

In the opinion of Ballard Spahr LLP, Bond Counsel, interest on the Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Bonds is exempt from individual federal alternative minimum tax. Bond Counsel is also of the opinion that under the laws of the Commonwealth of Pennsylvania, as presently enacted and construed, interest on the Bonds is exempt from Pennsylvania personal income tax and corporate net income tax, and the Bonds are exempt from personal property taxes in Pennsylvania. See “TAX MATTERS” herein.



\$6,135,000
LYCOMING COUNTY AUTHORITY
 (Commonwealth of Pennsylvania)
Revenue Bonds
(AICUP Financing Program – Lycoming College Project)
Series 2019 RR1

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

The Lycoming County Authority (the “Authority”) will issue \$6,135,000 aggregate principal amount of its Revenue Bonds (AICUP Financing Program – Lycoming College Project) Series 2019 RR1 (the “Bonds”) in denominations of \$5,000 or any whole multiple thereof. The Bonds will be registered in the name of Cede & Co. as the registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York.

The principal of and interest on and premium, if any, on the Bonds will be payable to the registered owner at the designated corporate trust agency office of The Bank of New York Mellon Trust Company, N.A., Philadelphia, Pennsylvania, as trustee (the “Trustee”) for the Bonds, or the designated corporate trust office of any successor Trustee. So long as DTC or its nominee is the registered owner of the Bonds, such payments will be made directly to DTC, to be subsequently disbursed to DTC Participants and thereafter to beneficial owners of the Bonds as more fully described under the caption “THE BONDS – Book Entry Only System” herein.

The Bonds will bear interest at the rates shown on the inside cover hereof. Interest on the Bonds will be payable semiannually on May 1 and November 1, commencing November 1, 2019, in each case by the Trustee to the registered owners by check, or by wire transfer at the request of holders of at least \$1,000,000 aggregate principal amount of such Bonds.

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

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

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

The Bonds are offered when, as and if issued by the Authority, subject to prior sale, withdrawal or modification of the offer without any notice, and to the approving opinion of Ballard Spahr LLP, Philadelphia, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon by McCormick Law Firm, Williamsport, Pennsylvania, as counsel to the Authority; by McCormick Law Firm, Williamsport, Pennsylvania, as counsel to the Borrower; and by Eckert Seamans Cherin & Mellott, LLC, Pittsburgh, Pennsylvania, as counsel to the Underwriter. It is expected that Bonds in definitive form will be delivered to DTC in New York, New York, on or about May 16, 2019.

George K. Baum & Company

LYCOMING COUNTY AUTHORITY
(Commonwealth of Pennsylvania)
REVENUE BONDS
(AICUP FINANCING PROGRAM - LYCOMING COLLEGE PROJECT)
SERIES 2019 RR1

MATURITY SCHEDULE

<u>Maturity Date</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP*</u>
2021	\$445,000	4.000%	2.150%	104.405%	550809 AM9
2022	470,000	5.000%	2.200%	109.274%	550809 AN7
2023	495,000	2.000%	2.300%	98.735%	550809 AP2
2024	500,000	4.000%	2.350%	108.405%	550809 AQ0
2025	520,000	4.000%	2.470%	109.080%	550809 AR8
2026	540,000	4.000%	2.600%	109.435%	550809 AS6
2027	575,000	5.000%	2.660%	117.618%	550809 AT4
2028	270,000	2.500%	2.750%	97.929%	550809 AU1
2029	275,000	2.625%	2.850%	97.976%	550809 AV9
2030	280,000	2.750%	3.000%	97.590%	550809 AW7
2031	290,000	3.000%	3.050%	99.484%	550809 AX5
2032	300,000	3.000%	3.100%	98.905%	550809 AY3
2033	310,000	3.000%	3.150%	98.267%	550809 AZ0

\$865,000 2.100% Term Bonds, Due November 1, 2020; Yield 2.100%; Price 100.000%; CUSIP: 550809 AL1

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

LYCOMING COUNTY AUTHORITY

BOARD OF AUTHORITY

David Heiney Chairman
Joseph Stewart Vice Chairman
Daniel P. Clark..... Treasurer
Robert C. Wise..... Secretary
Ronald Frick..... Assistant Treasurer/Assistant Secretary
Jennifer D. Wilson Board Member
Trisha Marty..... Board Member

AUTHORITY SOLICITOR

McCormick Law Firm
Williamsport, Pennsylvania

BOND COUNSEL

Ballard Spahr LLP
Philadelphia, Pennsylvania

BORROWER

Lycoming College
Williamsport, Pennsylvania

COUNSEL TO THE BORROWER

McCormick Law Firm
Williamsport, Pennsylvania

TRUSTEE

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

UNDERWRITER

George K. Baum & Company
Pittsburgh, Pennsylvania

COUNSEL TO THE UNDERWRITER

Eckert Seamans Cherin & Mellott, LLC
Pittsburgh, Pennsylvania

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

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

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

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

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

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

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

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

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OFFICIAL STATEMENT SUMMARY

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

The Authority

Lycoming County Authority (the "Authority") is a body corporate and politic created by the Board of Commissioners of Lycoming County, Pennsylvania, pursuant to the provisions of the Pennsylvania Municipality Authorities Act, 53 Pa. Cons. Stat. §§5601-5622, as amended and supplemented (the "Act"). The Authority is authorized under the Act, among other things, to issue bonds or other obligations to finance projects for "eligible educational institutions" (as defined in the Act). The Bonds are being issued pursuant to the Act and a resolution adopted by the Authority.

The Program Sponsor

The financing program pursuant to which the Bonds will be issued is sponsored by the Association of Independent Colleges and Universities of Pennsylvania ("AICUP"), a nonprofit corporation located in Harrisburg, Pennsylvania, currently providing services and programs to 92 institutions of higher education in Pennsylvania. See "THE PROGRAM SPONSOR" herein.

The Borrower

Lycoming College (the "Borrower") is a Pennsylvania nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Borrower's main campus is located in Williamsport, Pennsylvania. For more information regarding the Borrower, see Appendix A and Appendix B hereto.

The Trustee

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

The Project

The proceeds of the sale of the Bonds will be used, together with other available funds, to finance the costs of a project (the "Project") for the benefit of the Borrower consisting of (i) the current refunding of the Authority's College Revenue Bonds (Lycoming College Project) Series 1998 (the "1998 Bonds"), (ii) the current refunding of the Pennsylvania Higher Educational Facilities Authority Revenue Bonds (Association of Independent Colleges and Universities of Pennsylvania Financing Program – Lycoming College Project), Series 2004 CC (the "2004 Bonds" and together with the 1998 Bonds, the "Prior Bonds"), and (iii) the payment of certain costs of issuing the Bonds. See "THE PROJECT" herein.

Authorized Denominations; Book-Entry Only

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

such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners. (See "THE BONDS -- Book Entry Only System" herein).

Security for Bonds

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

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

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

Redemption Provisions

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

OFFICIAL STATEMENT

\$6,135,000
LYCOMING COUNTY AUTHORITY
(Commonwealth of Pennsylvania)
REVENUE BONDS
(AICUP FINANCING PROGRAM - LYCOMING COLLEGE PROJECT)
SERIES 2019 RR1

INTRODUCTORY STATEMENT

This Official Statement, including the cover page and reverse thereof, the table of contents page, the Official Statement Summary and the Appendices hereto, is provided to furnish information with respect to the \$6,135,000 aggregate principal amount of Revenue Bonds (AICUP Financing Program - Lycoming College Project) Series 2019 RR1 (the "Bonds") being issued by the Lycoming County Authority (the "Authority") under a Trust Indenture, dated as of May 1, 2019 (the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., a national banking association, Philadelphia, Pennsylvania, as trustee (the "Trustee"). The Bonds will be dated the date of their initial delivery, will mature on the date or dates set forth on the inside cover hereof, and will be subject to redemption prior to maturity as described herein under "THE BONDS -- Redemption Prior to Maturity."

The Authority will loan the proceeds of the Bonds to Lycoming College, a Pennsylvania nonprofit corporation (the "Borrower"), pursuant to a Loan Agreement dated as of May 1, 2019, between the Authority and the Borrower (the "Loan Agreement"). The Borrower is a private institution of higher education located in the Commonwealth of Pennsylvania, which is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Additional information respecting the Borrower, including certain financial statements, is set forth in Appendices A and B to this Official Statement.

The proceeds of the sale of the Bonds will be used, together with other available funds, to finance the costs of a project (the "Project") for the benefit of the Borrower consisting of the financing of (i) the current refunding of the Authority's College Revenue Bonds (Lycoming College Project) Series 1998 (the "1998 Bonds"), (ii) the current refunding of the Pennsylvania Higher Educational Facilities Authority Revenue Bonds (Association of Independent Colleges and Universities of Pennsylvania Financing Program – Lycoming College Project), Series 2004 CC (the "2004 Bonds" and together with the 1998 Bonds, the "Prior Bonds"), and (iii) the payment of certain costs of issuing the Bonds. See "THE PROJECT" herein.

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

There follow herein brief descriptions of the Authority, the Program Sponsor, the Bonds and the Project, together with summaries of the Loan Agreement and the Indenture. Certain information regarding the Borrower, including certain financial statements, is set forth in Appendices A and B hereto. The form of the Continuing Disclosure Certificate is set forth in Appendix C, and the form of opinion of Bond Counsel is set forth in Appendix D. The description and summaries of the Loan Agreement, the Indenture and other documents contained herein do not purport to be comprehensive and are qualified in their entirety by reference to such documents, and all references to the Bonds are qualified in their entirety by the definitive form thereof included in the Indenture. Words and terms defined in such documents and not defined herein shall have the meanings set forth in such documents. Copies of such documents will be available for inspection during the initial offering period at the offices of George K. Baum &

Company, the Underwriter, 651 Holiday Drive, Suite 110, Pittsburgh, Pennsylvania 15220, and thereafter, will be available for inspection at the corporate trust office of the Trustee in Philadelphia, Pennsylvania or at the designated corporate trust office of any successor Trustee.

THE AUTHORITY

General

The Authority is a body corporate and politic created pursuant to a resolution of the Board of Commissioners of the County of Lycoming (the "County"), under an Act of the General Assembly of the Commonwealth of Pennsylvania approved May 2, 1945, P.L. 382, as amended and recodified by Act No. 22 of June 18, 2001, as amended (known as the Pennsylvania Municipality Authorities Act) (the "Act"). The Authority's existence will continue until September 9, 2059, unless extended. The purposes of the Authority, as stated in the Act, include financing certain kinds of projects, including projects for "eligible educational institutions," by making loans; borrowing money, making and issuing negotiable notes, bonds, refunding bonds and other evidences of indebtedness or obligations ("bonds"); securing the payment of the bonds by pledge or deed of trust of revenues and receipts; making arrangements with the purchasers or holders of the bonds or with others in connection with any bonds; and in general providing for the security for the bonds and the rights of the bondholders. The Authority has the power to exercise any and all powers granted under the Act.

The liability of the Authority with respect to the Bonds is limited to the amounts received or receivable from the Borrower pursuant to the Loan Agreement and amounts held in the funds established under the Indenture (except the Rebate Fund) and all income and receipts derived therefrom.

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

The governing body of the Authority is a Board consisting of seven members appointed by the County Commissioners of the County of Lycoming. Members of the Board are appointed for staggered five-year terms and may be reappointed.

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

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

THE PROGRAM SPONSOR

The Association of Independent Colleges and Universities of Pennsylvania ("AICUP" or the "Program Sponsor") is a nonprofit corporation located in Harrisburg, Pennsylvania. The Program Sponsor sponsors and administers services and programs for its membership, which currently is comprised of 92 institutions of higher education in the Commonwealth. The current members of AICUP are listed on the inside back cover of this Official Statement.

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

THE BONDS

General

The Bonds will be dated, and will bear interest from, the date of their initial delivery. The Bonds will mature, unless previously called for redemption, on the dates and in the amounts set forth on the inside cover hereof, and will bear interest at the rates set forth on the inside cover hereof. Interest will be payable on May 1 and November 1 of each year (each, an "Interest Payment Date"), commencing November 1, 2019. The Bonds will be issued as fully registered Bonds without coupons and will be in the denomination of \$5,000 or any whole multiple thereof.

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

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

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

Book Entry Only System

The information in this section has been provided by The Depository Trust Company, New York, New York ("DTC") and is not deemed to be a representation of the Authority, the Underwriter or the Borrower. DTC will act as the initial securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized

representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and all certificates will be deposited with DTC or pursuant to its instructions.

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

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails

an Omnibus Proxy to the Authority or the Trustee as soon as possible after the record date with respect to any request for consent or vote. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose account the respective Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

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

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

THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER OF THE BONDS.

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

Redemption Prior to Maturity

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

Optional Redemption. The Bonds maturing on or after November 1, 2030 are subject to optional redemption prior to maturity by the Authority, at the direction of the Borrower, on or after November 1, 2029, in whole or in part at any time. Any such redemption shall be made at a redemption price equal to 100% of the stated principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption. The Bonds maturing on November 1, 2020 are subject to mandatory sinking fund redemption prior to maturity in part by lot at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the redemption date on November 1 of the years and in the respective principal amounts set forth below:

Bonds Due November 1, 2020

<u>Year</u>	<u>Principal Amount</u>
2019	\$430,000
2020	435,000 (final maturity)

In the event that any Bonds are redeemed (other than through mandatory sinking fund redemption pursuant to the Indenture) and are canceled by the Trustee, the Trustee shall cause the Authority to receive a credit against its mandatory sinking fund redemption obligations in the aggregate principal amount of the Bonds so redeemed, such credits to be given in such order of maturity as may be directed in writing by the Borrower. Also, at its option, the Borrower may deliver to the Trustee for cancellation Bonds purchased by the Borrower pursuant to the Indenture. The Bonds so purchased, delivered and canceled shall be credited by the Trustee at 100% of the principal amount thereof against the sinking fund redemption obligations of the Authority with respect to Bonds of the same maturity and bearing the same CUSIP No. in such order of maturity and amounts within a maturity as may be directed in writing by the Borrower, and the principal amount of Bonds to be redeemed by mandatory sinking fund redemption shall be accordingly reduced..

Purchase in Lieu of Redemption. The Borrower shall have the option to purchase Bonds otherwise callable for optional redemption (the "Callable Bonds") in lieu of redemption. Such option may be exercised by delivery to the Trustee on or prior to the Business Day preceding the redemption date of written notice from the Borrower specifying that the Callable Bonds shall not be redeemed, but instead shall be purchased as described in this paragraph. Upon delivery of such notice from the Borrower, the Callable Bonds shall not be redeemed, but shall instead be subject to mandatory tender on the date that would have been the redemption date at a purchase price equal to the redemption price that would have been payable with respect to such Callable Bonds. The Borrower's option to purchase pursuant to this provision shall be effective whether or not the notice of redemption sent to Holders of such Bonds indicates that the Borrower has exercised, or intends to exercise, such option. No further or additional notice to Holders of such Bonds shall be required in connection with the purchase in lieu of redemption. Callable Bonds purchased pursuant to this paragraph (i) shall not be cancelled or retired, but shall continue to be Outstanding, (ii) shall be registered in the name of, or as directed by, the Borrower, and (iii) shall continue to bear interest at the rate provided for in such Bonds.

Procedure for and Notice of Redemption

The Trustee is required to cause notice of the call for redemption, identifying the Bonds or portions thereof to be redeemed, to be sent by first class mail, not more than 60 days and not less than 20 days prior to the date set for redemption of all or part of such Bonds, to the registered owner of each Bond to be redeemed at such owner's registered address. So long as the Bonds or any portion thereof are held by DTC, the Trustee shall send each notice of redemption of such Bonds to DTC. Failure to mail any such notice or defect in the mailing thereof in respect of any Bond shall not affect the validity of the redemption of any other Bond with respect to which notice is properly given.

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

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

THE PROJECT

The proceeds from the sale of the Bonds, together with other available funds, will be used to finance a project for the benefit of the Borrower consisting of the financing of (i) the current refunding of the Prior Bonds and (ii) the payment of certain costs of issuing the Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds

Par Amount of Bonds.....	\$6,135,000.00
Net Original Issue Premium.....	270,362.40
Transfer from Refunded Bonds Debt Service Reserve Funds.....	900,608.24
Borrower Equity Contribution	<u>23,774.89</u>
TOTAL SOURCES OF FUNDS	<u>\$7,329,745.53</u>

Uses of Funds

Refunding of 1998 Bonds	\$2,892,093.75
Refunding of 2004 Bonds	4,282,338.96
Costs of Issuance ⁽¹⁾	<u>155,312.82</u>
TOTAL USES OF FUNDS.....	<u>\$7,329,745.53</u>

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds will constitute limited obligations of the Authority payable solely from, and secured by, the revenues and other moneys pledged and assigned by the Indenture to secure that payment. Those revenues and other moneys include the payments required to be made by the Borrower under the Loan Agreement (other than certain fees and indemnification payments required to be made to the Authority); all other moneys receivable by the Authority, or by the Trustee for the account of the Authority, in respect of repayment of the loan of the proceeds of the Bonds; and all Funds and Accounts held under the Indenture (excluding the Rebate Fund) until disbursed in accordance therewith, and the investments and investment earnings of those moneys other than excess earnings which are to be deposited in the Rebate Fund (collectively, the "Revenues").

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

The Indenture

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

The Loan Agreement

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

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

Pledged Revenues

To secure its obligations under the Loan Agreement, the Borrower will grant to the Trustee (as the assignee of the Authority) a lien on and security interest in its Pledged Revenues (the "Parity Lien"), on a parity with any lien on and security interest in the Pledged Revenues heretofore or hereafter granted by the Borrower to secure the Borrower's obligations respecting any Parity Indebtedness incurred by or for the benefit of the Borrower (see "Existing Bonds" below). The term "Pledged Revenues" is defined under the caption "DEFINITIONS OF CERTAIN TERMS"

herein. The lien on and security interest in the Pledged Revenues will be granted to the Trustee, as assignee of the Authority, pursuant to the Loan Agreement. The existence of such lien and security interest in the Pledged Revenues of the Borrower will not prevent the Borrower from expending, depositing or commingling such funds so long as the Borrower is not in default under the Loan Agreement and any agreements pertaining to any applicable Parity Indebtedness.

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

Existing Bonds

The following revenue bonds heretofore issued for the benefit of the Borrower (the "Existing Bonds") will remain outstanding after the issuance of the Bonds: (i) the Pennsylvania Higher Educational Facilities Authority Revenue Bonds (Association of Independent Colleges and Universities of Pennsylvania Financing Program – Lycoming College Project) Series 2001 I1, of which \$4,700,000 principal amount will be outstanding following the issuance of the Bonds; (ii) the Authority's Revenue Bonds (AICUP Financing Program – Lycoming College Project) Series 2013 MM1, of which \$17,790,000 principal amount will be outstanding following the issuance of the Bonds; (iii) the Authority's Revenue Bonds (AICUP Financing Program – Lycoming College Project) Series 2013 S1, of which \$8,350,000 principal amount will be outstanding following the issuance of the Bonds; and (iv) the Authority's Revenue Bonds (AICUP Financing Program – Lycoming College Project) Series 2013 S2, of which \$4,000,000 principal amount will be outstanding following the issuance of the Bonds. The agreements entered into by the Borrower to secure its obligations respecting the Existing Bonds, and all supplements and amendments thereto, are collectively referred to herein as the "Other Debt Documents."

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

The Existing Bonds are secured by a lien on and security interest in the Pledged Revenues of the Borrower on a parity with the lien on and security interest in such Pledged Revenues that will be granted by the Borrower to secure its obligations under the Loan Agreement.

Rate Covenant

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

Liens on Pledged Revenues and Other Properties

Except as described above under "Pledged Revenues," the Borrower has not given or granted a mortgage lien or other security interest or encumbrance upon any property of the Borrower to secure its payment obligations under the Loan Agreement. In the Loan Agreement, the Borrower covenants and agrees that it shall not grant any liens on

its Pledged Revenues or any of its other property (whether real or personal, and whether owned as of the date of issuance of the Bonds or acquired thereafter) except for Permitted Encumbrances (defined below).

Additional Indebtedness

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

DEFINITIONS OF CERTAIN TERMS

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

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

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

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

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

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

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

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

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

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

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

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

"Financial Consultant" means a firm of investment bankers, a financial consulting firm, a financial or banking institution (which may include the Trustee or any of its affiliates), a law firm or a firm of certified public accountants, satisfactory to the Borrower, which is experienced in the calculation of the amounts required to be rebated to the United States under Section 148(f) of the Code.

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

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

"Intercreditor Agreement" means the Intercreditor Agreement, dated as of December 1, 2009 among The Bank of New York Mellon Trust Company, N.A., as trustee for certain bonds described in Exhibit A to the Loan Agreement, Manufacturers and Traders Trust Company and the Borrower, as amended and supplemented by Supplement No. 1 dated as of August 1, 2013 and Supplement No. 2 dated as of May 1, 2019 and as further amended and supplemented from time to time, or any other intercreditor agreement entered into with respect to the Bonds and any Parity Indebtedness.

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

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

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

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

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

"Parity Indebtedness" means the existing indebtedness as of the date of issuance of the Bonds that is described under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Existing Bonds"

and subject to the Intercreditor Agreement, and any additional indebtedness secured on a parity with the Bonds in accordance with the Loan Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

"Rebate Fund" means the fund so designated and established pursuant to the Indenture.

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

"Responsible Officer" means, when used with respect to the Trustee, any vice president, senior associate, associate or other officer of the Trustee within the corporate trust office designated in the Indenture (or a successor corporate trust office) and having direct responsibility for the administration of this Indenture.

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

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

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

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

"Trust Estate" shall mean the Loan Agreement, the loan payments, funds, accounts, Revenues and any other revenues, property, contracts or contract rights, accounts, accounts receivable, chattel paper, instruments, general intangibles or other rights and the proceeds thereof, which may, by delivery, assignment or otherwise, be subject to the lien and security interest created by the Indenture and the other right, title and interest thereby assigned, transferred and pledged or agreed or intended so to be to the Trustee and its successors in said trust and to its and their assigns forever.

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

THE LOAN AGREEMENT

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

General

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

Loan Payments

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

Pledge of Revenues

As security for the Borrower's obligation to make payments required under the Loan Agreement and to make all other payments due and perform all other obligations under the Loan Agreement, the Borrower pledges, assigns and grants to the Trustee, as assignee of the Authority, a lien on and a security interest in its Pledged Revenues, which lien and security interest will be on a parity with liens and security interests to secure certain outstanding indebtedness, as described in Appendix A hereto. The existence of such pledge and security interest will not prevent the expenditure, deposit or commingling of the Pledged Revenues by the Borrower so long as all required payments under the Loan Agreement are made when due. Subject to the terms of the Intercreditor Agreement, if any required payment is not made when due or an Event of Default shall have occurred under the Loan Agreement, any Pledged Revenues subject to such security interest which are then on hand and not yet commingled with other funds of the Borrower, and any such Pledged Revenues thereafter received, shall not be commingled or deposited but shall immediately be paid over to the Trustee.

Maintenance of Existence

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

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

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

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

Lease by Borrower

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

Financial Statements

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

Taxes, Other Governmental Charges and Utility Charges

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

Insurance

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

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

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

Damage to or Condemnation of Project Facilities

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

Rate Covenant

The Borrower covenants that it will establish, charge and collect tuition, student fees and charges for services provided by the Borrower such that Net Revenues Available for Debt Service, plus all other funds of the Borrower which are legally available to be used for the payment of debt service, will equal or exceed, in each Fiscal Year, 110% of the Debt Service Requirement for such Fiscal Year.

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

Incurrence of Additional Indebtedness

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

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

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

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

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

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

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

Security for Indebtedness

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

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

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

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

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

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

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

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

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

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

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

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

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

Student Loan Guarantees

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

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

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

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

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

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

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

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

No Liens or Encumbrances

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

Disposition of Assets

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

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

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

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

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

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

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

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

Tax Covenants of Borrower and Authority

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

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

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

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

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

Environmental Matters

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

Borrower's Use of the Project Facilities

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

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

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

Events of Default

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

(a) failure to make payments under the Loan Agreement with respect to the principal or redemption price of and interest on the Bonds or the replenishment of the Debt Service Reserve Fund in the event of a deficiency in such Fund when the same shall become due and payable thereunder; or

(b) if the Borrower fails to make any other payment or deposit required under the Loan Agreement within thirty (30) days of the due date thereof; or

(c) if the Borrower fails to perform any of its other covenants, conditions or provisions under the Loan Agreement and such failure continues for thirty (30) days after the Authority or the Trustee gives the Borrower written notice thereof; provided, however, that if such performance requires work to be done, actions to be taken, or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such thirty (30) day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, the Borrower shall commence such performance within such thirty (30) day period and shall diligently and continuously prosecute the same to completion; or

(d) if the Borrower admits in writing its inability to pay its debts generally as they become due, or proposes or makes an assignment for the benefit of creditors or a composition agreement with all or a material part of its creditors, or a trustee, receiver, executor, conservator, liquidator, sequestrator or other judicial representative, similar or dissimilar, is appointed for the Borrower or any of its assets or revenues, or there is commenced any proceeding in liquidation, bankruptcy, reorganization, arrangements of debts, debtor rehabilitation, creditor adjustment or insolvency, local, state or federal, by or against the Borrower and if such is not vacated, dismissed or stayed on appeal within sixty (60) days; or

(e) if for any reason any of the Bonds shall be declared due and payable by acceleration in accordance with the terms of the Indenture; or

(f) the Borrower shall default in the payment of any indebtedness (other than amounts due under the Loan Agreement) with a principal amount in excess of \$1,000,000, and any period of grace with respect thereto shall have expired and as a result of such default such indebtedness shall have been declared or shall become immediately due and payable; or

(g) the occurrence of any default with respect to Parity Indebtedness subject to the Intercreditor Agreement as a result of which such Parity Indebtedness is declared immediately due and payable.

Remedies

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

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

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

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

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

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

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

Amendments

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

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

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

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

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

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

Except for amendments, changes or modifications as provided in clauses (a) through (e) above, neither the Authority nor the Trustee shall consent to any amendment, change or modification of the Loan Agreement or waive any obligation or duty of the Borrower under the Loan Agreement without the written consent of the holders of not less than a majority in aggregate principal amount of the Outstanding Bonds affected thereby; provided, however, that no such waiver, amendment, change or modification shall permit termination or cancellation of the Loan Agreement or any reduction of the amounts payable under the Loan Agreement with respect to debt service on the Bonds or change the date when such payments are due without the consent of the Holders of all the Bonds then Outstanding who are adversely affected thereby. Prior to consenting to an amendment, change or modification hereof, the Trustee is entitled to receive and conclusively rely upon an opinion of Counsel to the effect that such amendment, change or modification is authorized or permitted hereunder, complies with the terms hereof, and shall not adversely affect the exclusion of interest from the gross income of the Holders of the Bonds for federal income tax purposes.

Assignment

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

THE INDENTURE

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

Pledge of Trust Estate

Pursuant to the Indenture (i) all right, title and interest (but not the obligations) of the Authority in, under and pursuant to the Loan Agreement, all loan payments and all other payments, revenues and receipts receivable by the Authority thereunder (except for certain rights related to indemnification and the payment of certain fees and expenses), and (ii) all of the right, title and interest of the Authority in all Funds and Accounts established under the Indenture (other than the Rebate Fund), and any other revenues, property, contracts or contract rights, accounts receivable, chattel paper, instruments, general intangibles or other rights and the proceeds thereof, which may, by delivery, assignment or otherwise, be subject to the lien and security interest created by the Indenture, as established under the Indenture, are assigned and pledged to the Trustee to secure the payment of the principal or redemption price of and interest on the Bonds.

Bond Fund

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

Investments

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

Defaults

The Indenture provides that each of the following events will constitute an "Event of Default" thereunder:

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

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

(d) the occurrence and continuance of an Event of Default under the Loan Agreement.

Remedies

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

Immediately after any acceleration hereunder, the Trustee, to the extent it has not already done so, shall notify in writing the Authority and the Borrower of the occurrence of such acceleration. Within five calendar days of the occurrence of any such acceleration, the Trustee shall notify, by first class mail, postage prepaid, the owners of all Bonds then outstanding of the occurrence of such acceleration, the date through which interest has accrued and the time and place of payment.

If, after the principal of the Bonds has been so declared to be due and payable, all arrears of interest upon the Bonds are paid or caused to be paid by the Authority, and the Authority also performs all other things in respect to which it may have been in default hereunder and pays the reasonable charges and expenses of the Trustee, the Bondholders and any trustee appointed under the Act, including reasonable attorneys' fees, costs and expenses, then, and in every such case, the Holders of a majority in principal amount of the Bonds then Outstanding, by notice to the Authority and the Trustee, may annul such declaration and its consequences, and such annulment shall be binding upon the Trustee and upon all Holders of Bonds issued hereunder. No such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon. The Trustee shall forward a copy of any notice from Bondholders received by it pursuant to this paragraph to the Borrower. Immediately upon such annulment, the Trustee shall cancel, by notice to the Borrower and the Authority, any demand for payment under the Loan Agreement made by the Trustee pursuant to the foregoing provision.

If an Event of Default occurs and is continuing, the Trustee, subject to the provisions of the Intercreditor Agreement, before or after declaring the principal of the Bonds then Outstanding immediately due and payable, may enforce each and every right granted to the Authority or the Trustee under the Loan Agreement, the Indenture, or any supplements or amendments thereto. In exercising such rights and the rights given the Trustee under the Indenture, the Trustee shall take such action as, in the judgment of the Trustee (which may be based upon the advice of its Counsel) applying the standards described in the Indenture, would best serve the interests of the Bondholders, taking into account the security and remedies afforded by the Loan Agreement and the Indenture.

In addition, if any Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the Holders of 25% in principal amount of all Bonds then Outstanding and receipt of indemnity to its satisfaction shall, in its own name undertake the following actions:

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

- (b) Bring suit upon the Bonds and the Loan Agreement;
- (c) By action or suit in equity require the Authority to account as if it were the trustee of an express trust for the Bondholders;
- (d) By action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders; and
- (e) In the case of an Event of Default under clause (d) above under "Defaults", enforce each and every right granted to it as assignee of the Loan Agreement.

Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Bondholder any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Bondholder in any such proceeding without the approval of the Bondholders so affected.

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

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

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

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

Notwithstanding the foregoing provisions or any other provision of the Indenture, the obligation of the Authority shall be absolute and unconditional to pay or cause to be paid, but solely from the revenues and other funds pledged under the Indenture, the principal or redemption price of and interest on, the Bonds to the respective Holders thereof on the respective due dates thereof, and nothing in the Indenture shall affect or impair the right of action, which is absolute and unconditional, of such holders to enforce such payment.

The Trustee

The obligations and duties of the Trustee are described in the Indenture and, except upon an Event of Default, the Trustee has undertaken only those obligations and duties which are expressly set out in the Indenture. If any Event of Default of which the Trustee has been notified or is deemed to have notice under the Indenture has occurred and is continuing, the Trustee is obligated to exercise such of the rights and remedies vested in it by the Indenture and to use the same degree of care in its exercise as a prudent person would exercise or use in the circumstances in the conduct

of his own affairs; provided that if in the opinion of the Trustee such action may tend to involve expense or liability, it will not be obligated to take such action unless it is furnished with indemnity satisfactory to it.

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

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

The Trustee may resign and be discharged by written resignation filed with the Authority (and a copy to the Borrower) not less than 30 days prior to the date the resignation is to take effect. Such resignation will take effect only upon the appointment of, and acceptance of such appointment by, a successor trustee. In addition, the Trustee may be removed at any time by an instrument appointing a successor to the Trustee so removed, executed (i) by the Authority at the written direction of the Holders of a majority in principal amount of the Bonds then Outstanding, or (ii) so long as no Event of Default has occurred and is continuing, by the Authority or by the Borrower with the written consent of the Authority. Such instrument shall be delivered to the Trustee to be removed and the Borrower and shall be effective immediately, if the removal is for a breach of the Trustee's duties hereunder, or on a specified date not less than 30 days after the giving of the notice, in all other cases. Any such removal will take effect only upon the appointment of, and acceptance of such appointment by, a successor trustee.

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

Modifications and Amendments

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

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

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

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

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

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

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

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

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

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

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

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

Discharge of Indenture

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

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

AGGREGATE DEBT SERVICE ON OUTSTANDING BONDS

The following table shows the debt service (principal and interest only) payable with respect to the College's outstanding bonds (including the Bonds and the Existing Bonds, all of which are secured by a pledge of Pledged Revenues) and the aggregate debt service payable for all such bonds for each fiscal year of the College.

	Series 2001 II	Series 2013 MM1	Series 2013 S1 (Weekly Mode)	Series 2013 S1A (Term Mode)	Series 2013 S2	Series 2019 RR1 Principal	Series 2019 RR1 Interest	
Year (June 30)	(Variable (1))	(Fixed)	(Variable (1))	(Term Mode (2))	(Term Mode (3))	(Fixed)	(Fixed)	TOTAL
2020	\$490,000	\$931,269	110,900	\$85,500	\$97,000	\$430,000	\$195,953	2,340,622
2021	482,000	931,269	110,900	85,500	120,000	435,000	195,586	2,360,255
2022	573,000	931,269	110,900	85,500	120,000	445,000	182,119	2,447,788
2023	563,000	931,269	110,900	85,500	120,000	470,000	161,469	2,442,138
2024	355,000	1,176,269	110,900	85,500	120,000	495,000	144,769	2,487,438
2025	349,000	1,249,359	110,900	85,500	120,000	500,000	129,819	2,544,578
2026	343,000	1,259,575	110,900	85,500	120,000	520,000	109,419	2,548,394
2027	337,000	1,266,594	110,900	85,500	120,000	540,000	88,219	2,548,213
2028	331,000	1,275,594	110,900	85,500	120,000	575,000	63,044	2,561,038
2029	325,000	1,278,150	110,900	85,500	120,000	270,000	45,294	2,234,844
2030	319,000	1,633,775	110,900	85,500	120,000	275,000	38,309	2,582,484
2031	412,000	1,534,638	110,900	85,500	120,000	280,000	30,850	2,573,888
2032	404,000	1,545,500	110,900	85,500	538,625	290,000	22,650	2,997,175
2033	-	935,800	110,900	85,500	1,520,725	300,000	13,800	2,966,725
2034	-	922,050	110,900	85,500	1,526,925	310,000	4,650	2,960,025
2035	-	1,346,800	110,900	85,500	19,650			1,562,850
2036	-	1,358,738	110,900	85,500	664,825			2,219,963
2037	-	1,718,600	1,069,583	85,500				2,873,683
2038	-	1,716,125	1,069,950	85,500				2,871,575
2039	-	1,715,369	1,069,917	85,500				2,870,785
2040	-	1,716,069	1,069,483	85,500				2,871,052
2041	-	1,717,963	1,073,592	85,500				2,877,054
2042	-	1,715,919	494,083	671,575				2,881,577
2043	-	1,719,675	-	1,165,925				2,885,600
2044	-	1,718,969	-	1,157,100				2,876,069
Total	\$5,283,000	\$34,246,603	\$7,731,909	\$4,875,600	\$5,687,750	\$6,135,000	\$1,425,948	\$65,385,811

-
- (1) Represents bonds in a weekly mode or expected to remain in a weekly interest rate mode at an assumed interest rate of 2.0% per annum.
- (2) Represents bonds expected to be converted to a Term Rate effective June 1, 2019 at an assumed interest rate of 3.0% per annum.
- (3) Represents bonds currently bearing interest at a Term Rate at an assumed interest rate of 3.0% per annum.

BONDHOLDERS' RISKS

The Bonds are limited obligations of the Authority and are payable solely from payments made pursuant to the Loan Agreement. **No representation or assurance can be given to the effect that the Borrower will generate sufficient revenues to meet the Borrower's payment obligations under the Loan Agreement.**

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

ability to generate revenues. Neither the Underwriter nor the Authority has made any independent investigation of the extent to which any of these factors could have an adverse impact on the revenues of the Borrower.

General

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

Reliance on Student Tuition, Fees and Other Charges

The adequacy of the Borrower's revenues will largely depend on the amount of future tuition and other student derived revenue the Borrower receives. Such revenue in turn will depend primarily on the Borrower's ability to charge sufficient rates for tuition, student fees and student charges and to maintain enrollment levels. Future enrollment levels will depend on the number of students applying to the Borrower and accepting offers of admission. A number of factors, including, without limitation, levels of tuition rates and other fees, competition from other colleges and universities, a change in the number of college age students and changing general economic conditions will influence the number of applicants to the Borrower.

Competition

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

Fluctuations in Market Value of Investments

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

Covenant to Maintain Tax-Exempt Status of the Bonds

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

Enforceability of Remedies

The remedies available to Bondholders upon an Event of Default under the Indenture or the Loan Agreement are in many respects dependent upon judicial action, which is subject to discretion or delay. Under existing law and

judicial decisions, including specifically the Bankruptcy Code, the remedies specified in the Indenture and the Loan Agreement may not be readily available or may be limited. A court may decide not to order specific performance.

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

Local Tax Assessment

In recent years, a number of local taxing authorities in the Commonwealth have sought to subject the facilities of non-profit healthcare and other traditionally exempt organizations to local real estate and business privilege taxes, primarily by challenging their status as "institutions of purely public charity" as described in the Pennsylvania Constitution, notwithstanding the fact that Pennsylvania nonprofit facilities historically have been viewed as exempt from such taxes. The Pennsylvania constitutional test is very subjective and frequently difficult to satisfy. Pennsylvania court decisions have been highly fact-specific and do not provide clear overall guidance on the question. In addition, the Pennsylvania law sets forth additional standards that must be satisfied for tax exemption. Therefore, there is no assurance that under current Pennsylvania law, the Borrower will remain exempt from real estate and other local taxes.

State and Federal Legislation

Legislation has been proposed in the past, and may be proposed again in the future, affecting tax-exempt bonds, including legislation that could eliminate the tax-exempt status of bonds issued to finance educational facilities or limit the use of tax-exempt bonds, or prevent certain holders of tax-exempt bonds from realizing the full benefit of the tax exemption of interest on such bonds. For example, the recent federal tax legislation that was enacted on December 22, 2017 reduces corporate tax rates, modifies individual tax rates, eliminates many deductions, repeals the corporate alternative minimum tax (for taxable years beginning after December 31, 2017) and eliminates tax-exempt advance refunding bonds, among other things. Any such limitation on the use of tax-exempt bonds to finance educational facilities or generally could reduce the ability of the Borrower to finance its future capital needs. Additionally, investors in the Bonds should be aware that future legislative actions may increase, reduce or otherwise change the financial benefits and the treatment of all or a portion of the interest on the Bonds for federal income tax purposes for all or certain taxpayers. In such events, the market value of the Bonds may be affected and the ability of holders to sell their Bonds in the secondary market may be reduced. The effect on the Borrower of proposed laws and regulations and of future changes in federal and state laws and policies cannot be fully or accurately determined at this time.

Other Risk Factors

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

- (1) Loss of accreditation for the Borrower or key academic programs, or changes in accreditation standards which could adversely affect the Borrower's ability to maintain accreditation for itself or key academic programs.
- (2) Employee strikes and other adverse labor actions that could result in a substantial reduction in revenues without corresponding decreases in costs.
- (3) Litigation resulting in required payments by the Borrower which exceed insurance coverages.
- (4) Increased costs and decreased availability of public liability or other types of insurance.
- (5) Changes in the demand for higher education in general or for programs offered by the Borrower in particular.

- (6) Cost and availability of energy.
- (7) High interest rates, which could strain cash flow or prevent borrowing for needed capital expenditures.
- (8) A decrease in student loan funds or other aid that permits many students the opportunity to pursue higher education.
- (9) An increase in the costs of health care benefits, retirement plans, or other benefit packages offered by the Borrower to its employees.
- (10) Higher interest rates, which could strain cash flow or prevent borrowing for needed capital expenditures.
- (11) A downgrade in the Borrower's bond rating or rating outlook to a level which prevents the Borrower from being able to borrow at affordable rates in the future.
- (12) Withdrawal of any current exemptions from local real estate taxes, business privilege taxes and similar impositions.
- (13) Losses in investments held by the Borrower.
- (14) Reduced future Borrower revenues as a result of a need to increase tuition discounting to attract students.
- (15) Increased competition from other institutions of higher learning which may offer similar academic programs or may recruit similar students, and that may result in reduced enrollments and reduced Borrower revenues.
- (16) Reduced ability to attract future annual or capital campaign contributions, that may limit future projects and/or the ability to address deferred maintenance.
- (17) Reduced availability of qualified faculty to teach the programs offered by the Borrower.
- (18) Legislation and regulation by governmental authorities, including developments affecting tax-exempt status of educational institutions like the Borrower and changes in immigration laws limiting the Borrower's ability to admit foreign students or hire foreign faculty and administrators.
- (19) Natural disasters or effects of any climate change which might damage the Borrower's facilities, interrupt service to its facilities or otherwise impair the operation of the Borrower's facilities.
- (20) An inability to retain students, resulting in enrollment losses and reduced revenues, which may be due to reduced financial aid available to students from the Borrower or from Federal or state sources.
- (21) Future deficits as a result of increased future expenses.

NO PERSONAL RECOURSE

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

LITIGATION

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

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

CONTINUING DISCLOSURE

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

The Borrower has made similar undertakings in the past (the "Prior Continuing Disclosure Undertakings") in connection with other series of bonds previously issued for the benefit of the Borrower. The Borrower failed to timely file operating data for its 2014 and 2016 fiscal years, and its operating data filings for its 2015 through 2018 fiscal years omitted certain required information. In addition, the Borrower did not timely file notice of a 2015 change in the rating of the bond insurer insuring the 1998 Bonds. Corrective filings to bring the Borrower's prior filings into conformity with the requirements of the Rule and the Prior Continuing Disclosure Undertakings have been made by the Borrower.

TAX MATTERS

Federal Tax Exemption

In the opinion of Ballard Spahr LLP, Bond Counsel, interest on the Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Bonds, assuming the accuracy of the certifications of the Authority and the Borrower and continuing compliance by the Authority and the Borrower with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds is exempt from individual federal alternative minimum tax. Bond Counsel expresses no opinion regarding other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

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

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

State Tax Exemption

The Bonds are exempt from personal property taxes in Pennsylvania, and interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax, under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date of initial delivery of the Bonds. Bond Counsel will express no opinion regarding other state or local tax consequences arising with respect to the Bonds, including whether interest on the Bonds is exempt from taxation under the laws of any jurisdiction other than the Commonwealth of Pennsylvania.

General

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

The foregoing is only a general summary of certain provisions of the Code as enacted and in effect on the date hereof and does not purport to be complete; holders of the Bonds should consult their own tax advisors as to the effects, if any, of the Code in their particular circumstances.

See APPENDIX D hereto for the proposed Form of Bond Counsel Opinion.

LEGAL MATTERS

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

Certain legal matters will be passed upon by McCormick Law Firm, Williamsport, Pennsylvania, as counsel to the Authority; by McCormick Law Firm, Williamsport, Pennsylvania, as counsel to the Borrower; and by Eckert Seamans Cherin & Mellott, LLC, Pittsburgh, Pennsylvania, as counsel to the Underwriter.

RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), has assigned its municipal bond rating of "A-" to the Bonds, accompanied by a Stable Outlook, based on the creditworthiness of the Borrower.

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

UNDERWRITING

The Bonds are being purchased for reoffering by George K. Baum & Company (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$6,374,687.40 (which includes net original issue premium of \$270,362.40). The initial public offering prices set forth on the inside cover page of this Official Statement may be changed from time to time by the Underwriter without any requirement of prior notice. The Underwriter reserves the right to join with other dealers in offering the Bonds to the public. The Bonds may be offered and sold to other dealers (including Bonds for deposit into investment trusts, certain of which may be sponsored or managed by the Underwriter) at prices other than the public offering prices stated on the inside cover page of this Official Statement.

INDEPENDENT AUDITORS

The financial statements of the Borrower as of and for the fiscal years ended June 30, 2017 and June 30, 2018 are included in Appendix B hereto and have been audited by Baker Tilly Virchow Krause, LLP, as stated in their report appearing therein.

CERTAIN RELATIONSHIPS

One member of the Board of Trustees of the Borrower, Ann Pepperman, Esquire, is a partner in the law firm of McCormick Law Firm, which is serving as counsel to the Borrower and as counsel to the Authority in connection with the issuance of the Bonds.

OTHER MATTERS

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

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

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

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

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

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

LYCOMING COUNTY AUTHORITY

By: /s/David Heiney
Chairman

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APPENDIX A
INFORMATION CONCERNING LYCOMING COLLEGE

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APPENDIX A

CERTAIN INFORMATION CONCERNING LYCOMING COLLEGE



Introduction and History

Lycoming College is now in its third century. From its beginnings in 1812 as the Williamsport Academy, its curriculum has centered on the liberal arts and sciences. The Charter described the initial educational focus as the study of “English and other languages” and “the useful arts, sciences and literature.” In 1841, the curriculum included English, Writing, Arithmetic, Geography, Chemistry, Natural Philosophy, Mathematics, Latin, and Greek.

The Academy fell on hard times in the early 1840s and a group of Methodists, led by the Rev. Benjamin Crever, purchased it and changed its name to the Williamsport Dickinson Seminary. “Seminary” was the name used for schools with more advanced study, and many of the Seminary graduates entered four-year colleges as juniors. The curriculum continued to feature the major components of the Academy curriculum. In the late 19th century, under the leadership of President Edward J. Gray, the study of art and music attracted so many students that the Seminary constructed a new facility, Bradley Hall, dedicated to these two fields.

The Seminary continued to thrive in the early 20th century and expanded in the 1920s under the leadership of President John W. Long. In 1929, it became the Williamsport Dickinson Seminary and Junior College, the first private junior college in Pennsylvania. The Junior College curriculum formalized the advanced study available at the Seminary, the majority of which was in the liberal arts and sciences.

After World War II, the flood of returning military service personnel swelled the enrollments of all colleges, and led some, including the Seminary and Junior College, to move to full four-year college status. Lycoming College emerged in 1947, marking a fourth change in the institution’s history. However, the College founders decided to retain the liberal arts and sciences as the central focus of the curriculum.

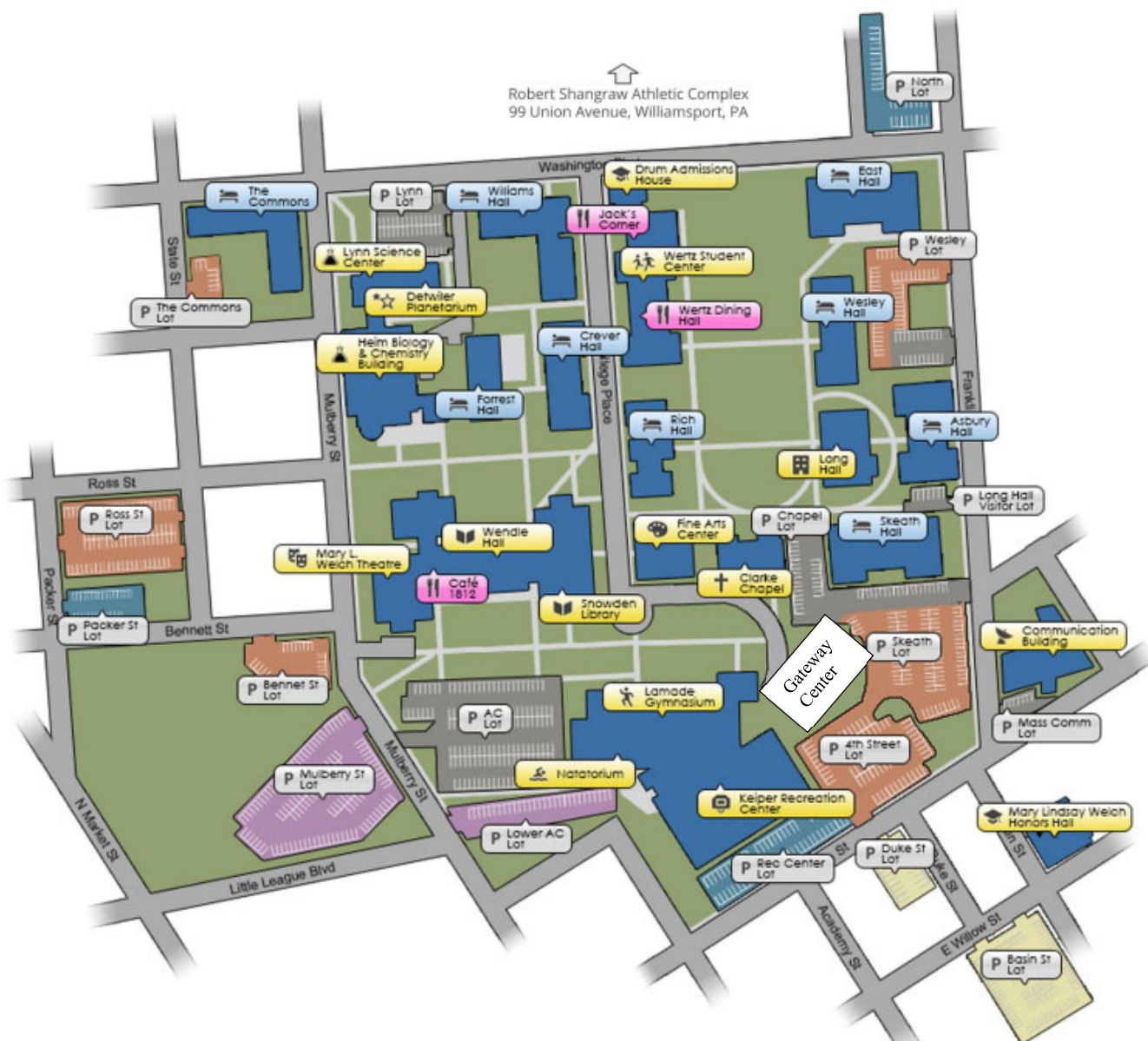
Lycoming College enjoys its present status as a national liberal arts and sciences college largely because its leaders have remained steadfast to the tradition established by its founders, believing that the best preparation a person can have for a happy and successful life is time spent studying the liberal arts and sciences.

Location and Facilities

Lycoming is located in Williamsport, Pennsylvania, a business and financial center of 29,000 people in the north central part of the state. The College's main campus is comprised of 23 buildings set on 42 acres. A stadium and additional playing fields are located on an additional 12 acres one-half mile north of the main campus.

Buildings vary in age, ranging from the 1853 Drum House, used as the Office of Admissions, to the Lynn Science Center, built in 2015. The College constructed most of the buildings after 1950 in the neoclassical style. Significant renovations were completed on 3 residence halls; Rich(2014), Crever(2015) and Wesley(2016). The bathrooms were also renovated in Asbury Hall (2017) and Skeath Hall (2018). The Krapf Gateway Center is currently under construction and will be the future home for Admissions, Development/Alumni Relations, Outdoor Leadership & Education and the Center for Enhanced Academic Experiences. It will also house a 200 seat presentation space. The anticipated completion date is September 2019. During the summer of 2019, 20 classrooms in the Academic Center will be remodeled along with the addition of a Bio-Chemistry lab, faculty research lab and faculty office in the Heim Science Building.

A map of the Lycoming College campus is shown below.



Mission Statement

The mission of Lycoming College is to provide a distinguished baccalaureate education in the liberal arts and sciences within a coeducational, supportive, residential setting.

College Philosophy

Lycoming College is committed to the principle that a liberal arts education provides an excellent foundation for an informed and productive life. Consequently, the Baccalaureate degree (Bachelor of Arts or Bachelor of Science) is conferred upon the student who has completed an educational program incorporating the two principles of a liberal arts education known as distribution and concentration. The objective of the distribution principle is to ensure that the student achieves intellectual breadth through the study of the arts, humanities, mathematics, natural and social sciences, and modern or ancient languages and their literatures. The objective of the concentration principle is to provide depth of learning through completion of a program of study in a given discipline or subject area known as the major. The effect of both principles is to impart knowledge, inspire inquiry, and encourage creative thought.

Lycoming College promotes individual growth and community development through a combination of academic and co-curricular programs in a supportive residential environment that seeks to foster self-awareness, model social responsibility, and provide opportunities to develop leadership skills. Students are encouraged to explore new concepts and perspectives, to cultivate an aesthetic sensibility, and to develop communication and critical thinking skills. The College is committed to promoting racial inclusiveness, gender equality, and an appreciation of cultural diversity. Through a holistic approach, Lycoming College encourages students to become ethical, informed, and engaged individuals.

Accreditation and Memberships

Lycoming College is accredited by the Middle States Association of Colleges and Schools and the University Senate of the United Methodist Church. The College's last review was in 2010-2011 during which its reaccreditation was reaffirmed through 2020-2021. The College also retains the following discipline accreditations:

- Chemistry program is approved by the American Chemical Society
- Teacher Education program is accredited by the Commonwealth of Pennsylvania's State Board of Education
- Departments of Accounting and Business Administration received accreditation from The Association of Collegiate Business Schools in 1999

Institutional Recognition

- One of the 50 oldest colleges in the United States
- Classified by the Carnegie Foundation as a Baccalaureate Arts & Sciences College
- Recognized as a Tier One institution by U.S. News & World Report Best Colleges rankings in the No. 131 spot on the National Liberal Arts Colleges list
- 2015 Great Colleges to Work For, The Chronicle of Higher Education
- Recognized as one of "The Best 382 Colleges" for undergraduate education by The Princeton Review
- Ranked No. 101 in the Washington Monthly Liberal Arts list

Governance

Lycoming College is a non-profit institution governed by a Board of Trustees (the “Board”). The Preachers' Aid Society (which owned the College from 1869 to 1970) established the by-laws. The Board elects Trustees for renewable three-year terms. The President of the College is also a Trustee. Trustees may serve as voting members of the Board until the age of 75. The Board has two semi-annual meetings along with a winter retreat. There are twelve standing Committees: Executive Committee, Academic Affairs Committee, Advancement Committee, Audit Committee, Buildings and Grounds Committee, Enrollment Management and Marketing Committee, Governance Committee, Investment Committee, Nominating Committee, Personnel Committee, Student Life Committee and the Technology and Systems Committee. The current Board members are listed below.

- **Stanley W. Slotter '80, Chair of the Board**
President, Paradigm Companies
Arlington, VA
- **D. Mark Fultz '80, Vice Chair of the Board**
CEO, Abtex Corp.
Dresden, NY
- **Donald W. Hughes '72, Secretary of the Board**
Managing Member, Camden Partners Holdings, LLC
Baltimore, MD
- **Ann S. Pepperman, Esquire, Assistant Secretary**
Partner, McCormick Law Firm
Williamsport, PA
- **Linda Porr Sweeney '78, Assistant Secretary**
Attorney
Lancaster, PA
- **Dr. Brenda P. Alston-Mills '66**
Retired Associate Dean and Director: Office of Diversity and Pluralism
College of Agriculture and Natural Resources,
Michigan State University
East Lansing, MI
- **Brian L. Belz '96**
Director US OTC Regulatory Compliance, Johnson & Johnson
Gilbertsville, PA
- **John R. Biggar '66**
Retired Executive Vice President/CFO, PPL Corporation
Allentown, PA
- **Melvin H. Campbell, Jr. '70**
Retired President, Campbell, Harrington & Brear Advertising
York, PA
- **Dr. Kent D. Chapman '86**
Regents Professor of Biochemistry and Associate Director for the BioDiscovery Institute, University of North Texas
Denton, TX
- **Jay W. Cleveland, Jr. '88**
President and CEO, Cleveland Brothers Equipment Company
Murrysville, PA
- **John C. DiMarco Jr. '76**
Co-Owner Freddy's Broomall, PA, West Chester, PA
Co-Owner, Penn Oaks Golf Club, West Chester, PA
Voorhees, NJ
- **William E. Evans, D. M. D. '72**
Director Dental Surgeon (Retired)
United States Public Health Service
Cutchogue, NY
- **Donald E. Failor '68**
Owner, Failor Associates, LLC
Harrisburg, PA
- **David E. Freet '68**
Retired President, PA Telephone Association
Harrisburg, PA
- **David D. Gathman '69**
Retired CFO, SunGard Public Sector
Venice, FL
- **Daniel R. Hawbaker**
President, Glenn O. Hawbaker, Inc.
State College, PA
- **Barbara B. Heim '83**
Retired Executive Vice President of Human Resources, BG Group
Houston, TX
- **Colleen M. Heisey '99**
Partner, Jones Day
Washington, DC
- **Leigh T. Howe '78**
President and CEO for Maryland Proton Treatment Center
Baltimore, MD
- **James M. Jeffries III, M.D., F.A.C.S. '78**
Plastic Surgeon, Soderstrom Skin Institute
Peoria, IL

- **Dale N. Krapf '67**
Chairman of the Board, Krapf Group
Exton, PA
- **Daniel R. Langdon '73**
CEO, East Penn Manufacturing Co., Inc.
Lyon Station, PA
- **Dr. John Edward Marthinsen '70**
Professor of Economics and International Business,
Babson College
Wellesley, MA
- **Nanci (Davis) Morris '78**
Managing Director, New England Retirement
Consultants LLC
Chatham, NJ
- **Timothy L. Myers '87**
Chief Operating Officer and Chief Financial
Officer, Ingleside
Kennett Square, PA
- **Frank G. Pellegrino**
Business Developer
Williamsport, PA
- **David L. Schoch '73**
Retired Group VP, President, Asia Pacific
Operations
Ford Motor Company
Farmington Hills, MI
- **J. Michael Schweder '71**
President, AT&T Mid-Atlantic States
Bethlehem, PA
- **James G. Scott '70**
Founder and Principal, CareerChoiceFirst
Williamsport, PA
- **Cheryl (Eck) Spencer '70**
Retired VP Quality and Compliance
Newtown Square, PA
- **Barbara Lovenduski Sylk '73**
Artist-Educator-Designer
Merion, PA
- **Dr. Kent C. Trachte**
President, Lycoming College
Williamsport, PA
- **John S. Trogner, Jr. '68**
General Partner Retired, First Commercial
Development Company
Camp Hill, PA
Director/Treasurer, Troegs Brewing Co.
Hershey, PA
- **Diane Dalto Woosnam, '73**
Art Consultant, Diane Dalto & Associates
Philadelphia, PA

Principal Officers

The President and the senior officers, who comprise his cabinet, administer the College on a day-to-day basis. The Board of Trustees appoints the President, and he serves at their pleasure. The president and senior officers' brief biographies are below.

Kent Trachte, Ph.D., President

Kent Trachte, Ph.D., was named Lycoming College's 15th President on Nov. 19, 2012, by Lycoming's Board and officially began his duties on July 1, 2013. A native of De Pere, Wis., President Trachte earned a bachelor's in government from Dartmouth College in 1973, a master's in international relations from the University of Kentucky in 1975 and a Ph.D. in political science from Binghamton University in 1981. President Trachte worked for a quarter-century at Franklin and Marshall College before taking office at Lycoming College. He began at F&M in 1988 as Dean of Freshmen before being named Associate Vice President and Dean of Freshmen in 1991. He was promoted to Dean of the College in 2003. Prior to his tenure at F&M, he taught political science at Gettysburg College, Long Island University and Clark University.

Jeff Bennett '94, Vice President for Finance and Administration

Mr. Bennett was named Vice President for Finance and Administration in March 2014 after serving as the Comptroller and Treasurer since he came to Lycoming in August 2012. He oversees human resources, the campus store, mail services, print shop, food services and the operations of the physical plant. Prior to his career at Lycoming, he worked at ParenteBeard LLC, Williamsport, where he was a certified public accountant from 1994-2012. Mr. Bennett earned a bachelor's degree in financial accounting from Lycoming in 1994.

Robert L. Dunkleberger, Chief Information Officer

Mr. Dunkleberger has been Lycoming's Chief Information Officer since 2015. He provides technical, financial and planning leadership for all aspects of information and technology resources. He oversees instructional and enterprise information technology for classrooms and offices along with Internet, mobile, network, telecommunications, web

development, multimedia and cable TV services. Mr. Dunkleberger earned a bachelor's degree from Susquehanna University and a master's degree from Bloomsburg University.

Chip Edmonds '98, Executive Vice President

Mr. Edmonds returned to Lycoming in August 2009 as Vice President for College Advancement and assumed the role of Executive Vice President in the fall of 2017. As Executive Vice President, Mr. Edmonds serves as the chief external affairs officer overseeing advancement, marketing & communications, government relations, community relations and special projects. He previously served in major gifts at Yale University and Yale Medical School, where he oversaw the fundraising activities for the departments of pediatrics and OB/GYN. Prior to Yale, Mr. Edmonds served as a major gifts officer at Lycoming, director of annual giving at the Duke University Divinity School and development associate with the Duke Youth Academy. From 1998-02, he worked at Lycoming as the Assistant Director of Admissions and Development Associate. Mr. Edmonds earned a master's degree from the Duke University Divinity School and a bachelor's degree in history and music from Lycoming.

Kacy J. Z. Hagan, Director of Human Resources and Risk Management

Ms. Hagan joined Lycoming College in August 2018. She leads the department of Human Resources, including all recruitment and staffing, benefits and compensation administration, payroll, database management (HRIS), recordkeeping retention and file maintenance, performance management, legal and regulatory compliance, policy and procedure development, employee training and development, and employee relations. Ms. Hagan also oversees risk management and serves as the Title IX Coordinator for the College. She earned a Master of Business Administration from Strayer University, and earned a Bachelor of Arts from the University of Mary Washington.

Michael Konopski, Vice President for Enrollment Management

Mr. Konopski arrived at Lycoming as Vice President for Enrollment Management in July 2014. Prior to his arrival at Lycoming, he served as Interim Vice President for Enrollment Management at Shepherd University (WV). Previously, Mr. Konopski was Dean of Enrollment Management at Niagara University (NY), where he led a team that produced multiple years of record freshman classes while also improving retention. Mr. Konopski earned a master's degree in student personnel administration at State University of New York at Buffalo and a bachelor's degree in communications from State University of New York at Geneseo.

Daniel Miller, Ed.D., Vice President for Student Life

Dr. Miller joined the Lycoming administration in 2005. He was previously the Vice President for Student Services and Planning at Ferrum College (VA). He began his career as Director of Admissions for Mississippi University for Women and also served as Director of Enrollment Management and Vice President for College Relations at Alvernia College (PA). Dr. Miller earned an Ed.D. in higher education leadership from Widener University (PA), a master's in higher education administration from Syracuse University (NY) and a bachelor's in business management from St. John Fisher College (NY).

Susan M. Ross, Ph.D., Associate Provost for Experiential Learning, Professor of Sociology

Dr. Ross was promoted to Associate Provost for Experiential Learning and Director of the Center for Enhanced Academic Experiences in March 2016. Dr. Ross arrived at Lycoming in 1998 as an assistant professor of sociology and was subsequently promoted to associate professor in 2006 and full professor in 2011. She is the recipient of two teaching awards from Lycoming College, including being the first recipient of the Howard C. Berthold Faculty Research & Information Competencies Award, and a teaching award from the University of New Hampshire. Along with Lycoming alumnus Dr. Michael Musheno ('69), Dr. Ross wrote *Deployed: How Reservists Bear the Burden of Iraq*, and she is the editor of *American Families Past and Present*. In addition to directing the Center for Enhanced Academic Experiences, Dr. Ross also focuses on the first-year seminar program and the distinctive residential system. She earned a Ph.D. and master's degree in sociology from the University of New Hampshire and a bachelor's degree in sociology from Millersville University.

Philip Sprunger, Ph.D., Provost and Dean of the College, Associate Professor of Economics

Dr. Sprunger joined Lycoming College in 1993 and assumed his current position in November 2011. Dr. Sprunger began his career at Lycoming as assistant professor of economics and was promoted to associate professor in 2004, the same year that he received the College's Constance Cupp Plankenhorn Alumni Award for Faculty Excellence. In addition to teaching both microeconomics and macroeconomics, he teaches International Trade and Game Theory and various micro-based public economics courses. Dr. Sprunger earned a Ph.D. and master's degree in economics from Indiana University and a bachelor's degree from Bethel College (KS).

Academic Programs Profile

Lycoming College offers the following undergraduate programs and majors.

- Accounting
- Actuarial Science
- American Studies
- Anthropology
- Archaeology
- Art
 - Commercial Design
 - Painting
 - Printmaking
 - Sculpture
 - Studio Art Generalist
- Art History
- Astronomy
 - General Astronomy
 - Astrobiology
 - Astrochemistry
- Astrophysics
- Biochemistry
- Biology
 - Anatomy and Physiology
 - Cell and Molecular Biology
 - Comprehensive Biology
- Ecology
- Business Administration
 - Finance
 - Management
 - Marketing
- Chemistry
- Comparative Literature
- Corporate Communication
- Creative Writing
- Criminal Justice
- Criminology
- Economics
 - Managerial Economics
 - Quantitative Economics
- Education
 - Early Childhood Certification, PreK-4
 - Secondary Certification, 7-12
 - K-12 Certification
 - Special Education Certification
- Engineering Physics
- English Literature
- Film & Video Arts
 - Visual Media
 - Digital Filmmaking
- French
- German
- History
- International Studies
- Mathematics
- Medical Sociology
- Medieval Studies
- Music
- Neuroscience
- Philosophy
- Physics
- Political Science
- Psychology
- Religion
- General Religion
- Biblical Studies
- Sociology
- Spanish
- Theatre
 - Acting
 - Design-Tech
 - Directing
 - Musical Theatre
 - Stage Management

Dual Degree Programs

- Clinical Laboratory Science Certification with Multiple Hospitals
- Engineering 3-2 with University of Binghamton
- Environmental Management 3-2 Master's Program with Duke University
- Forestry 3-2 Master's Program with Duke University
- MBA 4-1 Program with Rochester Institute of Technology

Employee Profile

None of the College's faculty or staff is represented by a collective bargaining unit. The College employs 88 full-time and 35 part-time faculty members. Of the full-time faculty members, 97% have a doctorate or other terminal degree and 64% are tenured or on tenure-track.

Admissions and Enrollment

The following table sets forth the undergraduate headcount and full-time equivalent ("FTE") for the past 5 years.

	Fall 2014	Fall 2015	Fall 2016	Fall 2017	Fall 2018
Headcount	1,357	1,289	1,272	1,223	1,142
Full-Time Equivalent	1,339	1,276	1,251	1,206	1,137

The following table sets forth the first-year student applications, acceptances and matriculations for the past 5 years.

	Fall 2014	Fall 2015	Fall 2016	Fall 2017	Fall 2018
Applications	1,782	1,845	1,876	1,924	2,433
Acceptances	1,287	1,314	1,306	1,232	1,596
Acceptance Rate	72.2%	71.2%	69.6%	64.0%	65.6%
Matriculations	394	347	343	282	323
Matriculation Rate	30.6%	26.4%	26.3%	22.9%	20.2%

As of April 8, the applications and deposits for the following fall are shown below.

(As of April 8)	2017	2018	2019
Applications	1,901	2,419	3,170
Deposits	117	145	159

The following table sets forth the average SAT scores of incoming first-year students.

	Fall 2014	Fall 2015	Fall 2016	Fall 2017	Fall 2018
SAT (Math & Verbal)	1048	1030	1033	1097	1107

The following table sets forth the first to second year retention rates for the years shown below.

Cohort	2013	2014	2015	2016	2017
Retention Rate	79%	79%	79%	80%	75%

Tuition and Fees

The following table details the annual tuition and room & board charges for the academic years shown.

	2014-15	2015-16	2016-17	2017-18	2018-19
Annual Tuition	\$34,016	\$35,200	\$36,432	\$37,888	\$39,360
Annual Room & Board	\$10,376	\$10,884	\$11,418	\$11,980	\$12,568
Total	\$44,392	\$46,084	\$47,850	\$49,868	\$51,928

Student Financial Aid

The percentage of students who received financial aid for the fall 2018 semester was approximately 100%. Assistance supplements the contribution that a student and his or her family make toward the educational fees.

Financial aid packages consist of federal and state grants and loans, institutional grants and scholarships, work-study opportunities, and outside grants and scholarships. In addition, the College offers a deferred tuition payment plan administered by a third party along with private loans. Financial aid is awarded on a need basis, utilizing federal guidelines. The composition of each financial aid package varies according to financial need.

In the 2017-18 academic year Lycoming students received \$46,690,379 in financial aid (including loans) of which \$32,322,849 was provided by the College. State and federal aid programs and other outside sources provided the remaining \$14,367,530.

Competition

The following table lists the academic year 2018-19 tuition and fees and room and board charges for regional private colleges and universities that, in the view of the College, primarily compete with the College for qualified students.

Institution	Tuition & Fees	Room & Board	Total
Gettysburg College	\$54,480	\$13,010	\$67,490
Widener University	\$45,948	\$14,446	\$60,394
Susquehanna University	\$47,290	\$12,630	\$59,920
University of Scranton	\$44,532	\$14,982	\$59,514
Elizabethtown College	\$46,940	\$11,370	\$58,310
Juniata College	\$45,597	\$12,521	\$58,118
Albright College	\$45,306	\$12,070	\$57,376
Moravian College	\$43,636	\$13,378	\$57,014
Lebanon Valley College	\$43,650	\$11,860	\$55,510
Delaware Valley College	\$39,440	\$14,340	\$53,780
Lycoming College	\$40,315	\$12,568	\$52,883
Wilkes University	\$36,194	\$14,682	\$50,876
King's College	\$37,226	\$12,940	\$50,166
Messiah College	\$35,160	\$10,520	\$45,680

Source: NCES

Campaign for Greater Lycoming

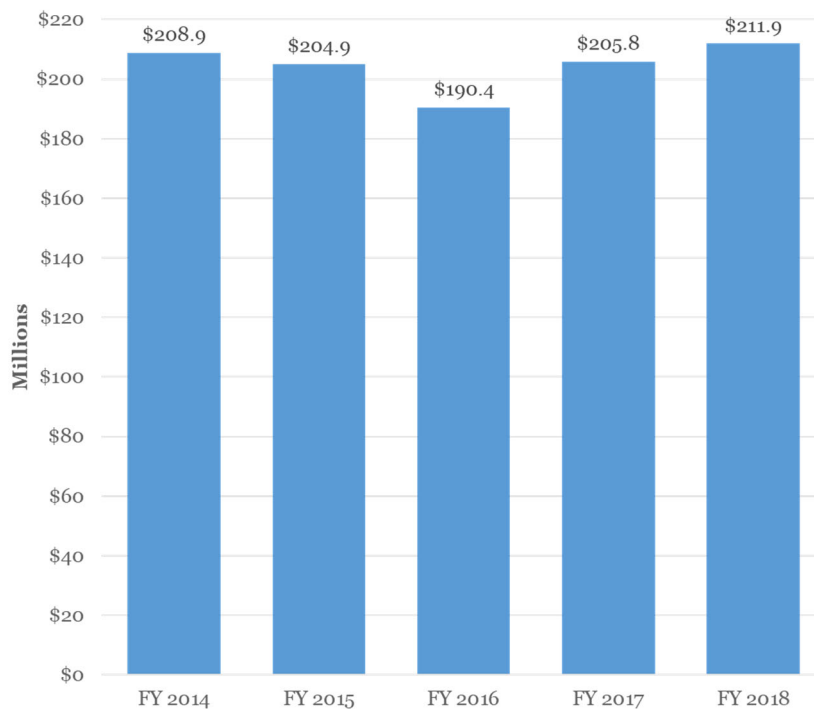
Voluntary financial support for the College continues to be strong. Lycoming's current campaign, *Campaign for Greater Lycoming*, has a goal of \$65 million, with \$71 million having been raised as of April 1, 2019. \$11 million and \$10 million were pledged in Fiscal Years 2018 and 2019, respectively. The campaign ends on June 30, 2019.

Investment Policy

The investment policies and objectives applied to the College Endowment and Pooled Assets are the responsibility of the Investment Committee (the "Committee") of the Board of Trustees. Professional investment management firms (selected on the basis of performance, reputation and investment philosophy) manage the funds. The Committee also employs the service of an investment consulting firm to assist in developing an asset allocation model and in evaluating the performance of the investment management firms. The performance of management firms is measured against a consensus of like managers. This information is used to evaluate investment policy and plan portfolio strategies. The Committee has approved a spending policy up to 5% of the average market value of the long-term investments over the twelve quarters ending the December 31st immediately preceding the start of the budget year (fiscal year). The actual draw from the endowment to support operations on an annual basis has been 3.9%. The following table shows the value of cash and long-term investments for the fiscal years indicated. ***Currently, approximately 80% of cash and investments are unrestricted.***

Total Cash & Investments

Below is a summary of total cash & investments at the end of each fiscal year, approximately 80% of which is unrestricted.



Financial Summary

The following financial summary of the College for the past five fiscal years ended June 30 has been derived from the College's audited financial statements.

Lycoming College Consolidated Statements of Financial Position For Years Ended June 30, 2014 – 2018 (\$ in thousands)

	2014	2015	2016	2017	2018
ASSETS					
Cash and cash equivalents	\$ 1,987	\$ 2,756	\$ 1,498	\$ 1,649	\$ 2,660
Student accounts receivable, net	41	56	52	25	76
Contributions receivable	263	279	205	749	826
Other current assets	1,073	1,437	1,785	2,048	730
Investments	206,888	202,174	188,876	204,173	209,269
Deposits with trustees under debt agreements	14,706	6,135	1,009	1,009	1,000
Student loans receivable	2,346	2,099	1,860	1,333	1,262
Contributions receivable, net	2,087	3,065	3,248	3,189	6,484
Land, buildings, and equipment, net	45,691	57,628	61,558	60,657	59,985
Assets held in trust under split-interest agreements	6,025	6,033	6,731	7,541	6,515
Beneficial interest in perpetual trusts	493	487	386	489	492
TOTAL ASSETS	\$ 281,600	\$ 282,149	\$ 267,208	\$ 282,862	\$ 289,299
LIABILITIES					
Current maturities of bonds payable	\$ 12,221	\$ 6,732	\$ 12,226	\$ 6,670	\$ 11,833
Current maturities of note payable	8	9	5	55	55
Accounts payable, trade	601	1,094	859	726	806
Accounts payable, construction	131	2,458	5	273	1,160
Other current liabilities	3,496	3,820	3,610	3,286	2,887
Bonds payable, net	31,659	36,828	31,023	36,054	30,249
Note payable	14	5	-	690	635
Liabilities under split-interest agreements:					
Gift annuities	2,444	2,344	2,197	2,232	2,142
Charitable remainder unitrusts and annuity trusts	2,600	2,571	2,678	2,908	2,460
Advance from federal government for student loans	2,602	2,635	1,798	1,160	1,033
Other noncurrent liabilities	58	108	179	179	-
TOTAL LIABILITIES	\$ 55,834	\$ 58,604	\$ 54,580	\$ 54,233	\$ 53,260
NET ASSETS					
Unrestricted	\$ 168,876	\$ 166,102	\$ 159,480	\$ 172,160	\$ 175,662
Temporarily Restricted	22,073	20,799	14,217	14,977	13,835
Permanently Restricted	34,817	36,644	38,931	41,492	46,542
TOTAL NET ASSETS	\$ 225,766	\$ 223,545	\$ 212,628	\$ 228,629	\$ 236,039
TOTAL LIABILITIES AND NET ASSETS	\$ 281,600	\$ 282,149	\$ 267,208	\$ 282,862	\$ 289,299

Lycoming College
Consolidated Statements of Activities
For Years Ended June 30, 2014 – 2018
(\$ in thousands)

	2014	2015	2016	2017	2018
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT					
Tuition and fees, net	\$ 18,551	\$ 17,135	\$ 15,550	\$ 14,368	\$ 13,200
State grants	290	301	284	283	267
Federal grants	266	262	244	270	279
Private grants	76	121	257	173	154
Private gifts	142	541	777	941	860
Lycoming Annual Fund	1,007	2,126	1,075	1,367	936
Sales and service of auxiliary enterprises	12,785	13,869	13,808	14,242	13,591
Endowment return designated for operations	2,527	3,076	7,359	6,983	6,747
Other sources	1,017	293	190	238	250
Net assets released by satisfaction of program restrictions	434	1,589	3,637	2,459	5,808
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	37,095	39,313	43,181	41,324	42,092
UNRESTRICTED EXPENSES AND OTHER DEDUCTIONS					
Instruction	11,638	12,751	13,970	14,654	14,783
Academic support	3,149	3,608	3,815	3,945	3,933
Student services	6,605	7,265	8,041	7,776	7,991
Institutional support	4,771	5,375	6,264	6,401	5,786
Fundraising activities	1,247	1,474	1,511	1,581	1,434
Auxiliary enterprises	9,034	9,817	9,979	10,207	10,027
TOTAL OPERATING EXPENSES	36,444	40,290	43,580	44,564	43,954
INCOME (LOSS) FROM OPERATIONS	651	(977)	(399)	(3,240)	(1,862)
UNRESTRICTED NON-OPERATING INCOME (LOSS)					
Private gifts	408	70	577	317	44
Endowment investment return, net	17,532	(1,600)	(7,103)	15,710	5,074
Other investment income (loss)	756	-	475	(272)	424
Net loss from rental activities	7	14	13	(12)	(18)
Change in value of split-interest agreements	(274)	(281)	(185)	177	(160)
Post-retirement benefit liability adjustment	(286)	-	-	-	-
TOTAL NON-OPERATING INCOME (LOSS)	18,143	(1,797)	(6,223)	15,920	5,364
CHANGES IN UNRESTRICTED NET ASSETS	18,794	(2,774)	(6,622)	12,680	3,502
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	6,561	(1,274)	(6,582)	760	(1,142)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS	2,726	1,827	2,287	2,561	5,050
NET ASSETS, BEGINNING	197,685	225,766	223,545	212,628	228,629
NET ASSETS, ENDING	\$ 225,766	\$ 223,545	\$ 212,628	\$ 228,629	\$ 236,039

Accounting Matters

Potential purchasers of the College's Bonds should read the College's audited financial statements for the year ended June 30, 2018, in their entirety for more complete information regarding the College's financial position. The report of Baker Tilly Virchow Krause, LLP, the College's independent auditors, together with the financial statements as of June 30, 2018, and the related notes to the same are included as Appendix B.

In the opinion of the administration of the College, there has been no material adverse change in the financial condition of the College since June 30, 2018, the most recent date for which audited financial statements are published.

Litigation

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

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF LYCOMING COLLEGE FOR THE FISCAL YEARS
ENDED JUNE 30, 2018 AND 2017

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Lycoming College

Financial Statements

June 30, 2018 and 2017



BAKER TILLY

Candor. Insight. Results.

Lycoming College

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June 30, 2018 and 2017

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Statement of Cash Flows	6
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Independent Auditors' Report

Board of Trustees
Lycoming College

We have audited the accompanying financial statements of Lycoming College (the "College"), which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lycoming College as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

Williamsport, Pennsylvania
October 26, 2018

Lycoming College

Statement of Financial Position

June 30, 2018 and 2017

(In Thousands)

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,660	\$ 1,649
Student accounts receivable, net	76	25
Contributions receivable	826	749
Other current assets	730	2,048
Total current assets	4,292	4,471
Investments	209,269	204,173
Deposits with trustees under debt agreements	1,000	1,009
Student loans receivable	1,262	1,333
Contributions receivable, net	6,484	3,189
Land, buildings and equipment, net	59,985	60,657
Assets held in trust under split-interest agreements	6,515	7,541
Beneficial interest in perpetual trusts	492	489
Total assets	<u>\$ 289,299</u>	<u>\$ 282,862</u>
Liabilities and Net Assets		
Current Liabilities		
Current maturities of bonds payable	\$ 11,833	\$ 6,670
Current maturities of note payable	55	55
Accounts payable, trade	806	726
Accounts payable, construction	1,160	273
Other current liabilities	2,887	3,286
Total current liabilities	16,741	11,010
Bonds payable, net	30,249	36,054
Note payable	635	690
Liabilities under split-interest agreements:		
Gift annuities	2,142	2,232
Charitable remainder unitrusts and annuity trusts	2,460	2,908
Advance from federal government for student loans	1,033	1,160
Other noncurrent liabilities	-	179
Total liabilities	<u>53,260</u>	<u>54,233</u>
Net Assets		
Unrestricted	175,662	172,160
Temporarily restricted	13,835	14,977
Permanently restricted	46,542	41,492
Total net assets	<u>236,039</u>	<u>228,629</u>
Total liabilities and net assets	<u>\$ 289,299</u>	<u>\$ 282,862</u>

See notes to financial statements

Lycoming College

Statement of Activities

Year Ended June 30, 2018

(With comparative totals for 2017)

(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Operating Changes					
Revenues, gains and other support:					
Tuition and fees, net	\$ 13,200	\$ -	\$ -	\$ 13,200	\$ 14,368
State grants	267	-	-	267	283
Federal grants	279	-	-	279	270
Private grants	154	-	-	154	173
Private gifts	860	-	-	860	941
Lycoming Annual Fund	936	-	-	936	1,367
Sales and service of auxiliary enterprises	13,591	-	-	13,591	14,242
Endowment return designated for operations	6,747	-	-	6,747	6,983
Other sources	250	-	-	250	238
Net assets released by satisfaction of program restrictions	5,808	(5,808)	-	-	-
Total operating revenues, gains and other support	42,092	(5,808)	-	36,284	38,865
Expenses					
Educational and general:					
Instruction	14,783	-	-	14,783	14,654
Academic support	3,933	-	-	3,933	3,945
Student services	7,991	-	-	7,991	7,776
Institutional support	5,786	-	-	5,786	6,401
Fundraising activities	1,434	-	-	1,434	1,581
Total educational and general expenses	33,927	-	-	33,927	34,357
Auxiliary Enterprises	10,027	-	-	10,027	10,207
Total operating expenses	43,954	-	-	43,954	44,564
Change in net assets from operating activities	(1,862)	(5,808)	-	(7,670)	(5,699)
Nonoperating Changes					
Private gifts	44	3,179	4,596	7,819	3,795
Endowment investment return, net of amount designated for operations	5,074	885	466	6,425	17,558
Other investment (income) loss	424	-	(63)	361	(25)
Net loss from rental activities	(18)	-	-	(18)	(12)
Change in value of split-interest agreements	(160)	602	48	490	281
Change in beneficial interest in perpetual trusts	-	-	3	3	103
Change in net assets from nonoperating activities	5,364	4,666	5,050	15,080	21,700
Change in net assets	3,502	(1,142)	5,050	7,410	16,001
Net Assets, Beginning	172,160	14,977	41,492	228,629	212,628
Net Assets, Ending	<u>\$ 175,662</u>	<u>\$ 13,835</u>	<u>\$ 46,542</u>	<u>\$ 236,039</u>	<u>\$ 228,629</u>

See notes to financial statements

Lycoming College

Statement of Activities

Year Ended June 30, 2017

(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Changes				
Revenues, gains and other support:				
Tuition and fees, net	\$ 14,368	\$ -	\$ -	\$ 14,368
State grants	283	-	-	283
Federal grants	270	-	-	270
Private grants	173	-	-	173
Private gifts	941	-	-	941
Lycoming Annual Fund	1,367	-	-	1,367
Sales and service of auxiliary enterprises	14,242	-	-	14,242
Endowment return designated for operations	6,983	-	-	6,983
Other sources	238	-	-	238
Net assets released by satisfaction of program restrictions	2,459	(2,459)	-	-
Total operating revenues	41,324	(2,459)	-	38,865
Expenses				
Educational and general:				
Instruction	14,654	-	-	14,654
Academic support	3,945	-	-	3,945
Student services	7,776	-	-	7,776
Institutional support	6,401	-	-	6,401
Fundraising activities	1,581	-	-	1,581
Total educational and general expenses	34,357	-	-	34,357
Auxiliary Enterprises	10,207	-	-	10,207
Total operating expenses	44,564	-	-	44,564
Change in net assets from operating activities	(3,240)	(2,459)	-	(5,699)
Nonoperating Changes				
Private gifts	317	1,449	2,029	3,795
Endowment investment return, net of amount designated for operations	15,710	1,716	132	17,558
Other investment (loss) income	(272)	45	202	(25)
Net loss from rental activities	(12)	-	-	(12)
Change in value of split-interest agreements	177	9	95	281
Change in beneficial interest in perpetual trusts	-	-	103	103
Change in net assets from non-operating activities	15,920	3,219	2,561	21,700
Change in net assets	12,680	760	2,561	16,001
Net Assets, Beginning	159,480	14,217	38,931	212,628
Net Assets, Ending	\$ 172,160	\$ 14,977	\$ 41,492	\$ 228,629

See notes to financial statements

Lycoming College

Statement of Cash Flows

Years Ended June 30, 2018 and 2017

(In Thousands)

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 7,410	\$ 16,001
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	3,874	3,908
Loss on disposal of assets	254	-
Realized and unrealized gains on investments and beneficial interest in perpetual trusts	(9,613)	(23,225)
Private gifts restricted for long-term investment	(7,775)	(3,478)
Investment income restricted for long-term investment	(403)	(334)
Change in value of split-interest agreements	(490)	(281)
Other changes in current assets and current liabilities	(2,573)	(1,146)
Net cash used in operating activities	(9,316)	(8,555)
Cash Flows from Investing Activities		
Proceeds from sale or maturities of investments	19,059	19,470
Purchase of investments	(13,104)	(12,068)
Purchase of land, buildings and equipment	(2,297)	(1,993)
Payments from student loans	305	727
Student loans advanced	(234)	(200)
Net cash provided by investing activities	3,729	5,936
Cash Flows from Financing Activities		
Proceeds from private gifts restricted for:		
Investment in endowment	6,570	2,258
Investment in plant	715	281
Investment subject to annuity agreements	302	1,389
Subtotal - proceeds from restricted private gifts	7,587	3,928
Other financing activities:		
Payments on bonds payable	(670)	(555)
Interest and dividends restricted for reinvestment	402	334
Payments on land, buildings and equipment in prior year accounts payable	(273)	(5)
Payments of annuity obligations	(266)	(289)
Refund of governmental loan	(127)	(638)
Payments on notes payable	(55)	(5)
Subtotal - other financing activities	(989)	(1,158)
Net cash provided by financing activities	6,598	2,770
Net Change in Cash and Cash Equivalents	1,011	151
Cash and Cash Equivalents, Beginning of Year	1,649	1,498
Cash and Cash Equivalents, End of Year	\$ 2,660	\$ 1,649
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 1,541	\$ 1,491
Supplemental Disclosure of Noncash Investing and Financing Activities		
Land, buildings and equipment included in accounts payable, construction	\$ 1,160	\$ 273
Land, buildings and equipment purchased with note payable	\$ -	\$ 745

See notes to financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Lycoming College (the "College"), founded in 1812 and affiliated with the Methodist Church since 1848, is a four-year liberal arts based, co-educational, independent college. The College awards grants-in-aid, fellowships and scholarships from its unrestricted net assets to individuals who meet the College's academic standards and the amounts of such awards are determined primarily based upon the financial need of each applicant. Additional financial aid is provided to students from federal and state programs in which the College participates and from contributions to the College by alumni and friends.

The College evaluated subsequent events for recognition or disclosure through October 26, 2018, the date the financial statements were issued.

During the years ended June 30, 2018 and 2017, the College provided student financial aid from internal sources of approximately \$30,945,000 and \$30,822,000, which represented approximately 70% and 68% of gross tuition and fee revenue for 2018 and 2017, respectively.

Basis of Accounting

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

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

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

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

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

Use of Estimates

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

Student Accounts Receivable

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

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions received with donor-imposed restrictions that are met in the same year as received are generally reported as revenues of unrestricted net assets. Conditional promises to give are not recognized until the conditions are met.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as unrestricted revenues. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as temporarily restricted revenues. The restrictions are considered to be released at the time of the acquisition of the related assets.

Contributions other than cash are recorded at their estimated fair value at the time of the contribution.

Contributions to be received after one year are discounted at a discount rate which approximates current market rates. Amortization of the discount is recorded annually as additional contribution revenue.

Changes in the allowance for uncollectible contributions, which is an estimate based on management's assessment of the risk of collectability, are recorded in the statements of activities as an adjustment of contribution revenue.

Investments

Equity securities with readily determinable fair values and debt securities are valued at fair value based on quoted market prices as reported by the College's investment custodians. Adjustments to reflect increases or decreases in market value, referred to as unrealized gains and losses, are reported in the statement of activities. Limited partnership and limited liability company investments, which are not readily marketable, are stated at net asset value, which approximates fair value, and evaluated for impairment. Investments in hedge funds and commingled funds are stated at net asset value, which approximates fair value.

Lycoming College

Notes to Financial Statements

June 30, 2018 and 2017

The College reviews and evaluates the net asset values provided by the investment custodians and agrees with the valuation methods and assumptions used to determine the fair value of these investments.

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

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

The College's investments are comprised of a variety of financial instruments and are managed by investment advisors. 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.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost if purchased, or fair market value at the date of gift, if donated, less accumulated depreciation, computed on a straight-line basis over the estimated useful lives as follows:

Buildings and improvements	10 - 40 years
Equipment and vehicles	3 - 20 years

When events or circumstances indicate possible impairment may have occurred, the College evaluates long-lived assets, for possible impairment based on whether the carrying value exceeds the estimated future cash flows from use and disposition value attributable to such assets. Impairment losses are recorded for the excess of the carrying value over fair value. The College has not identified any impairment as of June 30, 2018 and 2017.

Split-Interest Agreements and Perpetual Trusts

Assets received under split-interest agreements, arrangements in which the College has a beneficial interest but is not the sole beneficiary, are recorded at fair value. Under the terms of certain of these agreements (charitable remainder trusts), the assets are held in trust for the lives of the other income beneficiaries, and upon death, the trusts are terminated and the remaining assets are transferred to the College in accordance with the donor's stated restrictions, if any. Liabilities under split-interest agreements are calculated using the present value of estimated contractual payments. These calculations require assumptions to be made as to discount rates as of the date of each gift, consideration of the life expectancies of the other beneficiaries, estimated rate of return on invested assets, and other factors.

Lycoming College

Notes to Financial Statements

June 30, 2018 and 2017

The difference between the fair value of assets received and liabilities assumed is recognized as gift revenue. During the term of these agreements, adjustments are made to recognize changes in the value of split-interest agreements resulting from changes in actuarial assumptions.

Gift revenues recognized under split-interest agreements are recorded as increases in temporarily restricted net assets unless the donor has permanently restricted the College's use of its interest or has given the College the right to use the assets without restriction. If assets become available for unrestricted use upon termination of the agreements, appropriate amounts are reclassified from temporarily restricted to unrestricted net assets.

Also, the College receives income from certain perpetual trusts. Under the terms of the trust agreements, the College has the irrevocable right to receive a portion of the income earned on trust assets in perpetuity, but never receives the assets held in the trusts. The assets are recorded at the estimated present value of the College's future cash receipts from trust assets, measured by the College's allocable share of trust income times the fair value of trust assets.

Advance from Federal Government for Student Loans

The student loans receivable primarily represents loans to students funded by advances to the College by the federal government under the Federal Perkins Loan Program. Such funds may be re-loaned by the College after collection. The Perkins loan program expired on September 30, 2017; after June 30, 2018, no new loans are permitted. Institutions are permitted to liquidate all Perkins loans or continue to service all or some of its outstanding Perkins loans. The College is continuing to service its Perkins loans and is assessing the loan portfolio to determine if certain loans will be assigned to the government, but in the event that the College no longer participates in the Program, the amounts are refundable to the federal government.

Nonoperating Activities

For the purpose of the statement of activities, the College considers its changes in unrestricted net assets to be operational changes, except for changes related to unrestricted net assets that have been designated by the Board of Trustees for endowment or plant (certain private gifts and investment income), gains and losses on investments, net income or loss from rental activities, changes in the value of split interest agreements.

Tuition and Fees

Tuition and fees are presented net of grants-in-aid, scholarships and fellowships in the accompanying statement of activities. Tuition and fees revenue are recorded at the established rates net of grants-in-aid, scholarships and fellowships provided directly by the College. The College recognizes tuition revenue in the semester that it is earned. Any payments received in advance for the subsequent year are classified as deferred revenue, which is included with other current liabilities in the statement of financial position.

Government Grants

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

Functional Expenses

Certain operating and maintenance area expenses, primarily interest and depreciation expense, are allocated based on building square footage by functional area (i.e. instruction, academic support, student services, institutional support and auxiliary expenses) as a percentage of total square footage of all buildings/area campus wide.

Cash Flows

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

Reclassifications

Certain amounts relating to 2017 have been reclassified to conform to the 2018 reporting format.

New Accounting Pronouncements

During May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updated ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. Topic 606 (as amended) is effective for the College in fiscal 2019. The amendments may be applied retrospectively to each prior period presented or retroactively with the cumulative effect recognized as of the date of initial application. The College is currently assessing the effect that Topic 606 (as amended) will have on its financial statements.

During February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. Lessor accounting under the new guidance will be similar to the current model. ASU 2016-02 is effective for the College in fiscal 2020. Early adoption is permitted. The College is currently assessing the effect that ASU 2016-02 will have on its financial statements.

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liability, financial performance and cash flows. ASU 2016-14 is effective for the College in fiscal 2019. ASU 2016-14 is to be applied retroactively with transition provisions. The College is assessing the impact this standard will have on its financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for the College in fiscal 2020. ASU 2016-18 is to be applied retroactively with transition provisions. The College is currently evaluating the effect that ASU 2016-18 will have on its financial statements.

During June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for the College in fiscal 2019. The College is currently assessing the impact that ASU 2018-08 will have on its results of operations, financial position and cash flows.

2. Contributions Receivable and Conditional Promises Received

	2018	2017
Contributions receivable, gross	\$ 7,901	\$ 4,186
Less reserve for uncollectible pledges	-	-
Unamortized discount	(591)	(248)
Contributions receivable, net	<u>\$ 7,310</u>	<u>\$ 3,938</u>
Current portion of contributions receivable	\$ 826	\$ 749
Long-term contributions receivable	6,484	3,189
Total	<u>\$ 7,310</u>	<u>\$ 3,938</u>

Contributions due in future years are as follows (in thousands):

Years ending June 30:	
Less than one year	\$ 826
One to five years	5,547
Five or more years	1,528
Total	<u>\$ 7,901</u>

Discount rates ranged from 0.72% to 2.73% for the years ended June 30, 2018 and 2017.

Contributions are generally from alumni and businesses located in the Mid-Atlantic region. Management periodically assesses collectability of these amounts and records an allowance for doubtful accounts when necessary.

3. Investments, Fair Values, Financial Instruments**Fair Value Measurement**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using a hierarchy prioritizing the inputs used in determining valuations into three levels. The level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

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

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

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

Lycoming College

Notes to Financial Statements

June 30, 2018 and 2017

The following tables present the College's financial assets and liabilities measured at fair value on a recurring basis, by level within the fair value hierarchy. Long-term investments measured using net asset value per share ("NAV") practical expedient are not required to be categorized within the fair value hierarchy. However, they are included in the total column to reconcile to long-term investments as reported on the statement of financial position.

	2018			
	Total Fair Value	Level 1	Level 2	Level 3
Reported at Fair Value				
Assets:				
Investments:				
Cash and cash equivalents	\$ 3,182	\$ 3,182	\$ -	\$ -
Marketable equity securities	8,088	8,088	-	-
Mutual funds - equities, emerging markets	6,637	6,637	-	-
Mutual funds - equities, developed foreign markets	6,197	6,197	-	-
Mutual funds - multi-asset	69,858	69,858	-	-
Other	1,359	1,359	-	-
Subtotal	95,321	95,321	-	-
Alternative investments measured at net asset value:				
Commingled funds - equities	5,883			
Commingled funds - commodities	20,144			
Limited partnerships	72,542			
Hedge funds	15,379			
Total long-term investments	209,269			
U.S. treasury obligations	626	-	626	-
Guaranteed investment contract	374	-	-	374
Deposit with trustees under debt agreements	1,000	-	626	374
Assets held in trust under split-interest agreements:				
Cash and cash equivalents	297	297	-	-
Marketable equity securities	4,551	4,551	-	-
Fixed income	1,667	1,667	-	-
Subtotal	6,515	6,515	-	-
Beneficial interest in perpetual trusts	492	-	-	492
Total	\$ 217,276	\$ 101,836	\$ 626	\$ 866

Lycoming College

Notes to Financial Statements June 30, 2018 and 2017

	2017			
	Total Fair Value	Level 1	Level 2	Level 3
Reported at Fair Value				
Assets:				
Investments:				
Cash and cash equivalents	\$ 921	\$ 921	\$ -	\$ -
Marketable equity securities	8,307	8,307	-	-
Mutual funds - equities, emerging markets	6,494	6,494	-	-
Mutual funds - equities, developed foreign markets	6,703	6,703	-	-
Mutual funds - multi-asset	69,867	69,867	-	-
Other	1,414	1,414	-	-
Subtotal	93,706	93,706	-	-
Alternative investments measured at net asset value:				
Commingled funds - equities	6,946			
Commingled funds - commodities	19,600			
Limited partnerships	68,948			
Hedge funds	14,973			
Total long-term investments	204,173			
Cash and cash equivalents	16	16	-	-
U.S. treasury obligations	621	-	621	-
Guaranteed investment contract	372	-	-	372
Deposit with trustees under debt agreements	1,009	16	621	372
Assets held in trust under split-interest agreements:				
Cash and cash equivalents	405	405	-	-
Marketable equity securities	5,173	5,173	-	-
Fixed income	1,963	1,963	-	-
Subtotal	7,541	7,541	-	-
Beneficial interest in perpetual trusts	489	-	-	489
Total	\$ 213,212	\$ 101,263	\$ 621	\$ 861

Lycoming College

Notes to Financial Statements
June 30, 2018 and 2017

The Level 3 reconciliation at June 30, 2017 and 2018 is as follows (in thousands):

	Guaranteed Investment Contract	Beneficial Interest in Perpetual Trusts
Balance at July 1, 2016	\$ 362	\$ 386
Change in beneficial interest in perpetual trusts	-	103
Change in guaranteed investment contract	10	-
Balance at June 30, 2017	372	489
Change in beneficial interest in perpetual trusts	-	3
Change in guaranteed investment contract	2	-
Balance at June 30, 2018	<u>\$ 374</u>	<u>\$ 492</u>

Valuation Methodology

Cash and cash equivalents to be received in less than one year: The carrying amounts approximate fair value because of the short term maturity of the financial instruments.

Investments: The fair values are based on values provided by external investment managers. Mutual funds and marketable equity securities in the investment portfolio are measured at fair value using quoted market prices for identical assets, which are considered Level 1 inputs. The College's assets held in trust under split-interest agreements are stated at the fair value of the underlying investments, which consist mainly of marketable equity securities. As such, these are also considered Level 1 inputs. U.S. treasury obligations are valued at fair value based upon quoted prices for similar securities. As such, these are considered Level 2 inputs.

Alternative investments: The College measures the fair value for these alternative investments based on net asset value ("NAV") as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a significantly different value. If not determined as of the College's measurement date, NAV is adjusted to reflect any significant events that would materially affect the security's value. Certain attributes that impact the security's fair value may not be reflected in NAV, including, but not limited to, the investor's ability to redeem the investment at the measurement date and unfunded purchase commitments. If the College sold all or a portion of its alternative investments, it is reasonably possible that the transaction value could differ significantly from the estimated fair value at the measurement date, because of the nature of the investments, changes in market conditions and the overall economic environment. See table below.

The College's guaranteed investment contract (GIC) and beneficial interest in perpetual trusts are recorded at the fair value of the holdings as reported by the trustees as an estimate of the cash flows to be received from the GIC and trusts. These are considered Level 3 inputs.

Lycoming College

Notes to Financial Statements

June 30, 2018 and 2017

Investment Pool	Strategy	Fair Value	Remaining Life	Amount of Unfunded Commitments	Timing to Draw Commitments	Redemption Terms
Commingled funds - equities	Long-term capital growth by investing in emerging markets	\$ 5,883	N/A	\$ -	N/A	N/A
Commingled funds - commodities	Long-term capital growth by investing in major commodity sectors	20,144	N/A	-	N/A	N/A
Limited partnerships	Capital appreciation through investments in high growth private companies	72,542	N/A	-	N/A	N/A
Hedge funds	Multi-strategy focusing on U.S. and global sectors	15,379	N/A	-	N/A	Ranges from quarterly with 45 days notice to every 2 years with 60 days notice (have ability to redeem earlier but penalties may apply)

Investment Return

Investment income and realized and unrealized gains on investments consists of the following for the years ended June 30, 2018 and 2017 (in thousands):

	2018	2017
Interest and dividends, net of fees	\$ 2,244	\$ 2,234
Net realized and unrealized gains	10,992	21,711
Annuity realized/unrealized gains	297	571
Total realized and unrealized gains on investments	11,289	22,282
Total investment return, net	\$ 13,533	\$ 24,516
Endowment return designated for operations	\$ 6,747	\$ 6,983
Endowment investment return, net of amount designated for operations	6,425	17,558
Other investment income (loss)	361	(25)
Total investment return, net	\$ 13,533	\$ 24,516

Lycoming College

Notes to Financial Statements

June 30, 2018 and 2017

Investment income and realized and unrealized gains (losses) are allocated based on the original intent of the donor at the time of the gift. Income from college-held investments and investments of donor gifts without restrictions are classified as unrestricted operating or non-operating investment income. Income from investments of donor gifts with time or purpose donor restrictions are classified as temporarily restricted and/or unrestricted non-operating investment income. Income from investment of donor gifts with permanent restrictions (where only the income from said investments may be used, never the principal of the original gift) are classified as permanently restricted and/or unrestricted non-operating investment income. Investment fees were approximately \$524,000 in 2018 and \$522,000 in 2017.

4. Land, Buildings and Equipment

Land, buildings and equipment at June 30, 2018 and 2017 are as follows (in thousands):

	2018	2017
Land, buildings and equipment are summarized as follows:		
Land	\$ 8,880	\$ 8,535
Land improvements	6,917	8,047
Buildings and building improvements	88,837	87,196
Equipment and furniture	16,486	16,252
Library books and materials	7,050	7,039
Vehicles	341	328
Construction in process	2,600	600
Total	131,111	127,997
Less accumulated depreciation	71,126	67,340
Land, buildings and equipment, net	<u>\$ 59,985</u>	<u>\$ 60,657</u>

Depreciation expense was approximately \$3,876,000 in 2018 and \$3,908,000 in 2017.

Lycoming College

Notes to Financial Statements

June 30, 2018 and 2017

5. Bonds Payable

Bonds payable at June 30, 2018 and 2017 are comprised of the following issues (in thousands):

	<u>2018</u>	<u>2017</u>
Revenue Bonds, Series of 2013 MM1, due in varying annual installments through November 2043 with principal payments beginning in November of 2023, interest rates of 4.00% to 5.50% (4.00% as of June 30, 2018)	\$ 17,790	\$ 17,790
Revenue Bonds, Series of 2013 S1, due in varying annual installments through November 2043 with principal payments beginning in November of 2036, weekly floating interest rate at a maximum of 10.0% (1.56% as of June 30, 2018)	8,350	8,350
Revenue Bonds, Series of 2013 S2, due in varying annual installments through November 2035 with principal payments beginning in November of 2031, interest rate of 1.85% through November 1, 2019, a Term mode, subject to continuation in Term mode for successive three-year periods or conversion to different rate mode at election of borrower	4,000	4,000
Revenue Bonds, Series of 2004, due in varying annual installments through November 2034, interest rates of 4.70% to 5.25% (5.25% as of June 30, 2018)	4,660	5,030
Revenue Bonds, Series of 2001, due in varying annual installments through November 2031, weekly floating interest rate at a maximum of 12.0% (1.56% as of June 30, 2018)	5,000	5,300
Revenue Bonds, Series of 1998, due in varying annual installments through December 2028, interest rates of 5.00% to 5.20% (5.0% as of June 30, 2018)	<u>2,825</u>	<u>2,825</u>
Total	42,625	43,295
Plus unamortized bond premium	143	154
Less unamortized bond discount	(242)	(252)
Less issuance costs	<u>(444)</u>	<u>(473)</u>
Subtotal	<u>42,082</u>	<u>42,724</u>
Less current portion	<u>(11,833)</u>	<u>(6,670)</u>
Long-term portion	<u>\$ 30,249</u>	<u>\$ 36,054</u>

Lycoming College

Notes to Financial Statements

June 30, 2018 and 2017

Various buildings and revenues of the College are pledged as security for all of the debt issues.

Interest expense on bonds was \$1,545,000 in 2018 and \$1,522,000 in 2017.

The Revenue Bonds Series of 2001 and 2013 S1 are variable rate revenue bonds, which contain a remarketing feature. Pursuant to the related trust indenture, the bonds are remarketed in a weekly rate mode. The maximum weekly rate is 12% and 10%, respectively, per annum based on a 365 day year. Each bond is secured by a separate irrevocable, direct pay letter of credit issued by Manufacturers and Traders Trust Company where both expire in September 2019. Any failure to remarket the bonds will not constitute an event of default under each letter of credit. If bonds are not successfully remarketed, the College is obligated, among other things, to make monthly payments of principal on such Bonds each due on the first day of the month in an amount equal to the principal of such Bonds divided by the number of months remaining until expiration of the letter of credit together with interest thereon at a rate equal to the reimbursement rate (the higher of 4% per annum or LIBOR, adjusting daily, plus 3%, per annum) so that the entire amount of such principal will be paid on or prior to the expiration of the letter of credit.

The aggregate future principal payments on bonds payable at June 30, 2018, are as follows (in thousands):

Years ending June 30:	
2019	\$ 11,833 (1)
2020	2,302 (1)
2021	420
2022	440
2023	465
Thereafter	<u>27,165</u>
Total	<u>\$ 42,625</u>

- (1) Includes approximately \$11,433,000 in fiscal year June 30, 2019 and \$1,907,000 in fiscal year 2020, as related to the College's Revenue Bonds, Series of 2001 and 2013 S1 in accordance with the letter of credit agreements. Scheduled debt service on the Revenue Bonds Series of 2001 includes \$300,000 principal due in fiscal year June 30, 2019, with the remaining \$4,700,000 balance payable thereafter. Scheduled debt service on the Bond Series of 2013 S1 includes varying payments of \$970,000 to \$1,120,000, beginning in fiscal year ending June 30, 2037, through fiscal year ending June 30, 2044.

6. Note Payable

In January 2017, the College purchased three properties for a total of \$1,050,000. The College paid the seller \$305,000 at the time of closing and signed a promissory note without interest for the remaining \$745,000. The note will be repaid over a term of nine years as follows: eight consecutive annual installments of \$55,000, each payable on the 24th day of January of each year commencing on January 24, 2018 and one final installment in the amount of \$305,000 payable on January 24, 2026.

Lycoming College

Notes to Financial Statements

June 30, 2018 and 2017

7. Other Current Liabilities

Other current liabilities at June 30, 2018 and 2017 are as follows (in thousands):

	<u>2018</u>	<u>2017</u>
Accrued vacation and sick pay	\$ 838	\$ 813
Accrued payroll and related expenses	586	868
Student deposits	453	444
Deferred revenue	447	563
Other	357	366
Accrued interest payable	206	232
Total	<u>\$ 2,887</u>	<u>\$ 3,286</u>

8. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or in future periods (in thousands):

	<u>2018</u>	<u>2017</u>
Accumulated realized and unrealized net gains on permanently restricted net assets	\$ 5,613	\$ 7,248
Net assets related to certain charitable remainder trusts	2,184	4,461
Gift annuities	788	1,127
Restricted by donors for land, building and equipment	5,203	2,093
Other	47	48
Total	<u>\$ 13,835</u>	<u>\$ 14,977</u>

Permanently restricted net assets are related to the following (in thousands):

	<u>2018</u>	<u>2017</u>
Investments to be held in perpetuity by donor stipulations or by Pennsylvania law, the income from which is generally available for services and programs (Note 9)	\$ 40,901	\$ 37,495
Gift annuities	1,004	1,660
Net assets related to certain charitable remainder trusts	1,739	1,625
Restricted pledges	2,406	223
Beneficial interest in perpetual trusts	492	489
Total	<u>\$ 46,542</u>	<u>\$ 41,492</u>

9. Endowment Funds

The College's endowment consists of approximately 371 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the College has developed a policy requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation of Pennsylvania Law, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as either temporarily restricted or unrestricted net assets based on the existence of donor restrictions or by law.

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

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

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that equal or exceed the spending rate plus inflation over a market cycle and the average return of appropriate capital market indices weighted by the asset allocation target percentages (as defined below) over rolling five year periods.

Asset Allocation Targets and Ranges**Target Asset Mix Table 1**

	Target Allocation		Allowable Range		Representative Index
Global (except U.S.) Equity	50.0	%	35-75	%	MSCI ACWI
Hedged Equity	5.0	%	0-15	%	HFRI Equity Hedge
Absolute Return Hedge Funds	15.0	%	5-20	%	HFRI FoF Conservative Bloomberg Commodity/ MSCI World Nat. Resources
Real Assets	8.0	%	0-15	%	Wilshire 5000 Total Market
Private Equity/Venture Capital	6.0	%	0-5	%	BC Aggregate Bond/ BofA ML 91-Day T-bills
Fixed Income/Cash	16.0		5-25	%	

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

The College has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the College considered the long-term expected return and growth on its endowment. The objective of the endowment is to ensure that the future growth of the fund, through new gifts and investment return, is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the fund, while providing a predictable and stable stream of earnings for current use.

Lycoming College

Notes to Financial Statements

June 30, 2018 and 2017

Changes in endowment net assets for the year ended June 30, 2018 consist of the following (in thousands):

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 156,080	\$ 7,248	\$ 37,495	\$ 200,823
Investment return, Investment income	2,046	81	466	2,593
Net appreciation (realized and unrealized)	<u>9,707</u>	<u>804</u>	<u>-</u>	<u>10,511</u>
Total investment return	11,753	885	466	13,104
Contributions	-	-	2,940	2,940
Appropriation of endowment assets for expenditure	<u>(6,747)</u>	<u>(2,520)</u>	<u>-</u>	<u>(9,267)</u>
Endowment net assets, end of year	<u>\$ 161,086</u>	<u>\$ 5,613</u>	<u>\$ 40,901</u>	<u>\$ 207,600</u>

Endowment net asset composition by type of fund as of June 30, 2018 consists of the following (in thousands):

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 5,613	\$ 40,901	\$ 46,514
Board-designed endowment funds	<u>161,086</u>	<u>-</u>	<u>-</u>	<u>161,086</u>
Total	<u>\$ 161,086</u>	<u>\$ 5,613</u>	<u>\$ 40,901</u>	<u>\$ 207,600</u>

Lycoming College

Notes to Financial Statements
June 30, 2018 and 2017

Changes in endowment net assets for the year ended June 30, 2017 consist of the following (in thousands):

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 140,370	\$ 7,908	\$ 35,105	\$ 183,383
Investment return, Investment income	2,014	58	132	2,204
Net appreciation (realized and unrealized)	<u>20,679</u>	<u>1,658</u>	<u>-</u>	<u>22,337</u>
Total investment return	22,693	1,716	132	24,541
Contributions	-	-	2,258	2,258
Appropriation of endowment assets for expenditure	<u>(6,983)</u>	<u>(2,376)</u>	<u>-</u>	<u>(9,359)</u>
Endowment net assets, end of year	<u>\$ 156,080</u>	<u>\$ 7,248</u>	<u>\$ 37,495</u>	<u>\$ 200,823</u>

Endowment net asset composition by type of fund as of June 30, 2017 consists of the following (in thousands):

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 7,248	\$ 37,495	\$ 44,743
Board-designed endowment funds	<u>156,080</u>	<u>-</u>	<u>-</u>	<u>156,080</u>
Total	<u>\$ 156,080</u>	<u>\$ 7,248</u>	<u>\$ 37,495</u>	<u>\$ 200,823</u>

10. Benefit Plans

The College has a defined contribution retirement plan for academic and non-academic personnel who have completed 1,000 hours of service. Benefits are provided by annuities issued by the Teachers Insurance and Annuity Association and by its companion organization, the College Retirement Equities Fund. Annual contributions by the College are based on either 8% or 9% of participating employees' salaries or wages, depending on the level of contribution by each participant, and 3% of non-contributing employees' salaries or wages. The College's contributions to this plan amounted to approximately \$1,164,000 in 2018 and \$1,155,000 in 2017.

The College established the Emeriti Retiree Health Plan, also a defined contribution plan, in 2006 and contributes annual premiums of \$190 for each eligible participant into a trust. The plan provides retired employees with health insurance options designed to integrate with Medicare and provides reimbursement of qualified medical expenses. College contributions, which totaled approximately \$38,000 in 2018 and \$37,000 in 2017, are made for full-time employees with a minimum age of 40 and continue for a maximum period of twenty-five years or upon retirement or termination of employment, whichever occurs first.

11. Student Financial Assistance

Certain students of the College were recipients of Pennsylvania Higher Education Assistance Act and Pell grants (Student Financial Assistance) totaling approximately \$3,522,000 in 2018 and \$3,669,000 in 2017. The grants are similar to agency funds because the College acted only as a custodian and disbursing agent for these funds.

12. Cash Concentrations

The College maintains its cash accounts in various financial institutions. Portions of the College's cash balances may exceed Federal Deposit Insurance Corporation ("FDIC") or Securities Investor Protection Corporation ("SIPC") coverage limits of up to \$250,000. Management considers these excesses to be normal business risks.

13. Commitments and Contingencies

The College entered into agreements with various venture capital investor groups. As of June 30, 2018, the College has outstanding commitments of \$879,000 under these agreements. These commitments can be funded through liquidation of investments.

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

14. U.S. Department Of Education Disclosure

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 tuitions. Substantial portions of the revenue and collection of ending accounts receivable as of June 30, 2018 and 2017 are dependent upon the College's continued participation in the Title IV programs.

Institutions participating in the Title IV programs are also required by ED to demonstrate financial responsibility. ED determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in the regulations. As of June 30, 2018, the College exceeds these financial responsibility standards.

15. Income Taxes

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

The College accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined that there were no tax uncertainties that met recognition threshold in fiscal year 2018 and 2017.

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "**Disclosure Certificate**") is executed and delivered as of May 16, 2019, by and between LYCOMING COLLEGE, a Pennsylvania nonprofit corporation (the "**Borrower**"), in connection with the issuance by the Lycoming County Authority (the "**Issuer**") of its \$6,135,000 Revenue Bonds (AICUP Financing Program – Lycoming College Project) Series 2019 RR1 (the "**Bonds**"). The Bonds are being issued pursuant to the terms of a Trust Indenture dated as of May 1, 2019 (the "**Indenture**") from the Issuer to The Bank of New York Mellon Trust Company, N.A., in its capacity as trustee for the holders of the Bonds (in such capacity, together with any successor trustee, the "**Trustee**").

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

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

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

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

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

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

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

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

"**Dissemination Agent**" shall mean the party appointed by the Borrower pursuant to the provisions of this Disclosure Certificate to perform the duties described herein to ensure compliance with the provisions of the Rule. Initially, the Borrower shall perform all duties of the Dissemination Agent hereunder and no third party has been appointed by the Borrower as Dissemination Agent. During any period in which the Borrower is performing the duties of the Dissemination Agent hereunder, all references in this Disclosure Certificate to "Dissemination Agent" shall mean the Borrower unless the context otherwise requires.

"**EMMA**" shall mean the Electronic Municipal Market Access System maintained by the MSRB.

"Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

"Issuance Date" means May 16, 2019, the date of issuance and delivery of the Bonds.

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

"Loan Agreement" shall mean the Loan Agreement, dated as of May 1, 2019, between the Borrower and the Issuer.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

"Official Statement" means the Official Statement relating to the Bonds, dated April 26, 2019.

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

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

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

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

SECTION 3. Provisions of Annual Reports.

(a) The Borrower shall deliver, or shall provide to the Dissemination Agent and shall cause the Dissemination Agent to deliver, to each Repository, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate, not later than 60 days following approval by the Board of Trustees of the Borrower of its audited financial statements related to the end of each fiscal year of the Borrower (presently ending June 30), provided that in no case shall such Annual Report be delivered to each Repository later than nine months following the last day of each fiscal year, . In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the financial statements of the Borrower may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual

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

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

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

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

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

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

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

SECTION 5. Reporting of Significant Events.

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

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of registered owners and Beneficial Owners, if material;
- (viii) bond calls (other than mandatory sinking fund redemption), if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Borrower;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of a Financial Obligation of the Borrower, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar

terms of a Financial Obligation of the Borrower, any of which affects holders of the Bonds, if material; and

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Borrower, any of which reflect financial difficulties.

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

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

SECTION 7. Dissemination Agent. In the event the Borrower appoints a third party to serve as Dissemination Agent, the provisions of Section 12 hereof and the following provisions shall apply to such Dissemination Agent:

(a) The Dissemination Agent shall not be responsible in any manner for the content of any notice or report, including, without limitation, any Annual Report, prepared by the Borrower pursuant to this Disclosure Certificate.

(b) The Borrower may, from time to time, appoint or engage a new Dissemination Agent, and may discharge any such Dissemination Agent, upon the appointment of a successor Dissemination Agent which shall be evidenced and be effective upon such successor Dissemination Agent's execution and delivery to the Issuer and the existing Dissemination Agent of a Form of Acceptance of Dissemination Agent's Duties substantially in the form attached hereto as Exhibit B.

(c) The Borrower shall be responsible for all fees and associated expenses of the Dissemination Agent.

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

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Borrower and the Dissemination Agent may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, provided that no amendment shall subject the Issuer

to any additional obligations or liabilities, and, provided further, that unless otherwise permitted by the Rule, the following conditions are satisfied:

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

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

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

In addition, in the event the Borrower appoints a third party to serve as Dissemination Agent, this Disclosure Certificate may be amended to include such provisions relating to the duties and rights of the Dissemination Agent as may be agreed to by the Borrower and the Dissemination Agent.

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

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

SECTION 11. Default. In the event of a failure of the Borrower to comply with any provision of this Disclosure Certificate, the Issuer or the Dissemination Agent may, or at the written request of the Participating Underwriter or the registered owners of at least 25% of the aggregate principal amount of outstanding Bonds and the provision of indemnification satisfactory to it, the Dissemination Agent shall, or any registered owner or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower to

comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture or the Loan Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Borrower to comply with this Disclosure Certificate shall be an action to compel performance.

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

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

To the Borrower:

Lycoming College
700 College Place
Williamsport, PA 17701
Attention: Jeffrey Bennett, CPA
Controller and CFO/Treasurer
Telecopier Number: 570-321-4216

To the Dissemination Agent:

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

To the Issuer:

Lycoming County Authority
c/o McCormick Law Firm
835 West Fourth Street
Williamsport, PA 17701
Telecopier Number: 570-601-0248

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

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

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

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Borrower has executed this Continuing Disclosure Certificate on the date first above written.

LYCOMING COLLEGE

By: _____
Title: President

This execution page is part of the Continuing Disclosure Certificate dated as of May 16, 2019 executed and delivered by Lycoming College, respecting the Lycoming County Authority Revenue Bonds (AICUP Financing Program Lycoming College Project) Series 2019 RR1.

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Lycoming County Authority

Name of Bond Issue: \$6,135,000 Revenue Bonds (AICUP Financing Program Lycoming College Project) Series 2019 RR1

CUSIP:

Date of Issuance: May 16, 2019

NOTICE IS HEREBY GIVEN that Lycoming College has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated as of May 16, 2019.

Dated: _____

cc: Lycoming College
Lycoming County Authority

EXHIBIT B

FORM OF ACCEPTANCE OF DISSEMINATION AGENT'S DUTIES

_____ hereby accepts and assumes all of the duties and obligations as Dissemination Agent under that certain Continuing Disclosure Certificate, dated as of May 16, 2019, by and between Lycoming College and The Bank of New York Mellon Trust Company, N.A., relating to the Lycoming County Authority Revenue Bonds (AICUP Financing Program Lycoming College Project) Series 2019 RR1.

[NAME OF SUCCESSOR
DISSEMINATION AGENT]

Dated: _____

By: _____
Authorized Officer

cc: Lycoming County Authority
Lycoming College

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APPENDIX D

FORM OF PROPOSED OPINION OF BOND COUNSEL

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[PROPOSED FORM OF OPINION OF BOND COUNSEL]

Re: \$6,135,000 Lycoming County Authority Revenue Bonds
(AICUP Financing Program - Lycoming College Project), Series 2019 RR1

Ladies and Gentlemen:

We have acted as Bond Counsel to the Lycoming County Authority (the “Issuer”) in connection with the issuance of \$6,135,000 aggregate principal amount of its Revenue Bonds (AICUP Financing Program - Lycoming College Project), Series 2019 RR1 (the “Bonds”). The Bonds are issued under and pursuant to the provisions of the Pennsylvania Municipality Authorities Act, PA.C.S.A. §5601 *et seq.*, as amended (the “Act”) and a Trust Indenture dated as of May 1, 2019 (the “Indenture”) between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The Bonds are being issued to provide funds to be loaned to Lycoming College (the “College”) to finance certain costs of a project (the “Project”) consisting of: (i) the current refunding of the Issuer’s College Revenue Bonds (Lycoming College Project) Series 1998 (the “1998 Bonds”); (ii) the current refunding of the Pennsylvania Higher Educational Facilities Authority Revenue Bonds (Association of Independent Colleges and Universities of Pennsylvania Financing Program – Lycoming College Project), Series 2004 CC; and (iii) the payment of certain costs of issuing the Bonds.

The Issuer and the College have entered into a Loan Agreement dated as of May 1, 2019 (the “Loan Agreement”) providing for the loan of the proceeds of the Bonds to the College to pay certain costs of the Project. Under the Loan Agreement the College is unconditionally obligated to make loan payments in the amounts and at the times necessary to pay, when due, the principal or redemption price of and interest on the Bonds. The Issuer has assigned certain of its interests under the Loan Agreement, including its right to receive payments thereunder in respect of the Bonds, to the Trustee for the benefit of the holders of the Bonds.

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

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

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

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

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

Based on the foregoing, it is our opinion that:

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

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

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

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

5. Assuming the accuracy of the certifications of the Issuer and the College and their continuing compliance with the requirements of the Code, interest on the Bonds (including original issue discount on the Bonds) is excludable from gross income for purposes of federal income taxation under existing laws as enacted and construed on the date hereof. Interest on the Bonds is exempt from

individual federal alternative minimum tax. We express no opinion regarding other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

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

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

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

Very truly yours,

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THE ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES OF PENNSYLVANIA *

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

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



**LYCOMING
COLLEGE**