Electrical Occupations, Residential Builder, Plumbing, Paramedic, Practical Nursing, Machining, Welding, Diesel, Automotive, Collision Repair, and Aviation Maintenance.

## MISSION STATEMENT

Pennsylvania College of Technology is a public institution providing comprehensive, hands-on technical education at the baccalaureate and associate degree levels. Every member of the College community endeavors to create and sustain excellence in a student-centered environment that promotes personal growth, social awareness, a shared commitment to diversity, and lifelong learning, all of which help prepare our graduates for success. The following core values guide Penn College to accomplish its mission and achieve its vision.

## PENN COLLEGE VALUES

**Hands-on Education**: We believe the best preparation for a successful career is a learning environment emphasizing applied, real-world instruction. We provide experiential learning in small classes and labs with state of the art equipment, mentored by skilled faculty with business and industry experience.

**Student-Centered Environment**: Our students' best interest is the priority influencing our decision making. As an open enrollment college, believing in the dignity and worth of every individual, we strive to provide a holistic experience that fosters educational, physical, personal, and social development.

**Business and Industry Partnerships**: As an entrepreneurial institution, we develop cooperative relationships with business and industry to ensure our curriculum remains current, encourages lifelong learning, and prepares our graduates to compete successfully in the global marketplace. This provides opportunities for faculty to enhance their skills, students to acquire work-based experiences, the College to receive technology and scholarship support, and the community to benefit from a highly qualified workforce.

**Community of Respect**: We are committed to diversity, inclusiveness, tolerance and civility. We recognize that respect of individual differences is the foundation of civil behavior across the College community.

## PHYSICAL PLANT

The Main Campus of the College is located in the City of Williamsport, Lycoming County, Pennsylvania, and is situated on approximately 125 acres of land. The Main Campus has 31 major buildings; the largest is the 152,000-square-foot Advanced Technology and Health Sciences Center. All College buildings are routinely maintained, renovated and upgraded as necessary to ensure that the physical plant continues to meet the needs of the academic program and provides a modern, aesthetically pleasing, student-centered environment.

The most extensive facilities expansion in the College's history, a $45.27 million "Stage X" renovation and construction project, was completed in 2010. It included the renovation of three instructional buildings: the Avco-Lycoming Metal Trades Center, Parkes Automotive Technology Center, and Hager Lifelong Education Center, and the construction of Dauphin Hall, a new student-housing complex for first-year students. Much of this expansion was financed from the proceeds of the College's 2008 Bonds, which are being advance refunded by the 2016 Bonds. Construction of a new $2 million Construction Masonry Building in 2011 added another facility to the expanding campus.

Also within the last decade, the College added two significant structures to the campus: the Madigan Library (in 2006) and the Center for Business and Workforce Development (2007).

Other College facilities in the greater Williamsport area include the 112,000-square-foot General Services Building (five acres) and the Advanced Automotive Technology Center (two acres). The Lumley Aviation Center (six acres) is located at the Williamsport Regional Airport.

The Schneebeli Earth Science Center consists of approximately 384 acres located near Allenwood, Lycoming County, Pennsylvania. The College also owns 440 acres of mountain land in Lycoming County known as the Morgan Valley Retreat Center. The College's land holdings total 994 acres.

The following table lists details concerning the major College buildings as of June 2015:

**2014-15 BUILDING SUMMARY**
**BY YEAR OF ACQUISITION/CONSTRUCTION**
**As of June 2015**

**Square Footage**

| CODE | | Building | Acquisition and/or Construction | Gross | Assignable | Estimated Replacement Cost (a) |
|---|---|---|---|---|---|---|
| ACC | | Klump Academic Center | 1913/1934 | 138,811 | 81,088 | $ 25,822,798 |
| ERC/ETC | (a) | Automotive Engine Repair Center/Electrical Technologies Center | 1931-1942 | 92,696 | 72,597 | $ 17,222,206 |
| MAC/PA | (a) | Machining Technologies Center/Physicians Assistant Center | | - | - | |
| GYM | | Bardo Gymnasium | 1939 | 38,352 | 25,357 | $ 7,988,982 |
| GS | | General Services (Reach Road) | 1957 (1990) | 112,000 | 112,000 | $ 7,644,638 |
| ATC | | Parkes Automotive Trades Center | 1970/2010 | 61,123 | 53,974 | $ 14,759,746 |
| ESC | | Schneebeli Earth Science Center | 1971/1999 | - | - | $ 16,957,492 |
| | | Main Building (incl. Diesel Center) | 1971/1999 | 96,237 | 78,722 | |
| | | Sawmill | 1999 | 6,840 | 6,156 | |
| | | Susquehanna River Site | 1979 | 2,400 | 2,204 | |
| | | Wind Turbine Operations Center | 2012 | 576 | 576 | |
| | | ETEC | 2011 | 1,740 | 1,740 | |
| BTC | | Carl Building Trades Center | 1980 | 109,096 | 86,537 | $ 22,880,860 |
| LRC | (b) | Learning Resources Center | 1980 | - | - | |
| MTC | | Avco-Lycoming Metal Trades Center | 1980/2010 | 29,920 | 22,816 | $ 6,580,575 |
| POL | | Police Office/Penn's Loft | 1980 (1997) | 5,100 | 4,200 | $ 760,760 |
| LEC | | Hager Lifelong Education Center | 1984/2010 | 140,492 | 112,888 | $ 29,838,704 |
| ATHS | | Breuder Advanced Technology & Health Science Center | 1986 | 152,817 | 104,521 | $ 33,122,090 |
| PDC | | Thompson Professional Development Center | 1986 | 9,870 | 6,407 | $ 2,103,101 |
| CAC | (c) | Community Arts Center | 1989 (1993) | 65,776 | 62,000 | $ 15,636,622 |
| CVA | | Campus View Apartments | 1989 (1997) | 103,409 | 87,854 | $ 16,880,309 |
| MVRC | | Morgan Valley Retreat Center | 1991 | 1,761 | 1,524 | $ 281,281 |
| AVC | | Lumley Aviation Center | 1992 | 50,000 | 42,084 | $ 13,499,487 |
| CC | | Bush Campus Center | 1993 | 110,000 | 98,261 | $ 26,651,420 |
| AATC | | Advanced Automotive Technology Center | 1995 (1997) | 7,072 | 6,327 | $ 1,179,178 |
| VH | | Victorian House | 1997 | 4,130 | 3,925 | $ 703,703 |
| VPC | | Village at Penn College | 1997 | 91,125 | 84,360 | $ 15,765,750 |
| FH | | Field House | 1999 | 10,877 | 9,543 | $ 3,068,065 |
| | | Switchgear Building | 1999 | 1,425 | 1,300 | $ 124,124 |
| GSW | (e) | General Services Warehouse | 2009 | 12,873 | 12,653 | $ 1,055,054 |
| | | Information Booth | 2000 | - | - | $ 76,076 |
| CAL | | College Avenue Labs | 2001 (2003) | 108,530 | 88,592 | $ 23,041,020 |
| RSC | (f) | Rose Street Commons | | - | - | $ 66,855,792 |
| | (f) | York Hall | 2003 | 44,752 | 37,346 | |
| | (f) | Lancaster Hall | 2003 | 88,508 | 75,818 | |
| | (d) | Clinton Hall | 1990/1992 (2000) | 32,224 | 17,793 | |
| | (d) | Delaware Hall | 1990/1992 (2000) | 32,224 | 17,793 | |
| | (d) | Juniata Hall | | 1991/1993 (2000) | 32,224 | |
| | 17,793 | | | | | |
| | | Dauphin Hall | 2010 | 130,283 | - | $ 16,036,420 |
| SASC | | Student and Administrative Services Center | 2003 | 84,224 | 42,269 | $ 27,839,814 |
| LIB | | Roger and Peggy Madigan Library | 2006 | 104,000 | 58,950 | $ 6,917,912 |
| BWD | | Center for Business & Workforce Development | 2007 | 31,800 | 24,741 | $ 3,484,481 |
| CMB | | Construction Masonry Building | 2011 | 17,829 | 16,725 | |
| | | **COLLEGE TOTAL** | | **2,163,116** | **1,579,434** | **$ 424,778,460** |

Notes:
(a) Beginning in 2000, Technical Trades Center (TTC) including T1, T2, T3, and PA were re-named to ERC, ETC, MAC and PA.
(b) With the construction of the Madigan Library, the LRC was incorporated into the LEC and was no longer designated as a separate building. (c) Wholly owned subsidiary corporation of Pennsylvania College of Technology. Original Construction 1928.
(d) College West ceased to be a separate residential complex and was subsumed by Rose St. Commons in 2010 (e) Replaced Rose Street Warehouse with new construction in 2009.
(f) Rose Street Apartments ceased to be a separate residential complex and was subsumed by Rose St. Commons in

2010. Source: Financial Operations Office, Pennsylvania College of Technology

## COLLEGE ENROLLMENT

Penn College enrolled a total headcount in the Fall 2015 semester of 5,514 students, including 895 part-time and 4,619 full-time students. The Fall 2015 full-time equivalent (FTE) enrollment was 5,122.

The following table presents FTE enrollments for the last five fall semesters.

**Fall Full-Time Equivalent Enrollment**
**2011-2015**

| 2015-2016 | 2014-2015 | 2013-2014 | 2012-2013 | 2011-2012 |
|---|---|---|---|---|
| 5,122 | 5,262 | 5,290 | 5,262 | 5,520 |

Full-time equivalent enrollment decreased 2.7% in Fall 2015 from the prior year; however due to strong retention efforts, Spring 2016 enrollment was only down .25% from the prior year. After a decade of significant enrollment growth, undergraduate enrollment declined at the College from 2010-11 through 2015-16. Shifts in the regional and state economy had an impact, as did a planned "right-sizing" of the College's extensive curriculum portfolio. In addition, enrollment has been impacted by the multi-year decreasing pool of high school graduates in Pennsylvania. The Pennsylvania Department of Education has projected that the number of high school seniors in academic year 2017-2018 will increase by approximately 4,000 over the recent lows of the 2014-2015 academic year.

The strategic review of the College's curriculum portfolio is an ongoing process. This ensures that programs match current and projected workforce needs, part of the College's mission to educate individuals to meet changing workforce needs. As part of this process, several programs were terminated, which did have an expected negative impact on enrollment. However, a number of new programs have been recently added to the portfolio, which should have a positive impact moving forward. These programs include automotive restoration, brewing and fermentation sciences, gaming and simulation, physical therapist assistant, software development and information management, mechatronics engineering technology, business administration: sports and event management concentration, and information assurance and cyber security. These newer programs are experiencing rapidly growing enrollments. For example, software development and information management expected enrollment in Fall 2016 is almost 50% higher than in Fall 2014. Likewise, enrollment in business administration: sports and event management concentration is expected to be almost 50% higher for Fall 2016 than it was in the initial year of the program, Fall 2015.

Across the Commonwealth – and most especially in the "Marcellus Shale" region from which Penn College draws a majority of its enrollment – the emergence of the natural gas industry generated a profound impact on the workforce. Job opportunities for skilled and non-skilled labor increased significantly for a number of years before production slowed in response to industry cycles. While the College has experienced growth in welding and related majors, the recent slowdown/halting of gas production in the region has resulted in a similar slowing of the College's noncredit Marcellus programming. It should be noted, however, that as recently as

June 2016, gas drilling has begun again in Lycoming County, albeit on a smaller scale and this is anticipated to positively impact noncredit enrollment.

The weakening of state and national economies also impacted enrollment at the institution, which primarily serves a "working class" population. Many students represent the first generation of their families to attend college. Declining accessibility to financial aid and other resources, reliance on loans, and the impact of job losses on families placed the cost of college beyond the reach of some prospective students.

A restructuring of academic schools – to improve efficiencies and better serve student and workforce needs – took effect July 1, 2013. This reorganization reduced the number of academic schools from eight to six; it resulted in some financial savings and impacted the reporting of enrollment data. Enrollments in Distance/Outreach programs, which were reported separately prior to Fall 2013, are now included in appropriate school enrollment data. The Fall 2015 enrollment data table reflects those changes; it includes full and part-time student enrollment in the fall semester.

**Total Fall Enrollments (Headcount)**

| | **2015** | **2014** | **2013** |
|---|---|---|---|
| Business & Hospitality | 496 | 553 | 597 |
| Construction & Design Technologies | 734 | 752 | 774 |
| Health Sciences | 1,536 | 1,582 | 1,574 |
| Industrial, Computing, & Engineering Tech | 1,424 | 1,369 | 1,261 |
| Sciences, Humanities, & Visual Communications | 453 | 498 | 586 |
| Transportation & Natural Resources Technologies | 763 | 797 | 765 |
| Non-Degree/Developmental | 108 | 72 | 121 |
| College Total | 5,514 | 5,623 | 5,678 |

*[Remainder of page intentionally left blank]*

The following table depicts the total enrollment at the College under the old academic school structure for the academic years beginning in 2009-2010 through 2011-2012. Total enrollment includes full-time plus enrolled part-time students and is based on the fall semester enrollment report.

**Total Fall Enrollments (Headcount)**

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| Business & Computer Technologies | 908 | 976 | 999 |
| Construction & Design Technologies | 843 | 919 | 973 |
| Health Sciences | 1,420 | 1,357 | 1,422 |
| Hospitality | 225 | 240 | 235 |
| Industrial & Engineering Technologies | 812 | 846 | 878 |
| Integrated Studies | 425 | 541 | 617 |
| Natural Resources Management | 321 | 356 | 394 |
| Transportation Technologies | 414 | 450 | 477 |
| Non-Degree/Developmental (Main Campus) | 176 | 171 | 178 |
| Distance/Outreach | 127 | 120 | 117 |
| College Total | 5,671 | 5,976 | 6,290 |

The table below depicts the headcount enrollment for academic years beginning 2011-2012 through 2015-2016.

**Headcount Enrollment – Applicants, Acceptances, and Enrollees**

| Description | Fall 2015 | Fall 2014 | Fall 2013 | Fall 2012 | Fall 2011 |
|---|---|---|---|---|---|
| Applications | 5,522 | 5,838 | 6,125 | 6,251 | 6,140 |
| Acceptances | 4,807 | 5,147 | 5,512 | 5,709 | 5,687 |
| Acceptance Rate | 87.1% | 88.2% | 89.9% | 91.3% | 92.6% |
| Enrollments | 2,599 | 2,774 | 2,907 | 2,914 | 2,995 |
| Matriculation Rate | 54.1% | 53.9% | 52.7% | 51.04% | 52.7% |

Total applications received for Fall 2016 continue to increase compared to Fall 2015. Total applications received as of June 1, 2016 were 6,422, an increase of 1,711 as compared to June 1, 2015 (4,711). Another positive trend is in Fall 2016 tuition deposits, which as of June 1, 2016 were 2,609, an increase of 41 as compared to Fall 2015 (2,568). While the state of the national economy, the government's ability to subsidize college education, and other economic issues are beyond the control of the College, College administration has embarked upon a significant "research and development" initiative to address enrollment management and marketing needs in these challenging times.

Initiatives to increase enrollment continue to be guided by the College's Enrollment Management Plan, designed to strategically address recruitment and retention of students for the academic years 2014-2017. These initiatives include revisions to the travel schedules of the College's Admissions representatives to increase by 47% their visits to high schools and college fairs, including travel to states such as Ohio, California and Texas where the College has not recruited students in the past. The College expects that the increase in travel will increase the

College's profile with high school counselors and result in increased one-on-one contact with prospective students. The travel of the College's Coordinator of Transfer Initiatives was expanded to broaden partnerships with community colleges where students might be interested in transferring to a four year degree granting institution such as the College.

To further increase the applicant pool, the Admissions' electronic communication plan (a primary form of communication with students beginning at the prospect phase and all throughout the enrollment process) was completely revised to increase exposure of Penn College to high school students. Beginning in Fall 2015, the College has waived its application fee for students who apply online for admission to the College. Additionally, new outreach efforts were implemented to assist students through the enrollment process at points where students historically drop out of the enrollment process. A new form of outreach and communication with high school counselors who are viewed as critical players in the recruitment process was initiated in Spring 2016.

There is specific work being done to engage the campus community in recruitment and to reach students in the transfer, out of state, minority, and veteran student pipelines, and signs of potential positive growth in enrollment are evident from these efforts. Finally, the College's continued efforts to increase retention have increased the College's retention rate by nearly 12% since 2010. For Fall 2015, the retention rate for Baccalaureate degree students was 75% and for Associate degree students it was 70% (up from 65% in Fall 2014). In response to these initiatives, the College has experienced significant growth in the application pool for Fall 2016 in comparison to past years. All of these initiatives support the College's vision to evolve from "Pennsylvania's premier technical college" to "a national leader in applied technology education."

Along with its 100-year history as a national leader in technology education and workforce development and a unique affiliation with one of the nation's best known universities, The Pennsylvania State University, Penn College has a number of specific attributes that position it very well to succeed in a changing higher education marketplace. These include its comprehensive approach to applied technology education, its commitment to hands-on instruction, and its student-centered focus. It also has a modern, well-maintained campus featuring state-of-the-art classrooms and laboratories with industry-standard equipment.

In 2014-15, the College retained a national public relations firm to help extend its marketing reach to larger audiences. A media campaign launched in late 2014 has successfully engaged a variety of national print, broadcast and online media outlets and generated increased exposure for the College's unique programs and the accomplishments of its students, faculty and staff. One element of the campaign is the creation of opportunities for the President of the College to meet face-to-face with media influencers and increase awareness of the College at the national level. At the behest of the Board of Directors, the College initiated a six-month, statewide branding campaign in January 2016 to increase name recognition for the College. The campaign features 30-second television commercials, static billboard displays, Sunday newspaper ads, and video ads in movie theaters across Pennsylvania. All ads focus on the students, campus life, and the College's hands-on academic majors.

In addition to the College's unique curriculum and specialized labs for hands on learning, the College offers the complete collegiate experience, including on campus housing. Demand for housing was consistently at or slightly above capacity from Fall 2011 through Fall 2014, as demonstrated in the table below. The decline in the College's housing-occupancy rate in Fall 2015 is due in part to decreased enrollment, but the occupancy rate has also been affected by the production slowdown in the natural gas industry in the region. Many temporary workers in the industry, who previously rented apartments in Williamsport, have left the area. As a result, rental properties adjacent to campus have become available at reduced rates. For some students, living off campus is now an affordable option. Mitigating this trend is data showing that an increasing percentage of traditional-age freshman students are choosing to live on campus for the advantages it offers.

| **Semester** | **Available Beds** | **Occupancy** | **Occupancy Percentage** |
|---|---|---|---|
| Fall 2011 | 1,710 | 1,727 | 101.00% |
| Fall 2012 | 1,710 | 1,731 | 101.00% |
| Fall 2013 | 1,710 | 1,710 | 100.00% |
| Fall 2014 | 1,710 | 1,712 | 100.10% |
| Fall 2015 | 1,710 | 1,610 | 94.15% |

## TUITION, FEES, AND FINANCIAL AID

Student tuition and fees are expected to provide 81.66% of 2015-2016 operating revenue. The tuition and fees paid by full-time students (assuming 30 credits per academic year) for 2015-2016 and the previous four years are listed below:

**Penn College Annual Tuition and Fees**

| Residency | 2015-2016 | 2014-2015 | 2013-2014 | 2012-2013 | 2011-2012 |
|---|---|---|---|---|---|
| In-State | $15,810 | $15,450 | $14,940 | $14,370 | $13,590 |
| Out-of-State | $22,470 | $21,930 | $21,180 | $18,000 | $17,010 |

Tuition per credit hour is $444 (in-state) and $666 (out-of-state) for the 2015-2016 academic year, or $13,320 and $19,980 respectively, for a full-time student. Fees in addition to tuition are levied at the rate of $83 per credit or $2,490 for the 2015-2016 academic year for a full-time student (in-state and out-of-state). The College does not discount tuition and fees. Other fees are charged on a usage basis for such facilities as laboratories and parking lots.

Penn College competes for qualified students with other institutions of higher education, both public and private. The following table lists selected colleges and universities that the College considers among its principal competitors within Pennsylvania and the tuition and fees at those institutions for the 2015-2016 academic year and for the 2011-2012 academic year as a comparison.

**Tuition and Fees Comparison**

| | | **2015/2016** | | **2011/2012** | |
|---|---|---|---|---|---|
| Institution | Distance (Miles) | In-State | Out-of-State | In-State | Out-of-State |
| Pennsylvania College of Technology | — | $15,810 | $22,470 | $13,590 | $17,010 |
| Bloomsburg University | 45 | $9,326 | $19,916 | $8,082 | $17,620 |
| Harrisburg Area Community College | 90 | $6,015 | $8,940 | $4,950 | $9,660 |
| Indiana University of Pennsylvania | 150 | $9,936 | $20,526 | $8,362 | $18,854 |
| Lock Haven University | 30 | $9,665 | $18,255 | $8,239 | $15,777 |
| Luzerne County Community College | 75 | $4,770 | $11,970 | $2,880 | $8,280 |
| Lycoming College | 2 | $35,000 | $35,000 | $26,749 | $26,749 |
| Mansfield University | 50 | $9,806 | $20,396 | $7,004 | $14,860 |
| Northampton County Area Community College | 150 | $3,990 | $12,840 | $3,000 | $9,570 |
| Pennsylvania State University (Main Campus) | 60 | $17,514 | $31,346 | $12,844 | $23,712 |
| Thaddeus Stevens State School of Technology | 125 | $7,430 | N/A | $5,670 | N/A |

Sources: 2015/2016 data – the College Board. 2011/2012 data – the National Center for Education Statistics (NCES).

*[Remainder of page intentionally left blank]*

During the 2014-2015 academic year, 5,744 students, or 92.9%, of the College's total enrollment received some form of financial aid. Sources of aid include College Work Study programs, grants, scholarships, and loans. The table below summarizes the types of financial aid awarded in terms of both the number of students served and the amounts awarded. The total amount of financial aid awarded has increased by 4.8% from 2010-2011 to 2014-2015, while the number of students receiving aid has decreased by 3.8% during that period.

**Total Financial Aid Awarded By Aid Category**

| Category | 2014-15 | 2013-14 | 2012-13 | 2011-12 | 2010-11 |
|---|---|---|---|---|---|
| Work Programs | | | | | |
| College Work Study (CWS) | $212,913 | $217,300 | $227,750 | $256,086 | $243,114 |
| Student Wages | 212,420 | 217,268 | 227,132 | no data | 288,538 |
| Total Work Programs | 425,333 | 434,568 | 454,882 | 256,086 | 531,652 |
| Grants/Scholarships | | | | | |
| Pell Grant | 9,698,107 | 9,840,964 | 9,527,749 | 10,206,502 | 11,870,774 |
| ACG/SMART Grants | | | | 17,289 | 922,624 |
| Penn College Scholarship | 1,268,712 | 1,052,997 | 937,179 | 953,565 | 791,677 |
| PA Higher Education Assistance Agency (PHEAA) | 6,778,343 | 7,271,559 | 6,838,040 | 7,276,225 | 6,557,856 |
| Private Grant/Scholarship | 1,269,591 | 1,204,787 | 1,186,504 | 1,089,170 | 1,337,595 |
| Supplemental Educational Opportunity Grant (SEOG) | 251,443 | 293,798 | 285,321 | 321,867 | 452,243 |
| Total Grants/Scholarships | 19,266,196 | 19,664,105 | 18,774,793 | 19,864,618 | 21,932,769 |
| Loans | | | | | |
| Stafford Student Loans | 28,761,754 | 29,612,396 | 30,297,567 | 31,653,195 | 33,606,895 |
| Parent Loans | 16,796,725 | 15,578,903 | 13,924,990 | 14,649,478 | 13,091,286 |
| Alternative Loans | 17,101,337 | 15,824,796 | 14,066,889 | 12,194,481 | 11,744,226 |
| Total Loans | 62,659,816 | 61,016,095 | 58,289,446 | 58,497,154 | 58,442,407 |
| Agency Sponsorship | 8,966,163 | 7,934,683 | 7,302,852 | 6,380,063 | 6,799,079 |
| Veteran Benefits | 4,090,237 | 4,217,863 | 3,562,839 | 3,192,000 | 3,300,144 |
| College Total | $95,407,745 | $93,267,314 | $88,157,680 | $88,189,921 | $91,006,051 |
| Unduplicated Recipients | 5,744 | 5,738 | 5,678 | 5,663 | 5,974 |

## COMMONWEALTH APPROPRIATIONS

During the College's fiscal year ending June 30, 2016, Commonwealth appropriations are budgeted at $19,584,000 providing an estimated 13.99% of the College's unrestricted revenue. This represents a $2,000,000 or 11.4% increase over the prior year. Pursuant to the Pennsylvania College of Technology Act that enabled its creation, the College receives Commonwealth funding through separate line items in The Pennsylvania State University's budget. The following table shows the annual Commonwealth appropriations received during the last five fiscal years and the percentage of the College's total unrestricted sources of funds for each of these years:

### Commonwealth Appropriation Trends

| Description | 2015-2016 | 2014-2015 | 2013-2014 | 2012-2013 | 2011-2012 |
|---|---|---|---|---|---|
| Commonwealth Appropriations | $19,584,000 | $17,584,000 | $15,584,000 | $13,584,000 | $12,905,000 |
| Percentage of Total Unrestricted Resources | 13.99% | 11.50% | 10.52% | 9.84% | 9.60% |

The College's significance and value to the Commonwealth is evidenced by the increase in appropriation funding it received in the Commonwealth budget from 2012 through 2016.

Due to the late passage of the 2015-2016 Pennsylvania budget, the College did not receive any state appropriation funds until April 28, 2016. The College carefully monitored the situation and managed cash flows during this budget impasse; consequently, no liquidation of investments or line-of-credit advances were necessary in order to maintain the College's normal operations.

## OTHER REVENUE SOURCES

The College is also supported by the Pennsylvania College of Technology Foundation (the "Foundation"), a separate, non-profit organization that is exempt from federal income tax. The Foundation was formed in April 1981 to assist the College in meeting its stated goals and objectives. Following the reorganization of the College in 1989, the Foundation adopted its current name. Its principal purpose is to raise funds to provide scholarships to Penn College students. The Foundation had total assets of $12,766,715 as of June 30, 2015. In 2013-2014, the Foundation raised $6.4 million for the centennial scholarship campaign.

In fiscal year 2016, the College was awarded grants and contracts totaling over $23.7 million, including more than $22.7 million to serve as administrator of the Workforce and Economic Development Network of Pennsylvania (WEDnetPA), a state wide alliance of educational providers created by the Commonwealth to make companies more competitive by improving the skills of their employees in order to meet specific company needs. Perkins grant funds valued at $412,674 were used to strengthen instructional programs through the purchase of instructional equipment and provide support services such as individual and small group tutoring, academic mentoring, supplemental instruction, and study skills workshops for students, including those with disabilities. Funding was also secured to support technology transfer projects for business and industry, such as customized job training projects and the operation of the National Sustainable Structures Center for the Commonwealth.

Over the past five fiscal years, the College has been awarded an accumulated total of more than $99 million in federal, state, and local grants and contracts. The College does not use grants to support operations, but rather utilizes grants for specific projects.

## EMPLOYMENT

Personnel expenses for salaries and benefits total $101,074,956 or 66.0% of the 2015-2016 budget. At the start of the 2015-2016 academic year, the College employed 1,447 people, 912 full-time and 535 part-time (including temporary full-time employees). With changes in enrollment in recent years, a decision was made to "right size" the organization, resulting in department restructurings across campus and position eliminations. At the start of the 2015-16 academic year, there were 63 fewer full-time employees and 57 more part-time employees than were reported in the Fall of 2011.

The comparison of total full-time and part-time employees by occupational activities in the 2015 and 2011 academic years is presented in the following table:

**Employment by Occupational Activity**

| | **Full-Time** | | | | **Temporary Full-Time & Part-Time** | | | |
|---|---|---|---|---|---|---|---|---|
| **Occupational Activity** | **Fall 2015** | | **Fall 2011** | | **Fall 2015** | | **Fall 2011** | |
| Faculty | 294 | 32.24% | 305 | 31.28% | 186 | 34.77% | 190 | 39.75 % |
| Executive/Administrative/ Managerial | 65 | 7.13 | 76 | 7.79 | 0 | - | 0 | - |
| Professional Non-Faculty | 124 | 13.60 | 117 | 12.00 | 11 | 2.06 | 5 | 1.1 |
| Secretarial/Clerical | 75 | 8.22 | 102 | 10.46 | 143 | 26.73 | 113 | 23.6 |
| Technical/Paraprofessional | 136 | 14.91 | 143 | 14.67 | 60 | 11.21 | 41 | 8.6 |
| Skilled Craft | 34 | 3.73 | 31 | 3.18 | 1 | 0.19 | 1 | 0.2 |
| Service/Maintenance | 184 | 20.18 | 201 | 20.62 | 134 | 25.05 | 128 | 26.8 |
| Totals | 912 | 100.00% | 975 | 100.0% | 535 | 100.00 % | 478 | 100.00 % |

*[Remainder of page intentionally left blank]*

The level of educational background, as measured by the highest degree held, of the faculty, administration, and professional staff has been increasing. This trend is expected to continue as the College's baccalaureate program grows. Of all faculty, 62.1% hold post-baccalaureate degrees. Overall, 56.6% of all full-time and part-time faculty, administrative, and professional staff hold post-baccalaureate degrees and 13.7% hold doctorates.

**Employee Academic Degrees Held**

| | Fall 2015 | | | Fall 2011 | | |
|---|---|---|---|---|---|---|
| **Occupational Activity** | **Doctorate** | **Masters** | **Other** | **Doctorate** | **Masters** | **Other** |
| Faculty | 77 | 221 | 182 | 75 | 229 | 201 |
| Executive/Administrative/Managerial | 11 | 30 | 24 | 12 | 35 | 30 |
| Professional Non-Faculty | 5 | 41 | 89 | 2 | 45 | 72 |
| Totals | 93 | 292 | 295 | 89 | 309 | 303 |
| Percent of Total | 13.7% | 42.9% | 43.4% | 12.7% | 44.1% | 43.2% |

The following table provides the average full-time salaries by employee group and academic status. The average salary for faculty has increased from $73,220 in 2011-2012 to $87,595 in 2015-2016, an average annual increase of 4.6%. Administrative, Professional and Technical (APT) staff average salaries rose from $60,190 in 2011-2012 to $68,125 in 2015-2016, an average annual increase of 3.1%. Classified and Service staff average salaries have increased from $29,376 in 2011-2012 to $30,617 in 2015-2016, an average annual increase of 0.6%.

**Average Full-Time Salaries**

| | 2015-2016 | | 2014-2015 | | 2013-2014 | | 2012-2013 | | 2011-2012 | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Employee Group/Academic Status** | **Average Salary** | **% chg** | **Average Salary** | **% chg** | **Average Salary** | **% chg** | **Average Salary** | **% chg** | **Average Salary** | **% chg** |
| Faculty[1] | | | | | | | | | | |
| Professor | $113,577 | 6.72% | $106,424 | 2.31% | $104,018 | 4.78% | $99,272 | 4.35% | $95,131 | 1.06% |
| Associate Professor | 108,336 | 5.78% | 102,420 | 6.21% | 96,431 | 4.67% | 92,126 | 8.88% | 84,615 | 0.29% |
| Assistant Professor | 89,867 | 5.00% | 85,591 | 4.37% | 82,010 | 4.45% | 78,519 | 3.80% | 75,641 | 1.82% |
| Instructor | 76,237 | 4.68% | 72,830 | 5.49% | 69,039 | 5.21% | 65,621 | 6.00% | 61,904 | 1.93% |
| Lecturer | 60,024 | -5.00% | 63,182 | 7.02% | 59,039 | 2.00% | 57,884 | 6.16% | 54,524 | 5.75% |
| All Faculty Ranks | $87,595 | 10.73% | $79,105 | -1.77% | $80,527 | 4.29% | $77,216 | 5.46% | $73,220 | 1.05% |
| APT: Administrative | $68,125 | 2.19% | $66,668 | 2.01% | $65,354 | 3.60% | $63,086 | 4.81% | $60,190 | -1.99% |
| Classified/Service | $30,617 | 1.61% | $30,131 | 3.24% | $29,184 | -4.96% | $30,706 | 4.53% | $29,376 | -1.93% |

Notes: (1) Counselors and Librarians are included in Faculty.

There is no tenure-track system for faculty at Penn College, though faculty members are represented by a collective bargaining unit (the Pennsylvania College Education Association) and may seek promotion in academic rank based on credentials, experience and other evaluative criteria. Increase in faculty rank has no impact on salary/compensation. Education and experience are recognized as primary indicators of salary development on the College's salary system. Faculty are evaluated on their teaching as the main criteria for reappointment.

The College has three contributory pension plans covering virtually all its employees. Retirement expenses in the fiscal year 2016 operating budget aggregate $8,114,113, which is 8.03% of total estimated personnel expenses. See the footnotes to the Audited Consolidated Financial Statements for the year ended June 30, 2015, for more information about pension and retirement plans and post-retirement benefits.

## LABOR RELATIONS

The College maintains a collective bargaining relationship with its full-time faculty including counselors and librarians. The unit includes 297 members. Bargaining takes place under Pennsylvania Act 195 of 1970, which authorizes certain public employee groups to organize and negotiate wages, hours, and other terms and conditions of employment. The faculty organization, Penn College Education Association (the "Association"), is affiliated with the National Education Association and its state organization, Pennsylvania State Education Association.

Since the early years, the College and the Association have developed a problem-solving approach to collective bargaining that has provided an advantageous operational setting for both parties. The College President meets biweekly with the Association President to proactively answer questions and address issues.

Further evidence of the efficacy of the bargaining relationship can be gained from the fact that the last few agreements with the faculty, 1991–1996 and 2000–2003, have each been extended, with the most recent contract extended through fiscal year 2017/18. The College enjoys an excellent working relationship with its organized faculty. No staff (non-faculty) members are represented by collective bargaining.

## FINANCIAL INFORMATION

The College's Audited Consolidated Financial Statements present the financial position and activities of the College together with its related entities: Pennsylvania College of Technology Community Arts Center, Inc., and the Foundation. Consolidating financial information for the fiscal year ended June 30, 2015, which has been prepared by management, is included in the tables that follow. In addition, five-year historical data for the College only (excluding its related entities) has been included. It should be noted that these tables have not been audited.

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**PENNSYLVANIA COLLEGE OF TECHNOLOGY**
**Consolidated Statement of Financial Position**
**June 30, 2015 and 2014**
**Unaudited**

| | Penn College | Community Arts Center | Penn College Foundation | 2015 Total | 2014 Total |
|---|---|---|---|---|---|
| **Current Assets:** | | | | | |
| Cash and Cash Equivalents | $29,874,903 | $132,958 | $871,595 | $30,879,456 | $31,659,995 |
| Deposits Held by Trustees | 5,584,367 | | | 5,584,367 | 4,076,599 |
| Accrued Interest Receivable | 34,257 | | 7,568 | 41,825 | 9,794 |
| Due From Community Arts Center | 4,641,165 | (4,641,165) | | - | - |
| Accounts Receivable, Net | 2,553,973 | 27,422 | 14,142 | 2,595,537 | 2,044,242 |
| Due From Foundation | 10,675 | | (10,675) | - | - |
| Contributions Receivable, Net | | 48,208 | 164,202 | 212,410 | 171,035 |
| Inventories | 1,883,581 | 10,921 | 6,760 | 1,901,262 | 1,905,397 |
| Prepaid Expenses | 805,036 | 56,558 | 500 | 862,094 | 710,000 |
| **Total Current Assets** | 45,387,957 | (4,365,098) | 1,054,092 | 42,076,951 | 40,577,062 |
| **Non Current Assets:** | | | | | |
| Deposits Held by Trustees Under Debt Agreements | 447,991 | | | 447,991 | 2,551,034 |
| Loans Receivable-Community Arts Center | 5,551,119 | (5,551,119) | | - | - |
| Contributions Receivable, Net | | 54,693 | 417,651 | 472,344 | 283,043 |
| Property and Equipment Net of Accumulated Depreciation | 176,714,291 | 6,156,895 | 24,341 | 182,895,527 | 189,934,381 |
| Beneficial Interest in Assets Held by Others | | 703,870 | | 703,870 | 625,111 |
| Cash Surrender Value-Life Insurance | | 47,216 | | 47,216 | 45,551 |
| Assets Held in Charitable Remainder Trust | 483,961 | | | 483,961 | 504,756 |
| Investments Held for Long Term Purposes | 12,256,596 | 341,940 | 11,247,023 | 23,845,559 | 19,297,238 |
| **Total Non Current Assets** | 195,453,958 | 1,753,495 | 11,689,015 | 208,896,468 | 213,241,114 |
| **Total Assets** | $240,841,915 | ($2,611,603) | $12,743,107 | $250,973,419 | 253,818,176 |
| **Current Liabilities:** | | | | | |
| Accounts Payable | $5,689,286 | $44,221 | $29,684 | $5,763,191 | $5,606,251 |
| Accrued Interest Payable | 1,860,454 | | | 1,860,454 | 2,104,186 |
| Bonds Payable | 1,850,000 | | | 1,850,000 | 3,250,000 |
| Capital Lease Obligations | 70,462 | | | 70,462 | 88,681 |
| Accrued Salaries and Related Expenses | 6,919,277 | - | | 6,919,277 | 6,111,670 |
| Payroll Tax and Employee Payable | 521,497 | 53,350 | | 574,847 | 555,113 |
| Deferred Revenue and Refundable Advances | 2,965,300 | 284,615 | 5,169 | 3,255,084 | 4,582,870 |
| Funds Held in Custody for Others | 161,333 | | | 161,333 | 156,136 |
| Other | 65,455 | | (12,933) | 52,522 | 45,752 |
| **Total Current Liabilities** | 20,103,064 | 382,186 | 21,920 | 20,507,170 | 22,500,659 |
| **Non Current Liabilities:** | | | | | |
| Bonds Payable | 126,263,836 | | | 126,263,836 | 130,248,162 |
| Capital Lease Obligations | 106,123 | | | 106,123 | 148,587 |
| Funds Held in Charitable Remainder Trust | 418,680 | | | 418,680 | 418,384 |
| Due to Charitable Gift Annuities | 109,865 | | | 109,865 | 134,901 |
| Accrued Postretirement Benefits | 7,156,240 | | | 7,156,240 | 8,189,520 |
| **Total Non Current Liabilities** | 134,054,744 | - | - | 134,054,744 | 139,139,554 |
| **Total Liabilities** | 154,157,808 | 382,186 | 21,920 | 154,561,914 | 161,640,213 |
| **Net Assets:** | | | | | |
| **Unrestricted** | | | | | |
| Undesignated | 28,177,288 | (4,297,805) | 743,311 | 24,622,794 | 20,385,926 |
| Designated for Specific Purposes | 10,831,972 | 1,157,555 | 1,770,769 | 13,760,296 | 10,378,536 |
| Net Investment in Plant | 47,075,640 | | | 47,075,640 | 51,080,152 |
| **Total Unrestricted** | 86,084,900 | (3,140,250) | 2,514,080 | 85,458,730 | 81,844,614 |
| **Temporarily Restricted** | 178,498 | 146,461 | 2,450,801 | 2,775,760 | 2,820,361 |
| **Permanently Restricted** | 420,709 | | 7,756,306 | 8,177,015 | 7,512,988 |
| **Total Net Assets** | 86,684,107 | (2,993,789) | 12,721,187 | 96,411,505 | 92,177,963 |
| **Total Liabilities and Net Assets** | $240,841,915 | ($2,611,603) | $12,743,107 | $250,973,419 | $253,818,176 |

**PENNSYLVANIA COLLEGE OF TECHNOLOGY**
**Statement of Financial Position**
**College Only**
**As of June 30 for the Years 2011 through 2015**
**Unaudited**

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **Current Assets:** | | | | | |
| Cash and Cash Equivalents | $29,874,903 | $31,140,063 | $25,854,271 | $22,796,321 | $28,130,152 |
| Deposits Held by Trustees | 5,584,367 | 4,076,599 | 3,732,794 | 3,456,777 | 4,504,146 |
| Accrued Interest Receivable | 34,257 | 603 | 658 | 5,927 | 759 |
| Due From Community Arts Center | 4,641,165 | 4,164,569 | 3,807,522 | 3,235,922 | 2,777,040 |
| Due to Foundation | 10,675 | 4,445 | (20,476) | 2,461 | |
| Accounts Receivable | | | | | |
| U.S. Government | 747,845 | 322,937 | 1,174,203 | 321,243 | 1,163,916 |
| Other | 1,806,128 | 1,684,749 | 1,886,929 | 1,753,328 | 1,788,017 |
| Contributions Receivable, Net | | | | | 1,456 |
| Inventory | 1,883,581 | 1,888,807 | 2,179,488 | 1,898,927 | 1,973,650 |
| Prepaid Expenses | 805,036 | 688,604 | 758,165 | 619,794 | 553,652 |
| Deferred Bond Costs | | | 123,958 | 127,022 | 137,694 |
| **Total Current Assets** | 45,387,957 | 43,971,376 | 39,497,512 | 34,217,722 | 41,030,482 |
| **Non Current Assets:** | | | | | |
| Deposits Held by Trustees | 447,991 | 2,551,034 | 2,551,034 | 2,551,034 | 4,746,422 |
| Loans Receivable-Community Arts Center | 5,551,119 | 5,551,119 | 5,551,119 | 5,551,119 | 5,551,119 |
| Property and Equipment Net of | | | | | |
| Accumulated Depreciation | 176,714,291 | 183,375,152 | 188,241,973 | 195,664,791 | 202,175,479 |
| Assets Held in Charitable Remainder Trust | 483,961 | 504,756 | 449,849 | 426,430 | 464,260 |
| Cash & Investments Held for L/T Purposes | 12,256,596 | 7,654,378 | 6,596,320 | 5,560,585 | 3,587,201 |
| Deferred Bond Costs | | | 1,489,344 | 1,613,301 | 1,826,031 |
| **Total Non Current Assets** | 195,453,958 | 199,636,439 | 204,879,639 | 211,367,260 | 218,350,512 |
| **Total Assets** | $240,841,915 | $243,607,815 | $244,377,151 | $245,584,982 | $259,380,994 |
| **Current Liabilities:** | | | | | |
| Accounts Payable | $5,689,286 | $5,526,110 | $6,471,541 | $5,186,988 | $7,334,913 |
| Accrued Interest Payable | 1,860,454 | 2,104,186 | 2,129,810 | 2,100,399 | 1,349,861 |
| Bonds Payable | 1,850,000 | 3,250,000 | 2,775,000 | 2,685,000 | 3,065,000 |
| Long Term Lease Obligations | 70,462 | 88,681 | 53,999 | 50,359 | 26,334 |
| Accrued Salary and Related Expenses | 6,919,277 | 6,105,811 | 5,548,060 | 5,662,947 | 6,844,964 |
| Payroll Tax and Employee Payable | 521,497 | 498,839 | 1,140,255 | 1,039,668 | 1,359,659 |
| Deferred Revenue & Refundable Advances | 2,965,300 | 4,425,130 | 3,598,071 | 4,002,423 | 3,946,619 |
| Funds Held in Custody for Others | 161,333 | 156,136 | 118,943 | 132,520 | 105,544 |
| Other | 65,455 | 45,752 | 51,487 | 35,234 | 37,226 |
| **Total Current Liabilities** | 20,103,064 | 22,200,645 | 21,887,166 | 20,895,538 | 24,070,120 |
| **Non Current Liabilities:** | | | | | |
| Bonds Payable | 126,263,836 | 130,248,162 | 135,140,477 | 138,025,486 | 142,310,702 |
| Funds Held in Charitable Remainder Trust | 106,123 | 148,587 | 354,397 | 316,072 | 339,057 |
| Long Term Lease Obligations | 418,680 | 418,384 | 34,542 | 88,541 | 63,210 |
| Due to Charitable Gift Annuities | 109,865 | 134,901 | 159,989 | 162,957 | 179,475 |
| Accrued Post Retirement Benefits | 7,156,240 | 8,189,520 | 7,387,008 | 6,992,445 | 5,036,266 |
| **Total Non Current Liabilities** | 134,054,744 | 139,139,554 | 143,076,413 | 145,585,501 | 147,928,710 |
| **Total Liabilities** | 154,157,808 | 161,340,199 | 164,963,579 | 166,481,039 | 171,998,830 |
| **Net Assets:** | | | | | |
| **Unrestricted** | | | | | |
| Undesignated | 28,177,288 | 21,905,043 | 16,322,649 | 13,711,914 | 14,307,235 |
| Designated for Specific Purposes | 10,831,972 | 8,597,294 | 6,486,100 | 8,052,888 | 11,667,112 |
| Net Investment in Plant | 47,075,640 | 51,080,152 | 55,946,674 | 56,722,405 | 60,580,577 |
| **Total Unrestricted** | 86,084,900 | 81,582,489 | 78,755,423 | 78,487,207 | 86,554,924 |
| **Temporarily Restricted** | 178,498 | 258,529 | 234,731 | 193,794 | 410,066 |
| **Permanently Restricted** | 420,709 | 426,598 | 423,418 | 422,942 | 417,174 |
| **Total Net Assets** | 86,684,107 | 82,267,616 | 79,413,572 | 79,103,943 | 87,382,164 |
| **Total Liabilities and Net Assets** | $240,841,915 | $243,607,815 | $244,377,151 | $245,584,982 | $259,380,994 |

**PENNSYLVANIA COLLEGE OF TECHNOLOGY**
**Consolidated Statement of Activities**
**For the Year Ended June 30, 2015 and 2014**
**Unaudited**

| | | Related Entities | | | |
|---|---|---|---|---|---|
| | Penn College | Community Arts Center | Penn College Foundation | 2015 Total | 2014 Total |
| **Changes in Unrestricted Net Assets** | | | | | |
| **Revenues, Gains and Other Support:** | | | | | |
| Tuition and Fees, Net of Discounts | $90,539,658 | | | $90,539,658 | $87,066,363 |
| State Appropriations | 17,980,000 | | | 17,980,000 | 15,980,000 |
| Investment Return, Net | 270,955 | $2,600 | $57,995 | 331,550 | 1,701,958 |
| Government Contracts and Grants | 12,669,713 | | | 12,669,713 | 13,108,563 |
| Contributions, Gifts and Grants | 2,073,010 | 682,343 | 212,283 | 2,967,636 | 3,239,587 |
| Recovery of Indirect Costs | 383,928 | | | 383,928 | 492,035 |
| Auxiliary Enterprises | 24,404,764 | | | 24,404,764 | 24,240,054 |
| Other Sources | 1,273,827 | 1,584,173 | 436,086 | 3,294,086 | 4,311,373 |
| Total Revenues, Gains and Other Support | 149,595,855 | 2,269,116 | 706,364 | 152,571,335 | 150,139,933 |
| Net Assets Released From Restrictions | 73,844 | 40,521 | 488,639 | 603,004 | 468,359 |
| **Total Revenues, Gains and Other Support** | 149,669,699 | 2,309,637 | 1,195,003 | 153,174,339 | 150,608,292 |
| **Expenses and Losses:** | | | | | |
| Education and General | | | | | |
| Instruction | 65,637,332 | | | 65,637,332 | 63,323,275 |
| Academic Support | 17,982,341 | | | 17,982,341 | 18,955,861 |
| Student Services | 10,190,388 | | | 10,190,388 | 9,918,609 |
| General Institution Support | 30,346,587 | | 1,198,318 | 31,544,905 | 29,433,310 |
| Other | | 3,194,617 | | 3,194,617 | 3,267,854 |
| Total Education and General | 124,156,648 | 3,194,617 | 1,198,318 | 128,549,583 | 124,898,909 |
| Auxiliary Enterprises | 22,585,070 | | | 22,585,070 | 22,236,968 |
| Loss/(Gain) on Disposal of Assets | (15,280) | | | (15,280) | 13,554 |
| Loss/(Gain) on Early Extinguishment of Debt | (146,279) | | | (146,279) | |
| Post Retirement Benefit Changes (Gain) Loss | (1,412,871) | | | (1,412,871) | 339,423 |
| Total Expenses and Losses | 145,167,288 | 3,194,617 | 1,198,318 | 149,560,223 | 147,488,854 |
| Increase (Decrease) in Unrestricted Net Assets | 4,502,411 | (884,980) | (3,315) | 3,614,116 | 3,119,438 |
| **Changes in Temporarily Restricted Net Assets** | | | | | |
| Investment Return, Net | 11,600 | (980) | 121,863 | 132,483 | 594,557 |
| Contributions, Gifts and Grants | | 12,234 | 544,925 | 557,159 | 672,944 |
| Gifts Released from Restriction Due to Change in Donor Intent | 8,800 | | (125,003) | (116,203) | (137,555) |
| Change in Value of Split Interest Agreements | (15,036) | | | (15,036) | (15,036) |
| Net Assets Released From Restriction | (73,844) | (40,521) | (488,639) | (603,004) | (468,859) |
| Increase (Decrease) in Temporarily Restricted Net Assets | (68,480) | (29,267) | 53,146 | (44,601) | 646,051 |
| **Changes in Permanently Restricted Net Assets** | | | | | |
| Investment Return, Net | | | 89,292 | 89,292 | 507,392 |
| Contributions, Gifts and Grants | 2,911 | | 455,621 | 458,532 | 1,283,347 |
| Gifts Released from Restriction Due to Change in Doner Inte | (8,800) | | 125,003 | 116,203 | 137,829 |
| Increase (Decrease) in Permanently Restricted Net Assets | (5,889) | - | 669,916 | 664,027 | 1,928,568 |
| **Increase (Decrease) in Net Assets** | 4,428,042 | (914,247) | 719,747 | 4,233,542 | 5,694,057 |
| **Net Assets at Beginning of the Year** | 82,267,616 | (2,079,542) | 11,989,889 | 92,177,963 | 86,483,906 |
| **Transfer to Relted Entity** | (11,551) | | 11,551 | - | |
| **Net Assets at End of the Year** | $86,684,107 | ($2,993,789) | $12,721,187 | $96,411,505 | $92,177,963 |

**PENNSYLVANIA COLLEGE OF TECHNOLOGY**
**Statement of Activities**
**College Only**
**As of June 30 for the Years 2011 through 2015**
**Unaudited**

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **Changes in Unrestricted Net Assets** | | | | | |
| **Revenues, Gains and Other Support:** | | | | | |
| Tuition and Fees | $90,539,658 | $87,066,363 | $82,296,605 | $80,262,500 | $81,341,736 |
| State Appropriations | 17,980,000 | 15,980,000 | 13,980,000 | 13,301,000 | 14,695,000 |
| Investment Earnings, Net of Fees | 270,955 | 1,272,532 | 877,520 | 164,498 | 1,123,057 |
| Government Contracts and Grants | 12,669,713 | 13,108,563 | 11,998,397 | 11,261,378 | 14,605,828 |
| Contributions, Gifts and Grants | 2,073,010 | 1,936,105 | 1,141,898 | 1,434,285 | 1,013,376 |
| Recovery of Indirect Costs | 383,928 | 492,035 | 443,425 | 281,661 | 345,734 |
| Auxiliary Enterprises | 24,404,764 | 24,240,054 | 23,371,176 | 22,314,104 | 21,836,348 |
| Other Sources | 1,273,827 | 1,844,219 | 2,088,814 | 2,464,508 | 2,259,636 |
| Total Revenues, Gains and Other Support | 149,595,855 | 145,939,871 | 136,197,835 | 131,483,934 | 137,220,715 |
| Net Assets Released From Restrictions | 73,844 | 51,653 | 15,488 | 183,100 | 6,350 |
| **Total Revenues, Gains and Other Support** | 149,669,699 | 145,991,524 | 136,213,323 | 131,667,034 | 137,227,065 |
| **Expenses and Losses:** | | | | | |
| Education and General | | | | | |
| Instruction | 65,637,332 | 63,323,275 | 61,760,659 | 61,550,926 | 61,887,642 |
| Academic Support | 17,982,341 | 18,955,861 | 16,689,194 | 16,171,854 | 18,872,909 |
| Student Services | 10,190,388 | 9,918,609 | 9,016,446 | 8,690,318 | 8,299,053 |
| General Institution Support | 30,346,587 | 28,376,768 | 27,637,026 | 27,971,308 | 31,223,876 |
| Other | | | | | 19,993 |
| Total Education and General | 124,156,648 | 120,574,513 | 115,103,325 | 114,384,406 | 120,303,473 |
| Auxiliary Enterprises | 22,585,070 | 22,236,968 | 21,882,460 | 23,095,734 | 23,255,715 |
| (Gain)/Loss on Disposal of Assets | (15,280) | 13,554 | (890,414) | 191,024 | 27,738 |
| (Gain)/ Loss Early Extinguishment of Debt | (146,279) | | | 567,288 | 802,925 |
| Revision of Donor Restriction | | | 349 | | |
| Post Retirement Benefit Changes (Gain) Loss | (1,412,871) | 339,423 | (150,613) | 1,496,299 | 5,619 |
| Total Expenses and Losses | 145,167,288 | 143,164,458 | 135,945,107 | 139,734,751 | 144,395,470 |
| Increase (Decrease) in Unrestricted Net Assets | 4,502,411 | 2,827,066 | 268,216 | (8,067,717) | (7,168,405) |
| **Changes in Temporarily Restricted Net Assets** | | | | | |
| Investment Earnings Net of Fees | 11,600 | 70,713 | 44,264 | (18,527) | 50,832 |
| Contributions, Gifts and Grants | | 20,000 | 30,200 | 200 | 168,550 |
| Change in Value of Split Interest Agreements | (15,036) | (15,036) | (14,906) | (14,845) | |
| Transfer to Other Related Entities | | | (3,482) | | |
| Revision of Donor Restrictions | | | 349 | | |
| Gifts Released from Restriction Due to Change in Donor Intent | 8,800 | (226) | | | (3,160) |
| Net Assets Released From Restriction | (73,844) | (51,653) | (15,488) | (183,100) | (6,350) |
| Increase (Decrease) in Temporarily Restricted Net Assets | (68,480) | 23,798 | 40,937 | (216,272) | 209,872 |
| **Changes in Permanently Restricted Net Assets** | | | | | |
| Contributions, Gifts and Grants | 2,911 | 3,180 | 476 | 5,768 | 1,648 |
| Gifts Released from Restriction Due to Change in Donor Intent | (8,800) | | | | 3,160 |
| Increase (Decrease) in Permanently Restricted Net Assets | (5,889) | 3,180 | 476 | 5,768 | 4,808 |
| **Increase (Decrease) in Net Assets** | 4,428,042 | 2,854,044 | 309,629 | (8,278,221) | (6,953,725) |
| **Net Assets at Beginning of the Year** | 82,267,616 | 79,413,572 | 79,103,943 | 87,382,164 | 94,335,889 |
| **Transfer to Related Entity** | (11,551) | | | | |
| **Net Assets at End of the Year** | $86,684,107 | $82,267,616 | $79,413,572 | $79,103,943 | $87,382,164 |

**INSURANCE**

The following table outlines the insurance coverage and the aggregate amounts of insurance carried by the College:

| Type | Limit |
|---|---|
| ***Aircraft Hull*** | $2,679,067 |
| ***Aircraft Liability*** | 5,000,000 |
| ***Athletic Accident:*** | |
| Accidental Medical Expense Benefit | 25,000 |
| Accidental Death and Dismemberment | 15,000 |
| Dental Maximum | 2,000 |
| ***Automobile Liability*** | 1,000,000 |
| ***Wrap+ Commercial Crime:*** | |
| Employee Theft | 2,000,000 |
| Forgery or Alteration | 1,000,000 |
| Money and Securities on Premises & in Transit | 1,000,000 |
| Money Orders and Counterfeit Money | 300,000 |
| Computer Fraud | 2,000,000 |
| Funds Transfer Fraud | 2,000,000 |
| Personal Accounts Forgery or Alteration | 50,000 |
| Identity Fraud Expense Reimbursement | 25,000 |
| Claim Expense | 250,000 |
| ***Wrap+ CyberRisk:*** | |
| Crisis Management Event Expenses | 5,000,000 |
| Security Breach Remediation & Notification Exp | 5,000,000 |
| E-Commerce Extortion | 5,000,000 |
| Business Interruption & Additional Expenses | 5,000,000 |
| ***Deluxe Property***(1) | 465,482,433 |
| ***Educator's Legal Liability*** | 5,000,000 |
| ***Employee Benefit Plan Fiduciary Insurance*** (2) | 10,000,000 |
| ***General Liability*** | 3,000,000 |
| ***International Travel Insurance:*** | |
| Business Travel AD & D | 500,000 |
| Medical Expense | 50,000 |
| ***Licensed Professional Liability*** | 2,000,000 |
| ***Student Organizations General Liability*** | 2,000,000 |
| ***Business Travel Accident Policy/Board Members*** | 1,000,000 |
| ***Umbrella - Liability***(3) | 5,000,000 |
| ***Worker's Compensation and Employer's Liability*** | State-mandated |

Notes:

(1) Includes numerous endorsements for boiler and machinery, contractors' equipment, business interruption, materials in transit, and computerized business equipment (hardware and software).

(2) Fiduciary insurance is purchased through The Pennsylvania State University's policy.

(3) The Pennsylvania State University provides an additional $100,000,000 umbrella protection above the $5,000,000 amount listed. Penn College is listed as an additional insured on The Pennsylvania State University's policy, which provides $5,000,000 in excess coverage to the amounts shown.

## LONG-TERM OBLIGATIONS

The College is obligated to make payments of debt service with respect to the 2008, 2011, 2012 and 2015 Bonds. All of the outstanding 2008 Bonds are expected to be refunded with the proceeds of the 2016 Bonds. See the footnotes to the audited consolidated financial statements for the year ended June 30, 2015 for more information about long-term obligations.

As of June 30, 2015, the total aggregate outstanding principal indebtedness of the College was $129,638,653, summarized as follows:

| | |
|---|---|
| Series 2008* | $55,000,000 |
| Series 2011 | 38,550,000 |
| Series 2012 | 24,685,000 |
| Series 2015 | 8,840,000 |
| Total | 127,075,000 |
| Net unamortized premium | 2,563,653 |
| Total aggregate outstanding principal | $129,638,653 |

* To be refunded with proceeds of the 2016 Bonds.

## LITIGATION

The College is party to various legal actions arising in the ordinary course of its operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of the management of the College that the resolution of these matters, even if resolved adversely to the College, will not have a material effect on the College's financial performance or operations.

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## APPENDIX B

## PENNSYLVANIA COLLEGE OF TECHNOLOGY AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2015 AND 2014 AND INDEPENDENT AUDITORS' REPORT

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# Pennsylvania College of Technology

Consolidated Financial Statements

June 30, 2015 and 2014

BAKER TILLY

Candor. Insight. Results.

Baker Tilly Virchow Krause, LLP
1000 Commerce Park Dr, Ste 430
Williamsport, PA 17701-5475
tel 570 323 6023
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fax 888 264 9617
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# Independent Auditors' Report

Board of Directors
Pennsylvania College of Technology

We have audited the accompanying consolidated financial statements of Pennsylvania College of Technology and subsidiaries (collectively, the "College"), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pennsylvania College of Technology and subsidiaries as of June 30, 2015 and 2014, and the changes in their net assets and their 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

Williamsport, Pennsylvania
October 30, 2015

## Pennsylvania College of Technology

Consolidated Statement of Financial Position
June 30, 2015 and 2014

| | 2015 | 2014 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 30,879,456 | $ 31,659,995 |
| Deposits held by trustees | 5,584,367 | 4,076,599 |
| Accrued interest receivable | 41,825 | 9,794 |
| Accounts receivable, net | 2,595,537 | 2,044,242 |
| Contributions receivable, net | 212,410 | 171,035 |
| Inventories | 1,901,262 | 1,905,397 |
| Prepaid expenses | 862,094 | 710,000 |
| Total current assets | 42,076,951 | 40,577,062 |
| **Non-Current Assets** | | |
| Deposits held by trustees under debt agreements | 447,991 | 2,551,034 |
| Contributions receivable, net | 472,344 | 283,043 |
| Property and equipment, net of accumulated depreciation | 182,895,527 | 189,934,381 |
| Beneficial interest in agency endowment held by Community Foundation | 703,870 | 625,111 |
| Cash surrender value - life insurance | 47,216 | 45,551 |
| Assets held in charitable remainder trust | 483,961 | 504,756 |
| Investments held for long term purposes | 23,845,559 | 19,297,238 |
| Total non-current assets | 208,896,468 | 213,241,114 |
| Total assets | $ 250,973,419 | $ 253,818,176 |

*See notes to consolidated financial statements*

## Pennsylvania College of Technology

Consolidated Statement of Financial Position

June 30, 2015 and 2014

| | 2015 | 2014 |
|---|---|---|
| **Liabilities and Net Assets** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 5,763,191 | $ 5,606,251 |
| Accrued interest payable | 1,860,454 | 2,104,186 |
| Bonds payable | 1,850,000 | 3,250,000 |
| Capital lease obligations | 70,462 | 88,681 |
| Accrued salaries and related expenses | 6,919,277 | 6,111,670 |
| Payroll tax and employee payable | 574,847 | 555,113 |
| Deferred revenue and refundable advances | 3,255,084 | 4,582,870 |
| Funds held in custody for others | 161,333 | 156,136 |
| Other | 52,522 | 45,752 |
| Total current liabilities | 20,507,170 | 22,500,659 |
| **Non-Current Liabilities** | | |
| Bonds payable | 126,263,836 | 130,248,162 |
| Capital lease obligations | 106,123 | 148,587 |
| Funds held in charitable remainder trust | 418,680 | 418,384 |
| Due to charitable gift annuities | 109,865 | 134,901 |
| Accrued postretirement benefits | 7,156,240 | 8,189,520 |
| Total non-current liabilities | 134,054,744 | 139,139,554 |
| Total liabilities | 154,561,914 | 161,640,213 |
| **Net Assets** | | |
| Unrestricted | 85,458,730 | 81,844,614 |
| Temporarily restricted | 2,775,760 | 2,820,361 |
| Permanently restricted | 8,177,015 | 7,512,988 |
| Total net assets | 96,411,505 | 92,177,963 |
| Total liabilities and net assets | $ 250,973,419 | $ 253,818,176 |

*See notes to consolidated financial statements*

**Pennsylvania College of Technology**

Statement of Activities

Year Ended June 30, 2015

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **Operating Revenue and Other Support** | | | | |
| Tuition and fees, net of discounts $1,732,592 | $ 90,538,658 | | | $ 90,538,658 |
| State appropriations | 17,980,000 | | | 17,980,000 |
| Investment return designated for current operations | 299,600 | $ 133,337 | | 432,937 |
| Government contracts and grants | 12,669,714 | | | 12,669,714 |
| Contributions, gifts and grants | 2,012,425 | | | 2,012,425 |
| Recovery of indirect costs | 383,928 | | | 383,928 |
| Auxiliary enterprises | 24,403,823 | | | 24,403,823 |
| Other sources | 2,866,819 | | | 2,866,819 |
| Total operating revenues and other support | 151,154,967 | 133,337 | | 151,288,304 |
| Net assets released from restriction | 603,004 | (603,004) | | - |
| Total operating revenues and other support | 151,757,971 | (469,667) | | 151,288,304 |
| **Operating Expenses** | | | | |
| Education and general: | | | | |
| Instruction | 65,295,866 | | | 65,295,866 |
| Academic support | 18,329,857 | | | 18,329,857 |
| Student services | 10,190,220 | | | 10,190,220 |
| General institution support | 30,170,238 | | | 30,170,238 |
| Other | 3,179,384 | 14,910 | | 3,194,294 |
| Total education and general | 127,165,565 | 14,910 | | 127,180,475 |
| Auxiliary enterprises | 22,584,670 | | | 22,584,670 |
| Total operating expenses | 149,750,235 | 14,910 | | 149,765,145 |
| Changes in net assets from operations | 2,007,736 | (484,577) | | 1,523,159 |
| **Non-operating Activities** | | | | |
| Investment return in excess of amounts designated for current operations | 31,950 | (980) | $ 89,292 | 120,262 |
| Contributions | | 557,159 | 458,532 | 1,015,691 |
| Gain on disposal and assets | 15,280 | | | 15,280 |
| Gain on early extinguishment of debt | 146,279 | | | 146,279 |
| Benefit related changes other than net periodic benefit costs | 1,412,871 | | | 1,412,871 |
| Revision of donor restrictions | | (116,203) | 116,203 | - |
| Non-operating income | 1,606,380 | 439,976 | 664,027 | 2,710,383 |
| Increase (decrease) in net assets | 3,614,116 | (44,601) | 664,027 | 4,233,542 |
| **Net Assets at Beginning of Year** | 81,844,614 | 2,820,361 | 7,512,988 | 92,177,963 |
| **Net Assets at End of Year** | $ 85,458,730 | $ 2,775,760 | $ 8,177,015 | $ 96,411,505 |

*See notes to consolidated financial statements*

## Pennsylvania College of Technology

Statement of Activities
Year Ended June 30, 2014

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **Operating Revenue and Other Support** | | | | |
| Tuition and fees, net of discounts $1,409,740 | $ 87,066,363 | | | $ 87,066,363 |
| State appropriations | 15,980,000 | | | 15,980,000 |
| Investment return designated for current operations | 454,608 | $ 240,298 | | 694,906 |
| Government contracts and grants | 13,108,563 | | | 13,108,563 |
| Contributions, gifts and grants | 2,545,258 | | | 2,545,258 |
| Recovery of indirect costs | 492,035 | | | 492,035 |
| Auxiliary enterprises | 24,234,380 | | | 24,234,380 |
| Other sources | 3,774,892 | | | 3,774,892 |
| Total operating revenues and other support | 147,656,099 | 240,298 | | 147,896,397 |
| Net assets released from restriction | 468,859 | (468,859) | | - |
| Total operating revenues and other support | 148,124,958 | (228,561) | | 147,896,397 |
| **Operating Expenses** | | | | |
| Education and general: | | | | |
| Instruction | 63,330,847 | | | 63,330,847 |
| Academic support | 18,955,640 | | | 18,955,640 |
| Student services | 9,902,578 | | | 9,902,578 |
| General institution support | 28,814,881 | | | 28,814,881 |
| Other | 2,663,228 | 15,262 | | 2,678,490 |
| Total education and general | 123,667,174 | 15,262 | | 123,682,436 |
| Auxiliary enterprises | 22,232,219 | | | 22,232,219 |
| Total operating expenses | 145,899,393 | 15,262 | | 145,914,655 |
| Changes in net assets from operations | 2,225,565 | (243,823) | | 1,981,742 |
| **Non-operating Activities** | | | | |
| Investment return in excess of amounts designated for current operations | 1,247,350 | 354,259 | $ 507,392 | 2,109,001 |
| Contributions | | 672,944 | 1,283,347 | 1,956,291 |
| Loss on disposal and assets | (13,554) | | | (13,554) |
| Benefit related changes other than net periodic benefit costs | (339,423) | | | (339,423) |
| Revision of donor restrictions | (500) | (137,329) | 137,829 | - |
| Non-operating income | 893,873 | 889,874 | 1,928,568 | 3,712,315 |
| Increase in net assets | 3,119,438 | 646,051 | 1,928,568 | 5,694,057 |
| **Net Assets at Beginning of Year** | 78,725,176 | 2,174,310 | 5,584,420 | 86,483,906 |
| **Net Assets at End of Year** | $ 81,844,614 | $ 2,820,361 | $ 7,512,988 | $ 92,177,963 |

*See notes to consolidated financial statements*

**Pennsylvania College of Technology**

Statement of Cash Flows
June 30, 2015 and 2014

| | 2015 | 2014 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Increase in net assets | $ 4,233,542 | $ 5,694,057 |
| Net realized and unrealized losses (gains) on investments | 258,495 | (2,016,925) |
| Gain on early extinguishment of debt | (146,281) | - |
| Interest and dividend income | (646,371) | (553,983) |
| Depreciation expense | 10,568,693 | 10,486,247 |
| Amortization expense | (85,337) | (38,656) |
| Accretion | (234) | (126) |
| Provision for uncollectible accounts | 542,352 | 394,212 |
| (Gain) loss on disposal of assets | (15,280) | 13,554 |
| Contribution of equity securities | (14,464) | (190,744) |
| Contribution of property and equipment | (1,079,969) | (655,118) |
| Increase in deposits held by trustee | (1,507,768) | (343,805) |
| (Increase) decrease in receivables | (1,375,017) | 780,958 |
| (Increase) decrease in inventories and prepaid expenses | (147,959) | 353,190 |
| Decrease (increase) in payables | 740,549 | (1,019,613) |
| (Decrease) increase in refundable advances & other liabilities | (1,297,083) | 735,931 |
| Increase in funds held in custody for others | 5,197 | 37,193 |
| (Decrease) increase in accrued postretirement benefits | (1,033,280) | 802,512 |
| Net cash provided by operating activities | 8,999,785 | 14,478,884 |
| **Cash Flows from Investing Activities** | | |
| Purchase of investments | (12,196,276) | (8,391,184) |
| Proceeds from sale of investments | 7,429,205 | 6,490,260 |
| Purchase of property and equipment | (2,455,479) | (4,655,128) |
| Decrease in deposits held by trustees under debt agreements | 2,103,043 | - |
| Increase in beneficial interest in assets held by others and cash surrender value - life insurance | (80,424) | (543,320) |
| Proceeds from sale of property (net) | 20,889 | 11,503 |
| Net cash used in investing activities | (5,179,042) | (7,087,869) |
| **Cash Flows from Financing Activities** | | |
| Principal payments on bonds payable | (4,961,451) | (2,775,000) |
| Interest and dividends income received | 646,371 | 553,983 |
| Bond issuance costs | (201,096) | - |
| Capital least obligations | (60,683) | 148,727 |
| Payments of charitable gift annuities | (24,423) | (23,398) |
| Net cash used in financing activities | (4,601,282) | (2,095,688) |
| Net (decrease) increase in cash and cash equivalents | (780,539) | 5,295,327 |
| **Cash and Cash Equivalents at Beginning of Year** | 31,659,995 | 26,364,668 |
| **Cash and Cash Equivalents at End of Year** | $ 30,879,456 | $ 31,659,995 |
| **Supplemental Disclosure of Cash Flow Information** | | |
| Noncash investing and financing transactions: | | |
| Contributions of property and equipment | $ 1,079,969 | $ 655,118 |
| Contributions of donated equity securities | 14,464 | 190,744 |
| Interest paid (not capitalized) | 6,579,337 | 6,436,472 |
| Advance refunding of bonds payable | 8,840,000 | - |

*See notes to consolidated financial statements*

## 1. The College and Related Entities

### Organization

Pennsylvania College of Technology ("College" or "Penn College") is organized as a Pennsylvania nonprofit corporation under the laws of the Commonwealth of Pennsylvania and is a wholly controlled subsidiary of The Corporation for Penn State. As an affiliate of The Pennsylvania State University, the College maintains its own missions, goals, and board of directors.

The financial statements of the College include, on a consolidated basis, the financial statements of its wholly controlled subsidiary, Pennsylvania College of Technology Community Arts Center, Inc. ("Community Arts Center") and a related entity, Pennsylvania College of Technology Foundation ("Foundation"). All material transactions between the College, Community Arts Center, and Foundation have been eliminated.

## 2. Summary of Significant Accounting Policies

The financial statements reflect the application of certain accounting policies as set forth in this note. Other policies and practices are covered in other notes where applicable.

### Basis of Accounting

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

### Basis of Presentation

The College's financial statements include a statement of financial position, a statement of activities, and a statement of cash flows. The changes in net assets are classified as permanently restricted, temporarily restricted, or unrestricted.

*Permanently Restricted Net Assets* include only the historical dollar amounts of gifts, including contributions receivable and remainder interests, which are required by donors to be permanently retained. Contributions receivable and remainder interests are reported at their estimated present values.

*Temporarily Restricted Net Assets* include gifts, contributions receivable, and remainder interest, income, and gains that can be expended, but for which restrictions have not yet been met. Such restrictions include time restrictions imposed by donors or implied by the nature of the gift or interpretations of law.

*Unrestricted Net Assets* are the remaining net assets of the College.

Donor-restricted gifts that are received and either spent or deemed spent within the same year are reported as unrestricted revenue. Gifts of long-lived assets are reported as unrestricted net assets when the assets are placed in service.

The College has not altered the way in which it administers its various funds, including endowments, and will continue to maintain its accounts in accordance with the principles of "fund accounting." This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. Gifts are recorded in fund accounts, and investment income is distributed to funds annually. Income distributed to funds may be a combination of capital appreciation and yield pursuant to the College's total return investment policy.

Non-operating activities reflect transactions of a long-term investment or capital nature, including contributions restricted for acquisitions of facilities and equipment, contributions restricted with donor-imposed stipulations, and gains and losses on investments in excess of the College's spending policy.

### Cash Flows

For the purpose of the Statements of Cash Flows, the College considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

### Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average method.

### Bond Issuance Costs

Bond issuance costs are amortized over the term of the related bonds computed on a straight line basis, which is not significantly different than the effective interest method, and are reported net with the related long-term debt.

### Expense Allocation

The cost of providing various programs and other activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### Income Tax Status

The College is exempt from federal income tax on its exempt income under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the College's tax exempt purpose is subject to taxation as unrelated business income. In addition, the College qualifies for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509 (a).

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 2015 and 2014.

The College's federal Return of Organization Exempt from Income Tax for years ended prior to June 30, 2012 are no longer remain subject to examination by the Internal Revenue Service.

### Investments

The College carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the non-operating investment return in the accompanying statements of activities. See Note 4 for a discussion of fair value measurements.

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 investments 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.

### Accounts Receivable and Uncollectible Accounts

Accounts receivable are stated net of an allowance for uncollectible accounts. The method used to establish the allowance for uncollectible accounts for student receivables is to provide 100 percent of outstanding balances for all completed semesters. The allowance for uncollectible accounts for the general receivables is based on specific identification of uncollectible accounts determined by management.

The College charge-off policy for uncollectible accounts for students provides that the balance remains in the system indefinitely, and, should the student need services from the College, the student must remit payment before the College will provide the requested services. The policy for charge-off of general College and related organizations' receivables is determined by management when all collection efforts have been exhausted.

### Contributions Receivable and Uncollectible Accounts

Contributions receivable are stated net of an unamortized discount for contributions to be received after one year and an allowance for uncollectible accounts. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of the fund-raising activity.

### Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight line method over the estimated useful lives of the assets. Useful lives range from 10 to 40 years for buildings, 10 years for improvements other than buildings, 10 years for library books and 3 to 20 years for equipment.

**Restricted and Unrestricted Revenue and Support**

Tuition revenue is recognized in the fiscal year in which the substantial portion of the educational term occurs. State appropriation revenues are recognized in the period in which the Commonwealth of Pennsylvania has appropriated them. Revenues for auxiliary enterprises are recognized as the related goods and services are delivered and rendered. Grant revenues are recognized as the eligible grant activities are conducted. Payments received in advance for tuition, goods, and services are deferred.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contribution.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions expire in the reporting period in which the support is recognized. All the donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**Deposits Held by Trustees Under Debt Agreements**

Deposits held by trustees under debt agreements represent debt service and other funds held by third-party trustees as required by various debt agreements. These funds are generally invested in short-term securities and will be used for debt service.

### Fair Value of Financial Instruments

The College has provided fair value estimates for certain financial instruments in the notes to the financial statements. The estimated fair value amounts for marketable debt and equity securities held by the College and long-term debt have been determined using available market information as supplied by the various financial institutions who act as trustees or custodians for the College. The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and long-term debt - current portion are reasonable estimates of their fair value due to their short-term nature. The carrying values of the student loans receivable are reasonable estimates of their fair value because outstanding loans have been made at similar rates available to students for similar loans. The fair value of the College's long-term debt - non-current portion is disclosed at Note 11. These financial instruments are all considered level 2 inputs for fair value measurement purposes, with the exception of the College's cash and cash equivalents, which are considered level 1, and contributions receivable, which are considered level 3. The fair value of investments is presented at Note 7.

Fair value information presented in the financial statements is based on information available at June 30, 2015 and 2014. Although the College is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been updated since those dates and, therefore, the current estimates of fair value at dates subsequent to June 30, 2015 and 2014, may differ from the amounts presented.

### 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Title IV Requirements

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

### Recent Accounting Pronouncements

In October 2012, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) No. 2012-04, *Technical Corrections and Improvements*. ASU No. 2012-04 includes amendments intended to conform terminology and clarify guidance in the codification to fully reflect the fair value measurement and disclosure requirements of FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*. The ASU is effective for periods beginning after December 15, 2013. The adoption of this ASU did not have any impact on the College's financial position or results of operation.

In April 2013, FASB issued ASU No. 2013-06, *Services Received from Personnel of an Affiliate*. ASU No. 2013-06 requires a recipient not-for-profit to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. The ASU is effective for fiscal years beginning after June 15, 2014. The adoption of this ASU did not have any impact on the College's financial position or results of operation, as the College had previously been recognizing such activity.

In April 2015, FASB issued ASU 2015-03, *Interest - Imputation of Interest (Topic 835-30): Simplifying the Presentation of Debt Issuance Costs*. The ASU requires that debt issuance costs related to a recognized debt liability be presented as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected. While effective for fiscal years beginning after December 15, 2015, early adoption is permitted. The College has elected to early adopt this guidance in 2015 by retroactively reporting deferred financing costs of $1,489,342 (previously reported in 2014 in bond issuance costs) as a deduction from bonds payable (long-term debt) (see Note 11) at June 30, 2014 in the statement of financial position. The adoption had no impact on the College's financial position or result of operations.

## 3. Accounts Receivable, Net

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

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Total Receivable | Allowance for Uncollectible Accounts | Net | Total Receivable | Allowance for Uncollectible Accounts | Net |
| Student receivables | $ 5,760,522 | $ 5,469,018 | $ 291,504 | $ 5,189,815 | $ 4,931,791 | $ 258,024 |
| Federal and state appropriations | 930,892 | - | 930,892 | 428,157 | - | 428,157 |
| Other receivables | 1,384,054 | 10,913 | 1,373,141 | 1,375,161 | 17,100 | 1,358,061 |
| Total | $ 8,075,468 | $ 5,479,931 | $ 2,595,537 | $ 6,993,133 | $ 4,948,891 | $ 2,044,242 |

## 4. Fair Value Measurements

FASB ASC 820*, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the College has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

Common stock (comprised of equity securities across multiple business sectors): Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds and U.S. government securities: Valued at quoted prices for similar assets in active markets.

Mutual funds: Valued at the quoted net asset value ("NAV") of shares held by the Foundation at year end.

Other investments: Fair value as determined by the custodian.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the assets held by the College at their fair value as of June 30, 2015 and 2014, by level within the fair value hierarchy.

| | Assets at Fair Value as of December 31, 2015 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Financial Assets: | | | | |
| Money market accounts | $ 185,856 | | | $ 185,856 |
| Long-term investments: | | | | |
| U.S. government/agency | | $ 297,382 | | 297,382 |
| Savings, CD's, and time deposits | 2,657,421 | | | 2,657,421 |
| Corporate bonds | | 3,042,963 | | 3,042,963 |
| Equity Securities: | | | | |
| Mutual funds: | | | | |
| Fixed income | 5,542,700 | | | 5,542,700 |
| Value | 476,628 | | | 476,628 |
| Blend | 5,937,082 | | | 5,937,082 |
| Growth | 3,233,535 | | | 3,233,535 |
| Real estate | 357,285 | | | 357,285 |
| Energy | 131,036 | | | 131,036 |
| Natural resources | 129,304 | | | 129,304 |
| Healthcare | 5,598 | | | 5,598 |
| Financial | 4,470 | | | 4,470 |
| Common stock | 1,810,701 | | | 1,810,701 |
| Other Investments | 33,598 | | | 33,598 |
| Long-term investments | 20,505,214 | 3,340,345 | | 23,845,559 |
| Deposits held by trustee (U.S. government agency) | | 5,584,367 | | 5,584,367 |
| Deposits held by trustees Under debt agreement U.S. government/agency) | | 447,991 | | 447,991 |
| Beneficial interest in assets held by others | | | $ 703,870 | 703,870 |
| Assets held in charitable remainder trust | 483,961 | | | 483,961 |
| Total financial assets | $ 20,989,175 | $ 9,372,703 | $ 703,870 | $ 31,065,748 |
| Financial Liabilities: | | | | |
| Funds held in charitable remainder trust | | | $ 418,680 | $ 418,680 |
| Due to charitable gift annuities | | | 109,865 | 109,865 |
| Total financial liabilities at fair value | | | $ 528,545 | $ 528,545 |

| | Assets at Fair Value as of December 31, 2014 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial Assets: | | | | |
| Long-term investments: | | | | |
| U.S. government/agency | | $ 1,118,330 | | $ 1,118,330 |
| Corporate bonds | | 1,015,315 | | 1,015,315 |
| Equity Securities: | | | | |
| Mutual funds: | | | | |
| Fixed income | $ 4,062,316 | | | 4,062,316 |
| Value | 1,738,133 | | | 1,738,133 |
| Blend | 3,936,913 | | | 3,936,913 |
| Growth | 5,205,232 | | | 5,205,232 |
| Real estate | 290,636 | | | 290,636 |
| Common stock | 1,878,253 | | | 1,878,253 |
| Other Investments | 52,110 | | | 52,110 |
| Long-term investments | 17,163,593 | 2,133,645 | | 19,297,238 |
| Deposits held by trustee (U.S. government agency) | | 4,076,599 | | 4,076,599 |
| Deposits held by trustees Under debt agreement U.S. government/agency) | | 2,551,034 | | 2,551,034 |
| Beneficial interest in assets held by others | | | $ 625,111 | 625,111 |
| Assets held in charitable remainder trust | 504,756 | | | 504,756 |
| Total financial assets | $ 17,668,349 | $ 8,761,278 | $ 625,111 | $ 27,054,738 |
| Financial Liabilities: | | | | |
| Funds held in charitable remainder trust | | | $ 418,384 | $ 418,384 |
| Due to charitable gift annuities | | | 134,901 | 134,901 |
| Total financial liabilities at fair value | | | $ 553,285 | $ 553,285 |

Change in fair value measurements for Level 3 financial assets and liabilities for the years ended June 30, 2015 and 2014, is summarized as follows:

| | Financial Assets Beneficial Interest in Assets |
|---|---|
| **June 30, 2015** | |
| Beginning of the year | $ 625,111 |
| Issuances | 91,722 |
| Settlements | (6,097) |
| Investment return, net | (6,866) |
| End of the year | $ 703,870 |

| | Financial Liabilities | | |
|---|---|---|---|
| | Charitable Remainder Trust | Charitable Gift Annuities | Total |
| **June 30, 2015** | | | |
| Beginning of the year | $ 418,384 | $ 134,901 | $ 553,285 |
| Settlements | 296 | (25,036) | (24,740) |
| End of the year | $ 418,680 | $ 109,865 | $ 528,545 |

| | Financial Assets Beneficial Interest in Assets |
|---|---|
| **June 30, 2014** | |
| Beginning of the year | $ 81,760 |
| Issuances | 500,000 |
| Settlements | (2,599) |
| Investment return, net | 45,950 |
| End of the year | $ 625,111 |

| | Financial Liabilities | | |
|---|---|---|---|
| | Charitable Remainder Trust | Charitable Gift Annuities | Total |
| **June 30, 2014** | | | |
| Beginning of the year | $ 354,397 | $ 159,989 | $ 514,386 |
| Settlements | 63,987 | (25,088) | 38,899 |
| End of the year | $ 418,384 | $ 134,901 | $ 553,285 |

## 5. Contributions Receivable, Net

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

| | 2015 | 2014 |
|---|---|---|
| In one year or less | $ 225,244 | $ 182,109 |
| Between one year and five years | 498,307 | 298,666 |
| Five or more years | 20,000 | 10,000 |
| | 743,551 | 490,775 |
| Less: Allowance | (40,617) | (29,305) |
| Less: Discount | (18,180) | (7,392) |
| Contributions receivable, net | $ 684,754 | $ 454,078 |

Contributions receivable in the amount of $684,754 and $454,078 are recorded with the revenue assigned to the appropriate category of restriction as of June 30, 2015 and 2014, respectively. Discount rate used on long-term contributions receivable was based on the U.S. Treasury constant maturity rate in effect on the date of the pledge in 2015 and 2014.

The College had conditional promises to give as of June 30, 2015 and 2014, of $3,704,000 and $3,489,000, respectively. These conditional promises to give are not included in the financial statements.

## 6. Inventories

Inventories at June 30, 2015 and 2014, are summarized as follows:

| | 2015 | 2014 |
|---|---|---|
| Food Services | $ 73,822 | $ 72,503 |
| Textbooks | 893,953 | 865,708 |
| Merchandise | 915,806 | 950,596 |
| Other | 17,681 | 16,590 |
| Total | $ 1,901,262 | $ 1,905,397 |

## 7. Investments

Investments by major category at June 30, 2015 and 2014, are summarized as follows:

| | 2015 | 2014 |
|---|---|---|
| | Fair Value | |
| Money market accounts | $ 185,856 | $ - |
| Fixed income: | | |
| U.S. government | 297,382 | 1,118,330 |
| Certificates of deposit | 2,657,421 | - |
| Corporate bonds | 3,042,963 | 1,015,314 |
| Equity securities: | | |
| Mutual funds: | | |
| Fixed income | 5,542,700 | 4,062,316 |
| Value | 476,628 | 1,738,133 |
| Blend | 5,937,082 | 3,936,913 |
| Growth | 3,233,535 | 5,205,232 |
| Real estate | 357,285 | 290,636 |
| Energy | 131,036 | - |
| Natural resources | 129,304 | - |
| Healthcare | 5,598 | - |
| Financial | 4,470 | - |
| Common stock | 1,810,701 | 1,878,253 |
| Other investments | 33,598 | 52,111 |
| Total | $ 23,845,559 | $ 19,297,238 |

Common stock investments are comprised of domestic and international equities.

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30, 2015 and 2014:

| | 2015 | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Dividends and interest | $ 374,116 | $ 231,184 | $ 41,683 | $ 646,983 |
| Less fees | (41,276) | (30,251) | (5,446) | (76,973) |
| Net dividends and interest | 332,840 | 200,933 | 36,237 | 570,010 |
| Net realized gain | 339,192 | 289,932 | 52,814 | 681,938 |
| Unrealized gain (loss) | (582,768) | (358,508) | 241 | (941,035) |
| Total | 89,264 | 132,357 | 89,292 | 310,913 |
| Interest on short-term investments | 242,286 | | | 242,286 |
| Total return on investments | 331,550 | 132,357 | 89,292 | 553,199 |
| Investment return designated for current operations | (299,600) | (133,337) | | (432,937) |
| Investment return in excess of amounts designated for current operations | $ 31,950 | $ (980) | $ 89,292 | $ 120,262 |

| | 2014 | | | |
|---|---|---|---|---|
| Dividends and interest | $ 308,013 | $ 41,232 | $ 201,862 | $ 551,107 |
| Less fees | (45,246) | (6,571) | (31,985) | (83,802) |
| Net dividends and interest | 262,767 | 34,661 | 169,877 | 467,305 |
| Net realized gain | 433,890 | 76,670 | 326,555 | 837,115 |
| Unrealized gain | 738,242 | 483,226 | 10,960 | 1,232,428 |
| Total | 1,434,899 | 594,557 | 507,392 | 2,536,848 |
| Interest on short-term investments | 267,059 | | | 267,059 |
| Total return on investments | 1,701,958 | 594,557 | 507,392 | 2,803,907 |
| Investment return designated for current operations | (454,608) | (240,298) | | (694,906) |
| Investment return in excess of amounts designated for current operations | $ 1,247,350 | $ 354,259 | $ 507,392 | $ 2,109,001 |

The Board of Directors designates only a portion of the College's cumulative investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. The amount computed under the endowment spending policy of the investment pool and all investment income earned by investing cash in excess of daily requirements are used to support current operations.

## 8. Property and Equipment

Property and equipment at June 30, 2015 and 2014, is comprised of the following:

| | 2015 | 2014 |
|---|---|---|
| Land | $ 18,136,597 | $ 17,958,186 |
| Buildings, including improvements | 258,548,232 | 257,781,391 |
| Land improvements | 10,314,243 | 10,049,361 |
| Equipment | 55,611,146 | 54,465,251 |
| Library books | 4,390,558 | 4,615,093 |
| Construction in progress | 409,302 | 1,322,156 |
| Collectibles | 24,341 | 24,341 |
| | 347,434,419 | 346,215,779 |
| Less accumulated depreciation | (164,538,892) | (156,281,398) |
| Total | $ 182,895,527 | $ 189,934,381 |

Depreciation expense charged to operations for the years ended June 30, 2015 and 2014, was $10,568,693 and $10,486,247, respectively. No depreciation expense is provided for collectibles.

## 9. Operating Leases

The College has a non-cancelable operating lease for equipment that expires June 2019, and a lease for facilities that expire in September 2015 and 2016, respectively. Rental expense for leases amounted to $85,637 and $133,489 for the years ended June 30, 2015 and 2014, respectively. Future minimum lease payments under the operating leases that have a remaining term in excess of one year as of June 30, 2015, are:

| Years ending June 30: | Equipment | Facilities | Total |
|---|---|---|---|
| 2016 | $ 26,516 | $ 21,972 | $ 48,488 |
| 2017 | 26,516 | | 26,516 |
| 2018 | 26,516 | | 26,516 |
| 2019 | 26,516 | | 26,516 |
| Total | $ 106,064 | $ 21,972 | $ 128,036 |

## 10. Endowment

The College's endowment consists of 189 and 182 individual funds as of June 30, 2015 and 2014, respectively, established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund as of June 30, 2015 and 2014:

| | 2015 | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Donor-restricted endowment funds | | $ 1,974,953 | $ 8,177,015 | $ 10,151,968 |
| Board-designated endowment funds | $ 2,656,572 | | | 2,656,572 |
| Total | $ 2,656,572 | $ 1,974,953 | $ 8,177,015 | $ 12,808,540 |
| | **2014** | | | |
| Donor-restricted endowment funds | | $ 1,944,311 | $ 7,512,988 | $ 9,457,299 |
| Board-designated endowment funds | $ 2,571,812 | | | 2,571,812 |
| Total | $ 2,571,812 | $ 1,944,311 | $ 7,512,988 | $ 12,029,111 |

Changes in endowment net assets for the years ended June 30, 2015 and 2014:

| | 2015 | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Endowment net assets beginning of year | $ 2,571,812 | $ 1,944,311 | $ 7,512,988 | $ 12,029,111 |
| Investment income | 101,353 | 481,720 | 89,292 | 672,365 |
| Unrealized depreciation | (109,334) | (382,774) | | (492,108) |
| Contributions/special events | | 375,987 | 458,532 | 834,519 |
| Designated for endowment | 205,617 | | | 205,617 |
| Revision of donor restrictions | | (116,203) | 116,203 | - |
| Appropriation of endowment assets for expenditure | (112,876) | (328,088) | | (440,964) |
| Endowment net assets end of year | $ 2,656,572 | $ 1,974,953 | $ 8,177,015 | $ 12,808,540 |

| | 2014 | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Endowment net assets beginning of year | $ 1,878,010 | $ 1,371,118 | $ 5,584,420 | $ 8,833,548 |
| Investment income | 113,804 | 110,938 | 507,392 | 732,134 |
| Unrealized appreciation | 188,452 | 472,815 | | 661,267 |
| Contributions/special events | | 376,315 | 1,283,347 | 1,659,662 |
| Designated for endowment | 512,809 | | | 512,809 |
| Revision of donor restrictions | (121,263) | (249,046) | | (370,309) |
| Appropriation of endowment assets for expenditure | | (137,829) | 137,829 | - |
| Endowment net assets end of year | $ 2,571,812 | $ 1,944,311 | $ 7,512,988 | $ 12,029,111 |

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2015 or June 30, 2014. Deficiencies result from unfavorable market conditions combined with continued appropriation of certain scholarships and programs that were deemed prudent by the College. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

**Return Objectives and Risk Parameters**

The College has adopted investment and spending policies for endowment assets that provide continued financial stability for the College and a revenue stream for spending on the College’s mission. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity and board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that ensures safety through diversification while obtaining a competitive rate of return with the secondary objective to maintain liquidity. The College expects its endowment funds over time to provide an average compound “real” rate of return of approximately 2-5 percent annually over a full market cycle (bull and bear market). In accordance with the spending policy, the College strives to maintain approximately three years of scholarship expenditures in temporarily restricted net assets. Funds greater than the three year expenditure threshold will be considered for inclusion in the permanently restricted endowments on a case by case basis in accordance with the donor agreements.

### Strategies Employed for Achieving Objectives

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

### Spending Policy and How the Investment Objectives Relate to Spending Policy

Commonwealth of Pennsylvania law permits the College to allocate to income each year a portion of endowment net realized gains. Pennsylvania legislation was enacted which limited the amount that may be spent to a minimum of 2 percent, and a maximum of 7 percent of a three-year moving average of the market value of the market value of the endowed assets. The College's investment policy includes an endowment spending rate of no more than 5 percent of the endowment funds' market value. This spending rate constitutes the College's annual appropriation for spending endowment earnings. These spending assumptions are intended to allow for the significant and immediate spending of the income of the portfolio, provide a target rate of return for the endowment fund for the College, and provide a sustainable spending level that will allow for support of the College's scholarship and other programs in support of the College.

## 11. Long-Term Debt

Long-term debt at June 30, 2015 and 2014, is summarized as follows:

| | 2015 | 2014 |
|---|---|---|
| Series 2008 | $ 55,000,000 | $ 55,000,000 |
| Series 2011 | 38,550,000 | 39,050,000 |
| Series 2012 | 24,685,000 | 24,685,000 |
| Series 2015 | 8,840,000 | - |
| Debt repaid in 2015 | - | 13,560,000 |
| | 127,075,000 | 132,295,000 |
| Net unamortized premium | 2,563,653 | 2,692,504 |
| Net unamortized issuance costs | (1,524,817) | (1,489,342) |
| Less current maturities | (1,850,000) | (3,250,000) |
| Long-term debt | $ 126,263,836 | $ 130,248,162 |

- Series 2008 Bonds - Lycoming County Authority College Revenue Bonds issued by the College in February 2008 for the purpose of funding various construction projects at the Penn College campus. Principal payments are due annually in amounts ranging from \$1,455,000 to \$4,140,000 through October 2037. The outstanding bonds pay interest at rates ranging from 3.50% to 5.50%.

- Series 2011 Bonds - Lycoming County Authority College Revenue Bonds issued by the College in June 2011 for the purpose of refunding \$39,275,000 of the Authority's College Revenue Bonds Series 2000. Principal payments are due annually in amounts ranging from \$70,000 to \$5,230,000 through July 2030. The outstanding bonds pay interest at rates ranging from 3.00% to 5.50%.

- Series 2012 Bonds - Lycoming County Authority College Revenue Bonds issued by the College in May 2012 for the purpose of refunding \$28,090,000 of the Authority's College Revenue Bonds Series 2002. Principal payments are due annually in amounts ranging from \$410,000 to \$2,635,000 through May 2032. The outstanding bonds pay interest at rates ranging from 2.00% to 5.00%.

- Series 2015 Bonds - Lycoming County Authority College Revenue Bonds issued by the College in June 2015 for the purpose of refunding \$9,060,000 of the Authority's College Revenue Bond Series 2005. Principal payments are due annually in amounts ranging from \$465,000 to \$1,590,000 through January 2025. The bonds pay interest at rates ranging from 2.00% to 5.00%.

The bonds were issued and secured by the Indentures. Indentures provide that all bonds issued thereunder shall be limited obligations of the Authority payable solely from and secured solely by the following sources:

A. As security for such obligations, the Authority will pledge to the Trustees all funds established under the Indenture and all income derived from the investment of such pledged funds.

B. As further security for such obligations, the Authority will assign to the Trustees all its rights to receive payment due from the College under the loan agreement.

The loan agreements provide that (a) the Authority will lend receipts of the bonds to the College; (b) the loan agreement is a general obligation of the College; (c) the College shall make payment to the Trustee, as the assignee of the Authority, in amounts necessary to provide payment as and when due of principal and redemption price of and interest on the bonds and any additional payments in the amounts necessary to make up deficiencies in the fund established under the Indentures and for certain other payments required by the Indentures; and (d) the College's obligations under the Loan Agreements are secured by security interest and tuition revenues.

Maturities and sinking fund requirements on bonds payable for each of the next five fiscal years are summarized as follows:

| Year | |
|---|---|
| 2016 | $ 1,850,000 |
| 2017 | 3,205,000 |
| 2018 | 3,960,000 |
| 2019 | 4,315,000 |
| 2020 | 4,705,000 |
| Thereafter | 109,040,000 |
| Total | $ 127,075,000 |

The fair value of the bonds payable is estimated based on current rates offered for similar issues with similar security, terms, and maturities using available market information as supplied by the various financial institutions who act as trustees or custodians for the College. At June 30, 2015, the carrying value and estimated fair value of the College's bonds payable, including issuance premiums, were $128,113,836 and $137,847,208, respectively. At June 30, 2014, the carrying value and estimated fair value of the College's bonds payable, including issuance premiums, were $133,498,162 and $141,230,296, respectively. Certain bond issues have associated issuance discounts and premiums; the net issuance premiums totaled $2,563,653 and $2,692,504 at June 30, 2015 and 2014, respectively, and are presented within the statements of financial position as long-term debt. These issuance discounts and premiums are amortized over the term of the respective outstanding bonds. Unamortized bond issuance costs of $1,524,817 and $1,489,342 at June 30, 2015 and 2014, respectively, are presented within the statements of financial position as long-term debt

During the years ended June 30, 2015 and 2014, interest costs of approximately $6,038,000 and $6,362,000, respectively, were incurred and charged to expense. No interest costs were capitalized during the years ended June 30, 2015 and 2014.

### 12. Capital Lease Obligation

The College has entered into capital leases for dormitory and office equipment. Obligations under capital leases have been recorded in the accompanying financial statements at the present value of future minimum lease payments discounted at an interest rate of 7.0 percent. The capital cost and accumulated depreciation of this equipment at June 30, 2015, was $295,977 and $130,163, respectively.

Future minimum payments under the capital leases are as follows:

| | |
|---|---|
| Years ending June 30: | |
| 2016 | $ 80,123 |
| 2017 | 80,123 |
| 2018 | 20,834 |
| 2019 | 8,976 |
| 2020 | 2,244 |
| Total future payments | 192,300 |
| Less amount representing interest | (15,715) |
| Present value of future payments | 176,585 |
| Less current portion | (70,462) |
| Non-current portion | $ 106,123 |

### 13. Pension/Retirement Plans

The College provides retirement benefits for substantially all regular employees, primarily through contributory defined benefit plans administered by the Commonwealth of Pennsylvania State Employees' Retirement System ("SERS") and The Public School Employees' Retirement System ("PSERS"), or, a defined contribution plan administered by the Teachers Insurance and Annuity Association - College Retirement Equity Fund ("TIAA-CREF"). The total pension and retirement expense for the years ended June 30, 2015 and 2014 was $7,156,928 and $6,252,750, respectively.

#### Multiemployer Defined Benefit Pension Plans

The risks of participating in multiemployer plans are different from single-employer plans in the following aspects:

Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

If an employer chooses to stop participating in some of its multiemployer plans, the employer may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

### SERS and PSERS

#### Plan Descriptions

SERS is a governmental cost-sharing multiple-employer defined benefit pension plan that was established by the Commonwealth to provide pension benefits for employees of state government and certain independent agencies. Membership in SERS is mandatory for most state employees. Members and employees of the General Assembly, certain elected or appointed officials in the executive branch, department heads, and certain employees in the field of education are not required, but are given the option to participate. SERS issues a publicly available financial report that can be obtained at www.sers.state.pa.us.

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www .psers.state.pa.us .

#### Benefits Provided

SERS provides retirement, death, and disability benefits. Article II of the Commonwealth's constitution assigns the authority to establish and amend the benefit provision of the plan to the General Assembly. Participants in SERS may receive retirement benefits after satisfying age and length of service requirements. Member retirement benefits are determined by taking years of credited service, multiplied by final average salary, multiplied by 2%, multiplied by class of service multiplier.

PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 ("Act 120") preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E ("Class T-E") and Membership Class T-F ("Class T-F"). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied times the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

PSERS participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

PSERS death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

**Contributions**

Employees who participate in SERS, dependent upon membership class, are required to make a contribution equal to 5.00% or 9.30% of their gross pay.

Active members who joined PSERS prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.5% (Membership Class T-D) of the member's qualifying compensation.

Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.5% (Membership Class T-D) of the member's qualifying compensation.

Members who joined PSERS after June 30, 2001 and before July 1, 2011, contribute at 7.5% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined PSERS after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

**Employer Contributions**

Participating employer contributions for SERS are based upon an actuarially determined percentage of gross pay that is necessary to provide SERS with assets sufficient to meet the benefits to be paid to members. The College contribution rate at June 30, 2015 was 19.92% of gross pay. According to the Commonwealth Retirement Code, all obligations of the SERS will be assumed by the Commonwealth should SERS terminate. The contribution to SERS for the years ended June 30, 2015 and 2014 was $2,681,448 and $1,925,974, respectively.

The College's PSERS contractually required contribution rate for the fiscal year ended June 30, 2015 was 20.5% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contribution to PSERS for the years ended June 30, 2015 and 2014 was $257,116 and $218,817, respectively.

### Defined Contribution Plan - Teachers Insurance and Annuity Association - College Retirement Equity Fund (TIAA/CREF)

TIAA/CREF is a national organization formed to administer pension benefits on behalf of its participants at over 6,000 participating institutions. This retirement plan offers a defined contribution plan with benefits determined solely on amounts contributed to the plan plus investment earnings. Contributions to this retirement plan are determined based upon the College's contribution rate established as stipulated in the College Board Policy statements. The College pension expense for this plan for the years ended June 30, 2015 and 2014 was $4,218,364 and $4,107,959, respectively.

## 14. Postretirement Benefits Other than Pension

The College sponsors a postretirement health benefit plan. The College pays a portion (to a maximum of 100 percent) of the annual premium, up to the amount listed on the schedule below based upon the employee’s years of College service rounded to the nearest year at retirement date:

| Years of Service: | College Payment |
|---|---|
| 10 | $ 3,000 |
| 15 | 4,000 |
| 20 | 6,000 |
| 25 | Full Coverage |

The College will continue to pay its share of premium cost until the first (1st) day of the month in which eligible retirees reach their sixty-fifth (65th) birthday or become eligible for Medicare, whichever is later.

Employees who are eligible for full coverage will participate in hospitalization insurance cost sharing at the employee percentage in effect on the employee’s effective date of retirement. This percentage will remain fixed as long as the retired, full coverage employee is covered under the College’s hospitalization insurance.

Retirees are eligible for the medical coverage at the age of 55 if they have at least 10 years of regular full-time employment; employee is not retiring pursuant to permanent disability retirement provision; employee’s retirement shall not only be a retirement from the College, but from employment in the public/private schools of the Commonwealth of Pennsylvania; employee may not be eligible to be included in another employer hospitalization plan; and employee remits quarterly, in advance, the effective monthly composite rate premium to cover the proportionate share of cost of insurance. Effective July 1, 2013, the medical claims cost for each participant varied based on the level of coverage under a tiered rate structure. The retiree group hospitalization and medical insurance plan is paid from the unrestricted net assets of the College.

The following sets forth the plan's postretirement benefit obligation and funded status reconciled with the amounts recognized in the Statements of Financial Position at June 30, 2015 and 2014:

| | 2015 | 2014 |
|---|---|---|
| Change in Benefit Obligation | | |
| Benefit obligation at beginning of year | $ (8,189,520) | $ (7,387,008) |
| Plan assumptions | 666,782 | (744,505) |
| Service cost | (357,444) | (338,057) |
| Interest cost | (303,427) | (355,274) |
| Actuarial gain | 498,150 | 132,284 |
| Benefits paid | 529,219 | 503,040 |
| Benefit obligation at end of year | $ (7,156,240) | $ (8,189,520) |
| Change in Plan Assets | | |
| Fair value of plan assets beginning of year | $ - | $ - |
| Employer contributions | 529,219 | 503,040 |
| Benefits paid | (529,219) | (503,040) |
| Benefit obligation at end of year | $ - | $ - |
| Reconciliation of Funded Status | | |
| Accumulated postretirement benefit obligation | $ (7,156,240) | $ (8,189,520) |
| Employer contributions | - | - |
| Unrecognized net actuarial loss | - | - |
| Accrued postretirement benefit at end of year | $ (7,156,240) | $ (8,189,520) |

Included in unrestricted net assets at June 30, 2015, are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized prior service costs of $141,503 and unrecognized actuarial loss of $1,630,273. The prior service cost and actuarial loss included in unrestricted net assets that are expected to be recognized in net periodic postretirement cost during the year ended June 30, 2015, total approximately $54,900.

Net periodic postretirement cost included the following components for the years ended June 30, 2015 and 2014:

| | 2015 | 2014 |
|---|---|---|
| Cost Components | | |
| Service cost | $ 357,444 | $ 338,057 |
| Interest cost | 303,427 | 355,274 |
| Amortization of prior service cost | 104,823 | 127,314 |
| Amortization of net loss | 143,116 | 145,484 |
| Net periodic postretirement cost | $ 908,810 | $ 966,129 |

The assumed healthcare cost trend rate used in measuring the accumulated postretirement benefit obligation was 7.25 and 8.60 percent for the years ended June 30, 2015 and 2014, respectively. The weighted average postretirement benefit obligation discount rate was 4.29 and 4.08 percent for the years ended June 30, 2015 and 2014, respectively.

If the healthcare cost trend rate assumptions were increased by 1 percent in each year, the accumulated postretirement benefit obligation would be increased by $720,049 and $890,190 as of June 30, 2015 and 2014, respectively. The effect of this change on the sum of the service cost and interest cost components of the net periodic postretirement benefit cost would be an increase of $94,977 and $87,187 as of June 30, 2015 and 2014, respectively. If the healthcare cost trend rate assumptions were decreased by 1 percent in each year, the accumulated postretirement benefit obligation would be decreased by $616,291 and $772,381 as of June 30, 2015 and 2014, respectively. The effect of this change on the sum of the service cost and interest cost components of the net periodic postretirement benefit cost would be a decrease of $79,032 and $73,550 as of June 30, 2015 and 2014, respectively.

The College expects to contribute approximately $552,700 to the plan for the year ended June 30, 2016. Benefits expected to be paid by the plan for the next five fiscal years are as follows:

| | |
|---|---|
| Years ending June 30: | |
| 2016 | $ 598,906 |
| 2017 | 596,322 |
| 2018 | 509,586 |
| 2019 | 518,147 |
| 2020 | 522,639 |
| 2021-2024 | 2,602,476 |

## 15. Compensated Absences

Eligible employees of the College earn vacation leave based upon the employee’s classification and length of service with the maximum accumulation of forty days for reimbursement purposes upon resignation, retirement, or other severance of employment. At June 30, 2015 and 2014, employees of the College had accumulated vacation leave balances representing a liability of $2,286,691 and $2,288,161, respectively.

## 16. Contingencies

### Litigation

The College is party to various legal actions arising in the ordinary course of its operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material effect on the College’s financial statements.

### Grants

Amounts received and expended by the College under various federal and state programs (principally related to student financial aid) are subject to audit by governmental agencies. It is the opinion of management that audit adjustments, if any, will not have a significant effect on the financial statements of the College as of June 30, 2015.

### Self-Insurance

The College self-insures through the Lycoming County Insurance Consortium Pooled Trust ("Consortium") (See Note 22) for certain health care benefits provided to current and former employees. The Consortium has purchased an excess policy which covers employee health benefit clams in excess of $375,000. The College has provided for claims incurred but not recorded in the amount of $990,000 and $950,000 at June 30, 2015 and 2014, respectively.

## 17. Related-Party Transactions

The College reimbursed The Pennsylvania State University for certain tuition costs in the amount of approximately $835,000 and $880,000 for the years ended June 30, 2015 and 2014, respectively. The Pennsylvania State University reimbursed the College for certain tuition costs in the amount of approximately $2,082,000 and $1,947,000 for the years ended June 30, 2015 and 2014, respectively.

The College purchased services from two companies, which are owned by three members of the Board of Directors, in the amount of approximately $1,531,000 and $1,504,000 for the years ended June 30, 2015 and 2014, respectively.

## 18. Commitments

The College has obligations for minor construction and maintenance contracts of approximately $400,000.

The Community Arts Center has contractual obligations with artist groups for the 2015-2016 performance season amounting to $276,350.

## 19. Significant Concentration of Credit Risk

The College has concentrated its credit risk for cash by maintaining deposits in financial institutions located within the same geographic region. The maximum loss that would result from that risk totaled $22,940,135 and $24,893,498 at June 30, 2015 and 2014, respectively, for the excess of the deposit liabilities reported by the institutions over the amounts that are insured by the Federal Deposit Insurance Corporation (FDIC). Further, the College maintains deposits with financial institutions under repurchase agreement contracts whereby a pool of investments consisting of U.S. government securities and U.S. government agencies are pledged as specific collateral for the above repurchase agreements.

## 20. Charitable Remainder Unitrust and Charitable Gift Annuity Agreements

The College has entered into Charitable Remainder Unitrust and Charitable Gift Annuity Agreements whereby the donors contributed assets in exchange for distributions for a specified period of time to the donors or other beneficiaries. At the end of the specified time, the remaining assets are available for the College's use. The College received no contributions for the year ending June 30, 2015, and received no contributions under these agreements for the year ended June 30, 2014. Assets received are recorded at fair value on the date the Unitrust or agreement is recognized, and a liability equal to the present value of the future distributions is recorded. The difference between the fair value of the assets received and the liability to the donors or other beneficiaries is recognized as contribution revenue. On an annual basis, the College revalues the liability based on the fair value of the assets and the remaining required payments over the life of the trust or agreement.

## 21. Beneficial Interest in Agency Endowment Held by Community Foundation

The Community Arts Center transferred permanently restricted net assets and donor contributed funds to the First Community Foundation of Pennsylvania ("First Community"). First Community maintains and administers these funds solely for the benefit of the Community Arts Center; however, First Community has been granted variance power to modify any restriction on these funds. First Community is required to distribute annually all or part of the income earned on these funds as First Community deems reasonable and proper, after consultation with the Community Arts Center. Principal may be distributed upon request by the Community Arts Center, approval by First Community, and in accordance with the donor's original restrictions.

The cumulative amount recognized in the statements of financial position as beneficial interest in assets held by others totaled $703,870 and $625,111 at June 30, 2015 and 2014, respectively, as valued by First Community.

## 22. Funds Held by Trustee for Health Insurance

The College joined the Consortium for the purpose of stabilizing rates for employee health insurance. The Consortium consists of Lycoming County educational institutions that have placed all employees in an insurance pool and jointly share all the risks and benefits of such a pool.

Funds are contributed to the pool and used to pay claims under the current year's funding arrangement with Blue Cross/Blue Shield. The balance of funds contributed to the rate stabilization fund and not utilized are shown as participant shares in the Consortium and are returned if the participant leaves the Consortium at any time. The College's financial interest in the Consortium as of June 30, 2015 and 2014, was $4,297,671 and $3,468,887, respectively, and is reflected in deposits held by trustees and a designation of net assets in the statements of financial position.

### 23. Fund-Raising Costs

The College has incurred fund-raising activity costs of approximately $1,041,000 and $903,000 for the years ended June 30, 2015 and 2014, respectively, that involves influencing potential donors to contribute money, securities, services, materials, facilities, and other assets that further the purposes of the College and related organizations. These amounts are included in general institution support and other in the statement of activities.

### 24. Subsequent Events

Subsequent events have been evaluated through October 30, 2015, which is the date the financial statements were available to be issued.

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# APPENDIX C

## SUMMARY OF CERTAIN TERMS OF THE INDENTURE AND LOAN AGREEMENT

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## SUMMARY OF CERTAIN TERMS OF

## THE INDENTURE AND LOAN AGREEMENT

***The following summaries should not be regarded as full statements of the documents described or of the portions referenced herein. Reference is made to the full texts of the Indenture and the Loan Agreement, as amended and supplemented, copies of which are available from the Trustee.***

### CERTAIN DEFINITIONS

Terms which are defined in the forepart of this Official Statement but not in this Summary are used as previously defined. Additional definitions of terms used in this Summary are as follows:

**Additional Bonds:**

The term "Additional Bonds" shall mean Bonds authorized under the Indenture of any series, duly authenticated and delivered pursuant to the Indenture.

**Authorized Depository:**

The term "Authorized Depository" shall mean any incorporated bank or trust company doing business in the Commonwealth of Pennsylvania which is insured by Federal Deposit Insurance Corporation or by any other agency of the United States performing functions similar to Federal Deposit Insurance Corporation (provided such an agency shall be in existence), which has a combined capital and surplus of not less than $60,000,000 and which is not unsatisfactory to the Trustee, and may include the Trustee.

**Average Annual Debt Service Requirements:**

The term "average annual debt service requirements," when used with reference to any particular Bonds, shall mean the quotient obtained by dividing the sum of the debt service requirements for such particular Bonds for each fiscal year, beginning with the fiscal year within which the certificate containing such term or the opinion or other instrument requiring such computation shall be filed with the Trustee and ending with the fiscal year within which the last stated maturity of such Bonds shall fall, by the total number of such fiscal years.

**Bondowners:**

The term "Bondowner," "Bondholder", "owner of the Bonds" or "owner" shall mean the Registered Owner of any Bond.

Any reference to a majority or a particular percentage or proportion of the Bondowners, or to a majority or a particular percentage or proportion of the owners of the Bonds of a particular series, shall mean the owners at the particular time of a majority or of the specified percentage or proportion in aggregate principal amount of all Bonds then outstanding under the Indenture, or of all Bonds of the particular series then outstanding under the Indenture, as the case may be, exclusive of Bonds held by the Authority (whether or not theretofore issued); but for the purpose of determining whether the Trustee shall be protected in relying upon any direction or consent given or action taken by Bondowners, only the Bonds which the Trustee knows are so held shall be excluded.

**Bonds:**

The term "Bond" or "Bonds" shall mean any or all the Bonds, as the case may be, authenticated and delivered under the Indenture, including without limitation capital appreciation bonds, capital appreciation and income bonds, put bonds, serial bonds and term bonds.

**Capital Additions:**

The term "capital additions" shall mean new or additional property including, without limiting the generality of the foregoing, lands, rights of way, easements and interests in real property, and buildings, movable and fixed equipment, fixtures, furnishings, improvements, additions, extensions, replacements, repairs (other than ordinary repairs) and betterments to real or fixed property which shall be constructed or otherwise acquired by the Authority or the College and which shall be used or useful in the furnishing of education or other of the College's purposes, which shall be acquired by the College pursuant to the Loan Agreement or a supplemental Loan Agreement wherein such property or improvements, additions, extensions, replacements, repairs or betterments are stated to be capital additions under the Indenture; provided, however, that the term "capital additions" shall not include:

(a) Any property which shall be constructed or otherwise acquired in keeping or maintaining the College Premises in good repair, working order and condition, unless the cost of such property shall be properly chargeable to capital accounts in accordance with generally accepted accounting principles; or

(b) Any equipment, materials or supplies acquired for consumption or use in the operation, maintenance or repair of the College Premises, unless such equipment, materials or supplies shall be properly chargeable to capital accounts in accordance with generally accepted accounting principles.

**College Consultant:**

The term "College Consultant" shall mean a corporation, partnership, association, unincorporated organization or similar body which is engaged in the business of advising colleges concerning their management, operation, maintenance and repair and qualified to give such advice, and who is appointed by the College and is not unsatisfactory to the Trustee and the Authority. Such person shall be independent (although such person may be regularly retained by the Authority or the College).

**College Premises:**

The term "College Premises" shall mean the lands and buildings and appurtenances located in Pennsylvania, and now or hereafter owned and operated by the College.

**Consulting Architect:**

The term "consulting architect" shall mean an architect or firm of architects appointed by the College, and not unsatisfactory to the Trustee.

**Cost:**

The term "cost", when used with reference to any program of capital additions or replacements or in connection with any refunding program shall mean the amounts required to be paid to complete such program, and shall include, in addition to such other items as are included within any proper definition of cost, the following:

(a) Payments made for the construction or other acquisition of any property which is capable of being operated as a part of the College Premises, including payments made for the purchase, liquidation or redemption of all the capital stock of any corporation and payments made on account of the indebtedness of any person;

(b) Charges and fees incurred for performance and other bonds which the Authority shall require from any person in connection with any such program;

(c) The amounts paid to purchase, or the amount paid as rent or fees for the use of, any construction machinery or equipment required in connection with any such program;

(d) Fees and expenses of architects, including the consulting architect, legal and accounting fees and expenses, and the cost of abstracts of title, title opinions, and title insurance, if any, in connection with any such program;

(e) Allowances or charges for interest during construction on Bonds or obligations of the Authority payable out of moneys deposited or to be deposited to the credit of the Expenditures Fund to the extent that such interest shall not have been provided for through deposits to the credit of the Regular Account upon the authentication of such Bonds;

(f) Charges and fees for public liability insurance, property damage insurance, fire insurance, malpractice insurance and insurance against such other risks as are ordinarily insured against, maintained during the course of any such program;

(g) Expenses, fees and other charges incurred in or for the preparation, liening and collection of assessments and connection charges levied, or caused to be levied, by the Authority in connection with any such program; and

(h) In the case of any such program financed as a whole or in part through the issue and sale of Bonds, all expenses incurred by the Authority in connection with the preparation, issue and sale of such Bonds, including discounts (if any) sustained on the sale thereof.

**Credit Facility:**

The term “Credit Facility” shall mean an irrevocable letter of credit, policy of municipal bond insurance, guaranty agreement, purchase agreement, credit agreement, surety bond or similar facility in which the entity providing such facility (which shall be an entity other than the College) irrevocably agrees to provide funds to make payment of the principal of and premium, if any, and interest on Bonds or other Indebtedness.

**Debt Service Requirements:**

The term “debt service requirements,” when used with reference to any period of time and with reference to any particular Bonds, shall mean the sum of the amounts payable during such period of time for the principal of or the interest on such Bonds (without giving effect to “puts” in the case of put bonds) and the amounts required to be deposited during such period of time for the performance of any sinking fund obligations with respect to such particular Bonds, except that:

(a) The amounts payable during such period on account of the principal of and the interest on the Bonds of any series, in respect of which the Authority shall have sinking fund obligations, shall be computed by assuming the performance of such sinking fund obligations by the redemption of Bonds and by giving effect to the reduction in such amounts which will result from such redemptions; and

(b) There shall be deducted from the amounts payable during such period on account of the interest or accrued interest or capitalized interest on such particular Bonds an amount equal to the accrued interest or the capitalized amount which the Authority shall have deposited with the Trustee for the credit of the Regular Account upon the authentication thereof for the purpose of paying such amounts; and

(c) If any Bonds shall bear interest at a variable rate, the calculation of interest shall be based on the average interest rate which would have been payable, during the twelve (12) months immediately preceding the date of calculation on such indebtedness or, if such indebtedness was not then outstanding, on other indebtedness having the same credit rating and frequency of interest rate adjustment as the proposed indebtedness; and

(d) Principal and interest requirements on Bonds, or portions thereof, shall not be included in the computation of debt service requirements to the extent that a federal, state or local government has absolutely, unconditionally and irrevocably committed to make payments in such fiscal year to or for the benefit of the College and the application of such payments is limited to the payment of such principal and interest; provided, however, that this exclusion shall apply only if a College officers' certificate shall be delivered to the Trustee describing the amount to be excluded under the Indenture and the fiscal year of such exclusion and only if such officers' certificate shall be accompanied by a copy of the contract, commitment letter or other evidence of the federal, state or local government's commitment, together with an opinion of counsel to the effect that such commitment is absolute, unconditional and irrevocable and that the amounts so committed are legally and validly restricted to the payment of principal and/or interest on such excluded Bonds; and

(e) Any principal and interest requirements on Bonds, or any portion thereof, shall not be included in the computation of debt service requirements to the extent such principal or interest, or portion thereof, is payable from funds or Escrowed Securities deposited in trust, escrowed or otherwise irrevocably set aside for the payment thereof (including capitalized and accrued interest so deposited, escrowed or set aside) with the Trustee or another person approved by the Trustee.

**Escrowed Securities:**

The term "Escrowed Securities" shall mean, to the extent not prohibited by applicable law, (i) Government Securities, (ii) receipts, certificates or other similar documents evidencing ownership of future principal or interest payments due on obligations described in clause (i) above which are held in a custody or trust account by a commercial bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $60 million and is acceptable to the Trustee (and which may include the Trustee), and (iii) obligations of any state of the United States of America or any political subdivision, public instrumentality or public authority of any such state which are not "investment property" under Section 148(b)(2) of the Code and which are (x) fully secured by and payable solely from Government Securities held pursuant to an escrow agreement satisfactory to the Trustee or (y) fully insured as to timely payment of principal and interest and rated, on the date of investment, in the highest rating category by the Rating Agency.

**Government Securities:**

The term "Government Securities" shall mean direct obligations (including obligations issued or held in book entry form on the books of The Department of the Treasury) of the United States of America.

**Gross Revenues:**

The term "Gross Revenues" shall mean, when used with reference to the College and with respect to any period of time, all receipts, revenues and other operating and nonoperating income of the College, including but not limited to the rates, fees and charges fixed, charged and collected for services rendered by or on behalf of the College or arising in any other manner from or on account of the operation of the College or the use of the College Premises, and from any other source, accounts receivable, contract rights, governmental appropriations, and all unrestricted income from the investment of funds of the College, and any gains from the sale or other disposition of capital assets (including investments). Such term shall not include (i) any grants, gift, bequests, contributions, income and other donations to the extent specifically restricted by the donor, settlor or grantor, for such period, unless any of such grants, gifts, bequests, contributions, income and other donations may be applied to the payment of operating expenses or debt repayments for such period, in which case they shall not be excluded for the purpose of determining Gross Revenues of the College, or (ii) the proceeds of any borrowing, including any borrowing by the College.

**Indenture:**

The term "Indenture" shall mean the Trust Indenture dated as of May 1, 1990 between the Authority and the Trustee, as amended or supplemented from time to time by all indentures supplemental thereto (including the First, Second, Third, Fourth, Fifth, Sixth, Seventh, Eighth, Ninth, Tenth, Eleventh and Twelfth Supplemental Indentures).

**Interest Commencement Date:**

The term "Interest Commencement Date" shall mean, with respect to any particular capital appreciation and income bonds, the date specified in the supplemental indenture under which such Bonds were issued (which date must be prior to the maturity date for such Bonds) after which interest accruing on such Bonds shall be payable semiannually or otherwise on a periodic basis prior to maturity, with the first such payment date being the applicable Interest Payment Date immediately succeeding such Interest Commencement Date.

**Interest Payment Date:**

The term "Interest Payment Date" shall mean each April 1 and October 1 of each year during the term of the 2016 Bonds.

**Liquidity Facility:**

The term "Liquidity Facility" shall mean a letter of credit, line of credit, policy of municipal bond insurance, guaranty agreement, purchase agreement, surety bond or similar facility in which the entity providing such facility (which shall be an entity other than the College) agrees to provide funds to pay the purchase price of put bonds upon their tender by the owners of put bonds.

**Loan Agreement:**

The term "Loan Agreement" shall mean the Loan Agreement dated as of May 1, 1990 between the Authority, as lender, and the College, as borrower, as from time to time amended and supplemented by supplemental Loan Agreements (including the First, Second, Third, Fourth, Fifth, Sixth, Seventh, Eighth, Ninth, Tenth, Eleventh and Twelfth Supplemental Loan Agreements).

**Maturity Value:**

The term "Maturity Value" shall mean the amount to be paid at maturity of any capital appreciation bond, as stated on the face thereof.

**Maximum Annual Debt Service Requirements:**

The term "Maximum Annual Debt Service Requirements" when used with reference to any particular Bonds shall mean the greatest debt service requirements for the then current or any subsequent Fiscal Year.

**Municipal Bond Insurance Policy:**

The term "Municipal Bond Insurance Policy" shall mean a municipal bond insurance policy issued by a Municipal Bond Insurer insuring the payment when due of the principal of and interest on any Bonds as provided therein.

**Municipal Bond Insurer:**

The term "Municipal Bond Insurer" shall mean the entity, if any, providing insurance with respect to a series of Bonds.

**Municipality Authorities Act:**

The term "Municipality Authorities Act" or "Act" shall mean the Pennsylvania Municipality Authorities Act, Ch. 56, 2001 Pa. Laws 22, as amended (53 Pa. Cons. Stat. §5601-5622 (2002) (which represents the consolidation of the Municipality Authorities Act of 1945).

**Net Revenues:**

The term "Net Revenues" or "Net Revenue", when used with reference to the College and with respect to any period of time, shall mean the Gross Revenues of the College for such period of time less contractual adjustments, bad debts, free services, and its operating expenses (including administrative expenses if not included in loan repayments), without deduction of depreciation expense, of amortization of financing expense, of interest expense on Bonds and of other interest in calculating net revenues there shall be excluded any gains or losses on the disposition of property or the extinguishment of indebtedness, any extraordinary items or the proceeds of any insurance or condemnation awards.

**Operating Expenses:**

The term "operating expenses" shall mean the reasonable and necessary expenses of the operation of the College, as determined in accordance with generally accepted accounting principles in effect from time to time for nonprofit educational institutions.

**Outstanding:**

The term "outstanding under the Indenture" or "outstanding thereunder" or "outstanding," when used with reference to Bonds, shall mean, at any date for which the amount of outstanding Bonds is to be determined, the aggregate of all Bonds authenticated and delivered under the Indenture except--

(a) Bonds canceled at or prior to such date;

(b) Bonds for the payment of which funds shall have been theretofore irrevocably deposited in trust with the Trustee and which shall have matured by their terms but shall not have been surrendered for payment;

(c) Bonds for the payment or redemption of which moneys or Government Securities (which bear interest at such rates and mature at such times as to permit the timely payment or redemption of such Bonds) shall have been theretofore irrevocably deposited in trust with the Trustee, whether upon or prior to the maturity or the redemption date of such Bonds; provided, however, that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been published or mailed as in the Indenture provided or provision satisfactory to the Trustee shall have been made for such publication or mailing; and

(d) Bonds in lieu of and in substitution for which other Bonds shall be authenticated by the Trustee and delivered by the Authority under the provisions of the Indenture.

**Permitted Liens:**

The term "Permitted Liens" shall mean:

(a) The Indenture, the Loan Agreement and each supplemental Loan Agreement, entered into by the College and the Authority and any liens or security interests securing any of the foregoing;

(b) Leases of real estate existing on the date of the acquisition of such real estate by the Authority or the College;

(c) Undetermined liens and charges incident to construction;

(d) The liens of taxes and assessments not at the time delinquent;

(e) The lien of specified taxes and assessments already delinquent, but the lien of which is being contested at the time by the Authority or the College in good faith and by appropriate legal proceedings, provided that the collection of such tax or assessment shall be stayed during such contest, and with respect to which the Authority or the College has set upon its books reserves sufficient to pay such taxes or assessments;

(f) Liens securing indebtedness which have neither been assumed by the Authority or the College nor upon which either of them customarily pays interest and existing solely upon real property or rights in relation thereto, which real property or rights were acquired for right-of-way purposes;

(g) In the case of real estate acquired by eminent domain proceedings, any deficiency of title which necessarily results from such method of acquisition and which, while it may impair the marketability of the College's title to such real estate, does not, in the opinion of counsel, affect the College's right to use such real estate for the purposes intended;

(h) Any restraints on the alienation of particular property resulting from the ownership and use thereof by the College or the Authority;

(i) Any other liens, encumbrances, exceptions, reservations and defects of title (other than liens to secure indebtedness) which do not, in the opinion of counsel, have a materially adverse effect on the College's or the Authority's right to use the affected real estate for the purposes intended;

(j) Zoning ordinances and similar use restrictions;

(k) Mechanics liens and other liens relating to construction of a capital addition the validity a which is being contested in good faith in appropriate proceedings, provided that such contest stays the enforcement of such lien and provided further that the College shall cause the amount contested or a surety bond in such amount to be deposited with the Trustee;

(l) Security interests certified by a responsible officer of the College to be existing and perfected as of May 23, 1990, which pertain to personal property, fixtures or equipment being leased to or purchased by the College;

(m) Security interests and liens created by the College in connection with the acquisition of land, buildings or equipment and limited to the property so acquired and the cash and non-cash proceeds thereof;

(n) Security interests and liens created or incurred by the College in connection with mergers or consolidations permitted by the Loan Agreement; and

(o) Other security interests and liens created in connection with the incurring of indebtedness provided that, in connection therewith, the College shall create in favor of the Authority, and the Authority shall create in favor of the Trustee, a parity lien or security interest.

**Principal Payment Date:**

The term "Principal Payment Date" shall mean each October 1 of each year during the term of the 2016 Bonds.

**Qualified Financial Institution:**

The term "Qualified Financial Institution" shall mean a bank, trust company, national banking association, insurance company or other financial services company whose long-term debt obligations or whose claims paying abilities are rated in any of the two highest rating categories (without reference to subcategories) by the Rating Agency. For purposes hereof, the term "financial services company" shall include any investment banking firm or any affiliate or division thereof which may be legally authorized to enter into the transactions described in the Indenture pertaining, applicable or limited to a Qualified Financial Institution.

**Qualified Investments:**

The term "Qualified Investments" shall mean, to the extent permitted by law from time to time, and to the extent permitted by a Municipal Bond Insurer with respect to investments relating to a particular series of Bonds, any of the following: (1) direct obligations of (including obligations issued or held in book entry form on the books of the Department of Treasury of the United States of America; (2) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: Export-Import Bank, Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association (GNMA), U.S. Department of Housing & Urban Development (PHA's), and Federal Housing Administration; (3) bonds, notes or other evidences of indebtedness rated "AAA" by Standard & Poor's Global Ratings, Inc. ("S&P") and "Aaa" by Moody's Investors Service, Inc. ("Moody's") issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years; (4) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moodys and maturing no more than 360 days after the date of purchase (provided that ratings on holding companies are not considered as the rating of the bank); (5)

commercial paper which is rated at the time of purchase in the single highest classification, " A-1 +" "by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase; (6) investments in a money market fund rated "AAAM" or "AAAm--G" or better by S&P; (7) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (A) which are rated, based on the escrow, in the highest rating category of S&P and Moody's or any successors thereto; or (B)(1) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of a cash or obligations described in paragraph (1) above, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which fund is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate; (8) investment agreements provided by a Qualified Financial Institution and approved in writing by the Municipal Bond Insurer (supported by appropriate opinions of counsel with notice to S&P); and (9) other forms of investments approved in writing by the Municipal Bond Insurer with notice to S&P.

**Rating Agency:**

The term "Rating Agency" shall mean Moody's Investors Service, Inc. and/or Standard & Poor's Global Ratings, Inc. (whichever of the two, or both, as the case may be, has issued a rating in respect of the Bonds or any series thereof), or any other rating agency which shall at the time have issued a rating in respect of any series of the Bonds or their respective successors.

**Rebate Fund:**

The term "Rebate Fund" shall mean the fund created pursuant to the Indenture for the purpose of aiding compliance with certain requirements of the Internal Revenue Code.

**Record Date:**

The term "Record Date" shall mean the date (other than a Special Record Date) specified in any Bond upon which, at the close of business, the Trustee shall determine the persons entitled to receive interest on such Bond on the next succeeding Interest Payment Date.

**Refunding Deposit:**

The term "Refunding Deposit" shall mean the deposit made by the Authority with the Trustee under the provisions of the Indenture for the purpose of refunding outstanding Bonds.

**Refunding Expenses:**

The term "Refunding Expenses," when used with reference to any Additional Bonds issued under the provisions of the Indenture for the purpose of refunding outstanding Bonds, shall mean the sum of (i) in the case of any Bonds to be refunded through the deposit of funds with the Trustee for the payment thereof at maturity, the interest due on such Bonds until their maturity, (ii) in the case of any Bonds to be refunded through the redemption thereof, the interest on such Bonds to the redemption date and the premium (if any) payable upon the redemption thereof, (iii) all other costs and expenses incurred in connection with the refunding of such Bonds, and (iv) all costs and expenses incurred by the Authority in connection with the preparation, issue and sale of such Additional Bonds, including discounts (if any) sustained on the sale of such Bonds.

**Refunding Program:**

The term "Refunding Program" means a program for the retirement of Bonds from the proceeds of Additional Bonds issued in accordance with the requirements of the Indenture.

**Registered Owner:**

The term "Registered Owner" shall mean the owner of the Bonds as listed on the bond register maintained by the Trustee.

**Securities Depository:**

The term "Securities Depository" shall mean, initially, The Depository Trust Company, New York, New York, and thereafter its successors and assigns, if any, as provided in the Indenture.

**Sinking Fund Obligations:**

The term "sinking fund obligations" shall mean any unconditional obligation under the Indenture to redeem or otherwise retire before maturity all or part of the Bonds of any series.

**Special Record Date:**

The term "Special Record Date" shall, in respect of any series of Bonds, have the meaning provided in the supplemental indenture creating such series of Bonds.

**Supplemental Indenture:**

The term "supplemental indenture" shall mean any indenture now or hereafter duly authorized and entered into in accordance with the provisions of the Indenture.

**Trust Agreement:**

The term "Trust Agreement" shall mean an escrow deposit or similar agreement entered into by the Authority and the Trustee in connection with the refunding of Bonds as provided in the Indenture.

**Trust Revenues:**

The term "Trust Revenues", when used with reference to any Trust Agreement, shall mean the interest earned or other income realized on funds deposited with the Trustee pursuant to any Trust Agreement in connection with the refunding of Bonds.

**Value or value:**

The value of Qualified Investments shall be determined, monthly, as follows: (a) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination; (b) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service; (c) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and (d) as to any investment not specified above: the value thereof established by prior agreement between the Authority, the Trustee and The Municipal Bond Insurer.

**2016 Bonds:**

The term "2016 Bonds" or "Series 2016 Bonds" shall mean the Lycoming County Authority College Revenue Bonds, Series of 2016 (Pennsylvania College of Technology) described in the forepart of this Official Statement.

**2016 Project:**

The term "2016 Project" shall mean the advance refunding of the 2008 Bonds described under the caption "THE PLAN OF FINANCING" in the forepart of this Official Statement.

## THE INDENTURE

### The Bonds -- Description, Execution and Registration of Bonds

General Terms of Bonds. The Bonds may, at the election of the Board, be in one or more series and shall be designated generally "Lycoming County Authority, College Revenue Bonds" and with further appropriate particular designations added to or incorporated in or eliminated from such title, for the Bonds or any particular series, as the Board may determine. Each Bond shall bear upon the face thereof the designation so selected for the series to which it belongs. Except as otherwise provided in the Indenture, all Bonds of any one series at any time simultaneously outstanding shall be identical in respect of the date of maturity, the place or places of payment of principal and of interest, the rate of interest, the terms amid conditions of redemption, if redeemable, and sinking fund obligations, if any. Bonds of any series may be of serial maturities and, if of serial maturities, may differ with respect to maturity dates, interest rates, terms and conditions of redemption and sinking fund obligations. Except as otherwise provided in the Indenture, all Bonds shall be dated the date of authentication and delivery thereof by the Trustee or the date fixed by the Board for the initial issue date thereof. The interest payments on the Bonds of any series may vary in amount to the extent necessary to avoid use of a fraction of the lowest denomination of currency at the time in circulation.

Notwithstanding the foregoing paragraph, the form of Bonds of each series issued under the Indenture may be changed as specified in supplemental indentures of the Authority to reflect appropriate provisions for the issuance of different types of Bonds which may reflect, without limitation, provisions for capital appreciation bonds, capital appreciation and income bonds, variable rate bonds, put bonds (as further described in the Indenture) and such other types of Bonds as may be marketable from time to time, subject to any limitations under the laws of the Commonwealth of Pennsylvania at the time of the issuance of the particular series of Bonds.

Subject to the provisions of the following paragraph, the interest due on any Bond on any scheduled Interest Payment Date shall be paid by check or draft mailed (or in certain cases by federal wire transfer) to the holder of such Bond as shown on the registration books kept by the Trustee as of the close of business on the Record Date.

If the available funds under the Indenture are insufficient on any scheduled Interest Payment Date to pay the interest then due, such interest shall thereupon cease to be Payable to the Bondholders shown on the registration books as of the applicable Record Date. If sufficient funds for the payment of such overdue interest thereafter become available, the Trustee shall immediately establish a "Special Interest Payment Date" for the payment of the overdue interest and a "Special Record Date" (which shall be a Business Day) for determining the Bondholder's entitled to such payments. Notice of each date so established shall be mailed to each Bondholder at least 10 days prior to the Special Record Date, but not more than 30 days prior to the Special Interest Payment Date.

General Terms of Additional Bonds. Subject to determination from time to time by the Authority, as expressed from time to time in one or more indentures supplemental hereto which the Authority is hereby authorized to execute and deliver to the Trustee, the Bonds of any series issued after the 2016 Bonds --

(a) Shall bear interest at such rate or rates, not in excess of the maximum rates permitted by the laws in effect on the date of the authentication and delivery of the Bonds of such series, as shall be determined by the Board and specified in the supplemental indenture creating the Bonds of such series;

(b) Shall be payable as to principal and (except in the case of capital appreciation bonds) interest (in at least semiannual installments in the case of interest) at such time or times, as shall be determined by the Board and specified in the supplemental indenture creating the Bonds of such series; but no Bond of such series shall mature by its terms or through the operation of any sinking fund obligation later than the last date on which such Bonds may mature, or the date on which the corporate existence of the Authority will end, under the laws in effect on the date of the authentication and delivery of the Bonds of such series;

(c) May contain provisions unconditionally requiring that all or part of the Bonds of such series be redeemed or otherwise retired prior to maturity during such period or periods and in such manner, not inconsistent with the provisions of the Indenture, as may be determined by the Board and specified in the supplemental indenture creating the Bonds of such series;

(d) Shall be payable, both as to principal and interest, in such manner and at such place or places as shall be determined by the Board and specified in the supplemental indenture creating the Bonds of such series, in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts;

(e) Shall be fully registered Bonds without coupons;

(f) May be in the denomination of $5,000 each or any integral multiple thereof;

(g) Shall be limited as to maximum principal amount thereof which may be authenticated and delivered by the Trustee;

(h) May contain provisions for the redemption of the Bonds of such series, at the option of the Authority or otherwise, at such redemption price or prices, not in excess of the maximum redemption price permitted by the laws in effect on the date of the authentication and delivery of the Bonds of such series, at such time or times, upon such notice, in such manner and upon such other terms and conditions, not inconsistent with the provisions of the Indenture, as may be determined by the Board and specified in the supplemental indenture creating the Bonds of such series; and

(i) May, subject to the foregoing provisions of this Section, contain such provisions with respect to interest rate, redemption price or prices, and such other special terms and conditions, not contrary to the provisions hereof and permitted by the Municipality Authorities Act, as may be determined by the Board and specified in the supplemental indenture creating the Bonds of such series.

No Transfer After Bond Closing for Redemption. The Trustee shall not be required to transfer or exchange any Bond all or part of which is to be called for redemption after such Bond(s) have been selected for redemption.

Transfer Upon Surrender of Bond. Any Bond may be transferred at the agency or agencies of the Authority to be maintained by it upon surrendering such Bond for cancellation accompanied by delivery of a written instrument of transfer in a form approved by the Authority, duly executed by the Registered Owner of such Bond or his duly authorized attorney or legal representative; and thereupon, but subject to such rights of exchange as such Bond shall have, the Authority shall execute in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new Bond or Bonds, in authorized forms of the same series and maturity, and for the same aggregate principal amount. Such transfers shall he made without cost to the Registered Owner, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the Registered Owner requesting such transfer as a condition precedent to the exercise of such privilege.

Effect of Registration. The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes of the Indenture; and payment of or on account of the principal of such Bond shall be made only to or upon the order in writing of such Registered Owner; but such registration may be changed as above provided. Each such payment shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

Lost, Stolen or Mutilated Bonds. Upon receipt by the Authority and the Trustee of evidence satisfactory to both of them that any outstanding Bond has been mutilated, destroyed, lost or stolen, and of indemnity satisfactory to both of them, in their discretion, the Authority, in its discretion, may execute, and thereupon the Trustee shall authenticate and deliver, a new Bond of the same series and maturity and of like tenor in exchange and substitution for, and upon surrender and cancellation of, the mutilated Bond or in lieu of and in substitution for the Bond so destroyed, lost on stolen. The Authority may, for each new Bond authenticated and delivered under the provisions of this Section, require the payment of reasonable expenses, including counsel fees, which may be incurred by the Authority and the Trustee in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to have been destroyed, lost on stolen, shall constitute an original additional contractual obligation on the part of the Authority, whether or not the Bond so alleged to have been destroyed, lost or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other Bonds issued under the Indenture to the same extent as the Bonds in substitution for which such Bonds were issued.

**Authentication and Delivery of Bonds**

Aggregate Principal Amount of Bonds is Unlimited. The aggregate principal amount of Bonds which may be executed by the Authority and authenticated and delivered by the Trustee and secured by the Indenture is not limited, but Bonds may be authenticated by the Trustee only under the provisions of the Indenture and only upon compliance with the applicable conditions precedent therein set forth. The aggregate principal amount of Bonds which may he executed by the Authority and authenticated and delivered by the Trustee thereunder may, at any time at the election of the Authority, evidenced by an indenture supplemental hereto, be limited to such aggregate principal amount as may be specified in such supplemental indenture. The Indenture creates a security interest in amounts payable to the Authority pursuant to the Loan Agreement (except the Authority administration expense limitation and certain indemnities. The Authority has assigned its rights (except the right to receive the Authority administration expense limitation and certain indemnities) created pursuant to the Loan Agreement to the Trustee.

Trust Estate; Bonds Ratably Secured; Exceptions. The Authority has sold, assigned, transferred, set over and pledged, to the Trustee and its successors in trust, to the extent provided in the Indenture, (i) all of the Authority's right, title and interest in and to the Loan Agreement and in and to any amounts payable to the Authority thereunder (except the Authority administration expense limitation and certain indemnities), and (ii) all moneys, securities and funds at any time held by the Trustee pursuant to the provisions of the Indenture (except the Rebate Fund) and all interest and other income earned from the investment thereof.

Subject to the provisions of the Indenture, any Trust Agreement, any credit facility and any special security deposit, all Bonds shall in all respects be equally and ratably secured by the Indenture without preference, priority or distinction on account of the actual time or times of the authentication or delivery or maturity of the Bonds or any of them, so that all Bonds at any time outstanding under the Indenture shall have the same right, lien and preference under and by virtue of the Indenture, and shall all be equally secured thereby, with like effect as if they had all been executed, authenticated and delivered simultaneously on the date thereof, whether the same, or any of them, shall actually be sold or disposed of on such date. Pursuant to the Twelfth Supplemental Indenture, upon the issuance of the 2016 Bonds and the defeasance and discharge of the 2008 Bonds (as a portion of the 2016 Project), the Trustee is directed to close the Reserve Account of the Debt Service Fund and remit all funds deposited therein, if any, to the College for its use in achieving the 2016 Project.

Bonds for Capital Additions, Completions or Replacements. From time to time hereafter the Authority, in addition to the Bonds authorized to be executed, authenticated and delivered pursuant to the other provisions of the Indenture, may execute and deliver to the Trustee, and the Trustee shall authenticate and deliver to or upon the order of the Authority, Additional Bonds for the purpose of paying all or part of the cost of constructing or otherwise acquiring capital additions or of completing any program of capital additions or replacements, but only upon the prior or concurrent receipt by the Trustee of the following:

(a) A Certified Authority Resolution (i) authorizing the execution and delivery by the Authority to the Trustee of a supplemental indenture creating a series of Additional Bonds in the aggregate principal amount then to be authenticated, (ii) authorizing the execution and delivery of the Additional Bonds of such series by the Authority to the Trustee, (iii) requesting the authentication and delivery of the Additional Bonds of such series by the Trustee and naming the officer or officers of the Authority to whom or upon whose order the Additional Bonds of such series are to be delivered and (iv) authorizing the sale of the Additional Bonds of such series by the Authority to specified purchasers or to a purchasing group with specified account managers at specified prices;

(b) Counterparts of the supplemental indenture duly executed by the Authority and the Trustee and the supplemental Loan Agreement duly executed by the College and the Authority;

(c) An opinion of counsel to the Authority as to the matters set forth in the Indenture, with such changes as shall be appropriate to the issuance of Additional Bonds and as shall be acceptable to the Trustee;

(d) An opinion of counsel to the College as to the matters set forth in the Indenture, with such changes as shall be appropriate to the issuance of Additional Bonds and as shall be acceptable to the Trustee;

(e) An officers' certificate setting forth the matters required by the Indenture, with such changes as shall be appropriate to the issuance of Additional Bonds and as shall he acceptable to the Trustee;

(f) An officers' certificate demonstrating that the maximum annual debt service requirements on all Bonds outstanding under the Indenture (including the Additional Bonds then to be issued) shall not exceed (i) while any Bonds issued prior to the date of issuance of the Series 2016 Bonds remain Outstanding; 12% of the Gross Revenues of the College for the prior fiscal year, and (ii) from and after the date on which no Bonds issued prior to the date of issuance of the Series 2016 Bonds remain outstanding, 15% of the Gross Revenues of the College for the prior fiscal year, in each case as evidenced by the College's audited financial statements for such year;

(g) Funds in the amount of the accrued interest paid upon the sale of the Additional Bonds of such series as set forth in the above-mentioned officers' certificate, which funds shall be deposited by the Trustee to the credit of the Regular Account of the Debt Service Fund; and

(h) Funds in the amount of the balance of the proceeds of the safe of such Additional Bonds, which funds shall be deposited to the credit of the Expenditures Fund

Bonds Issued to Replace Property Destroyed by Casualty. The Authority, in addition to the Bonds authorized to be executed, authenticated and delivered pursuant to other provisions of the Indenture, may execute and deliver to the Trustee, and the Trustee shall authenticate and deliver to or upon the order of the Authority, Additional Bonds for the purpose of paying all or part of the cost of replacements of any property constituting a part of the College Premises which may be damaged or destroyed or may be otherwise in need of repair or replacement to the extent that the proceeds or estimated proceeds of insurance, if any, maintained by the Authority under the provisions of the Indenture, or the proceeds of insurance or condemnation awards, if any, received or to be received by the College, shall be insufficient for such purpose, but only upon the prior or concurrent receipt by the Trustee of the following:

(a) A certified resolution, supplemental indenture, supplemental Loan Agreement, opinions of counsel, and officers' certificates complying with the provisions of the Indenture and relating to the series of Additional Bonds then to be authenticated, except that such matters shall refer, as appropriate to the replacements;

(b) A consulting architect's certificate as follows:

(1) Certifying that the replacements described in the above-mentioned certified resolution are necessary to preserve the College Premises or to maintain adequate service to the public;

(2) Setting forth the amount or the estimated amount of the proceeds of insurance maintained by the Authority under the provisions of the Indenture, or the proceeds of insurance on condemnation awards, if any, received or to be received by the College, and received or to be received in respect of the damage or destruction causing the necessity for such replacements;

(3) Setting forth the estimate of the consulting architect as to the total Cost of such replacements; and

(4) Setting forth the excess of the amount shown pursuant to subparagraph (3) above over the amount shown pursuant to subparagraph (2) above;

(c) Funds in the amount of the accrued interest paid upon the sale of the Additional Bonds of such series as set forth in the above-mentioned officers certificate, which funds shall be deposited to the credit of the Regular Account of the Debt Service Fund; and

(d) Funds in the amount of the balance of the proceeds of the sale of the Additional Bonds of such series, which funds shall be deposited to the credit of the Expenditures Fund; provided, however, that if such balance shall be less than the amount shown pursuant to subparagraph (4) of paragraph (b) above, the

Authority shall also either deposit with the Trustee, or request the Trustee to transfer from undesignated moneys to the credit of the Expenditures Fund, funds in the amount of such deficiency.

Additional Bonds for Refunding Programs. The Authority, in addition to the Bonds authorized to be executed, authenticated and delivered pursuant to the Indenture, may execute and deliver to the Trustee, and the Trustee shall authenticate and deliver to or upon the order of the Authority, Additional Bonds for the purpose of a Refunding Program, but only upon the prior or concurrent receipt by the Trustee of the following:

(a) A certified Authority resolution relating to the series of Additional Bonds then to be authenticated and, in addition (i) designating the Outstanding Bonds or other Long-Term Indebtedness to be refunded through the deposit with the Trustee of funds for the payment thereof at maturity, (ii) calling for redemption the outstanding Bonds to be refunded through the redemption thereof, (iii) irrevocably designating and appointing the Trustee as agent of the Authority to effect such redemption, and (iv) if the Authority and the Trustee propose to enter into a Trust Agreement with respect to the Refunding Deposit to be concurrently made, authorizing the execution and delivery of such Trust Agreement by the Authority;

(b) A counterpart, duly executed by the Authority and the Trustee, of the supplemental indenture and supplemental Loan Agreement authorized by said certified resolution;

(c) An instrument or instruments, duly executed by the Authority and satisfactory to the Trustee, irrevocably designating and appointing the Trustee as the agent of the Authority to effect the redemption of the outstanding Bonds to be redeemed or otherwise repaid and irrevocably authorizing and instructing the Trustee to take such action as shall be necessary, in the judgment of the Trustee, in order to effect the redemption or repayment of the Bonds to be redeemed or otherwise repaid;

(d) If the above-mentioned certified resolution shall authorize the execution and delivery by the Authority of a Trust Agreement with reference to the Refunding Deposit to be concurrently made, an executed counterpart of such Trust Agreement;

(e) Opinions of counsel complying with the provisions of the Indenture, generally to the effect that (i) the Authority has adopted resolutions calling for redemption the principal amount of Bonds specified in the above-mentioned certified resolution, (ii) the Trustee has been lawfully and irrevocably designated and appointed as the agent of the Authority to effect the redemption or repayment of the outstanding Bonds or other Long-Term Indebtedness to be redeemed or otherwise repaid and has been lawfully and irrevocably authorized and instructed to take such action as shall be necessary to effect the redemption or repayment of such Bonds, and (iii) if a Trust Agreement shall be entered into with respect to the Refunding Deposit to be concurrently made, that the proceedings authorizing the execution and delivery thereof are valid and legally sufficient and that such Trust Agreement is a legal, binding and enforceable, subject to general equity principles, instrument in accordance with its terms (except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights);

(f) An officers' certificate setting forth (i) the proceeds of the sale of the Additional Bonds of such series, (ii) the amount of such proceeds paid as accrued interest, if any, (iii) the aggregate principal amount of Bonds to be redeemed, (iv) the estimated Refunding Expenses, exclusive of discounts (if any) sustained on the sale of the Additional Bonds of such series, (v) the amount of money to the credit of the Debt Service Fund, if any, to be applied to the payment of the redemption price of the outstanding Bonds to be redeemed, (vi) the maximum and average annual debt service requirements on all Bonds which will be outstanding after the issue of the Additional Bonds of such series and the redemption of the Bonds to be redeemed, and (vii) the other matters required by the Indenture;

(g) Immediately available funds in the amount of the accrued interest paid upon the sale of the Additional Bonds of such series as set forth in the above-mentioned officers' certificate, which funds shall be deposited to the credit of the Regular Account of the Debt Service Fund;

(h) Immediately available funds in an amount equal to Bonds or Long-Term Indebtedness to be refunded by redemption, and (iii) paying the Refunding Expenses; provided, however, that if the amount deposited for the payment of estimated Refunding Expenses shall exceed the sum required for such purpose, the Trustee shall deliver such excess to the College; and

(j) The amount required to effect the Refunding Program.

Multipurpose Bond Issues. Additional Bonds may be issued under the Indenture for more than one of the purposes specified therein, in which case the requirements of each applicable Section shall apply to the extent appropriate to the Bond issue.

**Revenues and Funds**

Creation of Funds. Upon the issuance of the 2016 Bonds, under the Indenture, there are established the following funds:

(a) A special fund designated the "Debt Service Fund," to be held by the Trustee, and therein an account designated the "Regular Account";

(b) A special fund designated the "Expenditures Fund," to be held by the Trustee, which special fund may be divided into separate accounts related to different projects being financed; and

(c) A special fund designated the "Rebate Fund" to be held by the Trustee.

Additional Funds and Accounts may be created as appropriate by the execution and delivery of a supplemental indenture.

Deposits to Debt Service Fund Regular Account. The Authority shall deposit with the Trustee (in immediately available funds from amounts payable by the College pursuant to the Loan Agreement) for the credit of the Regular Account, the amounts (less amounts already deposited to the credit of such Fund or Account and available for the appropriate purpose) specified in the Indenture, which requires that such amounts shall be deposited at the times required to pay debt service on the Bonds.

In respect of any Additional Bonds, any moneys required by this Section to be deposited by the Authority with the Trustee which have been paid by the issuer of a Credit Facility may be paid by the Authority to the issuer of the Credit Facility instead of to the Trustee.

Deposits to and Withdrawals from Expenditures Fund.

Deposits. The Authority shall (or shall cause the College to) deposit with the Trustee for the credit of the Expenditures Fund the following moneys, when and as received, viz:

(a) The amounts specified in the supplemental indenture pursuant to which such deposits are to be made; and

(b) The proceeds of insurance and condemnation awards to the extent provided in the Loan Agreement; and

(c) All other amounts (i) which the Authority is required to deposit to the credit thereof by the provisions of the Loan Agreement or the Indenture, or (ii) which the Authority may in its discretion deposit to the credit thereof under such provisions and which the Authority determines to deposit to the credit thereof.

Withdrawals. The Trustee shall withdraw moneys from the Expenditures Fund and disburse the same upon the receipt by the Trustee of a requisition signed by an Authorized Representative of the College.

Withdrawal for Debt Service. If at any time the moneys to the credit of the Debt Service Fund shall be insufficient to pay the principal of and the interest on the Bonds as such principal and interest shall become due or to discharge the sinking fund obligations of the Authority in accordance with the terms and conditions of the Indenture, the Trustee shall transfer from the Expenditures Fund to the Debt Service Fund an amount sufficient to make up any such deficiency.

Payments from Debt Service Fund Regular Account. Moneys to the credit of the Regular Account of the Debt Service Fund shall be disbursed by the Trustee in the following order of priority for (a) the payment of interest on the Bonds as such interest becomes due, (b) the payment of the principal of the Bonds at their respective maturities, (c) the purchase and retirement of Bonds before maturity, if directed by the College, and (d) the redemption of Bonds before maturity.

Investment of Funds in Qualified Investments. The moneys in each Account or Fund shall be invested in Qualified Investments as specified in writing by an Authorized Representative of the College. The interest received and profits realized on the bonds, obligations or other Qualified Investments in which moneys to the credit of any such Account or Fund shall be invested shall (except as otherwise provided in any supplemental indenture in respect of deposits to the Expenditures Fund or otherwise) be transferred at least quarterly to the Regular Account of the Debt Service Fund, and any loss sustained shall be charged to the Fund or Account.

**Particular Covenants of the Authority**

The Authority covenants in the Indenture that it shall maintain an office, shall maintain books and records and shall perform various other administrative acts in respect of the Bonds and the Indenture.

**Redemption of Bonds**

Procedures for Redemption of Bonds. With respect to any particular series of Bonds, the Authority may reserve the right to redeem before maturity all or any part of the Bonds of such series at such time or times and from time to time, and on such terms, as the College may determine and as shall be expressed in the supplemental indenture creating the Bonds of such series and referred to in the Bonds of such series. If the Authority (or the College, as provided in the Loan Agreement) shall desire to exercise such right to redeem all or any part of the Bonds, in accordance with the right reserved so to do, the Trustee shall, in the manner provided in the Indenture, mail a notice to the Registered Owner of each Bond or part thereof to be redeemed to the effect that the Authority has elected to redeem all of such Bond or a part thereof on the date therein designated, and in every case stating that on said date there will become and be due and payable upon each Bond or part thereof so to be redeemed, at the place or places at which the principal of the Bonds so to be redeemed is payable, the principal amount thereof, together with the accrued interest thereon to such date, with such premium, if any, as is specified in such Bonds or parts thereof, and that from and after such date interest thereon will cease to accrue.

So long as the Securities Depository or its nominee, Cede & Co., is the Registered Owner of all outstanding Bonds of a particular series, Bonds shall be redeemed in the manner described in the Indenture;

provided, however, that if fewer than all of the Bonds of any one maturity of such series shall be called for redemption, the particular Bonds or portions of Bonds of such series of such maturity to be redeemed shall be selected by lot by the Securities Depository and the Participants in such manner as the Securities Depository and the Participants may determine.

The Trustee shall cause notice of any redemption of Bonds under the Indenture to be mailed by registered or certified mail to the owners of all Bonds to be redeemed at the registered addresses appearing in the registration books kept for such purpose pursuant to the Indenture. Provided, however, that if the Securities Depository or its nominee, CEDE & Co. is the Registered Owner of all outstanding Bonds of the series subject to redemption, such notice shall be fully effective for all purposes of the Indenture if given to the Securities Depository or such nominee in accordance with the Representation Letter. Each such notice shall (i) be mailed at least 30 days and not more than 60 days prior to the redemption date, (ii) identify the Bonds to be redeemed (specifying the CUSIP numbers, if any, assigned to the Bonds), (iii) specify the redemption date and the redemption price, and (iv) state that on the redemption date the Bonds called for redemption will be payable at the principal agency office of the Trustee, that from that date interest will cease to accrue and that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds. No defect affecting any Bond, whether in the notice of redemption or mailing thereof (including any failure to mail such notice), shall affect the validity of the redemption proceedings for any other Bonds.

So long as the Securities Depository or its nominee, Cede & Co, is the Registered Owner of all outstanding Bonds of the series subject to redemption, any failure on the part of the Securities Depository or failure on the part of a nominee of a beneficial owner of such Bonds (having received notice from a Participant or otherwise) to notify the beneficial owner of the Bond so affected, shall not affect the validity of the redemption.

After the mailing of the notices provided in the Indenture shall have been duly made, then, on or before the redemption date specified in such notices, funds in an amount sufficient to effect the redemption of the Bonds or parts thereof specified in such notices shall be deposited in trust by the Authority with the Trustee or left in trust with the Trustee if previously deposited and then available for such purpose; and from and after the redemption date designated in such notices (such funds having been deposited or left with the Trustee, as aforesaid), notwithstanding that any Bonds so called for redemption shall not have been surrendered for cancellation, no further interest shall accrue upon the principal of any of the Bonds or parts thereof so called for redemption.

**Defaults and Remedies**

Events of Default. Each of the following events is hereby declared an "Event of Default," that is to say, if

(a) Payment of any installment of interest on any of the Bonds shall not be made when and as the same shall become due and payable as therein expressed; or

(b) Payment of any part of the principal of, or the premium (if any) payable upon the redemption of, any of the Bonds shall not be made when the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption thereof, by declaration or otherwise; or

(c) The Authority shall default in the due and punctual performance of any sinking fund obligation; or

(d) An Event of Default under the Loan Agreement shall occur and be continuing; or

(e) An order or decree shall be entered with the consent or acquiescence of the Authority appointing a receiver or receivers of the Authority's properties, or of the receipts and revenues thereof, or any proceeding shall be instituted with the consent or acquiescence of the Authority for the purpose of effecting a composition between the Authority and its creditors, or for the purpose of adjusting the claims of such creditors pursuant to any Federal or State statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable out of (i) the Authority's right, title and interest in and to the Loan Agreement and in and to any amounts payable to the Authority thereunder or (ii) any moneys, securities and funds at any time held by the Trustee pursuant to the provisions hereof and all interest and other income earned from the investment thereof, or if such order or decree having been entered without the consent or acquiescence of the Authority shall not be vacated or discharged within 60 days after the entry thereof, or if such proceeding having been instituted without the consent or acquiescence of the Authority shall not be withdrawn, or any order entered therein shall not be vacated or discharged, within 60 days after the institution of such proceeding or the entry of such order; or

(f) The Authority shall default in the due and punctual performance or observance of any of the covenants, conditions, agreements or provisions contained in the Bonds or in the Indenture on the part of the Authority required to be kept, performed or observed, and any such default shall have continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the request of the owners of not less than 25% of the Bonds then outstanding.

Remedies. Upon the happening and continuance of any event of default, then and in each and every such case, unless the principal of all of the Bonds shall have already become due and payable, the Trustee may, and upon the request of each Municipal Bond Insurer or, with the consent of each Municipal Bond Insurer, upon the request of the owner or owners of not less than 25% of the Bonds then outstanding shall, by notice to the Authority, declare the principal of all of the Bonds then outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture contained to the contrary notwithstanding.

The foregoing provisions of this Section are subject to the condition that at any time after the principal of all of the Bonds shall have been so declared due and payable, the owners of a majority of the Bonds then outstanding may, by written notice to the Authority and the Trustee, rescind and annul such declaration and its consequences if—

(a) All arrears of interest upon all of the Bonds then outstanding under the Indenture, except interest accrued since the last Interest Payment Date, with interest on overdue installments of interest (to the extent that the payment thereof is enforceable under applicable law) at the respective rates provided in the Bonds, shall have been paid or payment thereof provided for; and

(b) The expenses of the Trustee and all other indebtedness secured hereby, except the principal of any of the Bonds not then due by their express terms, shall have been paid or payment thereof provided for; and

(c) Every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Bonds or in the Indenture shall have been remedied or a remedy therefor satisfactory to the Trustee shall have been provided for; and

(d) All the obligations set forth in subparagraphs (a), (b) and (c) above requiring payment which have not been paid have been provided for by depositing with the Trustee for the credit of the Debt Service Fund moneys sufficient for the payment thereof.

No such rescission or annulment shall extend to or affect any subsequent default or impair any right of the Trustee or the Bondowners arising therefrom.

Trustee May Enforce Authority's Rights. The Authority agrees, to the full extent that it may lawfully so agree, that upon the happening and continuance of any event of default, the Trustee may enforce each and every right granted under the Loan Agreement and the Trustee, by such officer or agent as it shall appoint, may exercise any right or remedy available to the Authority under the Loan Agreement and collect all amounts which shall become payable thereunder and the Trustee shall apply the remainder of the moneys so received in the manner provided in the Indenture.

Trustee to Enforce Remedies. Upon the happening and continuance of any Event of Default, then and in every such case the Trustee may, and upon the written request of the owners of 25% of the Bonds then outstanding shall, proceed to protect and enforce its rights and the rights of the Bondowners under the Indenture by the exercise of any proper legal or equitable right or remedy as the Trustee being advised by counsel shall deem most effectual to protect and enforce the rights of the Bondowners. The rights and remedies which the Trustee may or shall exercise include all or any of the following:

(a) The right in its own name by mandamus or other suit, action on proceeding at law or in equity to enforce all rights of the Bondowners, including the right to require the Authority to collect rates, rentals and other charges adequate to carry out the covenants and agreements of the Authority contained in the Indenture with respect to the pledge of the revenues and receipts from the College Premises and to require the Authority to carry out any agreements with or for the benefit of the Bondowners and to perform its duties under the Municipality Authorities Act;

(b) The right to bring suit upon the Bonds outstanding under the Indenture, provided, however, that any judgment obtained in any such suit shall be payable only out of the receipts and revenues of the College Premises pledged for the payment of the principal of and the interest on the Bonds;

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

(d) The right by action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Bondowners;

(e) The right to the appointment of a receiver of the College Premises and of the revenues and receipts therefrom; and

(f) The right to exercise any or all other rights or remedies provided by the Municipality Authorities Act, or by any other law or by any other suit, action or other special proceeding in equity or at law either for the specific performance of any covenant or agreement contained herein or in aid or execution of any power herein granted.

Deposit of Funds. All moneys received by the Trustee under the Indenture shall, after the payment of current administration, operating, management and maintenance expenses incurred by the Trustee or receiver be applied by the Trustee or receiver in the following order or priority:

(a) To the payment of all costs, expenses and liabilities reasonably incurred by the Trustee (including reasonable compensation to the Trustee, its agents, attorneys and counsel) and to the repayment of all advances made by the Trustee;

(b) Unless the principal of all the Bonds outstanding under the Indenture shall have become due, whether at the due dates expressed therein, by proceedings for redemption, or by declaration as herein provided or otherwise, then

(1) To the payment of any overdue installments of interest on the Bonds in the order of the expressed maturity of the installments of such interest, with interest on overdue installments of interest (to the extent that the payment of such interest is enforceable under applicable law) at the respective rates provided in the Bonds; and, if the amount to be applied to the payment of any installment of interest shall not be sufficient to pay such installment in full, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto without any discrimination or preference; and

(2) After the payment of all such overdue installments of interest with the interest thereon, then to the payment of the principal of all of the Bonds which shall have become due by their express terms, not including Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture, with interest on such Bonds at the rate or rates provided for in such Bonds from the respective dates upon which they became due in the order of maturity dates expressed in the Bonds, and if the amount to be distributed at any particular time shall not be sufficient to pay in full all of the Bonds due on any particular date, to the payment thereof ratably according to the amounts due thereon; and

(3) After all payments required by the preceding subparagraphs of this paragraph (b) shall have been made, then to the payment of the principal of and the interest on the Bonds in accordance with the provisions of the Indenture; and

(c) In case the principal of all of the Bonds shall have become due, whether at the due dates expressed therein, by proceedings for redemption, by declaration or otherwise, then

(1) To the payment of the full amount then owing and unpaid upon all Bonds outstanding for principal and interest on overdue installments of interest (to the extent that the payment of such interest is enforceable under applicable law) at the respective rates provided in the Bonds then outstanding, then to the payment of such principal and interest without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest ratably to the aggregate of such principal and interest; and

(2) Any surplus thereof remaining after the payment of the full principal of and interest on all Bonds, to the College or to whomsoever may be lawfully entitled to receive the same.

Whenever moneys are to be applied by the Trustee or by any receiver, such moneys shall be applied by the Trustee or receiver at such times, and from time to time, as the Trustee or receiver in its sole discretion shall determine, having due regard to the amount of such moneys available for application in the future. The deposit of such moneys with the bank or trust company at which the Bonds shall be payable, or otherwise setting aside of such moneys, in trust for the proper purpose, shall constitute proper application by the Trustee or receiver; and the Trustee or receiver shall incur no liability whatsoever to the Authority, to any Bondowner or to any other person for any delay in applying any such moneys, so long as the Trustee or receiver acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the indenture as may be applicable at the time of application by the Trustee or receiver. Whenever the Trustee or receiver shall exercise such discretion in applying such moneys, it shall fix the date upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee or receiver shall give such notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payments to the owner of any Bond until such Bond shall be surrendered to the Trustee or receiver for stamping with reference to such payment.

Bondowners May Direct Proceedings in Certain Cases. The owners of a majority of the Bonds then outstanding shall have the right, subject to the provisions of the Indenture, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Indenture. The Trustee shall not be obligated to follow any direction described in the preceding sentence if, in the opinion of the Trustee, the proposed action is not to the advantage of all Bondowners.

Limitation of Rights of Bondowners. Except as provided in the Municipality Authorities Act or other applicable law, no owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Indenture, or for any other remedy under the Indenture, unless such owner previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be taken; nor unless also the owners of not less than 25% of the Bonds then outstanding shall have made request of the Trustee, after the right to exercise such powers or rights of action shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted, or to institute such action, suit or proceeding in its name; nor unless, also, there shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request, within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Indenture or for any other remedy under the Indenture; it being understood and intended that no one or more owners of the Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right under the Indenture, except in the manner provided, and that all proceedings at law or in equity shall be instituted, and maintained in the manner provided and for the prior and equal benefit of all owners of outstanding Bonds, subject to the provisions of the Indenture.

Effect of Credit or Liquidity Facility. Anything in the Indenture to the contrary notwithstanding, if any Event of Default has occurred and is continuing while a Credit Facility securing all or a portion of the Bonds outstanding is in effect, provided that there shall not have occurred and be continuing an Event of Default described in clauses (a), (b) or (c) under "Events of Default," above, the issuer of the Credit Facility may have the right, if the Credit Facility so provides and provided that the issuer of the Credit Facility shall not then or thereafter be in default of its obligations under the Credit Facility in lieu of the owners of the particular Bonds secured by said Credit Facility, by an instrument in writing, executed and delivered by the issuer of the Credit Facility to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under the Indenture, or exercising any trust or power conferred on the Trustee by the Indenture. Said direction shall be controlling only to the extent the direction of owners of the Bonds secured by said Credit Facility would otherwise have been controlling under the Indenture if the issuer of the Credit Facility shall be in default in the performance of its obligations under the Credit Facility, said issuer shall have no rights under this provision.

Bonds Not Governmental Obligations. No recourse shall be had for the payment of the principal of, the interest on, or the premium (if any) payable upon the redemption of, any Bond, or for any claim based thereon or on the Indenture, against the County of Lycoming or the Commonwealth of Pennsylvania or of any political subdivision thereof, it being expressly agreed and understood that the Indenture and the Bonds issued under the Indenture are solely corporate obligations of the Authority payable only out of the receipts and revenues pledged under and by the Indenture and do not pledge the credit or taxing power of the County of Lycoming or of the Commonwealth of Pennsylvania or of any political subdivision thereof. The Authority has no taxing power.

Certain Procedural Matters. The Indenture contains provisions which govern the manner of taking action by Bondholders individually and collectively, at meetings thereof and otherwise.

**Modification of the Indenture - Supplemental Indentures**

Modification of Indenture Without Consent of Bondholders. Without the consent of the Bondowners, the Authority, when authorized by resolution of the Board, and the Trustee, from time to time and at any time, subject to the conditions and restrictions in the Indenture contained, may enter into an indenture or indentures supplemental thereto, for any one or more of the following purposes:

(a) To close the Indenture against, or to restrict, in addition to the limitations and restrictions herein contained, the issue of Additional Bonds under the Indenture, by imposing additional conditions and restrictions to be thereafter observed, whether applicable in respect of all Bonds issued and to be issued under the Indenture or in respect of one or more series thereof, or otherwise;

(b) To add to the covenants and agreements of the Authority in the Indenture contained, other covenants and agreements thereafter to be observed, or to surrender any right or power herein reserved to or conferred upon the Authority;

(c) To modify any of the provisions of the Indenture or to relieve the Authority of any of the obligations, conditions or restrictions contained in the Indenture, provided that such modification or relief shall, by the express terms of the particular supplemental indenture, not become effective until all Bonds outstanding on the date of the execution and delivery of such supplemental indenture shall have given such consent to such modification or relief as shall be required by the provisions hereof or shall no longer be outstanding;

(d) To cure any ambiguity or to cure, correct or supplement any defect, omission or inconsistent provision contained in the Indenture or in any supplemental indenture;

(e) To make such provision in regard to matters or questions arising under the Indenture as may be necessary or desirable and not inconsistent with, the Indenture;

(f) To permit the Authority to issue Bonds under the Indenture the interest on which is not exempt from federal income taxation;

(g) To qualify any of the Bonds for registration under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended;

(h) To qualify the Indenture as an "indenture" under the Trust Indenture Act of 1939, as amended;

(i) To make such changes as may be necessary to comply with Sections 103 and 141-150 (including without limitation the changes described in Section 4.10 of the Indenture) of the Code;

(j) To make such changes as may evidence the right and interest herein of an issuer of a Credit Facility that secures any series of Bonds or portion thereof; or

(k) To make such changes as may accomplish a merger, consolidation or reorganization of the College; provided that any such merger, consolidation or reorganization shall be consistent with the provisions contained in the Loan Agreement.

Modification of Indenture With Consent of Bondholders. With the consent of the owners of not less than 66 2/3% of the Bonds then outstanding and of the owners of not less than 66 2/3% of the Bonds of each series then outstanding and affected by any such action, in case one or more but less than all of the series of Bonds then outstanding are so affected, the Authority, when authorized by resolution of the Board, and the Trustee may, from time to time and at any time, enter into an indenture or indentures supplemental thereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or of modifying in any manner the rights of the owners of the Bonds; provided, however, that no such supplemental indenture shall (1) extend the fixed maturity date of any Bond, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or advance the date on which any Bond shall be subject to redemption, or reduce any premium payable upon the redemption thereof, without the consent of the owner of each Bond so affected, or (ii) permit the creation by the Authority of any lien (except for Permitted Liens and Title Defects) upon any property which shall be a part of the College Premises or any lien prior to or on a parity with the lien of the Indenture upon any part of the receipts and revenues of the College Premises on the funds held by the Trustee under the Indenture, or reduce the aforesaid percentage of Bonds, the owners of which are required to consent to any such supplemental indenture, without the consent of the owners of all Bonds then outstanding. It shall not be necessary for the consent of the Bondowners to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

**Discharge of Indenture**

If the Authority, its successors or assigns, shall pay or cause to be paid unto the owners of all Bonds outstanding under the Indenture the principal and interest to become due thereon and the premium thereon, if any, at the times and in the manner stipulated therein, or if the Authority, its successors or assigns, shall deliver or cause to be delivered to the Trustee for cancellation all Bonds outstanding under the Indenture, then the Indenture and the estate, title, interest and rights thereby granted shall cease, determine and be void, and thereupon the Trustee shall, upon the request of the Authority, release, cancel and discharge the lien of the Indenture, and execute and deliver to the Authority such instruments as shall be requisite to satisfy the lien thereof, shall discharge the Loan Agreement and reconvey to the College the estate, title, interest and rights conveyed in the Indenture, and assign and deliver to the College any money and other property at the time subject to the lien of the Indenture which may then be in the possession of the Trustee; but the Trustee shall take any such action only upon the receipt of an officers' certificate from the Authority and the College and an opinion of counsel each stating in substance that in the opinion of the respective signers all conditions precedent provided for in the Indenture relating to such release, cancellation and discharge have been complied with.

Bonds for the payment or redemption of which sufficient funds, including interest to the date of payment or redemption and the premium, if any, or Government Securities which bear interest at such rates and mature at such times as to provide such funds (without assumed reinvestment thereof except at an interest rate contracted for with the United States or which is zero) as and when required for such payment or redemption, shall have been irrevocably deposited with the Trustee, or provisions for such payment satisfactory to the Trustee shall have been made with the Trustee, whether upon or prior to the maturity or the redemption date of such Bonds, shall be deemed to be paid within the meaning of the Indenture, except that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or provisions satisfactory to the Trustee shall have been made therefor.

In the event that the principal and/or interest due on any Bonds shall be paid by a Municipal Bond Insurer pursuant to its Municipal Bond Insurance Policy, such Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Authority to the registered owners shall continue to exist and shall run to the benefit of such Municipal Bond Insurer, and such Municipal Bond Insurer shall be subrogated to the rights of such registered owners.

The release, cancellation and discharge of the Indenture, however, shall be without prejudice to the right of the Trustee to be paid any compensation then due to it under the Indenture, and to be protected and saved harmless by the Authority from any and all losses, liabilities, costs and expenses, including counsel fees at any time incurred by the Trustee under the Indenture, or connected with any Bond issued under the Indenture, of and from which, if the Indenture had not been released, canceled and discharged, the Authority would have been obligated by the terms of the Indenture to protect and save the Trustee harmless of and from such losses, liabilities, costs and expenses.

If any Bond shall not be presented for payment when the principal thereof shall become due, either at maturity or otherwise, or at the date fixed for the redemption thereof, and if the Authority shall have deposited with the Trustee or left with it in trust if previously so deposited, funds sufficient to pay the principal of such Bonds (and the premium, if any, payable upon the redemption thereof), together with all interest due thereon to the date of maturity thereof on to the date fixed for the redemption thereof, for the benefit of the owner or owners thereof, respectively, all liability of the Authority to the owner of such Bond for the payment of the principal thereof and the interest thereon (and all liability of the Authority to the owner of such Bond for the premium, if any), shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold said funds, without liability for interest thereon, for the benefit of the owner of such Bond, who shall thereafter be restricted exclusively to said funds for any claim of whatsoever nature on his part under the Indenture or on, or with respect to, said Bond.

Any moneys deposited with the Trustee by the Authority, pursuant to the terms of the Indenture, for the payment or redemption of Bonds remaining unclaimed by the owners of such Bonds for six years after the date of their maturity or the date fixed for their redemption shall upon the written request of the Authority or of such officer, board or body as may then be entitled by law to receive the same, and if the Authority or any successor to the obligations of the Authority under the Indenture and the Bonds shall not at the time, to the knowledge of the Trustee, be in default with respect to any of the terms and conditions contained in the Indenture or in the Bonds, be paid to the Authority or to such officer, board or body, and the owners of such Bonds shall thereafter look only to the Authority or to such officer, board or body for payment and then only to the extent of the amounts so received, without interest thereon.

## THE LOAN AGREEMENT

### 2016 Project; the Loan

The College will undertake the 2016 Project upon the issuance of the 2016 Bonds. The Authority will loan the proceeds of the 2016 Bonds to the College upon the issuance of the 2016 Bonds by deposit of the proceeds thereof in accordance with the requirements of the Indenture. Such proceeds shall be invested and disbursed in accordance with the Indenture.

**Loan Repayments**

The College shall pay to the Authority as annual loan repayments on account of the Loan the amounts required to pay, in each fiscal year of the College the sum of the Debt Service Requirements in such year on the 2016 Bonds (which shall be paid to the Trustee). The loan repayments for debt service requirements shall be payable in each year that 2016 Bonds are outstanding in semi-annual installments at least ten business days prior to each Interest Payment Date or Principal Payment Date for the payment of principal, interest or redemption price due on the 2016 Bonds, in each case in the amount of the deposit required to be made to the Regular Account of the Debt Service Fund in respect of the next payment of such principal, interest or redemption price, as the case may be, reduced however by amounts then on deposit to the credit of the Regular Account of the Debt Service Fund and available to make such payments. Such loan repayments payable by the College immediately preceding the maturity date of any 2016 Bonds shall also be reduced by the par value of and accrued interest due on any 2016 Bonds maturing on the next succeeding maturity date of 2016 Bonds, which 2016 Bonds have been delivered by the College or the Authority to the Trustee, as assignee of the Authority, prior to August 15 in such year, for cancellation as a part of the loan repayments due on 2016 Bonds maturing on October 1 thereafter.

**Additional Covenants**

Rates. The College will, from time to time and to the extent practicable and permitted by law, fix and charge, and use its best efforts to collect, tuition, rates, fees and charges, for the use of the College Premises and the services provided by the College, which tuition, rates, fees and charges, together with any service fees and other amounts received from governmental contributions for services rendered and constituting Gross Revenues, shall be at least sufficient, after making due and reasonable allowance for prompt payment discounts, uncollectible accounts, contingencies or a reasonable margin of safety, and a margin of error in estimates, to insure in each fiscal year, commencing with the fiscal year in which loan repayments are payable, funds for the following purposes:

(1) To pay the Operating Expenses of the College Premises for such fiscal year; and

(2) To pay all loan repayments required to be paid by the College to the Authority pursuant to the Loan Agreement during such fiscal year.

If in any fiscal year such tuition, rates, fees and charges, together with such service fees, other amounts from governmental contributions, shall be insufficient to provide the College with funds for the purposes specified above, the College shall appoint forthwith a College Consultant to make a report and recommendations with respect to such tuition, rates, fees and charges, which recommendations shall take into account the practical aspects of a diminishing percentage or return from increased tuition, rates, fees and charges. A copy of the College Consultant's report and recommendations shall be filed with the Trustee and the Authority; and the College will, to the extent permitted by law, adopt a new schedule of tuition, rates, fees and charges which will implement the College Consultant's recommendations and provide the College with sufficient funds for such purposes.

Covenants as to Corporate Existence. Maintenance of Properties, etc.

The College shall:

(a) preserve its corporate existence and all its rights and licenses to the extent necessary or desirable in the operation of its business affairs and be qualified to do business in each jurisdiction where its ownership of property or the conduct of its business requires such qualification; provided, however, that nothing contained in the Loan Agreement shall be construed to obligate it to retain or preserve any of its rights or licenses no longer used or, in the judgment of its Board, useful in the conduct of its business;

(b) at all times cause its business to be carried on and conducted in an efficient manner and its properties to be maintained, preserved and kept in good repair, working order and condition and all needful and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing contained in the Loan Agreement shall be construed (i) to prevent it from ceasing to operate any portion of its properties, if in the judgment of its Board it is advisable not to operate the same for the time being, or if it intends to sell or otherwise dispose of the same as permitted under the Loan Agreement and within a reasonable time endeavors to effect such sale or other disposition, or (ii) to obligate it to use, retain, preserve, repair, renew or replace any property, leases, rights, privileges or licenses no longer used or, in the judgment of its Board, useful in the conduct of its business;

(c) conduct its affairs and carry on its business and operations in such manner as to comply with any and all applicable laws of the United States and the several states thereof and duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its properties; provided, nevertheless, that nothing contained in the Loan Agreement shall require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity or application thereof shall be contested in good faith;

(d) promptly pay all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or any of its properties; provided, however, that it shall have the right to contest in good faith by appropriate proceedings any such taxes, charges or assessments or the collection of any of such sums;

(e) promptly pay or otherwise satisfy and discharge all of its obligations and indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of obligations of the College under the Loan Agreement) whose validity, amount or collectability is being contested in good faith by appropriate proceedings;

(f) at all times comply with all terms, covenants and provisions contained in any instrument or agreement evidencing any lien or security interest at such time existing upon its properties or any part thereof or securing any of its indebtedness and pay or cause to be paid, or to be renewed, refunded or extended, or to be taken up, by it, all of its indebtedness secured by a lien on security interest, as and when the same shall become due and payable;

(g) procure and maintain all licenses, permits, approvals, certifications and accreditations issued by any governmental agencies or private accrediting bodies which are necessary or desirable for the maintenance of its properties, conduct of operations and performance of its obligations under the Loan Agreement;

(h) take no action or suffer any action to be taken by others within its control which will adversely affect any applicable exemption from federal income taxation of the interest on any Bonds; and

(i) not merge or consolidate with or sell or convey substantially all of its assets to any corporation unless (A) the successor corporation shall be a corporation organized and existing under the laws of the United States of America or a state thereof and shall expressly assume the due and punctual payment of the principal of, premium, if any, interest on and all other amounts payable in respect of all outstanding indebtedness incurred or permitted to be incurred under the Indenture, according to its tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Loan Agreement and the Indenture to be performed or observed by the College; (B) the Trustee shall have received an Opinion of Counsel to the effect that the merger, consolidation, sale or conveyance will not adversely affect the tax exempt status, if any, of the College or successor corporation under the income tax laws of the United States of America; (C) the College or such successor corporation, as the case may be, immediately after such merger or consolidation, would not be in default in the performance or observance of any covenant or condition under the Loan Agreement, taking into account any adverse effect on the tax exempt status of any person described in clause (B) above; and (D) there shall have been delivered to the Trustee an Opinion of Counsel to the effect that the consummation of such merger, consolidation, sale or conveyance will not adversely affect any applicable exemption from federal income taxation of the interest payable on any outstanding Bonds which were previously issued pursuant to the Indenture.

Any corporation which succeeds to and assumes the obligations of the College shall be required to execute and deliver to the Trustee such documents and instruments as are, in the Opinion of Counsel, necessary or appropriate for the purpose of effectuating such succession and assumption. Thereafter, the successor corporation shall be deemed to be substituted for the College for all purposes under the Loan Agreement.

Insurance. To the extent that such insurance shall be reasonably obtainable, the College will insure and keep insured, from and after the date of this Loan Agreement, the College Premises and shall provide the following coverage, all in accordance with written recommendations of its Insurance Consultant, in a responsible insurance company or companies authorized and qualified under the laws of the Commonwealth of Pennsylvania to assume the risks thereof and not unsatisfactory to the Trustee, as appropriate at the time:

(a) Insurance against loss and/or damage to the College Premises under an insurance policy or policies in form and in amount (in excess of deductibles) covering such risks as are customarily insured against by persons owning similar college facilities, including, without limiting the generality of the foregoing, fire, lightning, tornado or winds and uniform standard extended coverage endorsement, limited only as may be provided in the standard form of extended coverage endorsement at the time in use in the Commonwealth of Pennsylvania as follows, in an amount (including umbrella coverage) at least equal to $5,000,000 per occurrence and in aggregate.

(b) Public liability, landlord's liability insurance, comprehensive automobile liability and aviation liability insurance protecting the Authority and the College, as their interests may appear, against liability for injuries to persons and/or property, in the minimum amount of $1,000,000 for liability to any one person for personal injury, $1,000,000 for liability for personal injury for each occurrence and in the aggregate, and $1,000,000 for liability for properly damage for each occurrence and in an aggregate of not less than $1,000,000.

(c) Employee dishonesty coverage in an amount at least equal to $100,000.

(d) Workmen's Compensation and Employer's Liability insurance meeting the College's statutory obligations.

The amount of such insurance in each case and the provisions of each insurance policy shall comply with the foregoing provisions at the time of the execution and delivery of the Loan Agreement and also with recommendations of the Insurance Consultant filed with the College, the Authority, the Trustee annually thereafter. Such recommendations shall provide (i) the amounts and types of insurance then in force with respect to the College Premises, (ii) whether on not, in the opinion of the Insurance Consultant, the insurance then in force complies with the requirements of the Loan Agreement, and (iii) whether or not, in the opinion of the Insurance Consultant, such insurance then in effect is adequate and stating the amounts and types of insurance which are recommended to be maintained during the ensuing fiscal year. The College will give prompt written notice to the Trustee and the Authority of any loss on damage which is covered by insurance, and the College shall cooperate in all reasonable respects with the Trustee and the Authority in the collection of all insurance proceeds which may be due.

All policies of insurance required under subparagraph (b) above (other than automobile insurance) shall be for the benefit of the Authority, the College and the Trustee, as their respective interests may appear, shall be made payable to the Trustee, and the originals or true copies thereof shall be deposited with the Trustee.

All insurance policies, or the certificates evidencing the same, shall be open to the inspection of the holders of the Bonds and their representatives at all reasonable times. The Trustee is hereby authorized by the College and the Authority in its own name to demand, collect, sue, and receipt for any insurance money which may become due and payable under any policies payable to the Authority or to it. Any appraisement or adjustment of any loss or damage and any settlement or payment of indemnity therefor which may be agreed upon between the College and the Authority and any insurer, shall be subject to review by the Insurance Consultant, which review shall be evidenced to the Trustee and may rely upon said review as conclusive, and shall in no way be liable or responsible to institute action for the collection of insurance moneys in case of any loss or damage.

<u>Damage to or Destruction of College Premises</u>. In the event that the College Premises are partially destroyed or damaged by whatever cause, the College shall have the option (a) to continue to pay the loan repayments and to cause the College Premises to be repaired or reconstructed in substantially the same condition or such other condition as the College and the College Consultant may recommend and in substantially the same revenue producing capability as immediately preceding such destruction or damage. in which event the proceeds of the relevant insurance received shall be deposited by the Trustee in the Expenditures Fund created under the Indenture and applied as hereinafter described, or (b) to pay or cause to be paid to the Trustee for deposit in the Regular Account of the Debt Service Fund held by the Trustee, all such insurance proceeds which are received by the College as a result of such partial destruction or damage, which proceeds shall be applied to the redemption of Bonds; and in either case there shall be no abatement or reduction in the loan repayments payable by the College under the Loan Agreement except as otherwise permitted thereunder. In the event that the College shall elect to cause the College Premises to be repaired or rebuilt, the Authority shall cause the construction costs thereof to be paid by the Trustee out of the Expenditures Fund. If the actual cost of reconstructing the College Premises shall exceed the amount available therefor in the Expenditures Fund, the College shall pay any deficiency from its own or other available funds. Any insurance proceeds remaining after such reconstruction of the College Premises shall be applied as provided in the Indenture. Notwithstanding the foregoing, if the insurance proceeds for an insured loss do not exceed ten percent (10%) of the net book value of the property, plant and equipment of the College as reflected on the books and records of the College, such proceeds shall be paid by the Trustee directly to the College either to reconstruct or replace such destroyed or damaged property, or to use in such manner as the Board of the College shall approve.

The College shall exercise any such option promptly.

<u>Use of Other Insurance Proceeds</u>. The proceeds of all public liability, automobile liability and landlord’s liability insurance required by the Loan Agreement shall be applied by the College to the payment of any judgment, settlement or liability incurred for risks covered by such insurance. The proceeds of all fidelity bonds collected by the College shall be applied to restoring the revenues of the College or the Premises lost or depleted.

No Prior Charge on Revenues or College Premises; Exceptions. The College covenants that during the term of the Loan Agreement it will not create any security interest, lien, charge, or encumbrance on revenues of the College or the College Premises ranking prior in or equally with the obligations of the College under the Loan Agreement, except for Permitted Liens. The College has created in favor of the Authority (and the Trustee as the Authority's assignee) a lien and security interest in and to all tuition payments received and receivable by the College from time to time from students enrolled in full or part-time courses at the College, and, to evidence such lien and security interest, the College covenants that it shall execute and deliver such financing statements (forms UCC-l) or other documents necessary to evidence the creation and perfection of the lien and security interest created thereby, and to maintain the same in force and effect throughout the term of the Loan Agreement.

Compliance with Code Requirements. The College and the Authority each covenants that it shall do all things necessary and proper such that interest on the 2016 Bonds shall be and remain excludable for federal income tax purposes from the gross income of the holders thereof as provided by Section 103 of the Code.

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# APPENDIX D

## PROPOSED FORM OF BOND COUNSEL OPINION

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PROPOSED FORM OF BOND COUNSEL OPINION

*The form of the approving legal opinion of Dinsmore & Shohl LLP, Bond Counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the Bonds and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery. Bond Counsel has no duty, and has assumed no obligation, to revise, update or supplement its opinion to address or reflect a change or changes in such circumstances subsequent to the date of delivery of the Bonds, whether or not it has notice or obtains knowledge of the same, and whether or not this Official Statement shall be recirculated. The approving legal opinion of Bond Counsel represents its considered professional judgment, following a comparison of relevant factual certifications to applicable law. Such opinion is not a guarantee of a particular result, nor is such opinion binding on any administrative or judicial tribunal.*

We have served as Bond Counsel to Lycoming County Authority (the "Authority") and do hereby undertake to advise you in connection with the issuance, sale and delivery of its $56,665,000, aggregate principal amount, College Revenue Bonds, Series of 2016 (Pennsylvania College of Technology) (the "Bonds"), issued in fully registered form, denominated in $5,000 or any integral multiple thereof, dated and bearing interest from August 24, 2016, with a final maturity of October 1, 2037 and subject to redemption at the option of the Authority as directed by the College, beginning October 1, 2026.

In that capacity, we have examined the Constitution of the Commonwealth of Pennsylvania; the Act of the General Assembly of the Commonwealth approved June 19, 2001, P.L. 22 (53 P.C.S. Ch. 56), known as the Municipality Authorities Act, as amended (the "Authorities Act"); the Articles of Incorporation of the Authority; the Indenture dated as of May 1, 1990 between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor Trustee (the "Trustee") (the "Original Indenture"), as previously amended and supplemented and as further supplemented by a Twelfth Supplemental Indenture dated August 24, 2016 between the Authority and the Trustee (the "Supplemental Indenture" and together with the Original Indenture, as previously amended and supplemented, the "Indenture"), setting forth terms and conditions of, and providing for the security of, the Bonds; the formal action of the Board of the Authority authorizing the Bonds (the "Bond Resolution"); the Loan Agreement dated as of May 1, 1990 (the "Original Loan Agreement") between the Authority and the Pennsylvania College of Technology (the "College"), as previously amended and supplemented and as further supplemented by an Twelfth Supplemental Loan Agreement dated August 24, 2016 between the Authority and the College (the "Supplemental Loan Agreement" and together with the Original Loan Agreement, as previously amended and supplemented, the "Loan Agreement"); the Internal Revenue Code of 1986, as amended (the "Tax Code"); the Tax Regulatory Certificate and Covenants of the Authority and the College (the "Tax Agreement"); the Bond Purchase Agreement relating to the Bonds (the "Purchase Agreement") among the Authority, the College and George K. Baum & Company (the "Underwriter); and such other certificates, proceedings and law as we deemed necessary in order to render this opinion. Unless separately noted, we have not independently verified factual certifications either contained in the official statement, prospectus or other similar document used in connection with the sale of the Bonds or made to us by either the Authority or the College, or their officers and agents, during the course of our engagement.

Both principal of and interest on the Bonds are payable at the designated corporate trust agency office of The Bank of New York Mellon Trust Company, N.A., as Trustee under the Indenture.

Based on such examination, we are of the opinion that, under the law existing on the date of this opinion:

1. The Supplemental Indenture and the Supplemental Loan Agreement have each been duly authorized, executed and delivered by the Authority and constitute valid, binding and enforceable

obligations of the Authority. The Supplemental Indenture creates a security interest in amounts payable by the College under the Supplemental Loan Agreement (except for Authority administrative expenses and certain indemnities) and all moneys, securities and funds at any time held or set aside by the Trustee under the Indenture, subject to any provisions of the Indenture permitting the payment or appropriation of the same for or to the purposes and on the terms and conditions set forth therein.

2. The Bonds have been duly and validly authorized, executed and delivered by the Authority and constitute valid, binding and enforceable special limited obligations of the Authority and the principal of, premium, if any, and interest on the Bonds are payable solely from the revenues and other moneys pledged and assigned by the Indenture to secure that payment.

3. All right, title and interest of the Authority in and to the installment payments due under the Supplemental Loan Agreement have been duly assigned to the Trustee (except for the fees and expenses payable to the Authority and the Authority's right to indemnification).

4. Assuming continuing compliance by the Authority and the College with certain covenants related to meeting the requirements of Section 103 and related sections of the Tax Code, under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Bonds (including, for this purpose, in the case of Bonds sold at an original issue discount, the difference between the original offering price and par) is excludible from gross income for Federal income tax purposes. Furthermore, interest on the Bonds will not be treated as an item of tax preference, under Section 57(a)(5) of the Tax Code, in computing the alternative minimum tax for individuals and corporations. We express no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Bonds.

5. The Bonds, and the interest income therefrom, are free from taxation for purposes of personal income, corporate net income and personal property taxes within the Commonwealth of Pennsylvania.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds, the Supplemental Loan Agreement and the Supplemental Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws heretofore or hereafter enacted affecting creditors' rights generally to the extent constitutionally applicable and by the application of general equitable principles and the exercise of judicial discretion in appropriate cases (whether such enforcement is sought in proceedings in equity or at law).

In rendering this opinion, we have relied upon certifications and representations of facts, estimates and expectations by the Authority and the College, contained in the transcript of settlement documents, which we have not independently verified. This opinion is given as of the date hereof. We assume no obligation to update this opinion or to advise you of any changes in facts or laws subsequent to the date hereof. This opinion is limited to the matters set forth herein, and no opinion may be inferred or implied beyond the matters expressly stated in this letter.

Pennsylvania College of Technology

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