

**PRELIMINARY OFFICIAL STATEMENT DATED MARCH 11, 2025**

**NEW ISSUES—BOOK-ENTRY ONLY**

**Rating: Moody's "A1"  
(See "RATING" herein)**

*In the opinion of Bond Counsel, under existing law and assuming continuing compliance by the Issuer and the Foundation with certain covenants intended to assure continuing compliance with the Internal Revenue Code of 1986, as amended (the "Code"), and all applicable regulations thereunder, interest on the 2025A Bonds and the 2025C Bonds (including any original issue discount properly allocable to the owner of a 2025A Bond or a 2025C Bond) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. For the purpose of rendering such opinion, Bond Counsel has assumed compliance by the Issuer and the Borrower with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the 2025A Bonds and the 2025C Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. Interest on the 2025B Bonds is fully taxable for federal income tax purposes. Furthermore, in the opinion of Bond Counsel, under existing law, the Offered Bonds are exempt from Pennsylvania personal property taxes and the interest on the Offered Bonds is exempt from Pennsylvania personal income tax and corporate net income tax. For a discussion of other federal tax consequences arising with respect to the Offered Bonds, see "Tax Exemption and Other Tax Matters."*

**CLARION COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY**

**Lease Revenue Refunding Bonds  
(Clarion University Foundation, Inc.)**

**\$11,325,000\*  
Series 2025A**

**\$280,000\*  
Series 2025B  
(Federally Taxable)**

**\$11,210,000\*  
Series 2025C**

**Dated: Date of Issue**

**Due: July 1, as shown inside**

The above-referenced 2025A Bonds, 2025B Bonds and 2025C Bonds (together, the "Offered Bonds") are being issued by the Clarion County Industrial Development Authority (the "Issuer") pursuant to two separate Trust Indentures each dated as of April 1, 2025 (each, an "Indenture") by and between the Issuer and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"). The proceeds of the Offered Bonds are being loaned to the Clarion University Foundation, Inc. (the "Borrower"), a Pennsylvania nonprofit corporation, pursuant to two separate Loan Agreements between the Issuer and the Borrower each dated as of April 1, 2025 (each, a "Loan Agreement").

The 2025A Bonds and the 2025B Bonds (together, the "2025AB Bonds") are being issued to provide funds to finance (i) the refunding of the Issuer's Student Housing Revenue Bonds (Clarion University Foundation, Inc. Student Housing Project at Clarion University of Pennsylvania), Series 2014A and Series 2014B (together, the "2014AB Bonds"); (ii) the funding of any necessary reserves for the 2025AB Bonds; (iii) appropriate credit enhancement or bond insurance, if needed or desired; and (iv) the payment of costs of issuing the 2025AB Bonds. The 2014AB Bonds were used to finance all or a portion of the costs of the acquisition, demolition, construction and equipping of student housing on the main campus of Pennsylvania Western University, PennWest Clarion Campus (t/k/a Clarion University of Pennsylvania) (the "University") consisting of approximately 728 beds known as "Suites on Main Housing at Clarion University" and construction, furnishing and equipping of related improvements (collectively, the "Suites on Main Housing"). The Student Housing Revenue Bonds (Clarion University Foundation, Inc. Student Housing Project at Clarion University of Pennsylvania), Series 2014C-2 Bonds which also financed the Suites on Main Housing will remain outstanding on parity with the 2025AB Bonds pursuant to the terms of an Intercreditor Agreement.

The 2025C Bonds are being issued to provide funds to finance (i) the refunding of the Issuer's Student Housing Revenue Bonds (Clarion University Foundation, Inc. Student Housing Project at Clarion University of Pennsylvania), Series 2014D (the "2014D Bonds"); (ii) the funding of any necessary reserves for the 2025C Bonds; and (iii) the payment of costs of issuing the 2025C Bonds. The 2014D Bonds were used to refinance all or a portion of the costs of the acquisition, construction, equipping and furnishing of off-campus student housing near the main campus of the University consisting of approximately 656 beds known as "Diane L. Reinhard Villages at Clarion University" and construction, furnishing and equipping of related improvements (collectively, the "Reinhard Villages Housing").

The Borrower has agreed to lease the Suites on Main Housing, the Reinhard Villages Housing and one or more other Borrower housing projects to the Pennsylvania State System of Higher Education of which the University is a part (the "State System") pursuant to an Amended and Restated Master Lease Agreement dated as of April 1, 2025 (as amended from time to time, the "University Lease"). Pursuant to the University Lease, the State System will make certain rent payments to the Borrower relating to the Suites on Main Housing and the Reinhard Villages Housing.

The Borrower is entering into one or more Assignments of Rents or amendments thereto and a joinder to the Collateral Agreement, dated as of December 1, 2019, in favor of U.S. Bank Trust Company, National Association, as collateral agent (the "Collateral Agent") as security for the Offered Bonds.

The Offered Bonds will be issued in fully registered form, registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Offered Bonds. Individual purchases of beneficial ownership interests in the Offered Bonds will be made in book-entry form only, and individual purchasers will not receive physical delivery of bond certificates. Payments of the principal of, and interest on, the Offered Bonds will be made by the Trustee, to Cede & Co., as nominee for DTC, for disbursement to DTC participants and subsequent disbursement to the beneficial owners of the Offered Bonds. The Indentures permit the issuance of additional bonds on a parity with the Offered Bonds. See "THE OFFERED BONDS—Additional Bonds" herein.

The Offered Bonds are issuable as fully registered bonds without coupons in denominations of \$5,000 and any integral multiple thereof. The Offered Bonds will bear interest from their date of issue, payable semiannually on each January 1 and July 1, commencing July 1, 2025.

**The Offered Bonds are limited obligations of the Issuer, payable only from the respective Trust Estates described herein.**

**THE OFFERED BONDS AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE AN INDEBTEDNESS, LIABILITY OR OBLIGATION, LEGAL, MORAL OR OTHERWISE, OF THE ISSUER, THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE UNIVERSITY AND THE STATE SYSTEM (EXCEPT TO THE EXTENT OF ITS OBLIGATIONS UNDER THE UNIVERSITY LEASE), OR A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER, THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE UNIVERSITY AND THE STATE SYSTEM (EXCEPT TO THE EXTENT OF ITS OBLIGATIONS UNDER THE UNIVERSITY LEASE), WITHIN THE MEANING OF ANY CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY, NOR SHALL THERE BE A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER, IF ANY, OF THE ISSUER, THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE UNIVERSITY AND THE STATE SYSTEM (EXCEPT TO THE EXTENT OF ITS OBLIGATIONS UNDER THE UNIVERSITY LEASE), BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PLEDGED TO SUCH PAYMENT UNDER THE RESPECTIVE INDENTURE. NEITHER THE ISSUER, THE COMMONWEALTH NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE UNIVERSITY AND THE STATE SYSTEM (EXCEPT TO THE EXTENT OF ITS OBLIGATIONS UNDER THE UNIVERSITY LEASE), SHALL BE OBLIGATED TO PAY THE OFFERED BONDS OR THE INTEREST THEREON EXCEPT FROM SUCH SOURCES.**

The Offered Bonds are subject to prior mandatory, optional, and extraordinary redemption as described herein. See "THE OFFERED BONDS" herein.

**SEE "CERTAIN BONDHOLDERS' RISKS" HEREIN FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE OFFERED BONDS. EACH PROSPECTIVE INVESTOR SHOULD CONSIDER THE RISKS INVOLVED TO DETERMINE THE SUITABILITY OF INVESTING IN THE OFFERED BONDS.**

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

*The Offered Bonds are offered when, as, and if issued by the Issuer and received by the Underwriter and are subject to prior sale and the approval of legality by Stevens & Lee, P.C., King of Prussia, Pennsylvania, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Borrower by Kooman Heeter & Gulnac, PC, Clarion, Pennsylvania, for the State System by Ahmad Zaffarese LLC, Philadelphia, Pennsylvania, and for the Underwriter by Kutak Rock LLP, Omaha, Nebraska. Delivery of the Offered Bonds through the facilities of DTC in New York, New York is expected on or about April 10, 2025\*.*



Dated: March , 2025

\* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**MATURITY SCHEDULE\***

**2025A BONDS**

\$ \_\_\_\_\_ **Serial Bonds**

<b>Maturity (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP<sup>(1)</sup></b>
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**Term Bonds**

\$ \_\_\_\_\_ — \_\_\_\_\_ % Term Bonds maturing July 1, 20\_\_\_\_, Yield— \_\_\_\_\_ %, Price— \_\_\_\_\_ %, CUSIP<sup>(1)</sup>: \_\_\_\_\_

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\* Preliminary; subject to change.

(1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau of CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP data herein is provided for convenience of reference only. None of the Issuer, the Borrower, the Underwriter or their respective agents take any responsibility for the accuracy of such data now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Offered Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Offered Bonds.

**2025B BONDS**

\$ \_\_\_\_\_ Serial Bonds

<b>Maturity (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP<sup>(1)</sup></b>
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**Term Bonds**

\$ \_\_\_\_\_ — \_\_\_\_\_ % Term Bonds maturing July 1, 20\_\_ , Yield— \_\_\_\_\_ %, Price— \_\_\_\_\_ %, CUSIP<sup>(1)</sup>: \_\_\_\_\_

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**2025C BONDS**

\$ \_\_\_\_\_ Serial Bonds

<b>Maturity (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP<sup>(1)</sup></b>
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**Term Bonds**

\$ \_\_\_\_\_ — \_\_\_\_\_ % Term Bonds maturing July 1, 20\_\_ , Yield— \_\_\_\_\_ %, Price— \_\_\_\_\_ %, CUSIP<sup>(1)</sup>: \_\_\_\_\_

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**ISSUER**

Clarion County Industrial Development Authority  
Clarion, Pennsylvania

**TRUSTEE**

U.S. Bank Trust Company, National Association  
Pittsburgh, Pennsylvania

**BOND COUNSEL**

Stevens & Lee, P.C.  
King of Prussia, Pennsylvania

**UNDERWRITER**

Raymond James & Associates, Inc.  
Memphis, Tennessee

## NOTICE TO INVESTORS

No dealer, broker, salesman, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer, the Borrower, or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Offered Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Issuer, the Borrower or the Underwriter to give any information or to make any representation, other than those contained in this Official Statement, and if given or made, such other information or representation 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, nor shall there be any sale of the Offered Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Information with respect to the Borrower, the University Lease and the University has been furnished by the Borrower and the University, respectively, and neither the Issuer nor the Underwriter make any representation or warranty as to the accuracy or completeness of such information. Information with respect to the Issuer under the captions “THE ISSUER” and “LITIGATION” (insofar as such information pertains to the Issuer) has been furnished by the Issuer, and neither the Borrower nor the Underwriter make any representation or warranty as to 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 any of the information set forth herein since the date hereof.

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

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

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”).

THE OFFERED 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 OFFERED BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE OFFERED 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 OFFERED BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT.

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

### **CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS**

This Official Statement contains statements which should be considered “forward-looking statements,” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended, meaning they refer to possible future events or conditions. Such statements are generally identifiable by the words such as “anticipate,” “believe,” “budget,” “estimate,” “expect,” “intend,” “plan,” “forecast,” or similar words.

If and when included in this Official Statement or in documents incorporated herein by reference, the words “projections,” “expects,” “intends,” “anticipates,” and “estimates” and analogous expressions are intended to identify “forward-looking statements,” as defined in the Private Securities Litigation Reform Act of 1995. Any such statements, which may include statements contained under the headings “CERTAIN BONDHOLDERS’ RISKS,” “APPENDIX B—CERTAIN INFORMATION CONCERNING PENNSYLVANIA STATE SYSTEM OF HIGHER EDUCATION” and “APPENDIX C—STATE SYSTEM AUDITED FINANCIAL STATEMENTS” inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Such risks and uncertainties include, among others, general economic and business conditions; competition; changes in political, social, and economic conditions; regulatory initiatives and compliance with governmental regulations; discovery of previously unknown conditions; and various other events, conditions, and circumstances. These forward-looking statements speak only as of the date of this Official Statement. The Issuer, the Underwriter, and the Borrower expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this Official Statement to reflect any change in their expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE BORROWER DOES NOT EXPECT OR INTEND TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

On or prior to the delivery of the Offered Bonds, the Borrower and the State System will each enter into an undertaking for the benefit of the owners of the Offered Bonds to send or cause to be sent certain financial information and operating data to certain information repositories annually and to provide notice to the Municipal Securities Rulemaking Board or to certain information repositories of certain events, pursuant to the requirements of Section (b)(5)(i) of the Rule.

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## OFFICIAL STATEMENT

### CLARION COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

Lease Revenue Refunding Bonds  
(Clarion University Foundation, Inc.)

\$11,325,000\*  
Series 2025A

\$280,000\*  
Series 2025B  
(Federally Taxable)

\$11,210,000\*  
Series 2025C

## INTRODUCTORY STATEMENT

This Official Statement, including the cover page and the Appendices hereto, is provided to furnish certain information in connection with the sale by the Clarion County Industrial Development Authority (the “Issuer”) of its (i) Lease Revenue Refunding Bonds, Series 2025A (Clarion University Foundation, Inc.) (the “2025A Bonds”), (ii) its Lease Revenue Refunding Bonds, Series 2025B (Clarion University Foundation, Inc.) (Federally Taxable) (the “2025B Bonds”), and (iii) its Lease Revenue Refunding Bonds, Series 2025C (Clarion University Foundation, Inc.) (the “2025C Bonds”). The 2025A Bonds, the 2025B Bonds and the 2025C Bonds are collectively referred to herein as the “Offered Bonds.”

### 2025AB Bonds

The 2025A Bonds and the 2025B Bonds (the “2025AB Bonds”) will be issued pursuant to a Trust Indenture (the “2025AB Indenture”) dated as of April 1, 2025, between the Issuer and U.S. Bank Trust Company, National Association, as trustee (the “2025AB Trustee”), for the purpose of providing funds to Clarion University Foundation, Inc., a Pennsylvania nonprofit corporation (the “Borrower”) to finance the costs of (i) the refunding of all of the Issuer’s Student Housing Revenue Bonds, Series 2014A (Clarion University Foundation, Inc. Student Housing Project At Clarion University of Pennsylvania) (the “2014A Bonds”); (ii) the refunding of all of the Issuer’s Student Housing Revenue Bonds, Series 2014B (Clarion University Foundation, Inc. Student Housing Project At Clarion University of Pennsylvania) (Federally Taxable) (the “2014B Bonds”); (iii) the funding of any necessary reserves for the 2025AB Bonds; (iv) appropriate credit enhancement or bond insurance, if needed or desired; and (v) the payment of costs of issuing the 2025AB Bonds (collectively, the “2025AB Project”).

The 2014A Bonds and the 2014B Bonds were issued together with the Issuer’s Student Housing Revenue Bonds, Series 2014C-2 (Clarion University Foundation, Inc. Student Housing Project at Clarion University of Pennsylvania) (the “2014C-2 Bonds” and, together with the 2014A Bonds and 2014B Bonds, the “2014 Bonds”) pursuant to the terms of a Trust Indenture dated as of April 1, 2014 (the “Original 2014A/B/C Indenture”) by and between the Issuer and the U.S. Bank Trust Company, National Association (as successor to U.S. Bank National Association) (the “2014 Trustee”), as amended by a First Supplemental Trust Indenture dated as of April 1, 2016 (the “First Supplemental 2014A/B/C Indenture” and, together with the Original 2014A/B/C Indenture, the “2014A/B/C Indenture”).

The proceeds of the 2014 Bonds were used to finance a project consisting of the financing of all or a portion of the costs of the acquisition, demolition, construction and equipping of student housing on the main campus of Pennsylvania Western University, PennWest Clarion Campus (f/k/a Clarion University of Pennsylvania) (the “University”) consisting of approximately 728 beds known as “Suites on Main Housing at Clarion University” and construction, furnishing and equipping of related improvements (collectively, the “Suites on Main Housing”). The site on which the Suites on Main Housing is constructed is located on the campus of the University and is leased to the Borrower under a Ground Lease Agreement dated as of

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\*Preliminary; subject to change.

April 1, 2014 between the Borrower and the University (as amended from time to time, the “Suites on Main Ground Lease”).

Following the refunding of the 2014A Bonds and the 2014B Bonds, the 2014C-2 Bonds will remain outstanding under the 2014A/B/C Indenture on parity with the 2025AB Bonds pursuant to the terms of an Intercreditor Agreement (the “Intercreditor Agreement”) dated as of April 1, 2025 by and among the Issuer, the Borrower, the Trustee (as defined below) and the 2014 Trustee. Pursuant to the Intercreditor Agreement, the Trustee, the 2014 Trustee and any holder of additional secured debt who becomes a participating party will agree to distribute certain revenues received, including University Lease Payments received from the Borrower upon or after the occurrence of an event of default, according to a pro rata formula. See “SECURITY AND SOURCES OF PAYMENT FOR THE OFFERED BONDS—2014C-2 Bonds and the Intercreditor Agreement.”

The Issuer will lend the proceeds of the 2025AB Bonds to the Borrower pursuant to a Loan Agreement (the “2025AB Loan Agreement”) dated as of April 1, 2025 between the Issuer and the Borrower. The Borrower will be obligated pursuant to the Loan Agreement to pay to the Issuer such payments at such times and in such amounts so as to provide for payment of the principal of, premium, if any, and interest on the 2025AB Bonds outstanding under the 2025AB Indenture. The Issuer shall have no responsibility for the operation, maintenance, condition or insuring of the Suites on Main Housing.

The 2025AB Bonds will be additionally secured, along with the 2014C-2 Bonds by an Open-End Leasehold Mortgage, Security Agreement and Fixture Filing dated as of April 1, 2014, as amended, from the Borrower to the 2014 Trustee and the 2025AB Trustee (the “Suites on Main Mortgage”).

## **2025C Bonds**

The 2025C Bonds will be issued pursuant to a Trust Indenture (the “2025C Indenture”) dated as of April 1, 2025, between the Issuer and U.S. Bank Trust Company, National Association, as trustee (the “2025C Trustee” and together with the 2025AB Trustee, the “Trustee”), for the purpose of providing funds to the Borrower to finance the costs of (i) the refunding of all of the Issuer’s Student Housing Revenue Bonds, Series 2014D (Clarion University Foundation, Inc. Student Housing Project at Clarion University of Pennsylvania) (the “2014D Bonds”); (ii) the funding of any necessary reserves for the 2025C Bonds; (iii) appropriate credit enhancement or bond insurance, if needed or desired; and (iv) the payment of costs of issuing the 2025C Bonds (collectively, the “2025C Project”).

The proceeds of the 2014D Bonds were used to refinance all or a portion of the costs of the acquisition, construction, equipping and furnishing of off-campus student housing near the main campus of the University consisting of approximately 656 beds known as “Diane L. Reinhard Villages at Clarion University” and construction, furnishing and equipping of related improvements (collectively, the “Reinhard Villages Housing”).

The Issuer will lend the proceeds of the 2025C Bonds to the Borrower pursuant to a Loan Agreement (the “2025C Loan Agreement”) dated as of April 1, 2025 between the Issuer and the Borrower. The Borrower will be obligated pursuant to the Loan Agreement to pay to the Issuer such payments at such times and in such amounts so as to provide for payment of the principal of, premium, if any, and interest on the 2025C Bonds outstanding under the 2025C Indenture. The Issuer shall have no responsibility for the operation, maintenance, condition or insuring of the Reinhard Villages Housing.

## University Lease

The Borrower has agreed to lease each of the Suites on Main Housing and the Reinhard Villages Housing (each are referred to herein as “Project Facilities”) and one or more other bond-financed housing projects associated with the University (the “Other Housing”) to the Pennsylvania State System of Higher Education (the “State System”), of which the University is a part, pursuant to an Amended and Restated Master Lease Agreement dated as of April 1, 2025 (as amended from time to time, the “University Lease”) in order to provide the University with flexibility to direct students to what it believes is the appropriate housing facility and to charge what it believes is the appropriate fee. See Appendix A for a copy of the University Lease. Pursuant to the University Lease, the State System will make certain rent payments to the Borrower relating to each of the Project Facilities (the “University Lease Payments”). See Appendix B for certain information concerning the State System.

The Borrower is entering into (i) one or more Assignment of Rents or amendments thereto (with respect to the 2025AB Bonds and with respect to the 2025C Bonds), each dated as of April 1, 2025 (each, an “Assignment of Rents”) pursuant to which the Borrower will assign its rights to receive the University Lease Payments and the right to enforce payment of the same under the University Lease to the Collateral Agent (hereinafter defined), and (ii) a joinder to the Collateral Agreement with respect to the 2025AB Bonds and the 2025C Bonds, dated as of December 1, 2019 (as supplemented or amended from time to time, the “Collateral Agreement”) with the Trustee, the trustees of the bonds with respect to the Other Housing and U.S. Bank Trust Company, National Association, as collateral agent (the “Collateral Agent”). See “SECURITY AND SOURCES OF PAYMENT FOR THE OFFERED BONDS—University Lease, Assignments of Rents and Collateral Agreement” and “THE UNIVERSITY LEASE, THE ASSIGNMENTS OF RENTS AND THE COLLATERAL AGREEMENT” herein.

The 2025AB Bonds are secured by the Trust Estate created by the 2025AB Indenture, which includes the Issuer’s rights under the 2025AB Loan Agreement (except for Unassigned Rights, as hereinafter defined), the rights under the Assignment of Rents and Collateral Agreement (as such interests relate to the Suites on Main Housing) and certain funds and accounts held under the 2025AB Indenture. The 2025C Bonds are secured by the Trust Estate created by the 2025C Indenture which includes, the Issuer’s rights under the 2025C Loan Agreement (except for Unassigned Rights, as hereinafter defined), the rights under the Assignment of Rents and Collateral Agreement (as such interests relate to the Reinhard Villages Housing) and certain funds and accounts held under the 2025C Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE OFFERED BONDS” herein.

The 2025AB Indenture permits the issuance of additional bonds on a parity with the 2025AB Bonds and the 2014C-2 Bonds if certain conditions are met. The 2025C Indenture permits the issuance of additional bonds on a parity with the 2025C Bonds if certain conditions are met. See “THE OFFERED BONDS—Additional Bonds” herein.

The Borrower will enter into a Continuing Disclosure Agreement dated as of April 1, 2025 (the “Borrower Continuing Disclosure Agreement”) with U.S. Bank Trust Company, National Association, as dissemination agent for the benefit of the owners of the Offered Bonds. The State System also will also enter into a Continuing Disclosure Agreement dated as of April 1, 2025 (the “State System Continuing Disclosure Agreement”) with U.S. Bank Trust Company, National Association, as dissemination agent for the benefit of the owners of the Offered Bonds. See “CONTINUING DISCLOSURE” herein.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Borrower, the Project Facilities, the State System, the University, the Offered Bonds, the 2025AB Indenture, the 2025C Indenture, the 2025AB Loan Agreement, the 2025C Loan Agreement, the University Lease, the Assignment of Rents, the Collateral Agreement, the Intercreditor Agreement, the

Borrower Continuing Disclosure Agreement and the State System Continuing Disclosure Agreement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the 2025AB Indenture, the 2025C Indenture, the 2025AB Loan Agreement, the 2025C Loan Agreement, the Collateral Agreement, the University Lease, the Assignment of Rents, the Intercreditor Agreement, the Suites on Main Mortgage, the Borrower Continuing Disclosure Agreement and the State System Continuing Disclosure Agreement (collectively, the “Bond Documents”) are qualified in their entirety by reference to such documents, and references herein to the Offered Bonds are qualified in their entirety to the forms thereof included in each Indenture.

THE OFFERED BONDS AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE AN INDEBTEDNESS, LIABILITY OR OBLIGATION, LEGAL, MORAL OR OTHERWISE, OF THE ISSUER, THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE UNIVERSITY AND THE STATE SYSTEM (EXCEPT TO THE EXTENT OF ITS OBLIGATIONS UNDER THE UNIVERSITY LEASE), OR A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER, THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE UNIVERSITY AND THE STATE SYSTEM (EXCEPT TO THE EXTENT OF ITS OBLIGATIONS UNDER THE UNIVERSITY LEASE), WITHIN THE MEANING OF ANY CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY, NOR SHALL THERE BE A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER, IF ANY, OF THE ISSUER, THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE UNIVERSITY AND THE STATE SYSTEM (EXCEPT TO THE EXTENT OF ITS OBLIGATIONS UNDER THE UNIVERSITY LEASE), BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PLEDGED TO SUCH PAYMENT UNDER THE RESPECTIVE INDENTURE. NEITHER THE ISSUER, THE COMMONWEALTH NOR ANY OTHER POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE UNIVERSITY AND THE STATE SYSTEM (EXCEPT TO THE EXTENT OF ITS OBLIGATIONS UNDER THE UNIVERSITY LEASE), SHALL BE OBLIGATED TO PAY THE OFFERED BONDS OR THE INTEREST THEREON EXCEPT FROM SUCH SOURCES, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER, IF ANY, OF THE ISSUER, THE COMMONWEALTH, OR ANY OTHER POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE UNIVERSITY AND THE STATE SYSTEM (EXCEPT TO THE EXTENT OF ITS OBLIGATIONS UNDER THE UNIVERSITY LEASE), IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE OFFERED BONDS. THE ISSUER HAS NO TAXING POWER.

**SEE “CERTAIN BONDHOLDERS’ RISKS” HEREIN FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE OFFERED BONDS. EACH PROSPECTIVE INVESTOR SHOULD CONSIDER THE RISKS INVOLVED TO DETERMINE THE SUITABILITY OF INVESTING IN THE OFFERED BONDS.**

A copy of the University Lease is attached hereto as Appendix A. Certain information concerning the State System is attached hereto as Appendix B. The audited financial statements of the State System for the fiscal year ended June 30, 2024 are attached hereto as Appendix C. Summaries of certain documents and definitions of certain terms relating to the Offered Bonds are attached hereto as Appendix D-1 and Appendix D-2. The proposed forms of opinion of Bond Counsel are attached hereto as Appendix E. The Debt Service Schedule for the Offered Bonds is attached hereto as Appendix F. The proposed form of Borrower Continuing Disclosure Agreement is attached hereto as Appendix G. The proposed form of State System Continuing Disclosure Agreement is attached hereto as Appendix H.

## ESTIMATED SOURCES AND USES OF FUNDS\*

The schedule below contains the estimated sources and uses of funds resulting from the sale of the Bonds (exclusive of accrued interest and investment earnings):

	<b>2025A Bonds</b>	<b>2025B Bonds</b>	<b>2025C Bonds</b>	<b>Total</b>
<b>Sources of Funds:</b>				
Par Amount of Bonds	\$11,325,000.00	\$280,000.00	\$11,210,000.00	\$22,815,000.00
[Net] Original Issue Discount/Premium	992,268.00	-	985,445.50	1,977,713.50
Transfers from refunded bonds	<u>1,066,720.17</u>	<u>258,762.25</u>	<u>2,065,867.14</u>	<u>3,391,349.56</u>
<b>Total Sources of Funds</b>	<u>\$13,383,988.17</u>	<u>\$538,762.25</u>	<u>\$14,261,312.64</u>	<u>\$28,184,063.06</u>
<b>Uses of Funds:</b>				
Current refundings	\$13,136,214.58	\$396,987.50	\$14,017,395.83	\$27,550,597.91
Costs of Issuance <sup>(1)</sup>	<u>247,773.59</u>	<u>141,774.75</u>	<u>243,916.81</u>	<u>633,465.15</u>
<b>Total Uses of Funds</b>	<u>\$13,383,988.17</u>	<u>\$538,762.25</u>	<u>\$14,261,312.64</u>	<u>\$28,184,063.06</u>

<sup>(1)</sup> Includes Underwriter's Discount.

## THE OFFERED BONDS

### General Description

The Offered Bonds will bear interest at the rates shown on the inside of the cover pages of this Official Statement payable on July 1, 2025, and semiannually thereafter on January 1 and July 1 (the "Interest Payment Dates") until paid, in an amount equal to the interest accrued from the most recent Interest Payment Date to which interest has been duly paid or provided for next preceding the date of authentication of each Offered Bond, unless such Offered Bond is authenticated as of an Interest Payment Date on which interest has been paid or provided for, in which case it will bear interest from said Interest Payment Date or, unless such Bond is authenticated after a Record Date and before the next succeeding Interest Payment Date, in which case such Bond shall bear interest from such succeeding Interest Payment Date.

Interest on the Offered Bonds will be computed on the basis of a 360-day year comprising twelve 30-day months. The Offered Bonds will be issued as fully registered bonds without coupons in the denominations of \$5,000 and any integral multiple thereof ("Authorized Denominations").

### Payment of the Offered Bonds

The principal of, premium, if any, and interest on the Offered Bonds shall be payable in any currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts, and such principal and premium, if any, shall be payable at the Principal Office of the Trustee upon presentation and surrender thereof.

\* Preliminary; subject to change.

Payment of the interest on any Offered Bond shall be made to the person appearing on the Bond Register as the registered owner thereof as of the Record Date and shall be paid:

(i) by check of the Trustee mailed to such Bondholder on the Interest Payment Date at such Bondholder's address as it appears on the Bond Register or at such other address as is furnished to the Trustee in writing by such owner;

(ii) in the case of an interest payment to any owner of \$1,000,000 or more in aggregate principal amount of Offered Bonds as of the close of business of the Trustee on the Record Date for a particular Interest Payment Date, by wire transfer to such Bondholder as of the close of business on such Interest Payment Date upon written notice from such Bondholder containing the wire transfer address (which shall be in the continental United States) to which such Bondholder wishes to have such wire directed, which written notice is received not less than one (1) Business Day prior to such Record Date; or

(iii) in such other fashion as is agreed upon between the Bondholder and the Trustee.

When the date of maturity of interest on or principal of any Offered Bond or the date fixed for redemption of any Offered Bond is not a Business Day, then payment of such principal, premium, if any, or interest need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no additional interest shall be payable on such succeeding Business Day as a result of such deferral of payment.

#### **Book-entry-only System for Offered Bonds**

Each Indenture directs the Issuer, the Trustee, the Borrower and certain other persons to deem and treat the person in whose name any Bond is registered in accordance with such Indenture on the registration books maintained pursuant to such Indenture as the Owner thereof for all purposes. Notwithstanding the above, so long as the Offered Bonds are held under a book-entry system, transfers and exchanges of beneficial ownership of the Offered Bonds will be affected on the books of The Depository Trust Company ("DTC"), New York, New York or its successor as securities depository for the Offered Bonds, pursuant to its rules and procedures.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. 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](http://www.dtcc.com).

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Offered 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 Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Offered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Offered 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 Issuer or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, the Borrower or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The Issuer may decide 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.

So long as Cede & Co., or any successor thereto, is the registered owner of the Offered Bonds, as DTC's partnership nominee, references herein to the Bondholders or Owners or registered owners of the Offered Bonds shall mean DTC and shall not mean the Beneficial Owners of the Offered Bonds. During such period, the Trustee and the Issuer will recognize DTC or its partnership nominee as the owner of all of the Offered Bonds for all purposes, including the payment of the principal of, premium, if any, and interest on the Offered Bonds, as well as the giving of notices and voting.

THE ISSUER, THE BORROWER AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANT OR ANY BENEFICIAL OWNER OF THE OFFERED BONDS WITH RESPECT TO: (1) THE OFFERED BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (3) THE PAYMENT OF ANY AMOUNT DUE TO ANY PARTICIPANT OR BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE OFFERED BONDS; (4) THE DELIVERY BY DTC TO ANY DIRECT PARTICIPANT, OR BY ANY PARTICIPANT TO ANY BENEFICIAL OWNER OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE OFFERED BONDS TO BE GIVEN TO BOND OWNERS; (5) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE OFFERED BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

#### **Limited Obligations of the Issuer**

THE OFFERED BONDS AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE AN INDEBTEDNESS, LIABILITY OR OBLIGATION, LEGAL, MORAL OR OTHERWISE, OF THE ISSUER, THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE UNIVERSITY AND THE STATE SYSTEM (EXCEPT TO THE EXTENT OF ITS OBLIGATIONS UNDER THE UNIVERSITY LEASE), OR A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER, THE COMMONWEALTH OR ANY OTHER POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE UNIVERSITY AND THE STATE SYSTEM (EXCEPT TO THE EXTENT OF ITS OBLIGATIONS UNDER THE UNIVERSITY LEASE), WITHIN THE MEANING OF ANY CONSTITUTIONAL



PROVISION OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY, NOR SHALL THERE BE A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER, IF ANY, OF THE ISSUER, THE COMMONWEALTH OR ANY OTHER POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE UNIVERSITY AND THE STATE SYSTEM (EXCEPT TO THE EXTENT OF ITS OBLIGATIONS UNDER THE UNIVERSITY LEASE), BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PLEDGED TO SUCH PAYMENT UNDER THE RESPECTIVE INDENTURE. NEITHER THE ISSUER, THE COMMONWEALTH NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE UNIVERSITY AND THE STATE SYSTEM (EXCEPT TO THE EXTENT OF ITS OBLIGATIONS UNDER THE UNIVERSITY LEASE), SHALL BE OBLIGATED TO PAY THE OFFERED BONDS OR THE INTEREST THEREON EXCEPT FROM SUCH SOURCES, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER, IF ANY, OF THE ISSUER, THE COMMONWEALTH OR ANY OTHER POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE UNIVERSITY AND THE STATE SYSTEM (EXCEPT TO THE EXTENT OF ITS OBLIGATIONS UNDER THE UNIVERSITY LEASE), IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE OFFERED BONDS. THE ISSUER HAS NO TAXING POWER.

### **Additional Bonds**

Each Indenture provides for the issuance of Additional Bonds on a parity with the 2025AB Bonds or the 2025C Bonds, respectively. Additional Bonds may be issued to provide funds to pay any one or more of the following: (1) the costs of projects (including a refunding of any outstanding Bonds) for which Additional Bonds may be issued under the respective Loan Agreement; and (2) in each such case, the costs of issuance of the Additional Bonds and capitalized or funded interest for such period and such other costs reasonably related to the financing as shall be agreed upon by the Borrower and the Issuer. In connection with the issuance of Additional Bonds, a project fund shall be established under the respective Indenture, if appropriate, an amendment to the University Lease shall be executed obligating the State System to make payments thereunder sufficient to pay debt service on the Additional Bonds and amendments to each of the respective Assignment of Rents and Collateral Agreement shall be executed, if appropriate, to contemplate such issuance of Additional Bonds.

### **Redemption**

***Optional Redemption.*** The Offered Bonds maturing on and after July 1, 20\_\_\* shall be subject to redemption prior to maturity, at the option of the Issuer upon the written request of the Borrower, on or after July 1, 20\_\_\*, in whole or in part at any time at a redemption price of par plus interest accrued thereon from the most recent Interest Payment Date to the date fixed for redemption.

***Extraordinary Redemption.*** The Issuer shall, upon the written request of the Borrower, redeem the Offered Bonds of a series in whole, at any time, or in part on any Interest Payment Date, but only from Net Proceeds deposited to the Bond Fund in such amount as is determined pursuant to the respective Indenture as a result of damage to, destruction or condemnation of or taking under the power of eminent domain of all or a substantial portion of the respective Project Facilities, at a redemption price equal to 100% of the principal amount thereof together with interest, if any, accrued on such Offered Bonds from the most recent Interest Payment Date to the date fixed for redemption.

***Mandatory Sinking Fund Redemption.*** The 2025A Bonds are subject to mandatory sinking fund redemption prior to maturity in part at a price of 100% of the principal amount thereof plus interest accrued

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\* Preliminary; subject to change.

thereon to the redemption date, in the following principal amounts (which include the principal amount that will be outstanding on the date of maturity) and on the dates set forth below:

**2025A Bonds**

<b>July 1 of the Year</b>	<b>Principal Amount</b>
20__	\$_____
20__	_____
20__ <sup>†</sup>	_____
†Final Maturity.	

The 2025B Bonds shall be subject to mandatory sinking fund redemption prior to maturity, in part, at a redemption price of 100% of the principal amount thereof plus interest accrued thereon to the redemption date, in the following principal amounts (which include the principal amount that will be outstanding on the date of maturity) and on the dates set forth below:

**2025B Bonds**

<b>July 1 of the Year</b>	<b>Principal Amount</b>
20__	\$_____
20__	_____
20__ <sup>†</sup>	_____
†Final Maturity.	

The 2025C Bonds are subject to mandatory sinking fund redemption prior to maturity in part at a price of 100% of the principal amount thereof plus interest accrued thereon to the redemption date, in the following principal amounts (which include the principal amount that will be outstanding on the date of maturity) and on the dates set forth below:

**2025C Bonds**

<b>July 1 of the Year</b>	<b>Principal Amount</b>
20__	\$_____
20__	_____
20__ <sup>†</sup>	_____
†Final Maturity.	

The principal amount of Offered Bonds of any series so to be redeemed in any year shall be reduced, upon written request of the Borrower, by an amount equal to the principal amount of the Offered Bonds of the same maturity as those subject to mandatory redemption (a) surrendered uncancelled and in transferable form by the Borrower to the Trustee not less than 30 days prior to such redemption date, (b) redeemed (not less than 30 days prior to such redemption date) in or prior to such year pursuant to the optional or

extraordinary redemption provisions of the respective Indenture or (c) purchased by the Trustee out of moneys in the Bond Fund in accordance with the respective Indenture, if in each case such Offered Bonds shall not have previously served as the basis for any such reduction.

***Partial Redemption.*** No redemption of less than all of the Offered Bonds of a series at the time outstanding shall be made unless the aggregate principal amount of Offered Bonds to be redeemed is equal to at least \$5,000 or any integral multiple of \$5,000.

In the event of a redemption of less than all of the Offered Bonds or less than all of the Offered Bonds of any series or maturity, the selection of Offered Bonds to be redeemed shall, except as otherwise specified above, be made from the series and in the order of maturity designated by the Borrower, and within any maturity by lot, as selected by the Trustee. The method of selecting Offered Bonds for redemption by lot shall be determined by the Trustee.

In lieu of redeeming Offered Bonds, the Trustee may, at the written request of the Borrower, use such funds otherwise available under the Indenture for redemption of Offered Bonds to purchase Offered Bonds in the open market at a price not exceeding the redemption price then applicable under the respective Indenture, such Offered Bonds to be delivered to the Trustee for the purpose of cancellation.

***Notice of Redemption; Cessation of Interest.*** So long as the Offered Bonds are registered in the name of DTC or its nominee, the Trustee shall cause notice of any redemption of Bonds under the respective Indenture to be made in accordance with the Letter of Representation. If at any time the book-entry-only system shall be discontinued with respect to the Offered Bonds or if any Offered Bonds are not registered in the name of DTC, its nominee or similar depository or nominee, the Trustee shall cause any notice of redemption to be mailed by first class mail, postage prepaid, to the Owners of all Offered Bonds to be redeemed at the registered addresses appearing in the Bond Register. Each such notice shall be given in the name of the Issuer and shall (i) be mailed or delivered at least 30 days and not more than 60 days prior to the date fixed for redemption, (ii) identify the Offered Bonds to be redeemed (specifying the CUSIP numbers, if any, assigned to the Bonds), (iii) specify the redemption date and the redemption price, (iv) in the case of the optional and extraordinary redemption of Offered Bonds other than those that are to be redeemed from proceeds of a refunding bond issue, that sufficient funds have been deposited with the Trustee to pay the applicable redemption price of the Offered Bonds to be redeemed (subject to the following paragraph), and (v) state that on the redemption date the Offered Bonds called for redemption will be payable at the Designated Office of the Trustee, that from that date interest will cease to accrue, and that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Offered Bonds. No defect affecting any Offered Bond, whether in the notice of redemption or mailing thereof (including any failure to mail such notice), shall affect the validity of the redemption proceedings for any other Offered Bonds.

If at the time of mailing of any notice of optional or extraordinary redemption of Offered Bonds, the Issuer shall not have deposited with the Trustee moneys sufficient to redeem all of the Offered Bonds called for redemption, such notice shall state that it is subject to the deposit of the redemption moneys with the Trustee not later than the redemption date and shall be of no effect unless such moneys are so deposited.

In addition to the foregoing notice, further notice shall be given by the Trustee (either as a separate notice or as part of the notice above) as set out below. No defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed:

- (i) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the rate of interest borne by each

Offered Bond being redeemed; (B) the maturity date of each Offered Bond being redeemed; and (C) any other descriptive information needed to identify accurately the Offered Bonds being redeemed (such as the CUSIP number).

(ii) Each further notice of redemption shall be sent at least 30 days before the redemption date by first class mail, postage prepaid, to the MSRB via the Electronic Municipal Market Access (EMMA) system of the MSRB.

Failure to give notice in the manner prescribed under the respective Indenture with respect to any Offered Bond, or any defect in such notice, shall not affect the validity of the proceedings for redemption for any Offered Bond with respect to which notice was properly given. Upon the happening of the above conditions and if sufficient moneys are on deposit with the Trustee on the applicable redemption date to redeem the Offered Bonds to be redeemed and to pay interest due thereon, the Offered Bonds thus called shall not after the applicable redemption date bear interest, be protected by the respective Indenture or be deemed to be outstanding under the provisions of the respective Indenture.

### **Registration, Transfer and Exchange**

If the book-entry system for registration of the ownership of the Offered Bonds of any series is discontinued, the Trustee shall keep the registration books for the Offered Bonds (the "Bond Register") at its Designated Office. Bond certificates in fully registered form will be delivered to, and registered in the names of, the registered owners in authorized denominations. The ownership of the Offered Bonds so delivered (and any Offered Bonds thereafter delivered upon a transfer or exchange described below) shall be registered in the Bond Register, and the Issuer and the Trustee shall be entitled to treat the registered owners of such Offered Bonds, as their names appear in such Bond Register as of the appropriate dates, as the owners thereof for all purposes described herein and in the respective Indenture.

Offered Bonds may be transferred or exchanged as follows:

(a) Any Offered Bond may be transferred if endorsed for such transfer by the holder thereof or his duly appointed attorney and surrendered by such holder or his duly appointed attorney at the Designated Office of the Trustee, whereupon the Trustee shall authenticate and deliver to the transferee a new Offered Bond or Offered Bonds of the same series and maturity and in the same denomination as the Offered Bond surrendered for transfer or in other authorized denominations of the same maturity equal in the aggregate to the principal amount of the surrendered Offered Bond.

(b) Any Offered Bond or Offered Bonds of a particular series and maturity may be exchanged for one or more Offered Bonds of the same series and maturity and in the same principal amount but in different authorized denominations of the same maturity. Each Offered Bond so to be exchanged shall be surrendered by the holder thereof or his duly appointed attorney at the Designated Office of the Trustee, whereupon a new Offered Bond or Offered Bonds shall be authenticated and delivered to the holder.

(c) In the case of any Offered Bond properly surrendered for partial redemption, the Trustee shall authenticate and deliver a new Offered Bond in exchange therefor, such new Offered Bond to be of the same series and maturity and in a denomination equal to the unredeemed principal amount of the surrendered Offered Bond; provided that, at its option, the Trustee may certify the amount and date of partial redemption upon the partial redemption certificate, if any, printed on the surrendered Offered Bond and return such surrendered Offered Bond to the holder in lieu of an exchange.

The Trustee shall not be required to register the transfer or exchange of any Offered Bond (i) during a period beginning at the opening of business fifteen (15) days before the day of the mailing of notice of

redemption of the Offered Bonds and ending at the close of business on the day of such mailing, (ii) at any time following the selection of such Offered Bond, in whole or in part, for redemption or (iii) during the period commencing on a Record Date and ending on the corresponding Interest Payment Date.

No charge shall be imposed in connection with any transfer or exchange, except for taxes or governmental charges related thereto. Such charges shall be paid by the registered holder prior to the delivery of any new Offered Bond. No transfers or exchanges shall be valid except as provided above.

## **SECURITY AND SOURCES OF PAYMENT FOR THE OFFERED BONDS**

### **Limited Obligations of the Issuer**

THE OFFERED BONDS AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE AN INDEBTEDNESS, LIABILITY OR OBLIGATION, LEGAL, MORAL OR OTHERWISE, OF THE ISSUER, THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE UNIVERSITY AND THE STATE SYSTEM (EXCEPT TO THE EXTENT OF ITS OBLIGATIONS UNDER THE UNIVERSITY LEASE), OR A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER, THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE UNIVERSITY AND THE STATE SYSTEM (EXCEPT TO THE EXTENT OF ITS OBLIGATIONS UNDER THE UNIVERSITY LEASE), WITHIN THE MEANING OF ANY CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY, NOR SHALL THERE BE A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER, IF ANY, OF THE ISSUER, THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE UNIVERSITY AND THE STATE SYSTEM (EXCEPT TO THE EXTENT OF ITS OBLIGATIONS UNDER THE UNIVERSITY LEASE), BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PLEDGED TO SUCH PAYMENT UNDER THE RESPECTIVE INDENTURE. NEITHER THE ISSUER, THE COMMONWEALTH NOR ANY OTHER POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE UNIVERSITY AND THE STATE SYSTEM (EXCEPT TO THE EXTENT OF ITS OBLIGATIONS UNDER THE UNIVERSITY LEASE), SHALL BE OBLIGATED TO PAY THE OFFERED BONDS OR THE INTEREST THEREON EXCEPT FROM SUCH SOURCES, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER, IF ANY, OF THE ISSUER, THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE UNIVERSITY AND THE STATE SYSTEM (EXCEPT TO THE EXTENT OF ITS OBLIGATIONS UNDER THE UNIVERSITY LEASE), IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE OFFERED BONDS. THE ISSUER HAS NO TAXING POWER.

### **Pledge and Assignment of Trust Estate**

Each of the 2025AB Bonds and the 2025C Bonds are separately issued and secured under their respective Indenture. Pursuant to each Indenture, the Issuer will assign and grant to the Trustee a security interest in the respective Trust Estate, in order to secure the payment of the principal of, premium, if any, and interest on the Bonds according to their tenor and effect and to secure the performance and observance by the Issuer of the covenants expressed in the respective Indenture and in the Offered Bonds, which respective Trust Estate consists of:

- (i) All right, title and interest of the Issuer in and to the respective Loan Agreement (including but not limited to the Loan Payments (as defined herein) but excluding Unassigned Rights);

(ii) All funds and accounts established by the Trustee under the respective Indenture other than amounts held by the Trustee in the Rebate Fund and other moneys expressly excluded thereunder;

(iii) All income and receipts on the funds (other than the Rebate Fund) held by the Trustee under the respective Indenture;

(iv) Any and all other property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for additional security under the respective Indenture or respective Loan Agreement by the Issuer or the Borrower, or by anyone on their behalf, to the Trustee, including without limitation rights and interests in the respective Assignment of Rents and/or the Collateral Agreement (in each case solely as such interests relate to the Suites on Main Housing with respect to the 2025AB Bonds and the Reinhard Villages Housing with respect to the 2025C Bonds) and any funds held by the Trustee in any of the funds established under the Indenture as security for the Bonds; and

(v) The Suites on Main Mortgage with respect to the 2025AB Bonds.

The lien and security interest granted and created by the Indenture is, upon the occurrence of an Event of Default, subject to a prior lien to secure the payment of all fees and expenses of the Trustee.

Because of certain risks associated with pledging and granting a security interest in collateral of the nature described above, potential investors should not rely solely upon such collateral as providing security for the Bonds. See “CERTAIN BONDHOLDERS’ RISKS” herein.

### **University Lease, Assignments of Rents and Collateral Agreement**

The Borrower has agreed to lease each of the Project Facilities to the State System (of which the University is a part) pursuant to the University Lease in order to provide the University with flexibility to direct students to what it believes is the appropriate housing facility and to charge what it believes is the appropriate fee. In addition to each of the Project Facilities, certain other bond-financed projects associated with the University, known as Hilltop Suites (the “Other Housing”), will be leased by the State System from the Borrower under the University Lease. See “THE UNIVERSITY—Overview of Current University Student Housing.” Pursuant to Section 3.1 of the University Lease, the State System will agree to make certain rent payments to the Borrower relating to each of the Project Facilities and the Other Housing. Such rent payments will equal debt service payments on the bonds associated with each of the Project Facilities and the Other Housing and capital reserve deposits, if any, for each of the Project Facilities and Other Housing. See “THE UNIVERSITY LEASE, THE ASSIGNMENTS OF RENTS AND THE COLLATERAL AGREEMENT” herein. See Appendix A for a copy of the University Lease.

Pursuant to the respective Assignment of Rents the Borrower will assign to the Collateral Agent all of the Borrower’s right, title and interest in and to the rents (including the University Lease Payments) described in Section 3.1 of the University Lease (the “Rents”) and the sole authority to enforce payment of the Rents pursuant to the terms of the University Lease.

Pursuant to the Collateral Agreement, the Borrower grants to and creates in favor of the Collateral Agent for the interest of the Trustee and the trustees with respect to the bonds associated with the Other Housing and the 2014C-2 Bonds, *pari passu*, a lien and security interest in and to the Rents and the right to enforce payment of any overdue Rents (the “Collateral”). The Borrower, pursuant to the University Lease, directs the State System to submit all Rents to the Collateral Agent. The Collateral Agent will promptly transfer to each trustee that portion of the Rents allocable to their respective student housing facilities as set

forth in Exhibit B to the University Lease. See “THE UNIVERSITY LEASE, THE ASSIGNMENTS OF RENTS AND THE COLLATERAL AGREEMENT” herein.

### **Revenue Fund**

Under each Indenture, a Revenue Fund has been created by the Issuer and ordered established with the Trustee. Pursuant to each Loan Agreement, the Borrower will (a) enter into the joinder Collateral Agreement, (b) assign the relevant portion of the University Lease Payments to the Collateral Agent pursuant to each Assignment of Rents, and (c) direct the Collateral Agent pursuant to the Collateral Agreement to transfer all University Lease Payments allocable to each of the Project Facilities when received to the Trustee. The Trustee shall deposit all University Lease Payments allocable to each of the Project Facilities which it receives into the Revenue Fund and, upon receipt of any University Lease Payments, the Trustee shall deposit in the Bond Fund the amounts which the Borrower is obligated to deposit therein as the Loan Payments pursuant to each Loan Agreement. On July 1 of each year, after all required transfers have been made from the Revenue Fund, any remaining amounts in the Revenue Fund shall be transferred to the Surplus Fund and distributed in accordance with each Indenture.

### **Surplus Fund**

Under each Indenture, a Surplus Fund has been created into which moneys remaining in the Revenue Fund after the transfer, deposits and payments described under the subheading “Revenue Fund” above shall be deposited. On the twenty-fifth day of each month after the Trustee has used any amounts on deposit in the Revenue Fund available therefor, amounts on deposit in the Surplus Fund shall be applied by the Trustee to cure any deficiency in the Bond Fund or to make any accrued and unpaid payments in the order of priority described under the subheading “Revenue Fund” above.

Following the end of each Fiscal Year commencing with the Fiscal Year ended June 30, 2025, and upon receipt by the Trustee of an Officer’s Certificate executed by an Authorized Officer certifying that no Event of Default has occurred and is continuing under the Indenture and directing the Trustee to make transfers or payments therefrom, the Trustee shall make such transfers and payments.

### **Suites on Main Mortgage**

As security for its obligations under the 2025AB Bonds and the 2014C-2 Bonds, the Borrower will amend the Suites on Main Mortgage, granting to the 2025AB Trustee and the 2014 Trustee, on a parity basis, a first priority mortgage lien on the leasehold interest in the real property constituting the Suites on Main Housing. The 2025C Bonds are not secured by a mortgage. See Appendix D-1 hereto.

### **Enforceability of Remedies**

The realization of value from the security for the Offered Bonds upon any default will depend upon the exercise of various remedies specified by the Bond Documents. These and other remedies may require judicial actions, which are often subject to discretion and delay and which may be difficult to pursue. See “CERTAIN BONDHOLDERS’ RISKS—Enforceability of Remedies” herein.

### **2014C-2 Bonds and the Intercreditor Agreement**

The 2014C-2 Bonds were issued on April 13, 2016 in the initial principal amount of \$45,000,000, bearing interest at a fixed rate of 2.875% and maturing on April 13, 2056. The proceeds of the 2014C-2 bonds were issued to pursuant to the 2014A/B/C Indenture for the purpose of redeeming the Authority’s Student Housing Revenue Bond Anticipation Notes, Series 2014C-1 (Clarion University Foundation, Inc.

Student Housing Project at Clarion University of Pennsylvania), the proceeds of which were used to finance a portion of the costs of the acquisition, construction and equipping of the Suites on Main Housing. The 2014C-2 Bonds are subject to redemption at the option of the Authority, upon written request of the Borrower, in whole or in part at any time at a redemption price equal to 100% of the principal amount of the 2014C-2 Bonds to be redeemed, plus interest, if any to the redemption date. The 2014C-2 Bonds have a scheduled principal and interest payment in the amount of \$160,200 per month. The 2014C-2 Bonds are held by the United States Department of Agriculture, acting through the United States Department of Agriculture Rural Development.

Intercreditor Agreement. Pursuant to the Intercreditor Agreement among the Borrower, the 2025AB Trustee and the 2014 Trustee, any proceeds from the sale, transfer or other disposition of property subject to the Suites on Main Mortgage (the “Disposition Proceeds”), any University Lease Payments and other revenues received by the 2014 Trustee under the Loan Agreement related to the 2014C-2 Bonds (the “2014 Loan Agreement”), any University Lease Payments and other revenues received by the 2025AB Trustee under the 2025AB Loan Agreement, and any revenues or funds which may be pledged to secure additional secured debt received by the holder of such additional secured debt (or a trustee acting on their behalf) (such Disposition Proceeds, such University Lease Payments, and any other revenues or funds which may be pledged to secure additional secured debt, being referred to as the “Foundation Revenues”) are distributed pursuant to the Pro Rata Formula described below upon or after the occurrence of an event of default under any of the 2014 Loan Agreement, the 2014A/B/C Indenture, the 2025AB Loan Agreement, the 2025AB Indenture, or any credit or loan agreement securing additional secured debt, or any related agreement, as applicable.

Upon receipt by any of the 2014 Trustee, the 2025AB Trustee or the holder of additional secured debt who becomes a participating party pursuant to the Intercreditor Agreement (collectively, the Participating Parties”) of any Foundation Revenues, the receiving Participating Party shall hold such amount in trust and pay over to each other Participating Party a portion of such amount equal to the product of (i) such amount multiplied by (ii) a fraction, the numerator of which is the aggregate amount then due (including amounts due by reason of acceleration of maturity) and unpaid to such other Participating Party under its related agreement on the date of receipt of such amount by the receiving Participating Party (less amounts then held as security for, but not yet applied to reduce the amount then due under, such Related Agreement, including, without limitation, amounts held in any applicable debt service fund or debt service reserve fund), and the denominator of which is the sum of the amounts then due (including amounts due by reason of acceleration of maturity) and unpaid to all Participating Parties under their related agreements on the date of receipt of such amount by such Participating Party (less amounts then held as security for, but not yet applied to reduce the amount then due under, each such Related Agreement, including, without limitation, amounts held in any applicable debt service fund or debt service reserve fund).

Pursuant to the Intercreditor Agreement, neither the 2014 Trustee nor the 2025AB Trustee may foreclose on the Suites on Main Mortgage, or accept any deed in lieu of such transfer or otherwise take any action with respect to any disposition of the property subject to the Suites on Main Mortgage without the mutual agreement of the 2014 Trustee (for so long as the 2014C-2 Bonds remain outstanding) and the 2025AB Trustee (for so long as the 2025AB Bonds remain outstanding).

See “SUMMARY OF PRINCIPAL 2025AB FINANCING DOCUMENTS—Summary of the Intercreditor Agreement” in Appendix D-1 hereto.



## **THE UNIVERSITY LEASE, THE ASSIGNMENTS OF RENTS AND THE COLLATERAL AGREEMENT**

Pursuant to the University Lease, the State System will lease each of the Project Facilities and the Other Housing. See “THE UNIVERSITY—Overview of Current University Student Housing” herein.

### **Rent; Term**

During the term of the University Lease, the State System will pay to the Borrower rent at the times necessary and in the amounts necessary to pay the debt service for the bonds financing each of the Project Facilities and the Other Housing (as set forth in Exhibit B to the University Lease), and necessary to restore any reserve accounts or funds, if any, for the bonds financing each of the Project Facilities and the Other Housing. Pursuant to the respective Assignment of Rents, the Borrower will assign to the Collateral Agent all of the Borrower’s right, title and interest in and to the Rents. The State System’s payment obligations under the University Lease are general obligations of the State System, payable from the revenues collected as described in the University Lease and all other legally available funds of the State System.

The rent with respect to each student housing facility will terminate upon the expiration or sooner termination of the term with respect to each student housing facility which, for the Suites on Main Housing, will occur upon the expiration or termination of the Ground Lease Agreement dated as of April 1, 2014 between the University and the Borrower (as amended from time to time, the “Suites on Main Ground Lease”) and for the Reinhard Villages Housing will occur when the bonds financing or refinancing such housing are no longer outstanding. The Suites on Main Ground Lease expires on June 30, 2064 unless the 2025AB Bonds and 2014C-2 Bonds are paid off earlier. So long as the University Lease is in place, many covenants of the Borrower under the Suites on Main Ground Lease are suspended or modified to reflect the University Lease. The Suites on Main Ground Lease may not be terminated without the prior written consent of the 2025AB Trustee and the 2014C-2 Trustee so long as the 2025AB Bonds and the 2014C-2 Bonds are outstanding.

### **Limitations on Use; Maintenance**

The University Lease requires that the State System use and operate each of the Project Facilities and the Other Housing as student housing facilities and for such other purposes as the State System is permitted by law. The State System will not use or operate the respective student housing facilities so as to jeopardize the tax-exempt status of any bonds financing such facilities. The State System will require student residents of the respective student housing facilities to enter into residency agreements.

The University Lease requires that the State System maintain each of the Project Facilities and the Other Housing in good condition, reasonable wear and tear excepted, and will provide for the costs of same in the capital budget described in the University Lease; provided, however, the State System may close a student housing facility upon notice to the Borrower, in which case such maintenance may be reduced provided that: (a) the State System provides and maintains the structural integrity of the respective student housing facility which includes but is not limited to appropriate climate control; and (b) the State System takes all appropriate action to ensure the respective student housing facility is secured as part of a deactivated status. No closure of a student housing facility will reduce any lease payments due under the University Lease.

### **Insurance**

During the term of the University Lease, the State System is directed by the Borrower to pay out of revenues generated by the student housing facilities or other available funds of the State System as an

operating expense any invoices or other notices of any amount due with respect to insurance required under the applicable ground lease, mortgage, or loan agreement which will include, but not be limited to (a) comprehensive general and public liability insurance in the amount of one (1) million dollars per occurrence for personal injury and/or death, two (2) million dollars per occurrence for personal property damage; (b) an all-risk policy with building replacement cost coverage; (c) business interruption insurance covering loss of revenues or other income by reason of total or partial suspension of, or interruption in, the operation of each of the Project Facilities or the Other Housing caused by its damage or destruction in an amount sufficient to meet debt payments and other recurring payments for at least eighteen (18) months; and (d) fire and casualty insurance on the structures for replacement cost.

During the term of the University Lease, (i) the State System is entitled to receive proceeds of business interruption or similar insurance, which proceeds shall be used by the State System for (a) the payment of rent pursuant to the University Lease, or (b) the redemption of Bonds (but only in the case that no payment default exists under the University Lease) and (ii) the Borrower is required notify the State System and the applicable Trustee promptly in writing of any damage to or any destruction or condemnation (or other similar taking or conveyance in lieu thereof) of any portion of the Student Housing Facilities in excess of 10% of Property, Plant and Equipment (as defined in the applicable Indenture) of or relating to the Student Housing Facilities. Any Net Proceeds (as defined in the applicable Indenture) shall be deposited with the applicable Trustee and applied at the option of the State System to (a) the reconstruction, replacement, demolition, or repair of the affected Student Housing Facilities, or (b) to the redemption of Bonds pursuant to the terms of the applicable Indenture (but only in the case that no payment default exists under the University Lease).

### **Defaults and Remedies**

The State System's failure to pay Rent shall constitute an event of default under the University Lease, entitling the Collateral Agent to exercise remedies available at law and in equity subject to the provisions of the University Lease, the Collateral Agreement and each Assignment of Rents. In the event the State System breaches a non-payment covenant, the Borrower will be entitled to seek specific performance thereof. The Borrower's breach of any term or covenant of the University Lease will be an event of default entitling the State System to exercise remedies available at law and in equity; provided the State System may not withhold, reduce or otherwise modify the payment of rent under the University Lease in the event of a default by the Borrower.

### **Collateral Agreement**

In connection with the University Lease, the Borrower is entering into the Collateral Agreement to secure the Offered Bonds, the 2014C-2 Bonds and the bonds with respect to the Other Housing. Pursuant to the Collateral Agreement, the Collateral Agent is assuming the responsibility as collateral agent for and on behalf of the trustees to receive the Rents and, upon receipt of the Rents, to transfer to the applicable trustees that portion of the Rents allocable to the respective student housing facilities financed by the bonds for which they are trustee, and enforce payment of the Rents. In the event the State System fails to pay all of the Rents in full as and when required under the University Lease, the Collateral Agent will transfer that portion of any Rents received during such period to each trustee pro rata pursuant to the terms of the Collateral Agreement; provided, however, that in calculating the pro rata portion of the Rents to which a trustee is entitled (each, a "Share"), the Collateral Agent: (i) will deduct from each trustee's Share all funds received by such trustee by and through such trustee's recapture of funds from a controlled account to which it has access or otherwise following such event of default (the total sum of all such amounts recaptured by all of the trustees and deducted from all of the trustees' Shares is hereinafter collectively referred to as the "Recapture Amount"); and (ii) distribute the Recapture Amount to each trustee pro rata in addition to each trustee's applicable Share (as reduced pursuant to the preceding clause (i)).

## **THE ISSUER**

The Issuer is a public instrumentality of the Commonwealth of Pennsylvania and a body corporate and politic organized and existing under the Pennsylvania Economic Development Financing Law, 73 P.S. § 371 et seq. (the “Act”), as amended. The Issuer was incorporated pursuant to the Industrial Development Authority Law (act of August 23, 1967, P.L. 251) and its certificate of incorporation was issued on June 26, 1970.

The Issuer is authorized by the Act to enter into agreements providing for the construction and financing of, among other things, education facilities in order to effectuate the declared public policy of the Commonwealth of Pennsylvania of creating and preserving employment and business opportunities and general welfare of the people thereof.

The Issuer has authorized the issuance of the Offered Bonds for the purpose of refinancing each of the Project Facilities, the lending of the proceeds of the Offered Bonds to the Borrower and securing the Offered Bonds pursuant to respective the Loan Agreement between the Borrower and the Issuer.

The governing body of the Issuer is a Board consisting of five members appointed by the Board of County Commissioners of Clarion County. The current members are:

Eric Funk	Chairman
Brian T. Acey	Vice Chairman
Mary A. Hepinger	Secretary/ Treasurer
Kenneth L. Swartfager	Member
Matthew B. Confer	Member

THE OFFERED BONDS, INCLUDING INTEREST AND PREMIUM, IF ANY, THEREON, SHALL CONSTITUTE LIMITED OBLIGATIONS OF THE ISSUER AND SHALL NEVER CONSTITUTE AN INDEBTEDNESS OF THE ISSUER WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER OR A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER. THE ISSUER HAS NO TAXING POWER. THE OFFERED BONDS AND THE INTEREST AND PREMIUM, IF ANY, THEREON SHALL BE PAYABLE SOLELY FROM THE RESPECTIVE TRUST ESTATE.

## **THE TRUSTEE**

The Issuer has appointed U.S. Bank Trust Company, National Association, to serve as Trustee. The Trustee is to carry out those duties assignable to it under each Indenture. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Official Statement or for the recitals contained in each Indenture or the Offered Bonds, or for the validity, sufficiently, or legal effect of any of such documents.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application of the proceeds of such Offered Bonds by the Issuer or the Borrower. The Trustee has not evaluated the risks, benefits or propriety of any investment in the Offered Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets or revenues pledged or assigned as security for the Offered Bonds, the technical or financial feasibility of the 2025AB

Project or the 2025C Project, or the investment quality of the Offered Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

## **THE PROJECT FACILITIES**

### **Suites on Main Housing**

Suites on Main Housing was constructed with a maximum capacity of 728 beds (but is currently configured for 554 beds) and is located on the University's campus in Clarion, Pennsylvania. The real property on which the Suites on Main Housing is located is leased to the Borrower pursuant to the Suites on Main Ground Lease with the University. Suites on Main Housing consists of two buildings (Suites on Main-North and Suites on Main-South). Suites on Main Housing opened for occupancy in 2015 and 2016.

The units include furniture, bathrooms shared by no more than two students, washers and dryers on every floor, high-speed internet access, cable television access, and in-unit climate control. For information regarding current figurations for these buildings see "THE UNIVERSITY—Overview of Current University Student Housing" herein.

### **Reinhard Villages Housing**

Reinhard Villages Housing was constructed with a maximum capacity of 656 beds (but is currently configured for 636 beds) and is located on approximately 55 acres about 1/3 mile away from the University's campus in Clarion, Pennsylvania. Reinhard Villages Housing consists of six clusters of buildings with various architecture types represented. Each cluster represents a separate community and is connected to the other clusters by road and walkway. Reinhard Villages Housing includes parking for 838 vehicles. Reinhard Villages Housing opened for occupancy in August 2004.

The units are fully furnished, including a fully appointed kitchen with a full-size range, full size refrigerator, dishwasher, garbage disposal and microwave. All units have in-unit climate control and include washers and dryers. For information regarding current figurations for these buildings see "THE UNIVERSITY—Overview of Current University Student Housing" herein.

## **THE BORROWER**

The Borrower, Clarion University Foundation, Inc., is a nonprofit corporation organized and existing under the laws of the Commonwealth of Pennsylvania. The Borrower is also an organization which is exempt from federal income tax pursuant to Section 501(c)(3) of the Code. It was organized in 1969 and is operated for the promotion of the charitable and educational purposes of Clarion University of Pennsylvania. The Borrower is also permitted under its organizational documents to administer funds for other charitable organizations.

## Board of Directors

The Borrower is governed by a Board of Directors. The following individuals constitute the current Board of Directors of the Borrower:

Ms. Jane K. France, <i>President</i>	Mr. Keith Kochert
Mr. Mark R. Demich, <i>President-Elect</i>	Mr. Paul Palmer
Mr. Scott Burns, <i>Vice President</i>	Maj. Gen. Peter Talleri (Ret)
Mr. Tom K. Bowman, <i>Treasurer</i>	Mr. Jeremy Young
Ms. Carol Truscott, <i>Secretary</i>	Dr. Jon Anderson, <i>PennWest President/Ex Officio</i>
Mr. Christian Allison	Mr. James M. Geiger, <i>PennWest Vice President of Advancement/Ex Officio</i>
Mr. Gary V. Cardamone	Mr. Max Smith, <i>Executive Director/Ex Officio</i>
Ms. Lindsay Banner Cigole	Mr. John P. Zacherl, <i>Controller/Ex Officio</i>
Ms. Patrice D'Eramo	Ms. Desirée Beck, <i>Assistant Secretary/Admin. Assistant/Ex Officio</i>
Ms. Theresa A. Edder	

THE BORROWER IS PROVIDING NO SECURITY TO THE BONDHOLDERS BEYOND ITS INTEREST IN THE UNIVERSITY LEASE AND ITS INTEREST IN THE RESPECTIVE TRUST ESTATES.

Under applicable state law and the federal Bankruptcy Code, the Borrower is treated as a legal entity that is separate and distinct from the University and is the only entity obligated to make payments due under the Loan Agreement corresponding to the amounts due on the Offered Bonds. The obligations of the Borrower with respect to the Offered Bonds are non-recourse obligations, payable only from the University Lease Payments. See “NONRECOURSE OBLIGATION OF THE BORROWER” herein.

### NONRECOURSE OBLIGATION OF THE BORROWER

Notwithstanding anything in any of the Bond Documents to the contrary, the Borrower shall have no liability under each Loan Agreement, any other Bond Document or any other documents delivered in connection with the issuance of the Offered Bonds, beyond its interest in the University Lease and any funds held therefor under each Indenture. The Trustee will have no recourse against any other assets of the Borrower for payment of amounts due from the Borrower under each Loan Agreement. The Issuer will agree not to enforce the obligation of the Borrower to perform and observe its obligations under each Loan Agreement or under any other Bond Document in any action or proceeding wherein a money judgment shall be sought against the Borrower. The 2025AB Bonds will be secured by a mortgage on the Suites on Main Housing. The 2025C Bonds are not secured by a mortgage on any of the Project Facilities.

### THE UNIVERSITY

#### History and Philosophy of the University

On July 1, 2022, PASSHE approved the integration of Clarion, California and Edinboro Universities to form Pennsylvania Western University. The three campuses plus the global online campus

have an enrollment of over 10,000 students offering associate, baccalaureate, and graduate programs. The University is recognized by nearly 30 professional national accrediting agencies and is a member of the Pennsylvania State System of Higher Education (the “State System”).

The Clarion campus of the University, founded in 1867, contains 100 acres and 42 buildings. Beyond the Clarion campus, situated at the west end of the town of Clarion, is a 27-acre athletic complex with football, soccer, softball, baseball, and practice fields and Memorial Stadium, seating 5,000 spectators. The University is within the Borough of Clarion some two miles north of Interstate 80 and is approximately two hours’ driving time from the urban centers of Pittsburgh, Erie, and Youngstown, Ohio. High on the Allegheny Plateau overlooking the Clarion River, the rural setting is in the midst of one of Pennsylvania’s most scenic resort areas.

The University has established the following divisions: the College of Education, Arts and Humanities, the College of Health Sciences and Human Services, and the College of Science, Technology and Business.

The University is primarily an undergraduate institution with selected graduate programs. Instructional programs—delivered on campus, throughout the state, and beyond via appropriate distance learning technologies—range from associate degrees and certificate programs to baccalaureate degree programs in the arts and sciences and professional fields, graduate programs in selected fields, and continuing education.

The University seeks to admit, retain, and graduate students who are qualified and motivated, and to recruit, retain, and support highly qualified and dedicated faculty and staff. The University is a learning community that seeks diversity in its faculty, staff, and student body and values this diversity as providing richness in the learning process. This community strives to treat its members with civility and respect. Students, faculty, and staff value learning, contribute to the development of new knowledge through scholarly activities, and participate in community and public service responsive to the needs of society.

### **Governance of the University**

A Chancellor and a Board of Governors govern the affairs of the State System, and the University is managed by a President and a Council of Trustees. The Board of Governors currently consists of 20 appointed members. The Council of Trustees currently consists of 15 members who, except for three student members, are appointed by the Pennsylvania’s governor and approved by the state Senate and the Chancellor of the State System who serves as an ex-officio member.

### **Operations of the University**

***Student Enrollment.*** Enrollment of students at the University forms the basis for demand for housing. The following schedule indicates the Fall Semester enrollment and full-time equivalent enrollment at the University for each of the last five academic years. Unless otherwise noted, the source for all of the following information is the University.

**Enrollment; Total Head Count; Full-time Equivalent Enrollment**

<b>Academic Year<sup>1,2</sup></b>	<b>Undergraduate</b>	<b>Graduate</b>	<b>Total Head Count</b>	<b>Full-Time Equivalent<sup>3</sup></b>
2024-25	7,586	3,248	10,834	8,735
2023-24	8,336	2,969	11,305	9,132
2022-23	9,404	3,374	12,778	10,253
2021-22	3,156	766	3,922	3,070
2020-21	3,587	878	4,465	3,573

<sup>1</sup>Effective July 1, 2022, Clarion University integrated with California and Edinboro universities to become Pennsylvania Western University.

<sup>2</sup>Figures represent total headcount enrollment in Fall semesters.

<sup>3</sup>Full-time and part-time enrollment equated to full-time enrollment.

The following table shows application, admissions and matriculation data for freshmen for the 2024-2025 academic year and the previous four academic years.

**Freshmen Application, Admissions and Matriculation**

<b>Academic Year<sup>1</sup></b>	<b>Applications<sup>2</sup></b>	<b>Acceptances</b>	<b>Acceptance Rate - %</b>	<b>Matriculation</b>	<b>Matriculation Rate - %</b>
2024-25	5,920	5,585	94.3%	1,526	27.3%
2023-24	6,188	5,795	93.6%	1,617	27.9%
2022-23	8,413	7,878	93.6%	2,016	25.6%
2021-22	1,624	1,611	99.2%	518	32.2%
2020-21	2,675	2,520	94.2%	759	30.1%

<sup>1</sup>Effective July 1, 2022, Clarion University integrated with California and Edinboro universities to become Pennsylvania Western University.

<sup>2</sup>Application count includes only first-time in college students who applied to seek a Certificate, Associate’s or Bachelor’s degree and fulfilled all of the requirements to be considered for admission to the University (including payment or waiving of the application fee, if any). Summer applicants who subsequently enroll in the fall term are included.

The following table shows freshman academic achievement data for the 2024 Fall semester and the previous four Fall semesters.

**Freshmen and Transfer Applications; Admissions and Matriculation**

<b>Fall Semester</b>	<b>Average Freshman SAT</b>	<b>Average Freshman GPA</b>
2024	1049	3.36
2023	1061	3.41
2022	1055	3.41
2021	1042	3.50
2020	1040	3.48

**Tuition.** The following table shows full-time undergraduate for the 2024-2025 academic year and the previous four academic years:

**Undergraduate Tuition**

<b>Academic Year</b>	<b>Undergraduate Resident Tuition</b>	<b>Undergraduate Non-Resident Tuition</b>
2024-25	\$7,716	\$11,574
2023-24	\$7,716	\$11,574
2022-23	\$7,716	\$11,574
2021-22	\$7,716	\$11,574
2020-21	\$7,716	\$11,574

**Overview of Current University Student Housing**

**University-affiliated Housing.** The University currently manages three residential hall facilities under a contractual arrangement with the Borrower. The tables below summarize the existing housing options and current bed/room configurations based on student preference (for example, more singles, etc.)

**CAMPUS HOUSING**  
**Pennsylvania Western University Clarion Campus**  
**Academic Year 2024-2025**

**Reinhard Villages**

Student Apartments – Constructed 2004

<b>Room Type</b>	<b>Beds</b>	<b>Occupied</b>	<b>% Occupied</b>	<b>Rate (semester)</b>
2 Bedroom 2 Bath Apt	48	42	88%	\$4,800
4 Bedroom 2 Bath Flat	296	109	37%	\$4,100
4 Bedroom 2 Bath Loft	64	52	81%	\$4,400
4 Bedroom 4 Bath Apt	208	121	58%	\$4,300
Modified 2 Bedroom 2 Bath Apartment	20	10	50%	\$4,800
<b>TOTAL</b>	<b>636</b>	<b>334</b>	<b>53%</b>	<b>\$4,400 (avg)</b>



**Valley View**

Residence Hall – Constructed 2009

Room Type	Beds	Occupied	% Occupied	Rate (semester)
2 Double Bedroom - 2 Bath	156	0	0%	\$4,475
2 Person Suite – 1 Bath	14	0	0%	\$5,435
Single Semi-Suite – 1 Bath	4	0	0%	\$5,000
<b>TOTAL</b>	<b>174</b>	<b>0</b>	<b>0%</b>	<b>\$4,955 (avg)</b>

**Campus View**

Residence Hall – Constructed 2009

Room Type	Beds	Occupied	% Occupied	Rate (semester)
2 Double Bedroom - 2 Bath	48	43	90%	\$4,475
2 Person Suite – 1 Bath	58	43	74%	\$5,435
2 Single Bedroom Suite – 2 Bath	38	38	100%	\$4,800
Single Semi-Suite – 1 Bath	5	5	100%	\$5,000
<b>TOTAL</b>	<b>149</b>	<b>129</b>	<b>86%</b>	<b>\$4,900 (avg)</b>

**Suites on Main - NORTH**

Residence Hall - Constructed 2015

Room Type	Beds	Occupied	% Occupied	Rate (semester)
2 Single Bedroom Semi-Suite – 1 Bath	72	61	85%	\$5,435
2 Person Semi-Suite – 1 Bath	162	130	80%	\$3,995
Single Semi-Suite – 1 Bath	62	60	97%	\$5,000
<b>TOTAL</b>	<b>296</b>	<b>251</b>	<b>85%</b>	<b>\$4,700 (avg)</b>

**Suites on Main - SOUTH**

Residence Hall - Constructed 2016

Room Type	Beds	Occupied	% Occupied	Rate (semester)
2 Single Bedroom Semi-Suite – 1 Bath	100	0	0%	\$5,435
2 Person Semi-Suite – 1 Bath	234	0	0%	\$3,995
Single Semi-Suite – 1 Bath	24	0	0%	\$5,000
<b>TOTAL</b>	<b>358</b>	<b>0</b>	<b>0%</b>	<b>\$4,700 (avg)</b>

**TOTAL BEDS AND OCCUPANCY ALL LOCATIONS**

TOTAL BEDS	BEDS OCCUPIED	% OCCUPIED
<b>1,613</b>	<b>714</b>	<b>44%</b>

Source: Clarion University Accounting Department

The Borrower has agreed to lease the Project Facilities and Other Housing to the State System pursuant to the University Lease in order to operate the Project Facilities more efficiently and economically. Pursuant to the University Lease, the State System will make University Lease Payments to the Borrower.

The State System's payment obligations under the University Lease are general obligations of the State System, payable as described in the University Lease. Neither the Borrower nor the State System can terminate the University Lease while any Bonds remain outstanding without the consent of the applicable Trustee. See "THE UNIVERSITY LEASE, THE ASSIGNMENTS OF RENTS AND THE COLLATERAL AGREEMENT" herein and the form of University Lease in Appendix A hereto.

Reinhard Villages Housing, Hilltop Suites Housing and Suites on Main Housing are owned by the Borrower. Reinhard Villages Housing is located approximately 1/3 mile south of the main campus and features two-person or four-person apartments and was constructed with 656 beds. Hilltop Suites Housing is located on the campus of the University and features two-person or four-person shared suites, and was constructed with 360 beds. The Suites on Main Housing is located on the campus of the University and features two-person shared suites and was constructed with 728 beds.

The University currently requires first-time students and full-time transfer students who have earned less than 24 credits at a previous institution to reside in University-affiliated housing for the first four semesters of enrollment (the "Residency Requirement"). Students who reside at their permanent residence within a 30-mile radius of the University, married students, students over the age of 21, part-time students, single parents and military veterans who have been honorably discharged are not required to live in University-affiliated housing. Hilltop Suites Housing, Reinhard Village Housing and Suites on Main Housing are treated as University-affiliated housing for purposes of the University's Residency Requirement. The University currently offers no housing other than the University-affiliated housing described herein.

The University offers a variety of meal plans for on-campus dining. Plans also include flex-dollars for use at campus food outlets.

### **State System**

The State System is obligated to make University Lease Payments to the Borrower pursuant to the University Lease. For additional information regarding the State System see "CERTAIN BONDHOLDERS' RISKS—University Lease Payments and the State System" herein and Appendix B—"CERTAIN INFORMATION CONCERNING PENNSYLVANIA STATE SYSTEM OF HIGHER EDUCATION" and Appendix C—"STATE SYSTEM AUDITED FINANCIAL STATEMENTS" hereto.

The financial statements of the State System as of and for the year ended June 30, 2024, included in Appendix C of this Official Statement, have been audited by CliftonLarsonAllen LLP, the State System's independent auditors, as stated in their report appearing herein. CliftonLarsonAllen LLP has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. CliftonLarsonAllen LLP also has not performed any procedures relating to this offering document.

### **UNIVERSITY NOT LIABLE FOR OFFERED BONDS**

NEITHER THE UNIVERSITY, NOR THE STATE SYSTEM OF WHICH IT IS A PART (EXCEPT TO THE EXTENT OF ITS OBLIGATIONS UNDER THE UNIVERSITY LEASE), SHALL HAVE ANY LIABILITY, EXPRESS OR IMPLIED, FOR THE PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE OFFERED BONDS, NOR SHALL THE UNIVERSITY NOR THE STATE SYSTEM BE RESPONSIBLE OR LIABLE, EXPRESSLY OR IMPLIEDLY, FOR ANY OTHER OBLIGATIONS OF ANY PARTY, UNDER ANY OF THE BOND DOCUMENTS, OR UNDER ANY OTHER DOCUMENTS DELIVERED IN CONNECTION WITH THE ISSUANCE OF

THE OFFERED BONDS OR FOR THE 2025AB PROJECT OR 2025C PROJECT (EXCEPT TO THE EXTENT OF ITS OBLIGATIONS UNDER THE UNIVERSITY LEASE).

## **CERTAIN BONDHOLDERS' RISKS**

### **General**

**EACH INVESTOR SHOULD CONSIDER THE RISKS INVOLVED TO DETERMINE THE SUITABILITY OF INVESTING IN THE OFFERED BONDS.** Each prospective investor should carefully examine this Official Statement and his or her own financial condition (including the diversification of his or her investment portfolio) in order to make a judgment as to whether the Offered Bonds are an appropriate investment.

The Borrower has identified and summarized below certain “Bondholders’ Risks” which should be considered by prospective investors. The following discussion is not intended to be exhaustive, but includes certain major factors which should be considered along with other factors set forth elsewhere in this Official Statement, including the Appendices hereto.

If the University Lease Payments are insufficient to pay principal of and interest on the Offered Bonds, an Event of Default may occur under the Bond Documents. Upon an Event of Default, the Offered Bonds may be paid before maturity or applicable redemption dates and a forfeiture of purchase premiums, if any, may result.

### **Limited Obligations of the Issuer**

The Offered Bonds constitute limited obligations of the Issuer and are payable exclusively from payments received by the Trustee from or on behalf of the Borrower pursuant to the terms of each Indenture and each Loan Agreement. The Issuer has no obligation to pay the Offered Bonds except from the related Trust Estate, including Loan Payments derived from the respective Loan Agreement. The Offered Bonds and the interest thereon shall not be deemed to constitute an indebtedness, liability or obligation, legal, moral or otherwise, of the Issuer, the Commonwealth or any political subdivision thereof, including, without limitation, the University and the State System (except to the extent of its obligations under the University Lease), or a pledge of the faith and credit of the Issuer, the Commonwealth or any political subdivision thereof, including, without limitation, the University and the State System (except to the extent of its obligations under the University Lease), within the meaning of any constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability, nor shall there be a charge against the general credit or taxing power, of the Issuer, the Commonwealth or any political subdivision thereof, including, without limitation, the University or the State System (except to the extent of its obligations under the University Lease), but shall be payable solely from the funds pledged to such payment under the respective Indenture. Neither the Issuer, the Commonwealth nor any political subdivision thereof, including, without limitation, the University or the State System (except to the extent of its obligations under the University Lease), shall be obligated to pay the Offered Bonds or the interest thereon except from such sources, and neither the faith and credit nor the taxing power, if any, of the Issuer, the Commonwealth or any political subdivision thereof, including, without limitation, the University or the State System (except to the extent of its obligations under the University Lease), is pledged to the payment of the principal of or the interest on the Offered Bonds. The Issuer has no taxing power. Under each Loan Agreement, the Borrower will be required to make or cause to be made Loan Payments (the interest in which the Trustee has received by assignment from the Issuer) to the Trustee in amounts sufficient to enable the Trustee to pay the principal of, premium, if any, and interest on the Offered Bonds. The Loan Payments are anticipated, however, to be derived solely from the University Lease Payments, and the obligation to make Loan Payments is not a general obligation of the Borrower. No assurance can be made that payments under

the University Lease will be sufficient to pay maturing principal of, premium, if any, and interest on the Offered Bonds.

Moreover, subject to the terms of each Loan Agreement, the Borrower also may become engaged in other ventures in the future. The filing by, or against, the Borrower for relief under the Bankruptcy Code in connection with any other project may have an adverse effect on the ability of the Trustee and Bondholders to enforce their claim or claims to the security granted by each Indenture, and their claim or claims to moneys owed them as unsecured claimants, if any. Such a filing would generally operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Borrower and its property and as an automatic stay of any act or proceeding to enforce a lien against such property, which may include each of the Project Facilities. Further, once a bankruptcy court has acquired jurisdiction over the Borrower in connection with each of the Project Facilities or any other project or venture, such court would likely have the ability to exercise its jurisdiction generally in respect of the Borrower and its assets, including each of the Project Facilities and any other project.

### **University Lease Payments and the State System**

The State System is obligated to make University Lease Payments to the Borrower with respect to each of the Project Facilities pursuant to the University Lease. There are a number of factors affecting institutions of higher education, including the State System, that could have an effect on the State System's financial position and its ability to make the payments required under the University Lease. These factors include, but are not limited to, competition with other educational facilities; an economic downturn in the regions served by the State System; changing demographics in the regions served by the State System; declining enrollment; increasing costs of technology; the failure to increase (or a decrease in) the funds obtained by the System from other sources, including appropriations from governmental bodies; the impact at various times of modifications to federal student financial aid programs; and increasing costs of compliance with changes in federal or state regulatory laws or regulations.

A significant portion of the State System's operating revenues consists of appropriations made to the State System by the Commonwealth. There is a risk that such Commonwealth appropriations may not continue at current levels as a percentage of the System's current unrestricted revenues which, in turn, may require greater than historic rates of tuition increases. See Appendix B for a discussion of such appropriations.

The State System is confronted with challenges of demographic decline and significant reliance on state support. To address the issues, the State System began its redesign effort in 2019 and as a part thereof, implemented a University Financial Sustainability Policy with targeted goals and monitoring of financial performance. As part of the redesign effort, the State System created two regional institutions by bringing together three universities in western Pennsylvania (California, Clarion, and Edinboro) to create Pennsylvania Western University (PennWest), and three universities in northeastern Pennsylvania (Bloomsburg, Lock Haven, and Mansfield) to create Commonwealth University. See Appendix B for a further discussion regarding the State System and the redesign.

### **Limited Resources of the Borrower; Limited Recourse**

Other than its ownership of each of the Project Facilities, no representation is made, and no assurance can be given that the Borrower will have substantial revenues or assets which are not pledged for other contractual obligations of the Borrower. Therefore, timely payment of principal of, premium, if any, and interest on the Offered Bonds will be dependent upon the University Lease Payments being sufficient to pay the Borrower's Loan Payments under each Loan Agreement. If University Lease Payments are insufficient to pay the debt service on the Offered Bonds, the Borrower may not have money or assets other

than each of the Project Facilities from which to make the payments required under each Loan Agreement, and is not obligated to use any such money or assets to make such payments. The Borrower's obligations under each Loan Agreement are limited to its rights and interests in the respective Assignment of Rents and the Collateral Agreement, including but not limited to, its rights and interests in and to the University Lease Payments.

### **No Recourse Against the Borrower, the Issuer or the University**

Notwithstanding anything in any of the Bond Documents to the contrary, the Borrower shall have no liability under each Loan Agreement, any other Bond Document or any other documents delivered in connection with the issuance of the Offered Bonds, beyond its interest in the University Lease and any funds held under each respective Indenture. The Issuer will agree not to enforce the liability and obligation of the Borrower to perform and observe the obligations contained in each Loan Agreement or any of the other Bond Documents in any action or proceeding wherein a money judgment shall be sought against the Borrower.

Neither the University nor the State System (except to the extent of its obligations under the University Lease) will be liable for the payment of the principal of, premium, if any, or interest on the Offered Bonds, nor shall either be responsible or liable for any other obligations of the Borrower or the obligations of any other party in connection with the Offered Bonds.

### **No Remedy upon a University Lease Default**

Each of the Project Facilities are located on or near the campus of the University, and may not be suitable for uses other than as a student housing facility. In the event the University Lease is terminated due to failure of the State System to make rental payments, the likelihood of leasing the each of Project Facilities to another entity is remote.

### **Business Disruption Risk**

Certain external events, such as pandemics, natural disasters, severe weather, technological emergencies, riots, acts of war or terrorism or other circumstances, could potentially disrupt the Foundation's, the University's and the State System's ability to conduct their operations. A prolonged disruption in the Borrower's, the University's or the State System's operations could have an adverse effect on the Borrower, the University and the State System.

### **Cybersecurity**

The Foundation, the University, the State System and the Trustee rely on advanced technology systems to conduct their business operations. Despite security measures, these systems may be subject to cybersecurity incidents such as hacking, phishing, ransomware, viruses, malware and other attacks. Any such cybersecurity incidents, resulting from unintentional events or from deliberate attacks, could cause disruption to the finances or operations of these entities, including the receipt and deposit of moneys and payment of debt service on the Offered Bonds.

### **Enforceability of Remedies**

The Offered Bonds are payable from the respective Trust Estate for the 2025AB Bonds or the 2025C Bonds, including payments to be made under the respective Loan Agreement and the respective Indenture. The Offered Bonds and the Borrower's obligations with respect thereto are secured by the

Borrower's interest in the University Lease, respective Assignment of Rents and Collateral Agreement, pursuant to which the Borrower will assign to the Collateral Agent all of its right, title, and interest in and to the University Lease Payments. Pursuant to each Indenture, the Offered Bonds are secured by the respective Trust Estate, including the assignment by the Issuer to the Trustee of and by a grant of a security interest in, the Issuer's interest in the respective Loan Agreement. The practical realization of value upon any default will depend upon the exercise of various remedies specified by the Bond Documents. These and other remedies may, in many respects, require judicial actions, which are often subject to discretion and delay. Moreover, the liens and security interests granted and created by each Indenture are subject to a prior lien to secure the payment of all fees and expenses of the Trustee. Under existing law (including, particularly, federal bankruptcy law), the remedies specified by the Bond Documents may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in the Bond Documents. The various legal opinions to be delivered concurrently with the delivery of the Offered Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings, and decisions affecting remedies, including judicial discretion in the application of the principles of equity, and by bankruptcy, reorganization, or other laws affecting the enforcement of creditors' rights generally.

### **Effect of Determination of Taxability**

The Borrower and the Issuer each will covenant not to take any action that would cause the 2025A Bonds or the 2025C Bonds to be arbitrage bonds or that would otherwise adversely affect the federal income tax status of interest on the 2025A Bonds or the 2025C Bonds. The Borrower has also made representations with respect to certain matters within its knowledge which have been relied on by Bond Counsel and which Bond Counsel has not independently verified. Failure to comply with such covenants could cause interest on the 2025A Bonds or the 2025C Bonds to become subject to federal income taxation retroactively from their date of issuance.

It is possible that a period of time may elapse between the occurrence of the event which causes interest to become taxable and the determination that such an event has occurred. In such a case, interest previously paid on the 2025A Bonds or the 2025C Bonds could become retroactively taxable from the date of their issuance. Additionally, certain owners of 2025A Bonds or 2025C Bonds are subject to possible adverse tax consequences. See "TAX EXEMPTION AND OTHER TAX MATTERS" herein.

### **Consequences of Changes in the Borrower's Tax Status**

The Borrower has obtained a determination letter from the Internal Revenue Service stating that it will be treated as an exempt organization as described in Section 501(c)(3) of the Code and can reasonably be expected not to be classified as a "private foundation." In order to maintain its exempt status and not to be considered a private foundation, the Borrower is subject to a number of requirements affecting its operation. The possible modification or repeal of certain existing federal income tax laws, the change of Internal Revenue Service policies or positions, the change of the Borrower's method of operations, purposes or character or other factors could result in loss by the Borrower of its tax-exempt status.

The Borrower has covenanted to remain eligible for such tax-exempt status and to avoid operating the Project Facilities as an unrelated trade or business (as determined by applying Section 512(a) of the Code). Failure of the Project Facilities to remain so qualified or of the Borrower so to operate the Project Facilities could affect the funds available to the Borrower for payments under each Loan Agreement by subjecting the Borrower to federal income taxation and could result in the loss of the excludability of interest on the 2025A Bonds or the 2025C Bonds from gross income for purposes of federal income taxation. See "Effect of Determination of Taxability" above.

## **Taxation of Bonds**

An opinion of Bond Counsel has been obtained as described under “TAX EXEMPTION AND OTHER TAX MATTERS” herein. Such an opinion is not binding on the Internal Revenue Service. Application for a ruling from the Internal Revenue Service regarding the status of the interest on the 2025A Bonds or the 2025C Bonds has not been made. The opinion of Bond Counsel contains certain exceptions and is based on certain assumptions described herein under the heading “TAX EXEMPTION AND OTHER TAX MATTERS.” Failure by the Issuer or the Borrower to comply with certain provisions of the Code and covenants contained in each Indenture and each Loan Agreement could result in interest on the 2025A Bonds or the 2025C Bonds becoming includible in gross income for federal tax purposes.

An opinion of Bond Counsel has been obtained regarding the exemption of interest on the Offered Bonds from certain taxation by the Commonwealth of Pennsylvania, as described under “TAX EXEMPTION AND OTHER TAX MATTERS” herein. Bond Counsel has not opined as to whether interest on the Offered Bonds is subject to state or local income taxation in jurisdictions other than Pennsylvania. Interest on the Offered Bonds may or may not be subject to state or local income taxation in jurisdictions other than Pennsylvania under applicable state or local laws. Each purchaser of the Offered Bonds should consult his or her own tax advisor regarding the taxable status of the Offered Bonds in a particular state or local jurisdiction.

## **LITIGATION**

### **The Issuer**

There is no action, suit or proceeding, at law or in equity before any court, public board or body pending or, to the knowledge of the Issuer, threatened (or any meritorious basis for such an action, suit, proceeding, inquiry or investigation) at the date of this Official Statement to restrain or enjoin the issuance, sale, execution or delivery of the Offered Bonds or any proceedings of the Issuer taken with respect thereto, or wherein an unfavorable decision, ruling or finding (i) would adversely affect the transactions contemplated by this Official Statement or the validity or enforceability of the Offered Bonds, the 2025AB Indenture, the 2025C Indenture, the 2025AB Loan Agreement, the 2025C Loan Agreement or any other agreement or instrument to which the Issuer is a party and which is used or contemplated for use in the consummation of the transactions contemplated by this Official Statement or (ii) would materially adversely affect the financial condition or operations of the Issuer.

### **The Borrower**

There is no action, suit or proceeding, at law or in equity before any court, public board or body pending or, to the knowledge of the Borrower threatened (or any meritorious basis for such an action, suit, proceeding, inquiry or investigation) at the date of this Official Statement to restrain or enjoin the issuance, sale, execution or delivery of the Offered Bonds or any proceedings of the Borrower taken with respect thereto, or wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by this Official Statement or the validity or enforceability of the Offered Bonds, the 2025AB Indenture, the 2025C Indenture, the 2025AB Loan Agreement, the 2025C Loan Agreement, the University Lease, the Collateral Agreement or each of the Assignment of Rents or any other agreement or instrument which is used or contemplated for use in the consummation of the transactions contemplated by this Official Statement. There is no litigation now pending or threatened against the Borrower, of which the Borrower has knowledge, which in any manner questions the right of the Borrower to enter into or perform its obligations under the 2025AB Loan Agreement, the 2025C Loan Agreement, the University Lease the Collateral Agreement or each of the Assignment of Rents.

## **The State System**

There is no litigation now pending or threatened against the State System, of which the State System has knowledge, which in any manner questions the right of the State System to enter into or perform its obligations under the University Lease.

## **TAX EXEMPTION AND OTHER TAX MATTERS**

### **Pennsylvania Tax Exemption**

In the opinion of Bond Counsel, under existing law, the Offered Bonds are exempt from personal property taxes in Pennsylvania and the interest on the Offered Bonds is exempt from Pennsylvania personal income tax and corporate net income tax.

### **Federal Tax Exemption**

As of the date of closing, Bond Counsel will issue an opinion to the effect that under existing law, the interest on the 2025A Bonds and the 2025C Bonds (including any original issue discount properly allocable to the owner of a Bond) is excluded from gross income for federal income tax purposes. The Internal Revenue Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the 2025A Bonds and the 2025C Bonds in order for interest on the 2025A Bonds and the 2025C Bonds to be and remain excludable from gross income for purposes of federal income taxation. Examples include: the requirement that the Borrower maintain its status as an organization exempt from federal income taxation by reason of being described in Code Section 501(c)(3); the requirement that the Issuer rebate certain excess earnings on proceeds and amounts treated as proceeds of the 2025A Bonds and the 2025C Bonds to the United States Treasury; restrictions on investment of such proceeds and other amounts; and restrictions on the ownership and use of the facilities financed with proceeds of the 2025A Bonds and the 2025C Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Internal Revenue Code, but is illustrative of the requirements that must be satisfied by the Issuer and the Borrower subsequent to issuance of the 2025A Bonds and the 2025C Bonds to maintain the exclusion of interest on the 2025A Bonds and the 2025C Bonds from gross income for federal income taxation purposes. Failure to comply with such requirements could cause the interest on the 2025A Bonds and the 2025C Bonds to be included in gross income retroactive to the date of issuance of the 2025A Bonds and the 2025C Bonds. The opinion of Bond Counsel delivered on the date of issuance of the 2025A Bonds and the 2025C Bonds is conditioned on compliance by the Issuer and the Borrower with such requirements, and Bond Counsel has not been retained to monitor compliance with requirements such as described above subsequent to the issuance of the 2025A Bonds and the 2025C Bonds.

**Interest on the 2025B Bonds is not excluded from gross income for federal income tax purposes.**

**Original Issue Discount.** In the opinion of Bond Counsel, under existing law, the original issue discount in the selling price of any 2025A Bond and any 2025C Bond sold at an original issue discount (an “OID Bond”), to the extent properly allocable to each owner of such OID Bond, is excluded from gross income for federal income tax purposes with respect to such owner. The original issue discount is the excess of the stated redemption price or principal due at maturity of such OID Bond over its initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such OID Bonds was sold.



Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of an OID Bond during any accrual period generally equals (i) the issue price of such OID Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such OID Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (iii) any interest payable on such OID Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes and will increase the owner's tax basis in such OID Bond. Purchasers of any Bond at an original issue discount should consult their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes, and with respect to state and local tax consequences of owning such 2025A Bonds and 2025C Bonds.

**Original Issue Premium.** An amount equal to the excess of the purchase price of a 2025A Bond or a 2025C Bond over its stated redemption price or principal due at maturity constitutes a premium on such 2025A Bond or a 2025C Bond. Those maturities of 2025A Bonds or 2025C Bonds sold at such a premium are referred to herein as "OIP Bond". A purchaser of an OIP Bond must amortize any premium over such OIP Bond's term using constant yield principles, based on the OIP Bond's yield to maturity. As premium is amortized, the purchaser's basis in such OIP Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to such purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of such OIP Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any bond at a premium, whether at the time of initial issuance or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes, and with respect to state and local tax consequences of owning such Series A Bonds.

### **Other Tax Matters**

Except as expressly stated above, Bond Counsel will express no opinion regarding any other state or federal income tax consequences of acquiring, carrying, owning or disposing of the Offered Bonds. Owners of the Offered Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Offered Bonds, which may include original issue discount, original issue premium, purchase at a market discount or premium, taxation upon sale, redemption or other disposition and various withholding requirements and which may apply to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Offered Bonds.

### **LEGALITY FOR INVESTMENT**

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

or municipal officer or agency of the Commonwealth for any purpose for which the deposit of bonds or other obligations of the Commonwealth is authorized by law.

## **UNDERWRITING**

Raymond James & Associates, Inc. (the “Underwriter”), has entered into a Bond Purchase Agreement with the Issuer and the Borrower, to purchase the Offered Bonds at a purchase price of \$\_\_\_\_\_ (representing the principal amount of the Offered Bonds, plus net original issue premium in the amount of \$\_\_\_\_\_, less an Underwriter’s discount of \$\_\_\_\_\_). The total compensation to the Underwriter in connection with the Offered Bonds is expected to be in the form of the discount. The obligation of the Underwriter to purchase and to sell the Offered Bonds will be subject to various conditions contained in the Bond Purchase Agreement, including the issuance and receipt of the ratings described herein.

The Underwriter is purchasing the Offered Bonds and intends to offer the Offered Bonds to the original purchasers thereof at the offering prices set forth on the inside cover pages of this Official Statement, which offering price may subsequently be changed without any requirement of prior notice. The Underwriter has reserved the right to permit other securities dealers who are members of the National Association of Securities Dealers, Inc. to assist in selling the Offered Bonds. The Underwriter may offer and sell the Offered Bonds to certain dealers at prices lower than the public offering price or otherwise allow concessions to such dealers who may re-allow concessions to other dealers. Any discounts and/or commissions that may be received by such dealers in connection with the sale of the Offered Bonds will be deducted from the Underwriter’s discount.

The Underwriter and its affiliates together comprise a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Issuer or for the Borrower for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities and financial instruments which may include bank loans and/or credit default swaps) for its own account and for the accounts of its customers and may at any time hold long and short positions in such securities and instruments. Such investment securities activities may involve securities and instruments of the Issuer.

The Borrower has agreed to indemnify the Underwriter against certain civil liabilities, including certain liabilities under federal securities laws. Under existing statutes, regulations, and court decisions, the enforceability of such an agreement to indemnify is uncertain.

## **RATING**

The Offered Bonds have received a long-term rating of “A1” by Moody’s Investors Service, Inc. (the “Rating Agency”). An explanation of the significance of such rating may be obtained from the Rating Agency. The Rating Agency was furnished with the information contained in a preliminary form of this Official Statement and other information. Generally, ratings agencies base their rating on such materials and information, as well as their own investigation, studies and assumptions. The rating reflects only the view of the Rating Agency, and none of the Borrower, the Issuer, or the Underwriter makes any representation as to the appropriateness of the rating.

It should be noted that there is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency, circumstances warrant such action. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Offered Bonds.

## **LEGAL MATTERS**

Certain legal matters pertaining to the Issuer and its authorization and issuance of the Offered Bonds are subject to the approving opinion of Bond Counsel, Stevens & Lee, P.C., King of Prussia, Pennsylvania, the proposed forms of which are included as Appendix E hereto. Certain legal matters will be passed on for the Borrower by its counsel, Kooman Heeter & Gulnac, PC, Clarion, Pennsylvania, for the Issuer by its counsel, Kooman Heeter & Gulnac, PC, Clarion, Pennsylvania, for the State System by Ahmad Zaffarese, LLC, Philadelphia, Pennsylvania, and for the Underwriter by its counsel, Kutak Rock LLP, Omaha, Nebraska.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result and are not binding on the IRS or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law and in reliance on the representations and covenants that it deems relevant to such opinions.

Any statements herein involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The foregoing references to and summaries or descriptions of provisions of the Offered Bonds, the 2025AB Loan Agreement, the 2025C Loan Agreement, the 2025AB Indenture, the 2025C Indenture, the University Lease, the Collateral Agreement, each of the Assignment of Rents, the other Bond Documents, 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.

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 Issuer, the Borrower, the State System, the Underwriter or the Offered Bonds.

## **CONTINUING DISCLOSURE**

It has been determined that no financial or operating data concerning the Issuer is material to any decision to purchase, hold or sell the Offered Bonds, and the Issuer will not provide any such information. The Borrower and the State System have undertaken certain responsibilities for any continuing disclosure to Bondholders as described below, and the Issuer shall have no liability to Bondholders or any other person with respect to such disclosures.

The Borrower has entered into a continuing disclosure agreement (the "Borrower Continuing Disclosure Agreement"), a form of which is attached as Appendix G, with the Trustee for the benefit of the holders and beneficial owners of the Offered Bonds. The State System also has entered into a continuing disclosure agreement (the "State System Continuing Disclosure Agreement"), a form of which is attached as Appendix H, with the Trustee for the benefit of the holders and beneficial owners of the Offered Bonds.

Under the respective continuing disclosure agreements, each of the Borrower and the State System will be obligated, while any Offered Bonds remain outstanding, to provide certain updated financial information and operating data annually, and timely notice of specified material events, as required by Rule 15c2-12 of the Securities and Exchange Commission (the “SEC Rule”) to the Electronic Municipal Market Access (“EMMA”) system of the Municipal Securities Rulemaking Board. Information filed with EMMA may be obtained at [www.emma.msrb.org](http://www.emma.msrb.org).

In the previous five years, each of the Borrower and the State System have not fully complied with certain previous continuing disclosure agreements as described below (which information is presented irrespective of materiality).

With respect to the Borrower’s Continuing Disclosure Agreements relating to the 2014AB Bonds, 2014C-2 Bonds and 2014D Bonds, the Borrower was required to file certain operating data by November 1 of each year. Such filings were posted by the Borrower in conjunction with the Borrower’s audited financial statements, and as a result were not timely filed by November 1, but instead were filed within 180 days after the end of the Borrower’s fiscal year.

With respect to the State System’s Continuing Disclosure Agreements relating to the 2014AB Bonds, 2014C-2 Bonds and 2014D Bonds, all filings may not have been correctly linked to all applicable CUSIP numbers and a reportable event was posted in excess of ten business days from the occurrence of the event. As of February 11, 2025, June 30, 2024 filings were correctly linked to all applicable CUSIP numbers relating to the 2014AB Bonds, 2014C-2 Bonds and 2014D Bonds.

In the event of any failure of the Borrower or the State System to provide the required continuing disclosure, any Bondholder may bring an action seeking specific performance of the Borrower’s or the State System’s obligations to provide continuing disclosure. No assurance can be given as to the outcome of any such proceeding.

Failure by the Borrower or the State System to comply with the continuing disclosure obligations in the Borrower Continuing Disclosure Agreement or the State System Continuing Disclosure Agreement will not be an “Event of Default” under the 2025AB Indenture, the 2025C Indenture, the 2025AB Loan Agreement, the 2025C Loan Agreement, the Collateral Agreement, the University Lease, each of the Assignment of Rents or under any other Bond Document, and the sole and exclusive remedy for such failure shall be an action brought by or on behalf of the holders of the Offered Bonds to compel specific performance of the Borrower’s or the State System’s continuing disclosure obligations.

## **MISCELLANEOUS**

At closing of the issuance and sale of the Offered Bonds, the Issuer and the Borrower will each deliver to the Underwriter a certificate that no litigation is pending or threatened against it which would have a material effect on the issuance of the Offered Bonds or performance under the Bond Documents. In addition, the Borrower will represent to the Underwriter and the Issuer in the Bond Purchase Agreement that the information contained in this Official Statement relating to itself and each of the Project Facilities does not contain any misrepresentation of a material fact and does not omit to state any material fact necessary to make the statements herein contained, in light of the circumstances under which they were made, not misleading.

The Borrower has furnished the information contained in this Official Statement relating to itself and certain information relating to each of the Project Facilities. The Issuer has furnished only the information contained in this Official Statement relating to itself under the headings “THE ISSUER” and “LITIGATION.” The University has furnished the information contained in this Official Statement relating

to itself and certain information relating to each of the Project Facilities. Information concerning the State System has been provided by the Office of the Chancellor. The Underwriter has furnished the information contained in this Official Statement under the heading "UNDERWRITING" and has furnished the information with respect to the public offering prices of the Bonds contained on the inside cover pages of this Official Statement.

Any statements made in this Official Statement involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Offered Bonds.

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

CLARION COUNTY INDUSTRIAL  
DEVELOPMENT AUTHORITY

By \_\_\_\_\_  
Chairman

CLARION UNIVERSITY FOUNDATION, INC.

By \_\_\_\_\_  
Executive Director

**APPENDIX A**  
**FORM OF UNIVERSITY LEASE**

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## AMENDED AND RESTATED MASTER LEASE AGREEMENT

This Amended and Restated Master Lease Agreement (this “Lease” or “Agreement”), is made by and between Clarion University Foundation, Inc. (“Lessor”), a Pennsylvania not-for-profit corporation, and the Pennsylvania State System of Higher Education (“Lessee”), a body corporate and politic constituting a public corporation and instrumentality under the laws of the Commonwealth of Pennsylvania consisting of, among other universities, Pennsylvania Western University<sup>1</sup>, as successor entity to Clarion University of Pennsylvania (the “University”).

### WITNESSETH:

1. *Background - Hilltop Suites and Related Bonds (2007A Bonds and 2019AB Bonds)*

WHEREAS, pursuant to that certain Interagency Agreement for Transfer of Real Property (the “Interagency Agreement”) dated as of June 7, 2002, between the Commonwealth of Pennsylvania Department of General Services (“DGS”) and Lessee, Lessee owns, or has occupancy, custody and control over, and the authority to lease, certain real property located on University’s campus (the “Campus”); and

WHEREAS, Lessee previously leased certain property on the Campus to Lessor pursuant to a Ground Lease Agreement dated as of October 1, 2007, as amended by that certain First Amendment to Ground Lease Agreement dated as of October 17, 2008, and effective January 15, 2008, and that certain Second Amendment to Ground Lease Agreement dated as of and effective on December 1, 2019 (collectively, the “2007 Ground Lease”), as more particularly described in “**Exhibit A-1**” attached hereto, together with all appurtenances, rights, licenses, privileges and easements benefitting, belonging or pertaining thereto (the “A-1 Property”); and

WHEREAS, Lessor constructed, equipped and furnished student housing facilities on the A-1 Property (collectively, the “Hilltop Suites Housing”) with proceeds of Revenue Bonds (Clarion University Foundation, Inc. Student Housing Project at Clarion University of Pennsylvania), Series 2007A (the “2007A Bonds”) which were issued pursuant to a Trust Indenture dated as of October 1, 2007, between the Clarion County Industrial Development Authority (the “Authority”) and U.S. Bank National Association, as trustee, as amended (the “2007 Indenture”); and

WHEREAS, contemporaneously with the execution of the Original Lease (as hereinafter defined), the Authority refunded the 2007A Bonds with the issuance of its Revenue Refunding Bonds (Clarion University Foundation, Inc. Student Housing Project at Clarion University of Pennsylvania), Series 2019A and Revenue Refunding Bonds (Clarion University Foundation, Inc. Student Housing Project at Clarion University of Pennsylvania), Series 2019B (Federally Taxable) (collectively, the “2019 Bonds”), under and pursuant to a Trust Indenture (as amended from time to time, the “2019 Indenture”) between the Authority and U.S. Bank Trust Company, National Association, as successor trustee (together with its successors and assigns, the “2019 Trustee”), in order to reduce the debt service being paid with respect to the Hilltop Suites Housing; and

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<sup>1</sup> Clarion University of Pennsylvania, California University of Pennsylvania and Edinboro University of Pennsylvania are a part of Lessee and were legally consolidated in 2022 to form Pennsylvania Western University.

2. *Background - Suites on Main and Related Bonds (2014ABC Bonds)*

WHEREAS, Lessee previously leased certain property on the Campus to Lessor pursuant to a Ground Lease Agreement dated as of April 1, 2014, as amended by that certain First Amendment to Ground Lease Agreement dated as of June 17, 2020, and having an effective date of June 24, 2020 (the “2014 Ground Lease,” and together with the 2007 Ground Lease, the “Ground Leases,” and each a “Ground Lease”), as more particularly described in “**Exhibit A-2**” attached hereto, together with all appurtenances, rights, licenses, privileges and easements benefitting, belonging or pertaining thereto (the “A-2 Property”); and

WHEREAS, Lessor constructed, equipped and furnished student housing facilities on the A-2 Property (collectively, the “Suites on Main Housing”) with proceeds of the Authority’s Student Housing Revenue Bonds, Series 2014A (Clarion University Foundation, Inc. Student Housing Project at Clarion University of Pennsylvania) (the “2014A Bonds”), its Student Housing Revenue Bonds, Series 2014B (Clarion University Foundation, Inc. Student Housing Project at Clarion University of Pennsylvania) (Federally Taxable) (the “2014B Bonds”) and its Student Housing Revenue Bonds, Series 2014C-2 (Clarion University Foundation, Inc. Student Housing Project at Clarion University of Pennsylvania) (the “2014C-2 Bonds” and, together with the 2014A Bonds and the 2014B Bonds, the “2014ABC Bonds”) which were issued pursuant to a Trust Indenture dated as of April 1, 2014 (as amended from time to time, the “2014ABC Indenture”) between the Authority and U.S. Bank Trust Company, National Association, as successor trustee (together with its successors and assigns, the “2014ABC Trustee”); and

WHEREAS, Lessor granted a leasehold mortgage to the 2014ABC Trustee, as mortgagee, to the Suites on Main Housing pursuant to an Open-End Mortgage, Security Agreement and Fixture Filing dated as of December 1, 2014 (as amended from time to time, the “2014ABC Mortgage”); and

WHEREAS, the United States Department of Agriculture acting through the United States Department of Agriculture Rural Development (the “USDA”) is a current holder of the 2014C-2 Bonds; and

WHEREAS, in connection with execution of the Original Lease and the issuance of the 2019 Bonds, Lessee requested and obtained USDA’s consent to the transactions contemplated under the Original Lease solely as such consent related to the 2014C-2 Bonds, including without limitation its approval with respect to certain supplements and/or amendments contemporaneously made to the 2014ABC Indenture and the loan agreement associated with the 2014ABC Bonds (collectively, the “2019 Suites on Main Amendments”); and

WHEREAS, in addition to the 2019 Suites on Main Amendments, the execution of certain other agreements, financing statements and joinders (including without limitation joinders with respect to the 2019 Assignment of Rents and the 2019 Collateral Agreement (as both such terms are hereinafter defined) and an amendment to the 2014 Ground Lease associated with the Suites on Main Housing)) was necessary to consummate the transactions contemplated in the Original Lease, as such transactions related to the Suites on Main Housing; and

3. *Background* – Diane L. Reinhard Villages at Clarion University and Related Bonds (2014DE Bonds)

WHEREAS, Lessor previously acquired certain property, as more particularly described in “**Exhibit A-3**” attached hereto, together with all appurtenances, rights, licenses, privileges and easements benefitting, belonging or pertaining thereto (the “A-3 Property”); and

WHEREAS, Lessor constructed, equipped and furnished student housing facilities on the A-3 Property (collectively, the “Reinhard Villages Housing”) with proceeds of the Authority’s Revenue Bonds (Clarion University Foundation, Inc. Student Housing Project at Clarion University of Pennsylvania), Series 2003A (the “2003A Bonds”) which were issued pursuant to a Trust Indenture dated as of September 1, 2003, between Lessee and U.S. Bank National Association, as trustee; and

WHEREAS, the Authority refinanced Lessor’s 2003A Bonds with the Authority’s Revenue Refunding Bonds (Clarion University Foundation, Inc. Student Housing Project at Clarion University of Pennsylvania), Series 2014D (the “2014D Bonds”) and Series 2014E (Federally Taxable) (the “2014E Bonds,” and together with the 2014D Bonds, the “2014DE Bonds”) which were issued pursuant to a Trust Indenture dated as of December 1, 2014 (as amended and supplemented, the “2014DE Indenture”) between the Authority and U.S. Bank Trust Company, National Association, as successor trustee (together with its successors and assigns, the “2014DE Trustee”); and

WHEREAS, Lessor granted a mortgage to the 2014DE Trustee, as mortgagee, to the Reinhard Village Housing pursuant to an Open-End Mortgage, Security Agreement and Fixture Filing dated as of December 1, 2014 (as amended and supplemented, the “2014DE Mortgage”); and

WHEREAS, the 2014E Bonds have matured and are no longer outstanding; and

4. *Background* – The Original Lease

WHEREAS, the Hilltop Suites Housing, the Suites on Main Housing and the Reinhard Villages Housing are collectively referred to herein as the “Student Housing Facilities” and, together with the A-1 Property, the A-2 Property and the A-3 Property, are referred to herein as the “Leased Premises”; and

WHEREAS, the University has managed and currently manages the Student Housing Facilities pursuant to certain management agreements; and

WHEREAS, at the request of the University, Lessor and Lessee previously entered in a Master Lease Agreement dated as of December 1, 2019, by and between Lessor and Lessee, as amended by Amendment No. 1 to Master Lease Agreement dated as of June 24, 2020 (collectively, the “Original Lease”); and

WHEREAS, the Original Lease enabled the University to operate the Student Housing Facilities more efficiently and economically in exchange for Lessee’s agreement to assume responsibility for making the payments described in Section 3.0 of the Original Lease to be applied, among other purposes, towards the debt service on the 2014ABC Bonds, the 2014DE Bonds and the 2019 Bonds; and

WHEREAS, in conjunction with the execution of the Original Lease, Lessor entered into an Assignment of Rents (the “2019 Assignment of Rents”) with U.S. Bank National Association (together with its successors and assigns, the “2019 Collateral Agent”) and a Collateral Agreement (the “2019

Collateral Agreement”) with the 2019 Collateral Agent, the 2014ABC Trustee, the 2014DE Trustee and the 2019 Trustee, pursuant to which Lessor assigned the rents described in Section 3.0 of the Original Lease to the 2019 Collateral Agent which, upon receipt of such rents, required Lessor to transfer to the 2014ABC Trustee, the 2014DE Trustee and the 2019 Trustee the rent allocable to the Student Housing Facilities financed by the Bonds (as hereinafter defined) for which they are trustee; and as a result, the Original Lease provided additional security with respect to the 2014ABC Bonds, the 2014DE Bonds, the 2019 Bonds and any other debt which may have thereafter been issued to refund or refinance any of the above, including the 2025AB Bonds and the 2025C Bonds, as such terms are defined below (collectively, the “Bonds”); and

5. Refunding of the Outstanding 2014AB Bonds with Proceeds of the 2025AB Bonds

WHEREAS, it is expected that, contemporaneously with the execution of this Lease, the Authority will issue its Lease Revenue Refunding Bonds, Series 2025A (Clarion University Foundation, Inc.) (the “2025A Bonds”) and Lease Revenue Refunding Bonds, Series 2025B (Clarion University Foundation, Inc.) (Federally Taxable) (the “2025B Bonds,” and together with the 2025A Bonds, the “2025AB Bonds”); and

WHEREAS, the proceeds of the 2025AB Bonds will be used to refund all of the outstanding Series 2014AB Bonds and will be issued under and pursuant to a Trust Indenture dated as of April 1, 2025 (as amended from time to time, the “2025AB Indenture”) between the Authority and U.S. Bank Trust Company, National Association, as trustee for the 2025AB Bonds (together with its successors and assigns, the “2025AB Trustee”); and

WHEREAS, contemporaneously with the redemption of the Series 2014AB Bonds and the issuance of the 2025AB Bonds for the purpose of refunding the 2014AB Bonds: (1) the 2014AB Bonds will no longer be outstanding under the 2014ABC Indenture, (2) the 2014ABC Indenture will remain effective as to the 2014C-2 Bonds; (3) the 2014ABC Mortgage will be released as to the 2014AB Bonds pursuant to an amendment to the 2014ABC Mortgage (“Amendment No. 1 to Suites on Main Mortgage”); (4) the 2014ABC Mortgage will remain effective as to the outstanding 2014C-2 Bonds until such time as they are no longer outstanding under the 2014ABC Indenture; and (5) Lessor will grant a leasehold mortgage to the 2025AB Trustee, as mortgagee, to the Suites on Main Housing pursuant to a Second Amendment to Leasehold Mortgage to be dated as of April 1, 2025 (the “2025 Second Amendment to Leasehold Mortgage”);

WHEREAS, in connection with the execution of this Lease, Lessee has requested and obtained USDA’s consent to the transactions contemplated hereunder solely as such consent relates to the 2014C-2 Bonds (“2025 USDA Consent”), including without limitation the USDA’s consent to (i) an Intercreditor Agreement between the Authority, the 2014ABC Trustee and the 2025AB Trustee; (ii) the 2025AB Indenture; (iii) the 2025 Second Amendment to Leasehold Mortgage; and (iv) any necessary supplements or amendments to any other documents related to the 2014C-2 Bonds (collectively, the “2025 USDA Consent Documents”); and

WHEREAS, in addition to the execution of the 2025AB Indenture, the execution of certain other agreements, financing statements and joinders (including without limitation, (1) an amendment to the 2019 Assignment of Rents (“Amendment No. 1 to the Suites on Main Assignment of Rents”); (2) a joinder to the Collateral Agreement dated as of December 1, 2019 (the “Collateral Agreement”), by and among the 2014ABC Trustee and the 2019 Trustee, and U.S. Bank Trust Company, National Association, as collateral agent (together with its successors and assigns, the “Collateral Agent”); (3) an amendment to

the memorandum of the 2014 Ground Lease associated with the Suites on Main Housing; and (4) Amendment No. 1 to Suites on Main Mortgage; and (5) the 2025 Second Amendment to Leasehold Mortgage) is necessary to consummate the transactions contemplated herein as such transactions relate to the Suites on Main Housing (all of such indentures, agreements, financing statements and joinders, are collectively referred to herein as the “2025 Suites on Main Transaction Documents”); and

6. Refunding of the Outstanding 2014D Bonds with Proceeds of the 2025C Bonds

WHEREAS, it is expected that, contemporaneously with the execution of this Lease, the Authority will issue its Lease Revenue Refunding Bonds, Series 2025C (Clarion University Foundation, Inc.) (the “2025C Bonds,” and together with the 2025AB Bonds, the “2025ABC Bonds”); and

WHEREAS, the proceeds of the 2025C Bonds will be used to refund all of the outstanding 2014D Bonds and will be issued under and pursuant to a Trust Indenture dated as of April 1, 2025 (as amended from time to time, the “2025C Indenture”) between the Authority and U.S. Bank Trust Company, National Association, as trustee for the 2025C Bonds (together with its successors and assigns, the “2025C Trustee”); and

WHEREAS, contemporaneously with the redemption of the Series 2014D Bonds and the issuance of the 2025C Bonds for the purpose of refunding the Series 2014D Bonds: (1) the 2014D Bonds will no longer be outstanding under the 2014DE Indenture and the 2014DE Indenture will no longer be effective, as the 2014E Bonds have previously matured; and (2) the 2014DE Mortgage related to the Reinhard Villages Housing will be released in full; and

7. This Amended and Restated Master Lease Agreement

WHEREAS, it is the intention of the parties hereto and the University that the issuance of the 2025AB Bonds and the contemporaneous refunding of the 2014A and 2014B Bonds, the issuance of the 2025C Bonds and the contemporaneous refunding of the 2014D Bonds, and the effectiveness of this Lease will: (i) reduce the debt service support provided by Lessee hereunder with respect to the Suites on Main Housing (funded in part with 2014ABC Bonds) and the Reinhard Villages Housing (funded in part with 2014D Bonds); and (ii) eliminate the debt service reserve requirement under the 2014ABC Indenture with respect to the 2014A Bonds and the 2014B Bonds only, and the debt service reserve requirement under the 2014DE Indenture with respect to the 2014D Bonds; and

WHEREAS, the parties desire to enter into this Lease fully amending and replacing the Original Lease and extending any terms, rights and responsibilities thereunder applicable to the 2014A Bonds, 2014B Bonds and 2014D Bonds to also apply to the 2025ABC Bonds, particularly with regard to the University’s obligations set forth in Section 3.0 hereof; and

WHEREAS, in conjunction with the issuance of the Series 2025ABC Bonds and the execution of this Lease, Lessor shall execute Amendment No. 1 to Suites on Main Assignment of Rents and a Joinder (the “2025 Joinder”) to the 2019 Collateral Agreement, pursuant to which Lessor has previously assigned the rents described in Section 3.0 of this Lease to the Collateral Agent which, upon receipt of such rents, shall require Lessor to transfer to the 2014ABC Trustee, the 2019 Trustee, the 2025AB Trustee and the 2025C Trustee the rent allocable to the Student Housing Facilities financed by the Bonds (as hereinafter defined) for which they are trustee; and as a result, this Lease shall provide additional security with respect to the 2014C-2 Bonds, the 2019 Bonds, the 2025ABC Bonds and any other debt which may

have thereafter been issued to refund or refinance any of the above, as defined below (collectively, the “Bonds”); and

WHEREAS, this Lease shall be effective immediately upon execution, as to the Hilltop Suites Housing and the Reinhard Villages Housing, and as to the Suites on Main Housing upon receipt by Lessee of the USDA Consent, as set forth more specifically herein; and

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

## **1.0 Premises**

1.1 Lessee rents and takes from Lessor, and Lessor leases to Lessee, the Leased Premises, as well as the furniture, equipment, and personal property at such properties, if any.

1.2 Lessor agrees and hereby grants to Lessee and its invitees, residents, employees and sublessees, a non-exclusive license on, over, across and through any existing and/or future private streets, rights of way and authorized pedestrian pathways located on the real property under the care, custody or control of Lessor.

## **2.0 Term**

Notwithstanding the execution date of this Lease, the term of this Lease shall be deemed to have commenced on July 1, 2019, and shall terminate upon the expiration or termination of the term of the 2007 Ground Lease in the case of the Hilltop Suites Housing and upon the expiration or termination of the term of the 2014 Ground Lease in the case of the Suites on Main Housing. In the case of the Reinhard Villages Housing, the term of this Agreement shall terminate when the 2025C Bonds and any other debt issued to finance or refinance the Reinhard Villages Housing are no longer outstanding.

## **3.0 Rent**

During the term of this Agreement, Lessee shall pay to Lessor rent at the times and in the amounts (a) collectively set forth in Exhibit B-1, Exhibit B-2 and Exhibit B-3 attached hereto and (b) necessary to restore any reserve accounts, if any, or funds for the Bonds (collectively, “rent”).<sup>2</sup> The rent with respect to each Student Housing Facility shall terminate upon the expiration or termination of the term with respect to each applicable Student Housing Facility. Lessor directs Lessee, and Lessee agrees, to pay such rent directly to the Collateral Agent at the address set forth in Section 16.0 of this Lease unless the Collateral Agent shall direct Lessee otherwise in writing.

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<sup>2</sup> (A) The 2025AB Bonds do not have the benefit of a capital reserve requirement. Upon the maturity or early redemption of all outstanding 2014C-2 Bonds or a corresponding modification to the 2014ABC Indenture releasing Lessee from the obligation, Lessee shall no longer be obligated under this Lease to include the funding of a capital reserve as a part of its rent related to the Suites on Main Housing. (B) The 2025C Bonds do not have the benefit of a capital reserve requirement. Lessee shall have no obligation under this Lease to include any capital reserve requirement in its payment of rent related to the Reinhard Villages Housing. (C) Upon the maturity or early redemption of all outstanding 2019 Bonds or a corresponding modification to the 2019 Indenture releasing Lessee from the obligation, Lessee shall no longer be obligated under this Lease to include the funding of a capital reserve as a part of its rent related to the Hilltop Suites Housing. Additionally, the amount of the capital reserve requirement may be reduced as directed by the Foundation with the written approval of the Foundation’s consultant.)

#### 4.0 **Use of the Premises; Maintenance**

4.1 Lessee shall use and operate the Leased Premises as student housing facilities and for such other purposes as Lessee is otherwise permitted by law. Lessee shall not use or operate the Student Housing Facilities so as to jeopardize the tax-exempt status of any federally tax-exempt Bonds issued by the Lessor which remain outstanding during the term of this Agreement. Lessee shall require student residents of the Leased Premises to enter into residency agreements. Lessee shall comply with all applicable terms of each Ground Lease.

4.2 Lessee, in its own name or in the name of the University, shall collect the payments made under such residency agreements and under any other leases for space in the Leased Premises and deposit them not less frequently than monthly in the deposit account subject to a control agreement in the case of the 2014C-2 Bonds that remain outstanding, and in a deposit account not subject to a control account in the case of the 2019 Bonds, the 2025AB Bonds and the 2025C Bonds, from which it shall pay, among other things, operating expenses (including, but not limited to, the fees and expenses of the respective Trustees and the Collateral Agent), any applicable taxes or payments in lieu of taxes and the rental payments described in Section 3.0 above. Lessee's payment obligations hereunder are general obligations of Lessee and Lessee alone and no other division of the Commonwealth of Pennsylvania (the "Commonwealth"), payable from revenues collected as described herein and all other legally available funds of Lessee. Lessee has no power to pledge the credit or taxing power of the Commonwealth, nor shall any of its obligations or debts be deemed to be obligations of the Commonwealth.

4.3 Lessee shall maintain the Leased Premises in good condition, reasonable wear and tear excepted, and shall provide for the costs of same in the capital budget described in Section 5.1 below; provided, however, Lessee may close a Student Housing Facility upon notice to Lessor, in which case such maintenance may be reduced provided that: (a) Lessee provides and maintains the structural integrity of the Student Housing Facility which includes but is not limited to appropriate climate control; and (b) Lessee takes all appropriate action to ensure the Student Housing Facility is secured as part of a deactivated status. No closure of a Student Housing Facility shall reduce any lease payments due hereunder.

#### 5.0 **Alterations, Additions, and Improvements**

5.1 Prior to the commencement of each fiscal year beginning July 1, 2025, Lessee shall present a capital budget for the Leased Premises to Lessor for the following fiscal year for Lessor's approval, which shall not be unreasonably withheld or delayed and shall be deemed to have been given if Lessor does not respond in writing within thirty (30) days. Lessee shall not make, nor suffer, nor permit to be made, any material alterations, additions or improvements in or about the Leased Premises without first obtaining the written consent of Lessor therefor, which shall not be unreasonably withheld or delayed; provided, however, that no consent shall be required for any alterations, additions or improvements contained in any approved capital budget. Lessee shall prepare or cause to be prepared and shall deliver to the 2014ABC Trustee (while any Bonds are outstanding under the 2014ABC Indenture), the 2025AB Trustee (while any Bonds are outstanding under the 2025AB Indenture) and the 2025C Trustee (while any Bonds are outstanding under the 2025C Indenture) on or before the first day of each Fiscal Year, a copy of the final annual budget for the relevant Student Housing Facility for such Fiscal Year beginning with the Fiscal Year ending June 30, 2025.

5.2 Lessee may apply any capital repair or replacement reserves held under the Bond documents with respect to a Student Housing Facility to make such capital expenditures for maintenance, alterations, additions and improvements as are contemplated in Section 5.1 and such additions and replacements of equipment to any portion of such Student Housing Facility as it deems to be appropriate.

#### 6.0 **Lessor's Right of Entry**

Lessor shall have the right, upon reasonable notice, to enter upon the Leased Premises to inspect the same.

#### 7.0 **Insurance and Indemnification**

7.1 Lessee is a body corporate and politic constituting a public corporation and government entity. As such, it lacks the statutory authority to purchase insurance and does not possess insurance documentation per se (i.e., certificates of insurance). It cannot name another party as an additional insured. Instead, it participates in the Commonwealth's Tort Claims Self-Insurance Program administered by the Bureau of Finance and Risk Management of the Pennsylvania Department of General Services.

7.2 During the term of this Agreement, Lessee is directed by Lessor to pay out of revenues generated by the Student Housing Facilities or other available funds of Lessee, as an operating expense, any invoices or other notices of any amount due with respect to insurance required under the applicable Ground Lease, the mortgage or loan agreement which shall include, but not be limited to (a) comprehensive general and public liability insurance in the amount of one (1) million dollars per occurrence for personal injury and/or death, two (2) million dollars per occurrence for personal property damage; (b) an all-risk policy with building replacement cost coverage; (c) business interruption insurance covering loss of revenues or other income by reason of total or partial suspension of, or interruption in, the operation of the Leased Premises caused by its damage or destruction in an amount sufficient to meet debt payments and other recurring payments for at least eighteen (18) months; and (d) fire and casualty insurance on the structures for replacement cost. Lessee shall be named as an additional insured under these policies and certificates of insurance for each policy shall be provided to Lessee prior to occupancy.

7.3 During the term of this Agreement, Lessee shall be entitled to receive proceeds of business interruption or similar insurance, which proceeds shall be used by Lessee for (a) the payment of rent pursuant to Section 3.0, or (b) the redemption of Bonds (but only in the case that no payment default exists under this Lease).

7.4 During the term of this Agreement, Lessor shall notify Lessee and the applicable Trustee promptly in writing of any damage to or any destruction or condemnation (or other similar taking or conveyance in lieu thereof) of any portion of the Student Housing Facilities in excess of 10% of Property, Plant and Equipment (as defined in the applicable Indenture) of or relating to the Student Housing Facilities. Any Net Proceeds (as defined in the applicable Indenture) shall be deposited with the applicable Trustee and applied at the option of Lessee to (a) the reconstruction, replacement, demolition, or repair of the affected Student Housing Facilities, or (b) to the redemption of Bonds pursuant to the terms of the applicable Indenture (but only in the case that no payment default exists under this Lease).

7.5 Lessor releases and discharges Lessee and its employees, agents, and representatives from any and all claims, damages and causes of action arising out of any damage to or destruction of the Leased Premises where such damage or destruction was not caused by the willful act or negligence of Lessee or any of its employees, agents, or representatives, provided, however, Lessor provides Lessee



timely notice of any claims, damages and causes of action that it becomes aware of with respect to the Leased Premises. Such release does not relieve Lessee of its obligation to make payments of rent hereunder. Rent shall be due hereunder regardless of the occurrence of any casualty to any Leased Premises.

7.6 Lessor shall hold Lessee harmless from and indemnify Lessee against any and all claims, demands and actions based upon or arising out of any acts or omissions of Lessor and its employees and agents in connection with this Agreement, and shall, at the request of Lessee, defend any and all actions brought against Lessee based upon any such claims or demands.

#### 8.0 **Housing Agreements; Leases and Subleases; Representations and Warranties; Covenants**

8.1 Lessee, without the consent or approval of Lessor, shall have the right, in the ordinary course of business, to enter into housing agreements or other agreements related to the Student Housing Facilities in such form as Lessee deems to be appropriate.

8.2 In addition to student housing agreements described in Section 8.1 above, Lessee shall have the right to sublease the Leased Premises, or any portion thereof, without the consent or approval of Lessor; provided, however, that Lessee shall not enter into any sublease which would jeopardize the tax-exempt status of any Bonds, the interest on which is exempt from federal income taxation.

8.3 Lessee agrees to provide Lessor such financial and operating records and information as may be required by Lessor in order to comply with its obligations under any loan instrument or continuing disclosure obligations.

#### 9.0 **Surrender; Holding Over**

9.1 At the expiration of the term of this Agreement with respect to the Hilltop Suites Housing or the Suites on Main Housing, Lessee will yield up peaceably the Leased Premises to Lessor in as good order and condition as when the same were entered upon by Lessee, loss by fire or inevitable accident, damage by the elements, and reasonable use and wear excepted and Lessor shall simultaneously yield up peaceably the Leased Premises to Lessee as contemplated in the applicable Ground Lease.

9.2 At the expiration of the term of this Agreement with respect to the Reinhard Villages Housing, it is the intent of Lessor to gift all of Lessor's right, title and fee simple interest in Reinhard Villages Housing to Lessee. Should Lessee not accept the gift, Lessee will yield up peaceably the Leased Premises to Lessor in as good order and condition as when the same were entered upon by Lessee, loss by fire or inevitable accident, damage by the elements, and reasonable use and wear excepted.

#### 10.0 **Condemnation**

In the event the Leased Premises are taken or condemned by public authority in whole, the provisions of any Ground Lease shall apply and, in the absence of a Ground Lease, the proceeds shall be applied to pay off the applicable Bonds, with any remaining condemnation proceeds going to Lessor. In the event a part but not the whole of the Leased Premises is taken or condemned by public authority, the provisions of any Ground Lease shall apply and, in the absence of a Ground Lease, Lessee shall determine, in its sole discretion, whether to apply any condemnation or similar award (a) to reduce the principal of the applicable Bonds then outstanding (in which case rental obligations hereunder will be reduced to the extent Lessor's debt service obligations under any of the financing documents securing the

Bonds are reduced) or (b) to rebuild or rehabilitate the portions of the Leased Premises impacted or for some other lawful purpose consistent with the financing documents securing the Bonds. No partial condemnation shall relieve Lessee of its obligation to make payments of rent hereunder.

#### 11.0 **Destruction**

If at any time during the term of this Agreement the Leased Premises shall be totally or partially damaged or destroyed by fire, earthquake or other calamity, rental obligations hereunder will be reduced to the extent of business interruption insurance covering loss of revenues or other income by reason of total or partial suspension of, or interruption in, the operation of the Leased Premises caused by its damage or destruction. In the event of an insured loss with respect to any portion of the Leased Premises, Lessee shall determine, following consultation with Lessor, whether (a) to apply the insurance proceeds to reduce the principal of the applicable Bonds then outstanding (in which case rental obligations hereunder will be reduced to the extent Lessor's debt service obligation under any of the financing documents securing the Bonds are reduced) or (b) to rebuild, restore or replace the portions of the Leased Premises impacted or for some other lawful purpose consistent with the financing documents securing the Bonds. Proceeds of insurance resulting from destruction of the property should be applied in a manner consistent with the terms of the applicable indenture and loan agreement.

#### 12.0 **Assignment; Termination**

12.1 During the term of this Agreement, Lessor shall not sell, assign, transfer or convey its interest in the Leased Premises, or any portion thereof, without the consent of Lessee except to the extent permitted by the provisions of any applicable Ground Lease.

12.2 Irrespective of whether an event of default has occurred and is continuing, neither Lessor nor Lessee shall terminate this Agreement while any Bonds remain outstanding without the consent of the applicable Trustee.

#### 13.0 **Default and Remedies**

13.1 Lessee's failure to pay rent shall constitute an event of default entitling the Collateral Agent to exercise remedies available at law and in equity subject to the provisions of Section 12.2 above including, but not limited to, recovering fees and expenses incurred by the Collateral Agent in the exercise of such remedies. In the event Lessee breaches a non-payment covenant, Lessor shall be entitled to seek specific performance thereof.

13.2 Lessor's breach of any term or covenant of this Lease shall be an event of default entitling Lessee to exercise remedies available at law and in equity; provided Lessee may not withhold, reduce or otherwise modify the payment of rent hereunder in the event of a default by Lessor. In addition, Lessor shall not be precluded from approaching a Trustee for any of the Bonds to seek its approval to assist in enforcing the provisions hereof or in curing an event of default.

#### 14.0 **Waiver**

The failure of either party to exercise any of its rights under this Agreement for a breach thereof shall not be deemed to be a waiver of such rights, nor shall the same be deemed to be a waiver of any subsequent breach, either of the same provision or otherwise.

15.0 **Entire Agreement; Effect on Ground Leases and Management Agreements**

15.1 This Agreement (and its attachments, if any) constitutes the entire understanding between the parties with respect to the subject matter hereof and supersedes any and all prior understandings and agreements, oral and written, relating hereto. Any amendment hereof must be in writing, signed by both parties, consented to in writing by any third party beneficiaries to this Agreement (as described in Section 18) and reviewed and approved by all required Commonwealth attorneys prior to being effective.

15.2 Notwithstanding the foregoing, any Ground Lease shall remain in full force and effect and there shall be no merger of the fee interest of Lessee and its leasehold interest hereunder.

15.3 The parties agree that any existing management agreements between Lessor and Lessee shall be terminated upon the execution and delivery of this Agreement.

16.0 **Notice**

Any notice to either party hereunder must be in writing signed by the party giving it, and shall be served either personally, by overnight delivery service or by registered or certified mail addressed as follows:

To Lessee:

Pennsylvania Western University  
Office of Finance & Administration  
California Campus  
407 Dixon Hall  
California, PA 15419  
Attention: Vice President for Finance

and

Tamara Varsek  
Associate Vice President for Finance

Pennsylvania's State System of Higher Education  
Office of the Chancellor  
2300 Vartan Way, Suite 207  
Harrisburg, PA 17110  
Attention: Sharon P. Minnich,  
Executive Vice Chancellor for Administration and Finance

To Lessor:

Clarion University Foundation, Inc.  
Max Smith  
Executive Officer  
840 Wood Street  
Clarion, PA 16214

To Collateral Agent:  
U.S. Bank Trust Company, National Association  
225 W. Station Square Drive  
Suite 620  
Mail Code: EX-PA-SS6  
Pittsburgh, PA 15219

or to such other address as may be hereafter designated by written notice. All such notices shall be effective only when received by the addressee.

**17.0 Quiet Enjoyment; Subordination and Attornment**

Upon payment of the rents and performance of the covenants and agreements on the part of Lessee to be paid and performed hereunder, Lessee shall peaceably have and enjoy the Leased Premises and all the rights, privileges, and appurtenances granted by this Agreement and in a manner consistent with the applicable Ground Lease and/or mortgage. Nevertheless, this Agreement, all rights of Lessee in this Agreement and all interest of Lessee in the Leased Premises pursuant to this Agreement (but not its fee interest, if any, pursuant to any Ground Lease), is subject and subordinate to the lien of any mortgage, deed of trust, security interest or other security document of like nature that at any time may encumber all or any part of the Leased Premises and any replacements, renewals, amendments, modifications, extensions or refinancings thereof, and each advance (including future advances) made under any such instrument (each, a "Security Interest"). (Lessor shall not agree to any replacements, renewals, amendments, modifications, extensions or refinancings without prior written consent of Lessee). Lessee will, promptly following Lessor's demand, execute and deliver to Lessor or to any other person Lessor designates any instruments, releases or other documents reasonably required to confirm the self-effectuating subordination of this Agreement (but not its fee interest, if any, pursuant to any Ground Lease) as provided in this Section to the lien of any Mortgage. If the holder of any Mortgage at a foreclosure sale or any other transferee acquires Lessor's interest in this Agreement or the Leased Premises, Lessee will attorn to the transferee of or successor to Lessor's interest in this Agreement or the Leased Premises (as the case may be) and recognize such transferee or successor as Lessor under this Agreement. Lessee waives the protection of any statute or rule of law that gives or purports to give Lessee any right to terminate this Lease or surrender possession of the Leased Premises upon the transfer of Lessor's interest.

**18.0 Third Party Beneficiaries**

Each Trustee and the Collateral Agent, and each bond insurer or swap provider then currently securing or outstanding in connection with any Bonds, shall be deemed to be a third-party beneficiary of this Agreement. No amendment or modification may be made hereunder without the prior written consent of all such third party beneficiaries.

**19.0 No Joint Venture or Merger**

Nothing herein contained shall be deemed to (a) make the parties joint venturers or partners or to create any relationship of principal and agent, but rather the relationship of the parties shall be that of separate, independent contractors, and such other party's consent or (b) cause a merger of Lessee's fee interest in the A-1 and A-2 Properties which are subject to the Ground Leases with Lessee's interest under this Agreement.

20.0 **Governing Law; Forum**

This Agreement shall be governed by and construed under the laws of the Commonwealth of Pennsylvania, which shall be the forum for any lawsuits arising under this Agreement or incident hereto.

21.0 **Continuing Disclosure**

Lessee agrees to comply with the Continuing Disclosure Agreement dated as of December 1, 2019, between Lessee and the 2019 Trustee, and the Continuing Disclosure Agreement dated as of April 1, 2025, between Lessee, the 2025AB Trustee and the 2025C Trustee.

22.0 **Effectiveness**

Notwithstanding anything to the contrary contained herein, the parties agree that: (a) the terms of this Agreement applicable to the Hilltop Suites Housing and the Reinhard Villages Housing shall be effective immediately upon execution of this Agreement; (b) the terms of this Agreement applicable to the Suites on Main Housing shall be effective upon execution of this Agreement, delivery of the 2025 USDA Consent and the execution and filing of all 2025 Suites on Main Transaction Documents.

23.0 **Commonwealth of Pennsylvania Required Contract Provisions**

23.1 For purposes of this section 23.0, “Contractor” means Lessor.

23.2 Contractor Integrity.

- a. *Definitions.* For purposes of these Contractor Integrity Provisions, the following definitions apply:
  - i. “Affiliate” means two or more entities where (a) a parent entity owns more than 50% of the voting stock of each of the entities; (b) a common shareholder or group of shareholders owns more than fifty percent (50%) of the voting stock of each of the entities; or (c) the entities have a common proprietor or general partner.
  - ii. “Commonwealth” shall mean the Pennsylvania State System of Higher Education, a body corporate and politic constituting a public corporation and instrumentality under the laws of the Commonwealth of Pennsylvania, as Lessee.
  - iii. “Contractor” means Clarion University Foundation, Inc., as Lessor.
  - iv. “Contractor Related Parties” means any Affiliates of the Contractor and the Contractor’s executive officers, Pennsylvania officers and directors, or owners of five percent or more interest in the Contractor.
  - v. “Financial Interest” means ownership of more than a five percent (5%) interest in any business or holding a position as an officer, director, trustee, partner, employee, or holding any position of management.

- vi. “Gratuity” means tendering, giving, or providing anything of more than nominal monetary value including, but not limited to, cash, travel, entertainment, gifts, meals, lodging, loans, subscriptions, advances, deposits of money, services, employment, or contracts of any kind. The exceptions set forth in the [Governor’s Code of Conduct, Executive Order 1980-18](#), as may be amended, 4 Pa. Code §7.153(b), apply.
  - vii. “Non-bid Basis” means a contract awarded or executed by the Commonwealth with Contractor without seeking bids or proposals from any other potential bidder or offeror.
- b. Representations and Warranties.
- i. *Contractor Representation and Warranties.* The Contractor represents, to the best of its knowledge and belief, and warrants that within the last five years neither the Contractor nor Contractor Related Parties have:
    - 1. been indicted or convicted of a crime involving moral turpitude or business honesty or integrity in any jurisdiction;
    - 2. been suspended, debarred, or otherwise disqualified from entering into any contract with any governmental agency;
    - 3. had any business license or professional license suspended or revoked;
    - 4. had any sanction or finding of fact imposed as a result of a judicial or administrative proceeding related to fraud, extortion, bribery, bid rigging, embezzlement, misrepresentation or anti-trust; and
    - 5. been, and are not currently, the subject of a criminal investigation by any federal, state or local prosecuting or investigative agency or civil anti-trust investigation by any federal, state, or local prosecuting or investigative agency.
  - ii. *Contractor Explanation.* If the Contractor cannot make the representations and warranties set forth above at the time of its submission of its bid or proposal or if this contract is awarded on a non-bid basis at the time of the execution of the contract, the Contractor shall submit a written explanation outlining the reasons why it cannot make those representations and warranties. The Commonwealth may, based on its evaluation of the explanation provided, determine whether it is in the Commonwealth’s best interest to execute the contract.
  - iii. *Further Representations.* By submitting any bills, invoices, or requests for payment pursuant to this contract, the Contractor further represents that it has not violated any of these Contractor Integrity Provisions during the term of the contract.

- iv. *Notice.* The Contractor shall immediately notify the Commonwealth, in writing, if at any time during the term of the contract it becomes aware of any event that would cause the Contractor's certification or explanation to change.
- c. *Contractor Responsibilities.* During the term of this contract, the Contractor shall:
  - i. maintain the highest standards of honesty and integrity;
  - ii. take no action in violation of any applicable laws, regulations, or other requirements applicable to the Contractor that govern Commonwealth contracting and procurement;
  - iii. establish and implement a written business integrity policy that includes, at a minimum, the requirements of these provisions as they relate to the Contractor's activity with the Commonwealth and Commonwealth employees and ensure that its employees comply with the policy;
  - iv. not accept, agree to give, offer, confer, agree to confer, or promise to confer, directly or indirectly, any gratuity or pecuniary benefit to any person, or to influence or attempt to influence any person in violation of any federal or state law, regulation, executive order, statement of policy, management directive, or bulletin applicable to the provision of goods or services under this contract;
  - v. not have a financial interest in any other contractor, subcontractor, or supplier providing services, labor, or material under this contract, unless the financial interest is disclosed to the Commonwealth in writing and the Commonwealth consents to Contractor's financial interest. The Contractor must disclose the financial interest to the Commonwealth at the time of bid or proposal submission, or if no bids or proposals are solicited, no later than the date the Contractor signs the contract. The Commonwealth shall be deemed to have consented if the required disclosure is received and all of the required Commonwealth signatures are affixed;
  - vi. comply with the requirements of the Lobbying Disclosure Act (65 Pa.C.S. §13A01 et seq.) regardless of the method of award;
  - vii. comply with the requirements of Section 1641 of the Pennsylvania Election Code (25 P.S. §3260a) if this contract was awarded on a Non-bid Basis.
  - viii. immediately notify the Commonwealth contracting officer or the Office of the State Inspector General, in writing, when the Contractor has reason to believe that any breach of ethical standards as set forth in law, the Governor's Code of Conduct, or these Contractor Integrity Provisions has occurred or may occur, including, but not limited to,

contact by a Commonwealth officer or employee, which, if acted upon, would violate the ethical standards.

- d. *Investigations.* If a State Inspector General investigation is initiated, the Contractor shall:
- i. reimburse the Commonwealth for the reasonable costs of investigation incurred by the Office of the State Inspector General for investigations of the Contractor's compliance with the terms of this or any other agreement between the Contractor and the Commonwealth that results in the suspension or debarment of the Contractor. The Contractor shall not be responsible for investigative costs for investigations that do not result in the Contractor's suspension or debarment.
  - ii. cooperate with the Office of the State Inspector General in its investigation of any alleged Commonwealth agency or employee breach of ethical standards and any alleged Contractor non-compliance with these Contractor Integrity Provisions and make identified Contractor employees available for interviews at reasonable times and places.
  - iii. upon the inquiry or request of an Inspector General, provide, or if appropriate, make promptly available for inspection or copying, any information of any type or form deemed relevant by the Office of the State Inspector General to Contractor's integrity and compliance with these provisions. This information may include, but is not be limited to, Contractor's business or financial records, documents or files of any type or form that refer to or concern this contract.
- e. *Rights and Remedies.* For violation of any of these Contractor Integrity Provisions, the Commonwealth may claim liquidated damages in an amount equal to the value of anything received in breach of these Contractor Integrity provisions, claim damages for all additional costs and expenses incurred in obtaining another contractor to complete performance under this contract, and debar and suspend the Contractor from doing business with the Commonwealth. These rights and remedies are cumulative, and the use or non-use of any one does not preclude the use of all or any other. These rights and remedies are in addition to those the Commonwealth may have under law, statute, regulation, or contract.
- f. *Subcontracts.* The Contractor shall include these Contractor Integrity Provisions in its contracts with all subcontractors providing goods or services under this contract. The incorporation of this provision in the Contractor's subcontracts does not create privity of contract between the Commonwealth and any subcontractor, and no third-party beneficiaries are created by the inclusion of these provisions. If the Contractor becomes aware of a subcontractor's violation of these provisions, the Contractor shall use its best efforts to ensure the subcontractor's compliance with these provisions.



## 23.2 Contractor Responsibility.

- a. *Definition.* For the purpose of these provisions, the term “Contractor” means as any person, including, but not limited to, a bidder, offeror, loan recipient, grantee or lessor, who has furnished or performed or seeks to furnish or perform, goods, supplies, services, leased space, construction or other activity, under a contract, grant, lease, purchase order or reimbursement agreement with the Commonwealth. The term also includes a permittee, licensee, or any agency, political subdivision, instrumentality, public authority, or other public entity in the Commonwealth.
- b. *Contractor Representations.*
  - i. The Contractor represents for itself and its subcontractors required to be disclosed or approved by the Commonwealth, that as of the date of its execution of this contract, that neither the Contractor, nor any such subcontractors, are under suspension or debarment by the Commonwealth or any governmental entity, instrumentality, or authority and, if the Contractor cannot make this representation, the Contractor shall submit, along with its contract, a written explanation of why such certification cannot be made.
  - ii. The Contractor represents that as of the date of its execution of this contract it has no tax liabilities or other Commonwealth obligations, or has filed a timely administrative or judicial appeal if such liabilities or obligations exist, or is subject to a duly approved deferred payment plan if such liabilities exist.
- c. *Notification.* The Contractor shall notify the Commonwealth if, at any time during the term of this contract, it becomes delinquent in the payment of taxes, or other Commonwealth obligations, or if it or, to the best of its knowledge, any of its subcontractors are suspended or debarred by the Commonwealth, the federal government, or any other state or governmental entity. The Contractor shall provide this notification within 15 days of the date of suspension or debarment.
- d. *Default.* The Contractor’s failure to notify the Commonwealth of its suspension or debarment by the Commonwealth, any other state, or the federal government constitutes an event of default of the contract with the Commonwealth.
- e. *Reimbursement.* The Contractor shall reimburse the Commonwealth for the reasonable costs of investigation incurred by the Office of State Inspector General for investigations of the Contractor's compliance with the terms of this contract or any other agreement between the Contractor and the Commonwealth that results in the suspension or debarment of the Contractor. These costs include, but are not limited to, salaries of investigators, including overtime; travel and lodging expenses; and expert witness and documentary fees. The

Contractor shall not be responsible for investigative costs for investigations that do not result in the Contractor's suspension or debarment.

- f. *Suspension and Debarment List.* The Contractor may obtain a current list of suspended and debarred Commonwealth contractors by visiting the eMarketplace website at <http://www.emarketplace.state.pa.us> and clicking the Debarment list tab.

### 23.3 Americans With Disabilities Act.

- a. *No Exclusion.* Pursuant to the Americans with Disabilities Act, 42 U.S. Code § 12101, et seq., no qualified individual with a disability may, on the basis of the disability, be excluded from participation in this contract or from activities provided for under this contract.
- b. *Compliance.* For all goods and services provided pursuant to this contract, the Contractor shall comply with Title II of the Americans with Disabilities Act, the "General Prohibitions Against Discrimination" set forth in 28 C. F. R. § 35.130, and all other regulations promulgated under Title II of the Americans with Disabilities Act that apply to state and local governments.
- c. *Indemnification.* The Contractor shall indemnify the Commonwealth against all third-party claims, suits, demands, losses, damages, costs, and expenses, including without limitation, litigation expenses, attorneys' fees, and liabilities, arising out of or in connection with the Contractor's failure or its employee's or agent's failure to comply with the provisions of paragraph a, as determined by the Commonwealth in its sole discretion.

### 23.4 Right to Know Law.

- a. *Applicability.* The Pennsylvania Right-to-Know Law, 65 P.S. §§ 67.101-3104, ("RTKL") applies to this contract.
- b. *Contractor Assistance.* If the Commonwealth needs the Contractor's assistance in any matter arising out of the RTKL related to this contract, the Commonwealth shall notify the Contractor that it requires the Contractor's assistance, and the Contractor shall provide to the Commonwealth:
  - i. access to, and copies of, any document or information in the Contractor's possession (Requested Information) arising out of this contract that the Commonwealth reasonably believes is a public record under the RTKL, within ten calendar days after receipt of written notification; and
  - ii. any other assistance as the Commonwealth may reasonably request, in order to comply with the RTKL with respect to this contract.

- c. *Trade Secret or Confidential Proprietary Information.* If the Contractor considers the Requested Information to include a Trade Secret or Confidential Proprietary Information, as those terms are defined by the RTKL, or other information that the Contractor considers exempt from production under the RTKL, the Contractor shall notify the Commonwealth and provide, within seven calendar days of receipt of the written notice a written statement, signed by a representative of the Contractor, that explains why the requested material is exempt from public disclosure under the RTKL. If the Commonwealth determines that the Requested Information is clearly not exempt from disclosure, the Contractor shall provide the Requested Information to the Commonwealth within five business days of receipt of written notice of the Commonwealth's determination.
- d. *Reimbursement.*
  - i. Commonwealth Reimbursement. If the Contractor fails to provide the Requested Information and the Commonwealth is ordered to produce the Requested Information, the Contractor shall reimburse the Commonwealth for any damages, penalties, or costs that the Commonwealth may incur as a result of the Contractor's failure, including any statutory damages assessed against the Commonwealth.
  - ii. Contractor Reimbursement. The Commonwealth will reimburse the Contractor for any costs that the Contractor incurs as a direct result of complying with these provisions only to the extent allowed under the fee schedule established by the Office of Open Records or as otherwise provided by the RTKL.
- e. *Challenges of Commonwealth Release.* The Contractor may file a legal challenge to any Commonwealth decision to release a record to the public with the Office of Open Records, or in the Pennsylvania Courts, however, the Contractor shall reimburse the Commonwealth for any legal expenses incurred by the Commonwealth as a result of the challenge, including any damages, penalties or costs that the Commonwealth may incur as a result of the Contractor's legal challenge, regardless of the outcome.
- f. *Waiver.* As between the parties, the Contractor waives all rights or remedies that may be available to it as a result of the Commonwealth's disclosure of Requested Information pursuant to the RTKL
- g. *Survival.* The Contractor's obligations contained in this Section survive the termination or expiration of this contract.

### 23.5 Offset.

The Commonwealth may set off the amount of any state tax liability or other obligation of the Contractor, or its subsidiaries, owed to the Commonwealth against any payments due the Contractor under any contract between the Commonwealth and Contractor.

### 23.6 Nondiscrimination.

The parties shall comply with all applicable state and federal statutes and regulations governing equal employment opportunity, non-discrimination and immigration. The parties agree to continue their respective policies of nondiscrimination based on Title VI of the Civil Rights Act of 1964 in regard to sex, age, race, color, creed, and national origin; Title IX of the Education Amendments of 1972 and other applicable laws; as well as the provisions of the Americans with Disabilities Act.

### 23.7 Sexual Harassment

Federal law and the policies of the University prohibit sexual harassment of University employees or students. Sexual harassment includes any unwelcome sexual advance toward a University employee or student, or any other verbal or physical conduct of a sexual nature that is so pervasive as to create a hostile or offensive working environment for University employees, or a hostile or offensive academic environment for university students. University vendors, subcontractors and suppliers for this project are required to exercise control over their employees so as to prohibit acts of sexual harassment of University employees and students. The employer of any person who the University, in its reasonable judgment, determines has committed an act of sexual harassment agrees as a term and condition of this Contract to cause such person to be removed from the project site and from University premises and to take such other action as may be reasonably necessary to cause the sexual harassment to cease. In addition, the agency may proceed with debarment or suspension or make appropriate reports in accordance with the Contractor Responsibility Program.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.  
SIGNATURE PAGE FOLLOWS]

**IN WITNESS WHEREOF**, the authorized representative of the parties have executed this Amended and Restated Master Lease Agreement as of April 1, 2025.

LESSEE:

**STATE SYSTEM OF HIGHER EDUCATION**

By \_\_\_\_\_  
Sharon P. Minnich  
Executive Vice Chancellor

LESSOR:

**CLARION UNNERSITY FOUNDATION,  
INC.**

By \_\_\_\_\_ [Name]  
\_\_\_\_\_ [Title]  
Member of the Executive Committee

UNIVERSITY:

**PENNSYLANIA WESTERN UNIVERSITY**

By \_\_\_\_\_ [Name]  
\_\_\_\_\_ [Title]

**APPROVED AS TO FORM AND LEGALITY:**

---

Karen Romano,  
Chief Counsel  
Pennsylvania's State System of Higher Education

*[Approval of the Office of the Attorney General and  
the Office of the General Counsel has been Secured by  
Separate Memoranda]*

*[Signature Page 2 to Amended and Restated Master Lease Agreement]*

TRUSTEE ACKNOWLEDGEMENTS

The undersigned, as an authorized officer of **U.S. Bank Trust Company, National Association**, as (1) the 2014ABC Trustee and mortgagee with respect to the 2014ABC Mortgage, (2) the 2019 Trustee, (3) the 2025AB Trustee, and (4) the 2025C Trustee, hereby acknowledges this Amended and Restated Master Lease Agreement as of the date hereof.

**U.S. BANK TRUST COMPANY,  
NATIONAL ASSOCIATION,**  
*as the 2014ABC Trustee and mortgagee with  
respect to the 2014ABC Mortgage*

By: \_\_\_\_\_  
Name:  
Authorized Officer

**U.S. BANK TRUST COMPANY,  
NATIONAL ASSOCIATION,**  
*as the 2025AB Trustee*

By: \_\_\_\_\_  
Name:  
Authorized Officer

**U.S. BANK TRUST COMPANY,  
NATIONAL ASSOCIATION,**  
*as the 2019 Trustee*

By: \_\_\_\_\_  
Name:  
Authorized Officer

**U.S. BANK TRUST COMPANY,  
NATIONAL ASSOCIATION,**  
*as the 2025C Trustee*

By: \_\_\_\_\_  
Name:  
Authorized Officer

[USDA ACKNOWLEDGEMENT]

The undersigned, as an authorized officer of the **United States Department of Agriculture** as sole holder of the 2014C-2 Bonds, hereby acknowledges this Amended and Restated Master Lease Agreement as of the date hereof.

**UNITED STATES DEPARTMENT OF  
AGRICULTURE,**  
*as sole holder of the 2014C-2 Bonds*

By: \_\_\_\_\_  
Authorized Officer]

*[USDA Acknowledgement]*



**EXHIBIT A-1**

**LEGAL DESCRIPTION OF A-1 PROPERTY**

**PARCEL 1:**

ALL THAT CERTAIN lot or piece of ground situated in the Borough of Clarion, County of Clarion and Commonwealth of Pennsylvania, being bounded and described as follows:

BEGINNING at a point of intersection with the westerly line of Wilson Street, 50 feet wide, and the southerly line of Wood Street, 60 feet wide, the said beginning point being located the following two (2) courses and distances, (1) along the southerly line of Wood Street, North 61° 09' 39" West, a distance of 475.98 feet to a point; (2) South 28° 50' 21" West, a distance of 331.75 feet to the Point of Beginning;

thence, from said Point of Beginning, by a line through the lands now or formerly Clarion University, South 07° 26' 13" East, a distance of 60.79 feet to a point;

thence, continuing through said lands, South 82° 33' 47" West, a distance of 54.75 feet to a point;

thence, continuing through said lands, South 07° 26' 13" East, a distance of 187.48 feet to a point;

thence, continuing through said lands, South 82° 33' 47" West, a distance of 68.12 feet to a point;

thence, continuing through said lands, North 07° 26' 13" West, a distance of 248.27 feet to a point;

thence, continuing through said lands, North 82° 33' 47" East, a distance of 122.87 feet to the Point of Beginning.

As per ALTA/ACSM Land Title Survey of Area 4 dated August 10, 2007, Revised August 21, 2007, for Clarion University Foundation, Inc. by Mackin Engineering Company.

BEING Part of the same two (2) pieces or parcels of land conveyed by the Clarion State Normal School of the Thirteenth Normal School District of Pennsylvania to the Commonwealth of Pennsylvania by deed dated December 8, 1915 and recorded February 9, 1916 in the Office of the Recorder of Deeds of Clarion County, Pennsylvania in Deed Book 104, Page 430.

**PARCEL 2**

ALL THAT CERTAIN lot or piece of ground situate in the Borough of Clarion, County of Clarion and Commonwealth of Pennsylvania, being bounded and described as follows:

BEGINNING at a point of intersection with the westerly line of Wilson Street, 50 feet wide, and the southerly line of Wood Street, 60 feet wide, the said beginning point being located the following three (3) courses and distances, (1) along the southerly line of Wood Street, North 61° 09' 39" West, a distance of 406.89 feet to a point; (2) thence South 28° 50' 21" West, a distance of 28.97 feet to a point; (3) thence by line through the lands now or formerly of Clarion University, South 57° 18' 05" East, a distance of 107.18 feet to the Point of Beginning;

thence, from said Point of Beginning, by a line through the lands now or formerly Clarion University, South 57° 18' 05" East, a distance of 171.69 feet to a point;

thence, continuing through said lands, South 32° 41' 55" West, a distance of 68.12 feet to a point;

thence, continuing through said lands, North 57° 18' 05" West, a distance of 164.69 feet to a point;

thence, continuing through said lands, North 26° 50' 22" East, a distance of 68.48 feet to the Point of Beginning.

As per ALTA/ACSM Land Title Survey of Area I dated August 10, 2007, Revised August 21, 2007, for Clarion University Foundation, Inc. by Mackin Engineering Company. (Eastern Portion of Proposed Building No. 1 on the survey - Area 1)

BEING a part of the same piece or parcel of land conveyed by Charles F. Heidrick, Jr. and Bonnie N. Heidrick, his wife, and Charles F. Heidrick, Jr., attorney in fact for Edith C. Heidrick, a widow, Mary Agnes Heidrick Barker and Eben Barker, her husband, and Robert C. Heidrick and Mary H. Heidrick, his wife, to Commonwealth of Pennsylvania by deed dated July 18, 1952 and recorded in the Office of the Recorder of Deeds of Clarion County, Pennsylvania in Deed Book 160, Page 594.

AND ALSO BEING a part of the same piece or parcel of land conveyed by Lake Erie, Franklin & Clarion Railroad Company to the Commonwealth of Pennsylvania by deed dated March 20, 1953 and recorded May 8, 1953 in the Office of the Recorder of Deeds of Clarion County, Pennsylvania in Deed Book 162, Page 125.

Tract 1:

ALL THAT CERTAIN lot or piece of ground situate in the Borough of Clarion, County of Clarion and Commonwealth of Pennsylvania, being bounded and described as follows:

BEGINNING at a point of intersection with the westerly line of Wilson Street, 50 feet wide, and the southerly line of Wood Street, 60 feet wide, the said beginning point being located the following three (3) courses and distances, (1) along the southerly line of Wood Street, North 61° 09' 39" West, a distance of 406.89 feet to a point; (2) thence South 28° 50' 21" West, a distance of 28.97 feet to a point; (3) thence by line through the lands now or formerly of Clarion University, South 57°18' 05" East, a distance of 46.86 feet to the Point of Beginning;

thence, from said Point of Beginning, by a line through the lands now or formerly Clarion University, South 57° 18' 05" East, a distance of 60.32 feet to a point;

thence, continuing through said lands, South 26° 50' 22" West, a distance of 68.48 feet to a point;

thence, continuing through said lands, North 57° 18' 05" West, a distance of 60.32 feet to a point;

thence, continuing through said lands, North 26° 50' 22" East, a distance of 68.48 feet to the Point of Beginning.

CONTAINING an area of 4,019 square feet or 0.094 acre.

BEING part of the same piece or parcel of land conveyed by John P. Haskell and Marcella B. Haskell, his wife, to The General State Authority by deed dated December 17, 1970 and recorded December 17, 1970 in the Office of the Recorder of Deeds of Clarion County, Pennsylvania in Deed Book 211, Page 246. Also being a part of the same piece or parcel of land conveyed by The General State Authority to The Commonwealth of Pennsylvania as Parcel No. 77 by deed dated June 16, 1989 and recorded January 16, 1990 in Clarion County Record Book 363, Page 845.

Tract 2:

ALL THAT CERTAIN lot or piece of ground situate in the Borough of Clarion, County of Clarion and Commonwealth of Pennsylvania, being bounded and described as follows;

BEGINNING at a point of intersection with the westerly line of Wilson Street, 50 feet wide, and the southerly line of Wood Street, 60 feet wide, the said beginning point being located the following two (2) courses and distances, (1) along the southerly line of Wood Street, North 61°09' 39" West, a distance of 406.89 feet to a point; (2) South 28° 50' 21" West, a distance of 28.97 feet to the Point of Beginning;

thence, from said Point of Beginning, by a line through the lands now or formerly Clarion University, South 57° 18' 05" East, a distance of 46.86 feet to a point;

thence, continuing through said lands, South 26° 50' 22" West, a distance of 68.48 feet to a point; thence, continuing through said lands, North 57° 18' 05" West, a distance of 53.86 feet to a point;

thence, continuing through said lands, North 32° 41' 55" East, a distance of 68.12 feet to the Point of Beginning.

CONTAINING an area of 3,431 square feet or 0.079 acre.

BEING a part of the same piece or parcel of land conveyed by Ralph M. Simpson and Clara E. Simpson, his, wife, to The General State Authority by deed dated July 29, 1970 and recorded July 29, 1970 in the Office of the Recorder of Deeds of Clarion County, Pennsylvania in Deed Book 209, Page 553. Also being a part of the same piece or parcel of land conveyed by The General State Authority to Title Commonwealth of Pennsylvania as Parcel No. 93 by deed dated June 16, 1989 and recorded January 16, 1990 in Clarion County Record Book 363, Page 845.

Tax Map No. 05-030-022-000.

**EXHIBIT A-2**

**LEGAL DESCRIPTION OF A-2 PROPERTY**

**BUILDINGS "A":**

ALL that certain tract of land situated in the Borough of Clarion, County of Clarion, Commonwealth of Pennsylvania, as shown on the plan titled "*Lease Area Plan, Clarion University Foundation, Inc.*" dated April 21, 2014 and being now more particularly described as follows, to wit:

BEGINNING at a point being 89+/- feet S 40°50'12" E from the approximate centerline point for East Main Street, and 9th Avenue; thence to wit:

- 1) S 63°36'0" E, along proposed lease line 457.23 feet to a point, thence;
- 2) S 26°23'59" W, along said line 201.97 feet to a point, thence;
- 3) N 63°36'01" W, along said line 71.81 feet to a point, thence;
- 4) N 26°23'59" E, along said line 130.15 feet to a point, thence;
- 5) N 63°36'01" W, along said line 385.42 feet to a point, thence:
- 6) N 26°23'59" E, along said line 71.82 feet to a point and place of beginning, and containing within these metes and bounds 42.185 square feet (0.9684 Acres±) of land, more or less.

**BUILDINGS "B":**

ALL that certain tract of land situated in the Borough of Clarion, County of Clarion, Commonwealth of Pennsylvania, as shown on the plan titled "*Lease Area Plan, Clarion University Foundation, Inc.*" dated April 21, 2014 and being now more particularly described as follows, to wit:

BEGINNING at a point being 290+/- feet S 71°15'24" E from the approximate centerline point for East Main Street, and 9th Avenue; thence to wit:

- 1) N 26°59'06" E, along proposed lease line 71.82 feet to a point, thence;
- 2) S 63°00'54" E, along said line 529.29 feet to a point, thence;
- 3) S 26°59'06" W, along said line 71.82 feet to a point, thence:
- 4) N 63°00'54" W, along said line 529.29 feet to a point and place of beginning, and containing within these metes and bounds 38,015 square feet (0.8727 Acres±) of land, more or less.

**EXHIBIT A-3**

LEGAL DESCRIPTION OF A-3 PROPERTY

ALL that certain piece or parcel of ground, situate in Clarion Township, Clarion County, Pennsylvania, bounded and described as follows:

BEGINNING at an Iron Pipe, said Iron Pipe being the southwest corner of the parcel herein described and the southwest corner of parcel one as described in the conveyance from Sidney L. Miles and Debra Ann Miles to Clarion University Foundation in Book 572 Page 1189. Said Iron Pipe also being the Northwest corner of lands now or formerly Country Trails Bus Company, Inc.

1. Thence along lands now or formerly Shaw, Martz, and Hollingsworth, North 18°19'05" East, 509.36 feet to an Iron Pipe.
2. Thence, by lands now or formerly Hollingsworth, Bish and Bower, North 05°07'34" East, 413.28 feet to a point.
3. Thence, by lands now or formerly Garris, South 53°50'39" East, 409.30 feet to an Iron Pipe.
4. Thence, by lands now or formerly Garris, North 05°08'17" East, 230.03 feet to a point.
5. Thence, through the lands of which this parcel is a part of, North 11°23'26" East, 147.92 feet to a point.
6. Thence, by the same, North 02°37'17" East, 102.44 feet to a point.
7. Thence, by the same, North 61°22'44" East, 113.30 feet to a point.
8. Thence, by the same, North 69°16'07" East, 130.74 feet to a point.
9. Thence, by the same, South 32°21'44" East, 31.41 feet to a point.
10. Thence, by the same, South 47°30'21" West, 93.61 feet to a point.
11. Thence, by the same, South 45°57'59" East, 192.81 feet to a point.
12. Thence, by the same, South 64°31'47" East, 293.14 feet to a point.
13. Thence, by the same, South 35°28'10" West, 152.42 feet to a point.
14. Thence, by the same, South 57°40'45" East, 480.51 feet to a point.

15. Thence, by the same, North 27°05'09" East, 133.89 feet to a point.
16. Thence, by the same, North 68°57'58" East, 189.72 feet to a point.
17. Thence, by the same, South 59°50'23" East, 114.92 feet to a point on the line between the lands of the Clarion University Foundation and lands now or formerly Helen Shingledecker.
18. Thence, by said lands, South 05°18'46" West, 55.81 feet to an Iron Pipe.
19. Thence, by said lands, South 82°51'19" East, 86.14 feet to a point.
20. Thence, through the lands of which this parcel is a part of, South 06°09'33" East, 287.64 feet to a point.
21. Thence, by the same, North 79°42'29" East, 583.51 feet to a point.
22. Thence, by the same, by a curve to the left, having a radius of 29.91 feet, length of 37.37 feet, chord bearing North 36°36'05" East, 34.99 feet to a point on the right of way line of Greenville Ave, A.K.A. S.R. 1007.
23. Thence, along the right of way line of S.R. 1007, South 06°02'18" East, 119.69 feet to a point.
24. Thence, leaving said right of way, by a curve to the left, having a radius of 25.53 feet, length of 37.76 feet, chord bearing North 52°35' 50" West, 34.41 feet to a point.
25. Thence through the lands of which this parcel is a part of, South 79°42'29" West, 614.66 feet to a point.
26. Thence, by the same, South 10°57'57" East, 154.36 feet to a point on the line of lands now or formerly Marian E. Perry.
27. Thence, by said lands, South 79°47'10" West, 172.67 feet to an existing Iron Pin.
28. Thence, by lands now or formerly Perry and Wensel, South 05°18'46" West, 674.21 feet to a point.
29. Thence, through the lands of which this parcel is a part of, North 84°06'51" West, 240.01 feet to a point.
30. Thence, by the same, South 05°18'46" West, 61.00 feet to a point.
31. Thence, by the same, North 71°00'56" West 135.15 feet to a point
32. Thence, by the same, North 53°50'55" West, 427.14 feet to a point.
33. Thence, by the same, North 70°30'11" West, 116.20 feet to a point.
34. Thence, by the same, North 19°29'50" East, 91.12 feet to a point.
35. Thence, by die same, North 70°52'55 West, 372.29 feet to a point.
36. Thence, by the same, South 28°06'08" West, 217.76 feet to a point.
37. Thence, by the same, South 19°20'36" West, 286.79 feet to an Iron Pipe located on the line of lands now or formerly James A. Mays

38. Thence, by said lands, North 70°57'24" West, 50.00 feet to a point, said point being the common corner between Clarion University Foundation, Country Trails Bus Company, Inc. and Clarion Realty.
39. Thence, by lands now or formerly Country Trails Bus Company, Inc., North 19°20'36" East, 338.09 feet to an Iron Pipe.
40. Thence by the same, North 56°31'11" West, 494.70 feet to the place of beginning, containing 2,111,992 square feet or 48.485 acres.

BEING part of Parcel No. 1 and Parcel No. 2 in the deed from Sidney L. Miles and Debra Ann Miles to Clarion University Foundation dated February 12, 2002 and recorded in the Office of the Recorder of Deeds of Clarion County, Pennsylvania in Record Book 572, Page 1183; and, all those parcels of land conveyed to the Clarion University Foundation by deeds from (1) Gilbert W. Allen and Lois B. Allen dated January 25, 2002 and recorded in the Office of the Recorder of Deeds of Clarion County, Pennsylvania in Record Book 573, Page 0001, (2) Hallmark Homes Realty, Inc. dated January 22, 2002 and recorded in the Office of the Recorder of Deeds of Clarion County, Pennsylvania in Record Book 573, Page 0001, (3) Charles J. Pineno and Ruth Ann Pineno dated February 5, 2002 and recorded in the Office of the Recorder of Deeds of Clarion County, Pennsylvania in Record Book 573, Page 0020, and (4) Gary G. Nader dated February 11, 2002 and recorded in the Office of the Recorder of Deeds of Clarion County, Pennsylvania in Record Book 573, Page 0016.

EXCEPTING AND RESERVING air that parcel of land conveyed by Anna Marie Mauersborg, widow, to Clarion University Foundation by deed dated January 28, 2002 and recorded in the Office of the Recorder of Deeds of Clarion County, Pennsylvania in Record Book 573, Page 0012.

ALSO TOGETHER WITH a non-exclusive easement and right of way, fifty (50) feet in width, as more fully set forth in the deed from James A. Mays to L. H. Lewis, Duane Bashline and Augustine Magrini dated May 11, 1979 and recorded in the Office of the Recorder of Deeds of Clarion County, Pennsylvania in Deed Book 236, Page 74.

ALSO TOGETHER WITH a non-exclusive easement and right of way, thirty four (34) feet in width, all more fully set forth in the deed from James A. Mays to L. H. Lewis, Dunne Bashline and Augustine Magrini dated May 11, 1979 and recorded in the Office of the Recorder of Deeds of Clarion County, Pennsylvania in Deed Book 236, Page 74.

ALSO TOGETHER WITH a non-exclusive easement and right of way, sixteen (16) foot in width, as more fully set forth in the deed from Sidney L. Miles and Debra L. Miles to Clarion University Foundation dated February 12, 2002 and recorded February 12, 2002 in the Office of the Recorder of Deeds of Clarion County, Pennsylvania in Record Book 572, Page 1183.

Tax Map No. 06-04.6-001-000

**EXHIBIT B-1**

**SCHEDULE OF RENT (HILLTOP SUITES HOUSING)**

<b><u>Payment Date</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Capital Reserve*</u></b>	<b><u>Total Rent</u></b>
12/31/2019	\$-	\$ 25,514.08	\$-	\$ 25,514.08
6/30/2020	255,000.00	353,271.88	97,441.77	705,713.65
12/31/2020	-	350,025.00	-	350,025.00
6/30/2021	610,000.00	350,025.00	100,364.35	1,060,389.35
12/31/2021	-	337,825.00	-	337,825.00
6/30/2022	635,000.00	337,825.00	103,376.18	1,076,201.18
12/31/2022	-	325,125.00	-	325,125.00
6/30/2023	665,000.00	325,125.00	106,477.24	1,096,602.24
12/31/2023	-	311,825.00	-	311,825.00
6/30/2024	685,000.00	311,825.00	109,671.26	1,106,496.26
12/31/2024	-	294,700.00	-	294,700.00
6/30/2025	720,000.00	294,700.00	112,961.95	1,127,661.95
12/31/2025	-	276,700.00	-	276,700.00
6/30/2026	760,000.00	276,700.00	116,349.33	1,153,049.33
12/31/2026	-	257,700.00	-	257,700.00
6/30/2027	795,000.00	257,700.00	119,840.81	1,172,540.81
12/31/2027	-	237,825.00	-	237,825.00
6/30/2028	835,000.00	237,825.00	123,436.41	1,196,261.41
12/31/2028	-	216,950.00	-	216,950.00
6/30/2029	875,000.00	216,950.00	127,139.83	1,219,089.83
12/31/2029	-	195,075.00	-	195,075.00
6/30/2030	925,000.00	195,075.00	130,954.81	1,251,029.81
12/31/2030	-	171,950.00	-	171,950.00
6/30/2031	970,000.00	171,950.00	134,885.05	1,276,835.05
12/31/2031	-	147,700.00	-	147,700.00
6/30/2032	1,015,000.00	147,700.00	138,930.56	1,301,630.56
12/31/2032	-	122,325.00	-	122,325.00
6/30/2033	1,065,000.00	122,325.00	143,098.78	1,330,423.78
12/31/2033	-	101,025.00	-	101,025.00
6/30/2034	1,110,000.00	101,025.00	147,393.41	1,358,418.41
12/31/2034	-	78,825.00	-	78,825.00
6/30/2035	1,155,000.00	78,825.00	151,814.47	1,385,639.47
12/31/2035	-	55,725.00	-	55,725.00
6/30/2036	1,200,000.00	55,725.00	156,369.39	1,412,094.39
12/31/2036	-	37,725.00	-	37,725.00
6/30/2037	1,240,000.00	37,725.00	161,061.88	1,438,786.88
12/31/2037	-	19,125.00	-	19,125.00
6/30/2038	1,275,000.00	19,125.00	165,891.95	1,460,016.95

\* As provided in the Section 405 of the Indenture, this amount may be reduced to such lesser amount as may be approved in writing by a Foundation Consultant.



[Exhibits B-2 and B-3 (Schedules of Rent)  
to be inserted after final pricing are available]

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**APPENDIX B**

**CERTAIN INFORMATION CONCERNING  
PENNSYLVANIA STATE SYSTEM OF HIGHER EDUCATION**

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## PENNSYLVANIA'S STATE SYSTEM OF HIGHER EDUCATION

### History and Philosophy of the System

Pennsylvania's State System of Higher Education (the "System") is a body corporate and politic constituting a public corporation and a governmental instrumentality of the Commonwealth of Pennsylvania, created by the State System of Higher Education Act of November 12, 1982, P.L. 660, No. 188, as amended ("Act 188").

Act 188 established a Board of Governors and the Office of the Chancellor and awarded university status to the 13 state-owned colleges on July 1, 1983. (Indiana University of Pennsylvania was awarded university status prior to the enactment of Act 188.) On that date, the System, composed of the 14 state-owned universities in the Commonwealth and the Office of the Chancellor, embarked upon its primary mission to provide "instruction for undergraduate and graduate students to and beyond the master's degree in the liberal arts and sciences, and in the applied fields, including the teaching profession." Effective July 1, 2022, the System comprises ten universities following the consolidation of six universities into two universities as part of broader System redesign (See "System Redesign" section herein for additional information). The System Universities are herein referred to individually as a "University" or a "System University" and collectively as the "Universities" or "System Universities." The Universities also have specific missions in business, human services, public administration, and technology. The 10 System Universities are:

- Cheyney University
- Commonwealth University
- East Stroudsburg University
- Indiana University
- Kutztown University
- Millersville University
- Pennsylvania Western University
- Shippensburg University
- Slippery Rock University
- West Chester University

Bound together by the mission and by the mandate set forth in Act 188, the Universities strive to provide the highest quality education feasible for their students at the lowest possible cost.

The history of each University evolved from a need to train teachers for the Commonwealth's secondary educational institutions and to elevate the accepted standards of education. The Commonwealth adopted the Normal School Act on May 20, 1857, which provided the standards by which teachers for the Commonwealth's Normal Schools were to be trained. During the 25 years following passage of the Normal School Act, all of the universities that now comprise the System were privately established and were recognized as State Normal Schools.

On September 22, 1921, the Commonwealth enacted legislation for the acquisition of 13 State Normal Schools, adding the 14<sup>th</sup> State Normal School in 1922. These schools subsequently were redesignated as State Teachers' Colleges in 1929 (the "State Colleges"). The responsibility for certifying teachers was then transferred from the county superintendents to the Commonwealth. Within ten years following this transfer of responsibility, teacher certification requirements changed from a two-year certificate program to a four-year college degree program.

In 1959, the State Teachers' Colleges were redesignated State Colleges and, in 1961, legislation was enacted to allow the State Colleges to offer a wider range of educational opportunities. (See the section titled "Degrees Awarded" herein for more information on current educational

opportunities.) Graduate programs were soon approved and instituted at many of the State Colleges. Indiana State College achieved university status in 1965, and the remaining 13 State Colleges were recognized as Universities in 1983 with the enactment of Act 188. Each University, with its unique geography and array of academic offerings, serves as a cultural center for its surrounding community.

On July 1, 2020, the Governor of Pennsylvania signed into legislation House Bill 2171 (Act 50 of 2020) (“Act 50”). It required the System’s Board of Governors to develop policies and procedures by which the Board may create, expand, consolidate, transfer or affiliate an institution or college; provides that before the creation, expansion, consolidation, transfer, or affiliation of an institution or college, the Board must call upon the chancellor to conduct a review and analysis of the relevant institutions using certain metrics, including consultation with stakeholders and public hearings; make changes to the appointment process of students to the Board of Governors and councils of trustees; and make various changes to the sections relating to the powers and duties of councils of trustees and to the powers and duties of institution presidents, among other things. By updating and modernizing Act 188 of 1982, Act 50 has enabled the System to better manage and optimize the System, as well as be flexible and responsive to the changing landscape of higher education.

In July 2021, the Board of Governors approved the integration of six universities into two universities which was effective July 1, 2022. (This was done as part of the broader System Redesign effort. See “System Redesign” section herein for additional information.)

Additionally, eight of the Universities are involved with the operation of the Chincoteague Bay Field Station of the Marine Science Consortium, a nonprofit educational 501(c)(3) corporation located in Wallops Island, Virginia (the “Consortium”), committed to excellence in education and research in the marine and environmental sciences. The Consortium was founded by eight of the Universities in 1970 and maintains marine stations where both field and laboratory investigations of coastal ecosystems are conducted under the supervision of University faculty and qualified marine education instructors. The Consortium supports precollege; college; and Road Scholar programs, an adult education initiative.

### **The Board of Governors**

The System is governed and guided by a Board of Governors (the “Board”) composed of 20 members: the Governor of Pennsylvania (or designee), the Secretary of Education (or designee), one senator appointed by the President Pro Tempore of the Senate, one senator appointed by the minority leader of the Senate, one representative appointed by the Speaker of the House of Representatives, one representative appointed by the minority leader of the House of Representatives, 11 members who are appointed by the Governor of Pennsylvania and confirmed by the Senate, and 3 student members appointed by the Board. The Board has the authority to exercise all sanctioned corporate powers in the administration of its overall responsibility to plan and to coordinate the development and operation of the System. Members of the Board appointed from the General Assembly serve a term of office concurrent with their respective elective terms as members of the General Assembly with the Governor and Secretary of Education (or their respective designees), serving so long as they continue in office. The eleven members of the Board, appointed by the Governor, customarily will serve four-year appointments, at which time a reappointment for an additional four-year term may be commissioned. Three of the members of the Board, appointed by the Board, must be undergraduate students presently attending a System University. The student members are selected from the presidents of the local campus student government associations or their local equivalents, and their terms automatically expire upon graduation, separation from the University or failure to maintain good academic standing at the University in which the student is enrolled. Five members of the Board also must hold membership in one of the local councils of trustees serving the Universities with no more than one trustee representing a University. The Board annually elects a chair, and at present there

are two vice chairs. Members of the Board receive no compensation for their service; however, all expenses incurred in the performance of their duties may be reimbursed by the System.

As members of the Board, the Governor of Pennsylvania and the Secretary of Education (or their respective designees), are entitled to attend all scheduled meetings, to address matters of concern before the Board, and to vote. However, they cannot be elected as officers of the Board.

In accordance with Act 188, the Board has “overall responsibility for planning and coordinating the development and operation of the System.” To this end, the Board employs the chancellor as the chief executive officer of the System. The chancellor has the authority to address any matters of discussion before the Board but does not have voting privileges. The Board must approve the chancellor’s salary and delineate any duties and responsibilities beyond those prescribed in Act 188.

Act 188 requires the Board conduct a public meeting quarterly; however, additional meetings may be convened by the chair or upon the request of six members of the Board. The Office of the Chancellor has the responsibility of presenting an agenda to the Board for action at each scheduled meeting. Eleven members of the Board attending any meeting of the Board constitute a quorum.

The president of each University is appointed by the Board originally for an initial fixed term from a list of qualified candidates submitted by the chancellor to the Board. Performance evaluations are used to evaluate the services of each president before the term of such president’s appointment can be extended.

Through the chancellor and the 10 presidents of the Universities, the Board administers broad fiscal, personnel, and educational policies and establishes general policies that will be beneficial to the System in attaining its goal to offer an education of high quality to all its students.

The Board approves the annual operating and capital budgets for the System. The Board’s request for operating and capital appropriations is submitted to the State Board of Education for comment. As required by statute, the Board then submits its request for operating and capital appropriations to the Governor not later than November 1 of the fiscal year preceding the fiscal year for which the appropriations are requested. The Board independently submits its request for operating and capital appropriations to the General Assembly. When required, the Board or its chancellor must represent the System before the General Assembly, the Governor of Pennsylvania, and the State Board of Education.

Under Act 188, the Board fixes the levels of tuition fees across the System, including the allowance for a differential between students who are residents of the Commonwealth and those who are nonresidents. All other fees are set locally by each University.

There are five standing committees which make policy recommendations to the full Board: Audit, Compliance and Risk; Executive; Governance and Leadership; Student Success; and University Success. The present bylaws provide that members of the Board may attend and participate in the meetings of any of the committees; however, only committee members may vote on an issue under consideration.

## BOARD OF GOVERNORS

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Member  
Senate of Pennsylvania  
Harrisburg, PA

Robert W. Bogle  
President and Chief Executive Officer  
The Philadelphia Tribune  
Philadelphia, PA

Representative Timothy P. Briggs  
Member  
Pennsylvania House of Representatives  
Harrisburg, PA

Dr. Quintin Bullock  
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Community College of Allegheny County  
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Richard Caruso  
Alumni, Indiana University of Pennsylvania  
Meadow Lands, PA

Brandon Danz  
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WellSpan Health  
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Pennsylvania Department of Education  
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AHIP  
Washington, DC

Neil R. Weaver  
Secretary  
Office of Administration  
Harrisburg, PA



## **Office of the Chancellor**

Act 188 stipulates the chancellor “shall be responsible for the administration of the System under policies prescribed by the Board.” As the chief executive officer of the System, the chancellor advises the Board on budgetary matters, academic program matters, and the formulation of personnel and administrative policies and procedures. In order to oversee and control all of the important daily endeavors of the System, the chancellor is empowered to employ a central office staff to fulfill the mandates of both Act 188 and the Board. Under the chancellor’s direction, the presidents, line officers, and support staff provide Systemwide management in such areas as academic and student policy, planning, business affairs, faculty and staff affairs, legislative policy, institutional research, legal affairs, capital planning, System relations, advancement, and equal educational opportunities. The chancellor assists the Board in its appointment of the presidents by submitting to the Board, with his or her recommendation, the names of individuals recommended for consideration by the councils of trustees (see “The Councils of Trustees” herein). Upon the appointment of each president, an annual evaluation process must be conducted, the results of which are reviewed thoroughly by the Board. In July 2024 Dr. Dan Greenstein, Chancellor, announced that he would be completing his service to the system on October 11, 2024. In accordance with Board policy, a national search was launched for the next system chancellor. Information about the search process can be found online at <https://www.passhe.edu/chancellor-search/index.html>. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.) At the October 2024 board meeting, Dr. Christopher M. Fiorentino was appointed as interim chancellor, to ensure continuity of leadership and system operations while the national search for the permanent chancellor is completed.

### **Dr. Christopher M. Fiorentino, Ph.D. Interim Chancellor**

The Office of the Chancellor operates with a core leadership team comprising an executive vice chancellor; deputy chancellor; a vice chancellor and chief academic officer; a vice chancellor and chief diversity, equity, and inclusion officer; and a chief information officer. Leadership team members serve the System in an important capacity, individually and collectively, and work together to ensure that the academic programs offered on all of the campuses best suit the needs of the Commonwealth.

Dr. Fiorentino recently retired after serving seven years as president of West Chester University after serving for more than 40 years at the university. Prior to being named president of WCU, Dr. Fiorentino served as interim president for one year and vice president for external operations for three years. He previously spent nearly 20 years as dean of WCU’s College of Business and Public Affairs (now the College of Business and Public Management); his tenure within the Department of Economics included four years as chair. As president of the largest university in Pennsylvania’s State System of Higher Education, Dr. Fiorentino led the university through a global pandemic and provided valuable thought -partnership to his fellow presidents and system leaders amid the nationwide demographic shift as the number of high-school graduates declined. Dr. Fiorentino earned his baccalaureate, master’s, and Ph.D. degrees in economics from Temple University.

### **Sharon P. Minnich Executive Vice Chancellor**

The executive vice chancellor provides executive-level oversight and leadership for the effective execution of budget, finance, facilities management, human resources, labor relations, general administration, and shared services functions Systemwide while advising the chancellor regarding high-impact practices to advance the System Redesign (as defined below) efforts. She

renders guidance in the development of policy and business procedures to be implemented by the chancellor and the Board. Such policy issues include accounting and financial policy and reporting; treasury operations including cash management, commercial banking, and investment programs; capital financing and planning; emergency management; physical plant planning; security management; insurance management; annual System budget development and management; and procurement management.

Ms. Minnich was appointed vice chancellor for administration and finance in January 2019, and named executive vice chancellor in 2020. Prior to joining the System, she served as secretary of the Governor's Office of Administration, a position she held since 2015. As a member of Governor Tom Wolf's senior staff and cabinet, she led the agency responsible for oversight and administration of the enterprise functions of human resources, information technology, and continuity of government and records management for nearly 80,000 employees under the Governor's jurisdiction, implementing shared services for both human resources and information technology. Ms. Minnich previously served as the assistant chief information officer for the Commonwealth, chief information officer for the Department of Revenue, deputy secretary for financial administration in the Office of the Budget, and deputy secretary for procurement at the Department of General Services. In these roles, she improved operations and managed significant process and system changes, including the implementation of a new financial shared services model for Pennsylvania, the implementation of Pennsylvania's tax amnesty project, and the state's enterprise resource planning system implementation. In addition to her work in state government, Ms. Minnich has worked as a consultant in the private sector, specializing in strategy and transformation. Her experience includes positions at Highmark Blue Cross/Blue Shield; Meridian Bank; SAP Business Consulting; and Deloitte Consulting, LLP. She served for 12 years on the Board of Trustees for her alma mater, Albright College, where she earned a Bachelor of Arts in economics and political science, and holds a master's degree in government administration from the University of Pennsylvania.

**Randy A. Goin, Jr.**  
**Deputy Chancellor**

The deputy chancellor provides executive-level oversight for effective and efficient operation of the Board of Governors and the Office of the Chancellor and works closely with leaders from the System, Universities, government, and business to ensure timely advancement of System strategic priorities.

Dr. Goin joined the System as chief of staff in December 2013 and was named Deputy Chancellor in April 2019. Prior to joining the System's leadership team, Dr. Goin was chief of staff for the Florida Board of Governors, which oversees the second largest university system in America. He also led the public affairs, governmental relations, and communications group, which worked to articulate a clear message and vision with all constituents. He launched his career in the private sector more than two decades ago and later moved into communications management roles in higher education. He ultimately served as associate vice president for marketing at Florida Atlantic University, where he helped build the communications organization and reposition the institution's brand. Dr. Goin was then named university chief of staff and worked closely with the president to reshape the institution's organizational structure by increasing focus on top priorities. He served as a conduit between the administration and the university trustees—enhancing board relations and operations. He earned a bachelor of architecture degree and a master of arts degree with a focus in corporate and political communication from Florida Atlantic University and a Ph.D. in communication from Indiana University of Pennsylvania.

**Diana Rogers-Adkinson**  
**Vice Chancellor and Chief Academic Officer**

The vice chancellor and chief academic officer (CAO) provides executive leadership and support for academic program planning and for the academic success of the Universities and the System as a whole. The CAO works closely with the 10 university chief academic officers to develop and execute a strategy that strengthens and incentivizes the use of collaborative, shared, or system-level enterprise infrastructure and provides leadership to support the collaborative development of policies, procedures, and practices that strengthen an inclusive model of shared governance at the system level and to foster dialogue among all System internal stakeholders to improve systemwide shared governance and collaboration.

Dr. Rogers-Adkinson oversees the division of Academic and Student Affairs in the Office of the Chancellor. She works with university leaders and educational and industry partners in the Commonwealth to provide support and leadership for student, academic, and university success to fulfill the mission of Pennsylvania's System of Higher Education. Before assuming her role in the Office of the Chancellor, Dr. Rogers-Adkinson was the Provost and Senior Vice President of Commonwealth and previously Bloomsburg Universities. Before joining the State System, she served as Dean of the College of Education, Health, and Human Services at Southeast Missouri State University. She has held teaching appointments at the University of Wisconsin-Whitewater and Wichita State University. Her doctoral degrees are in Counseling and Special Education from Kent State University. She has practiced as an educator and counselor to children with emotional disorders and has provided expert witness work specific to children with disabilities during her career. Dr. Rogers-Adkinson is the author of numerous articles and book chapters and has presented extensively on topics of disability and women and leadership in higher education.

**Christa Cobb**  
**Interim Chief Diversity, Equity, and Inclusion Officer**

The vice chancellor and chief diversity, equity, and inclusion officer position is responsible for developing and operationalizing an outcomes-oriented strategy that addresses persisting inequalities in areas including but not limited to student access and outcomes, employee recruitment, retrenchment, and progression. The strategy will seek to optimize the cultural competencies, policy/procedural landscape, and overall level of engagement required for the effective and respectful operation of more diverse, equitable, and inclusive campuses. The position works closely with the chancellor and Board of Governors, the System's Universities' presidents and trustees, and other system-level and university-level leaders to achieve this vision.

Ms. Cobb oversees and coordinates system activities building on her prior two years serving as the Assistant Vice Chancellor. In addition to being an integral part of the team for the past two years she spent six years at Cheyney University. Ms. Cobb and her team will work closely with Dr. Diana Rogers-Adkinson, CAO and Vice Chancellor, during this interim period while the system awaits the selection and arrival of the next chancellor who will then have the opportunity to make a permanent decision regarding the role.

**Rosa Lara**  
**Chief Information Officer**

The chief information officer is responsible for overseeing information technology (IT) strategy, governance, policy and compliance, and works closely with various stakeholders in the System. Ms. Lara joined the System in April 2019 as the project manager for System Redesign and was named chief information officer in January 2020.

Prior to joining the System, Ms. Lara was the director of the Office of Strategy and Management in the Office of Information Technology (OIT) Governor's Office of Administration, a position she held since July 2017. Ms. Lara has more than 19 years' experience in the information technology field, including oversight of very visible and highly complex initiatives. She has experience in the areas of business process reengineering, large scale implementation efforts, financial management, procurement, and managing for results. Ms. Lara held numerous positions within OIT, serving as the deputy chief information officer for the Commonwealth, overseeing OIT's planning and budgeting process and human resource functions, including special projects such as the Enterprise Grants Management initiative and the implementation of an enterprise system to oversee the American Recovery and Reinvestment Act (ARRA) funds. She also led the Commonwealth's IT shared services transformation initiative, which implemented a new shared services operating model for IT services focused on improving service delivery while reducing cost. Ms. Lara earned a bachelor's in public administration from The College of New Jersey, a master's of public administration from the Maxwell School of Citizenship Affairs, and a master's of information resource management both from Syracuse University.

### **The Presidents of the Universities**

The presidents of the 10 Universities are appointed by the Board for a specified term. In an effort to ensure that the presidents are guiding their respective Universities toward the achievement of the System's unified goals, the chancellor reviews the goals and objectives of each president annually. As the chief executive officers of the Universities, the presidents are responsible for development and implementation of policies and procedures regarding personnel administration, fiscal management, admissions, discipline and expulsion guidelines, instructional programs, research programs, and public service programs within the framework prescribed by the Board.

The presidents must ensure that prudent fiscal policies are followed in the expenditure of all Commonwealth appropriations, tuition, fees, and all other available funds. They have the authority to obligate their respective Universities for ongoing contractual liabilities within the limitations of the operating budget of the University. Overall, their primary responsibility is to implement the policies of the Board and to perform all of those operations necessary for the orderly and judicious management of the University. Each president may attend any scheduled meeting of the University's council of trustees and address matters before such council, but may not vote.

The 10 University presidents are listed below.

Mr. Aaron A. Walton Cheyney University of Pennsylvania	Dr. Daniel A. Wubah Millersville University of Pennsylvania
Dr. Bashar W. Hanna Commonwealth University of Pennsylvania	Dr. Jon Anderson Pennsylvania Western University of Pennsylvania
Mr. Kenneth Long East Stroudsburg University of Pennsylvania	Dr. Charles E. Patterson Shippensburg University of Pennsylvania
Dr. Michael A. Driscoll Indiana University of Pennsylvania	Dr. Karen Riley Slippery Rock University of Pennsylvania
Dr. Kenneth S. Hawkinson Kutztown University of Pennsylvania	Dr. Lorraine Bernotsky West Chester University of Pennsylvania

## **The Councils of Trustees**

Each of the Universities within the System, with the exception of Commonwealth University of Pennsylvania and Pennsylvania Western University of Pennsylvania, maintains a council of trustees consisting of 11 members. Members (other than student members) are nominated and appointed by the Governor with the advice and consent of the Commonwealth's Senate. Student members are selected with the advice and consent of University presidents and are appointed by the Board of Governors for a term which expires upon graduation, separation from the University or failure to maintain good academic standing at the University in which the student is enrolled. At least two of these members must be alumni of the institution. Ten of the members serve terms of six years while one member must be a full-time undergraduate student, enrolled full time at the institution of which he/she is a trustee. The student member serves a term of four years or for so long as he/she is a full-time undergraduate student in good academic standing. Six members of a council constitute a quorum, and each council meets at least quarterly and additionally at the call of the president, or its chair, or upon the request of three of its members.

Commonwealth University of Pennsylvania and Pennsylvania Western University of Pennsylvania each have integrated councils of trustees pursuant to Act 55 of 2022, consisting of twelve transitional members, four from each of the universities comprising the integrated university. The Governor is required to submit to the Senate the names of the individuals nominated and appointed to serve as initial members of an integrated council of trustees for each of Commonwealth University of Pennsylvania and Pennsylvania Western University of Pennsylvania no later than August 31, 2022, with the term of each initial member to begin upon confirmation by the Senate and under staggered terms as specified in Act 55 of 2022. At least three members of each integrated council must be alumni, one from each institution consolidated, and at least three members of each integrated council must be a student, one from each institution consolidated.

Each council's specific responsibilities include making recommendations to the chancellor for the appointment and retention of the president of its University following input by students, faculty, staff and alumni; making recommendations to the chancellor for the dismissal of the president; reviewing and providing input to the president pertaining to policies and procedures governing the use of institutional facilities and property; and reviewing and approving the recommendations of the president pertaining to annual operating and capital budget requirements for submission to the Board. The council has the authority to approve schools and academic programs; to review and approve recommendations for charges for tuition and to approve room and board, and miscellaneous fees with the exception of student activity fees and any fees related to the provision of contracted health services; to review all contracts and purchases negotiated or awarded by the president, including any contract or purchase reports, with or without competitive bidding, and all contracts for consulting services entered into by the president; and to take such action as may be necessary to effectuate the powers and duties delegated by Act 188. As stated above, the Board of Governors has the statutory authority to fix the levels of tuition fees across the System.

## **Capital Facilities**

The campuses of System Universities encompass more than 4,700 acres. To date, there are almost 900 physical plant structures, with over 32 million gross square feet. Capital facilities in place prior to the System's inception in 1983, state-appropriated capital renovations of those facilities, and new state-appropriated capital facilities are made available to the System at no cost. In 2002, the Commonwealth transferred custody and control of these facilities to the System. Under this arrangement, the Commonwealth retains fee title for the facilities and continues to provide state appropriations for capital facilities construction and renovations. Capital facilities acquired and constructed after 1983 by the System from sources other than state appropriations, as well as capitalized renovations and capital assets, such as equipment, furnishings, and library books, are

assets on the System's balance sheet and have a book value, as of June 30, 2024, of \$2.2 billion net of accumulated depreciation. The current replacement cost of the total System capital facilities and infrastructure is estimated to be in excess of \$14 billion.

**Educational and General Facilities**—The Commonwealth appropriates funds for capital repairs and renovations while the System contributes regular maintenance funds from its operating budget. Currently, the Commonwealth is providing approximately \$70 million annually toward capital improvement for the System's academic facilities. The System contributes any additional funding for capital repairs and renovations needed through bond financing, operating funds, or fundraising. The System has expended approximately \$2.3 billion for renovation and replacement of existing academic facilities since 1996, and the Commonwealth has also appropriated approximately \$2.3 billion over the same period.

Each University's capital budget request for the forthcoming fiscal year is submitted to the Office of the Chancellor. In order for a capital project to be included in the appropriations request to the Governor and to the General Assembly, the Office of the Chancellor assesses the project's priority using criteria that include: University priorities; academic benefit; space requirements; ADA, safety, and code compliance deficiencies; new revenue or matching funds potential; cost savings potential; and impact on deferred maintenance. The equitable distribution of capital funds to each of the Universities is also considered in developing the plan. The Office of the Chancellor conducts a thorough review of each capital project request to determine the overall contribution of the project to the well-being of the System as a whole.

**Auxiliary Facilities**—The Board of Governors has adopted 2000-02-A: *Capital Facilities Planning, Programming, and Funding* Policy to govern the investment in auxiliary facilities at the Universities and, which permits the System to seek bond funding to finance renovation and construction of new auxiliary facilities such as residence and/or dining halls, recreation centers, student unions, and such other facilities, equipment, real property, or other needs as the Board decides. Auxiliary facilities are primarily sustained with student fees, not Commonwealth appropriations or tuition. Act 188 requires the maintenance of an Auxiliary Facilities Reserve Fund, established from mandatory resident student fees, to accumulate funds with which to repair or construct new residence halls. To ensure longevity of existing residence halls, a capital renewal fee is charged per resident student for use in implementing capital maintenance projects. The monies collected are for the specific purpose of roof replacement, floor replacement, or any major repair/replacement project that will significantly prolong the usable life of the building for use as a residence hall. The System has expended approximately \$1.6 billion for auxiliary facilities since 1996.

## **Accreditation**

All of the System Universities are fully accredited by the Middle States Association of Colleges and Secondary Schools. Certain academic programs are accredited individually by various national professional organizations.

## **Degrees Awarded**

A range of undergraduate and graduate degree programs is offered across the System: 538 undergraduate and 253 graduate programs are offered in 241 major academic areas. In addition, certificate programs are offered in 231 areas. The System awarded 14,626 baccalaureate degrees and 4,807 master's degrees in 2023/24. The System also awarded 399 doctoral degrees and 5,680 associate degrees through all the Universities.

## Enrollment

The following data shows the System's fall semester enrollment by headcount and full-time equivalent enrollment for the last five academic years.

	2020/21	2021/22	2022/23	2023/34	2024/25
<b>Headcount</b>					
Undergraduate	78,304	73,449	70,597	68,963	68,171
Graduate	15,400	15,202	13,970	13,725	14,338
<b>Total</b>	93,704	88,651	84,567	82,688	82,509
<b>Headcount</b>					
Full-Time	73,942	69,341	66,432	66,149	65,865
Part-Time	19,762	19,310	18,135	16,539	16,644
<b>Total</b>	93,704	88,651	84,567	82,688	82,509
	2020/21	2021/22	2022/23	2023/34	2024/25
<b>Full-Time Equivalent</b>					
Undergraduate	71,676	66,473	64,128	63,694	63,209
Graduate	8,752	8,667	7,956	7,858	8,111
<b>Total</b>	80,428	75,140	72,084	71,552	71,320

Notes: Clock hour students are included in the historical and current headcounts. Fiscal Year (FY) 2024/25 are preliminary Fall numbers. The above data reflects finalized data for all years, and most recently reported data for FTE.

## Applications and Admissions

The following data shows the fall semester application/enrollment figures for the System for five academic years, including the current fiscal year.

	2020/21	2021/22	2022/23	2023/34	2024/25
Applied	76,934	70,875	73,633	75,872	77,880
Accepted	68,376	64,297	66,575	66,565	67,101
Enrolled	16,048	14,485	15,574	16,092	15,281
	2020/21	2021/22	2022/23	2023/34	2024/25
% Accepted	88.9%	90.7%	90.4%	87.7%	86.2%
% Enrolled/Accepted	23.5%	22.5%	23.4%	24.2%	22.8%

Note: FY 2024/25 are preliminary Fall data. The above data reflects finalized data for prior fiscal years.

## Tuition, Student Fees, and Competition

The following includes the current and previous four years of Systemwide average in-state full-time undergraduate tuition and fees.

### Full-Time Undergraduate Tuition and Student Fees

	2020/21	2021/22	2022/23	2023/34	2024/25
<b>System Average</b>	\$11,223	\$11,308	\$11,251	\$11,342	\$11,325

At its July 2024 meeting, the Board of Governors voted to freeze tuition for FY 2024/25, making it the sixth consecutive year tuition rates were frozen.

System Universities compete with many other colleges and universities for qualified applicants. The undergraduate tuition and required fees collected by various higher education sectors in Pennsylvania during the current year are illustrated in the following table. The private colleges and universities listed were chosen because of geographic location, similar academic offerings, and similar selectivity ratios.

	<b>2024/25 Required Fees and Tuition</b>
<b>Selected Private Colleges and Universities</b>	
Juniata College	\$58,580
Delaware Valley University	\$44,850
Gannon University	\$40,656
Elizabethtown College	\$37,950
Washington and Jefferson College	\$29,292
<b>State-Related Universities (in-state)</b>	
University of Pittsburgh	\$23,581
Temple University	\$22,231
The Pennsylvania State University	\$20,680
<b>Community Colleges (in-state)</b>	
Community Colleges Average (full-time equivalent course load)	\$6,291
<b>Pennsylvania's State System of Higher Education (in-state)</b>	
System Average	\$11,325

Source: *The College Board and Universities' websites.*

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## Freshmen Enrollment Composition

The following tables highlight the high school rank and average SAT scores of the System's incoming freshmen for the years indicated.

### Percentage of Freshmen by High School Rank

Quintile	2020	2021	2022	2023	2024
1	23.8%	24.9%	24.5%	25.9%	27.5%
2	28.4%	28.6%	28.8%	28.9%	29.4%
3	25.2%	24.3%	24.5%	24.2%	24.7%
4	16.6%	16.7%	16.2%	15.9%	13.8%
5	6.1%	5.5%	6.0%	5.1%	4.6%

### Average SAT Scores

	2020	2021	2022	2023	2024
Verbal	534	547	552	541	554
Math	522	535	539	555	534
<b>Total</b>	1056	1082	1091	1097	1088

## Student Financial Aid

Ninety-five percent of all first-time, full-time, degree-seeking undergraduate students attending System Universities during academic year 2022/23 received financial aid. Thirty-six percent of these students received awards from federal grant aid, while thirty-two percent received awards from the Commonwealth or local agencies. Seventy-five percent of these students received awards from the institution. Sixty-eight percent of all first-time, full-time undergraduates received a student loan.

The major sources of financial aid available to System students are the Federal Pell Grant Program, Pennsylvania State Grant Program, Federal Supplemental Educational Opportunity Grant Program, Federal Work Study Program, and Federal Direct Loan Program. Of the financial aid programs available, the three main sources of financial aid received by System students are the Federal Pell Grant, Pennsylvania State Grant, and Federal Direct Loans. Each university maintains a fully functioning student financial aid office.

## Commonwealth Appropriations

In Act 188, the General Assembly defined the System as an instrumentality of state government and declared its operating costs ordinary expenses of state government, entitling it to preferred appropriations status under Article III, Section 11, of the Pennsylvania Constitution. Preferred appropriations are authorized only for state government, public schools, and payment of the public debt. Preferred appropriations bills require only a simple majority vote of the General Assembly, while "nonpreferred appropriations" bills, authorized by Article III, Section 30, of the Pennsylvania Constitution to fund state-related universities and private state-aided institutions, require a two-thirds majority vote.

One advantage of preferred appropriations status is that a smaller constitutional majority is required for passage of bills, thereby reducing the possibility of defeat. It also is settled law that, in exigent times, the Governor may reduce or entirely abate nonpreferred appropriations. See *Schnader v. Liveright*, 308 Pa. 35 (1932).

The System’s FY 2024/25 annual appropriation, based on the Commonwealth’s spending plan as enacted on July 11, 2024, includes a continued historic investment in the State System by providing an increase of \$35.1 million, or 6.0%, for a total of \$620.8 million. Receipt of an appropriation in a given year does not ensure an appropriation or the amount of such appropriation in the following year. The chart below shows the current fiscal year and a five-year history of total annual appropriations received by the System.

<b>Fiscal Year</b>	<b>Appropriations</b>	<b>% of Total Revenues</b>
2024/25	\$620,755,000	25%
2023/24	\$585,618,000	25%
2022/23	\$552,470,000	25%
2021/22	\$477,470,000	21%
2020/21	\$477,470,000	22%
2019/20	\$477,470,000	23%

The increase in funding received in FY 2024/25 follows historic increases of \$33 million, or 6.0%, in FY 2023/24 and \$75 million, or 15.7%, in FY 2022/23. These three consecutive years of increases follow three consecutive years of level funding. The System is now fully restored from the \$90.6 million cut made in FY 2011/12. During the 2021/22 and 2022/23 fiscal years, the State System and its universities were allocated a total of \$175 million in federal funding that has supported various investments and initiatives across the System.

In addition to the investment in the Educational and General appropriation, the 2024/25 Commonwealth Fiscal Code includes \$85 million in Facilities Transition Funds. These funds are to be used for debt relief activities at three universities, including the defeasement of certain bonds at Commonwealth and Indiana universities. The defeasance closing date was September 12, 2024. This amount was in addition to the \$62.5 million in Facilities Transition Funds received in FY 2023/24 to defease certain bonds at Pennsylvania Western University. The defeasance closing date for those bonds was October 31, 2023.

In addition to these investments, the State System continues to receive state funding for deferred maintenance through a portion of the realty transfer tax. See the section titled “Realty Transfer Tax” herein.

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## Realty Transfer Tax

In 1993, the General Assembly and the Governor of Pennsylvania passed into law a dedicated allocation of 2.7 percent of the Pennsylvania Realty Transfer Tax to the System. These revenues are restricted to use for deferred maintenance on academic facilities. The chart below shows the estimate for the current fiscal year and a four-year history of revenues the System received from this tax.

<u>Fiscal Year</u>	<u>Revenue</u>
2024/25	\$19,430,000
2023/24	\$21,203,000 <sup>1</sup>
2022/23	\$23,673,000 <sup>2</sup>
2021/22	\$28,480,000 <sup>3</sup>
2020/21	\$20,319,000 <sup>4</sup>

<sup>1</sup> In July 2024, the State System received a supplemental appropriation of \$5,513,000 from higher-than-expected realty transfer activities.

<sup>2</sup> In July 2023, the State System received a supplemental appropriation of \$1,720,000 from higher-than-expected realty transfer activities.

<sup>3</sup> In July 2022, the State System received a supplemental appropriation of \$10,877,000 from higher-than-expected realty transfer activities.

<sup>4</sup> In July 2021, the State System received a supplemental appropriation of \$6,548,000 from higher-than-expected realty transfer activities.

## Statement of Revenues, Expenses, and Changes in Net Position

This statement reports the revenues earned and the expenses incurred in the fiscal year. The resulting net income or loss is reported as an increase or decrease in net position on the *Balance Sheet*.

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**Pennsylvania's State System of Higher Education**

**Statement of Revenues, Expenses, and Changes in Net Position  
For the Years Ended June 30, 2024 and 2023**

*(dollars in thousands)*

	<b>2024</b>	<b>2023</b>
<b>Operating Revenues</b>		
Tuition and fees, net	\$ 595,012	\$ 626,740
Grants and contracts	190,807	190,105
Sales and services	43,797	41,491
Auxiliary enterprises, net	329,675	309,512
Other revenues, net	8,512	7,341
Total Operating Revenues	<u>1,167,803</u>	<u>1,175,189</u>
<b>Operating Expenses</b>		
Instruction	588,233	520,118
Research and Public Service	78,948	78,118
Academic support	150,388	138,890
Student services	169,628	154,587
Institutional support	247,337	226,303
Operations and maintenance of plant	101,643	96,664
Depreciation	176,283	166,483
Student aid	86,559	86,512
Auxiliary enterprises	212,448	212,528
Total Operating Expenses	<u>1,811,467</u>	<u>1,680,203</u>
Operating Loss	<u>(643,664)</u>	<u>(505,014)</u>
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations, general and restricted	648,073	552,470
Federal and State appropriations and grants-COVID	49,376	56,244
Pell grants	124,363	112,366
Investment income, net	68,949	44,043
Unrealized gain (loss) on investments	3,353	(4,370)
Gifts for other than capital purposes	54,042	38,316
Interest expense on capital asset-related debt	(57,319)	(61,422)
Loss on disposal/acquisition of assets	(3,301)	(1,515)
Impairment loss net of insurance proceeds	(375)	-
Loss on termination of Perkins Loan Program	(481)	(1,056)
Gain on bond defeasance	5,432	-
Other nonoperating revenue	11,941	7,344
Net Nonoperating Revenues	<u>904,053</u>	<u>742,420</u>
Income (Loss) before other revenues	<u>260,389</u>	<u>237,406</u>
State appropriations, capital	34,726	23,673
Capital gifts and grants	8,381	6,206
Income (Loss)	<u>303,496</u>	<u>267,285</u>
<b>Increase (Decrease) in Net Position</b>	<b>303,496</b>	<b>267,285</b>
Net position—beginning of year	(1,105,624)	(1,372,909)
Net position—end of year	<u>\$ (802,128)</u>	<u>\$ (1,105,624)</u>

## **Investment of Working Capital**

The System invests its working capital in accordance with the Board of Governors' Investment Policy. The investment priorities of the System as stated in this policy are, in order of priority: (1) safety of principal, (2) liquidity, and (3) yield. This policy expressly prohibits leverage and speculative investment strategies.

## **Unrestricted Net Position**

Unrestricted net position, which totals -\$1,971 million, includes the effects of three unfunded liabilities including the related deferred outflows of resources and deferred inflows of resources: the liability for net pension totaled \$791 million for the year ended June 30, 2024 (financial statements footnote 9); the liability for postretirement benefits for employees who participate in the System plan totaled \$1,725 million for the year ended June 30, 2024 (financial statements footnote 10); and the liability for compensated absences totaled \$124 million for the year ended June 30, 2024 (financial statements footnote 8). Without the effect of these liabilities, total unrestricted net position would equal \$669 million.

## **Faculty and Staff**

As of October 31, 2024, the State System's faculty numbered 3,629 full-time members and 1,029 part-time members. Of the full-time faculty members, 2,799 have been awarded tenure and 515 are tenure-track.

As of October 31, 2024, the State System employed 5,284 full-time staff members and 166 part-time staff members. The System believes that it provides a competitive compensation program for its faculty and staff, and that it is able to attract individuals with outstanding qualifications.

As of fiscal 2023/24, the unrestricted university workforce has declined by approximately 18% since fiscal 2018/19 and approximately 21% when compared to fiscal 2010/11 in response to the financial sustainability steps taken by universities to realign their expenses with their revenues.

Approximately eighty-five percent of System employees are represented by various labor unions. The American Federation of State, County and Municipal Employees (AFSCME), (contract expiration date of June 30, 2027), and the Association of Pennsylvania State College and University Faculties (APSCUF) (contract expiration date of June 30, 2027, for faculty and June 30, 2027, for nonfaculty coaches, which are two separate bargaining units) represent the largest number of employees.

Other labor unions include the State College and University Professional Association (SCUPA) (contract expiration date of June 30, 2027); Office and Professional Employees International Union Healthcare Pennsylvania (OPEIU) (contract expiration date of June 30, 2027); Security, Police and Fire Professionals of America (SPFPA) (contract expiration date of August 31, 2025); the Pennsylvania Doctor's Alliance (PDA) (contract expiration date of June 30, 2027 (tentative agreement)); the Service Employees International Union (SEIU, Local 668) (contract expiration date of June 30, 2027); and the Police Officers Association (POA) a relatively new union (contract expiration date of August 31, 2025). The System has complete autonomy in the negotiation processes for the APSCUF, SCUPA, SPFPA, OPEIU, and POA contracts. The System engages in coalition bargaining with the Commonwealth of Pennsylvania on all other labor union contracts.

## Retirement

The System participates in three different retirement systems funded in part each year from each University's operating budget: the State Employees' Retirement System (SERS), the Public School Employees' Retirement System (PSERS), and the Alternative Retirement Plan (ARP, which includes Fidelity and TIAA). Liabilities of the respective retirement systems are not the responsibility of the System.

The basic benefits for each program are outlined below (see also 2024 Audited Financial Statements Note 9 in Appendix C).

**(1) State Employees' Retirement System (SERS).** The employee's contribution rate is 5 percent of gross salary for Class A and 6.25 percent of gross salary for Class AA. An employee is vested upon completion of five years of service with the state government for these classes. The employee's contribution rate is 6.25 percent of gross salary for Class A-3 and 9.3 percent of gross salary for Class A-4. Class A-3 and Class A-4 are applicable to new members enrolling after January 1, 2011. An employee in Class A-3 or A-4 is vested upon completion of ten years of service with the state government. The employee's contribution rate is 8.25 percent of gross salary (5 percent defined benefit pension and 3.25 percent defined contribution investment) for Class A-5 and 7.5 percent of gross salary (4 percent defined benefit pension and 3.5 percent defined contribution investment) for Class A-6. Employee vesting for Classes A-5 and A-6 is ten years for the defined benefit pension and three years for the employer share of the defined contribution investment. For Class 40 (straight defined contribution plan), the employee's contribution rate is 7.5 percent of gross salary, and the employer contribution rate is 3.5 percent. Employee vesting for Class 40 is three years for employer contributions.

**(2) Public School Employees' Retirement System (PSERS).** The employee's contribution rate ranges from 5.25 percent to 10.30 percent of gross salary, depending upon class and hire date. Most employees elected the 7.5 percent Class T-D when offered the higher benefit effective January 1, 2002. An employee is vested upon completion of five years of service with the state government for these classes. The employee contribution rate decreased July 2024 for Class T-E, T-F, T-G and T-H, due to the risk-sharing program component of Act 120 of 2010 and Act 5 of 2017, which created a "shared risk/shared gain" provision, in which every three years, the employee contribution rates may increase or decrease by 0.50 percent or 0.75 percent, when PSERS investments are doing well, but also share the risk when PSERS investments underperform. The employee's contribution rate is 7.5 percent of gross salary for Class T-E and 10.3 percent of gross salary for Class T-F. Class T-E and Class T-F are applicable to new members enrolling after July 1, 2011. An employee in Class T-E or T-F is vested upon completion of ten years of service with the state government. The employee's contribution rate is 8.25 percent of gross salary (5.5 percent defined benefit pension and 2.75 percent defined contribution investment) for Class T-G and 7.5 percent of gross salary (4.5 percent defined benefit pension and 3 percent defined contribution investment) for Class T-H. Employee vesting for Classes T-G and T-H is ten years for the defined benefit pension and three years for the employer share of the defined contribution investment. For the DC only (straight defined contribution plan), the employee's contribution rate is 7.5 percent of gross salary, and the employer contribution rate is 2 percent. Employee vesting for the DC only is three years for employer contributions.

**(3) Alternative Retirement Plan (ARP).** The employee's contribution rate is 5 percent of gross salary. An employee is immediately vested in this retirement program upon employment. Early retirement can be requested at any age; however, the amount of annuity is based on the employee/employer contributions and investment income.

The following table summarizes the System's contribution rates for employee retirement benefits for five years (including the current year) for each of the above-mentioned retirement plans. All of the figures are a percent of the employee's gross salary. (See 2024 Audited Financial Statements Note 9 in Appendix C for the dollar amount of such contributions.)

	SERS*						
	Class A	Class AA	Class A-3 and A-4	Class A-5 and A-6	401a Only	PSERS	ARP
2024/25	31.74%	40.33%	27.09%	19.09%	19.04%	16.950%	9.29%
2023/24	32.24%	41.09%	27.60%	19.65%	19.60%	17.000%	9.29%
2022/21	30.44%	38.82%	26.05%	18.43%	18.37%	17.630%	9.29%
2021/22	29.98%	37.46%	25.90%	19.93%	19.88%	17.470%	9.29%
2020/21	29.48%	36.84%	25.47%	19.59%	19.56%	17.255%	9.29%

- *There are five different rates for SERS employees, depending on their class. The majority of System employees are in Class AA. Newly enrolled employees hired after January 1, 2011, are in Class A-3 or A-4. Newly enrolled employees hired after January 1, 2019, are in Class A-5, A-6, or 401a Only.*

As of June 30, 2024, the distribution of System participants in the three plans noted above were as follows: SERS, 37%, PSERS, 8%, and ARP, 55%.

The System's employer contribution rates for SERS and PSERS participants are not set by the System. The System's employer contribution rates are certified each year as a result of the actuarial valuation of the SERS pension system, assessing the current funds, and determining the future expected liabilities. The employer contribution rate is set so that it can fund all retirement benefits earned by employees working during the year and pay toward any unfunded liability that may exist. The System has no authority over benefits and no authority or responsibility for the operation and administration of the SERS or PSERS plans.

**Funding Agreement.** On November 27, 2019, the Governor approved HB 1982 (Act of Nov. 27, 2019, P.L. 723, No. 105 ("Act 105")), which authorizes a one-time advance payment to SERS by eligible employers, which includes the System. In return, the eligible employer would receive a schedule of credits or setoffs against its future annual accrued liability contributions to SERS for a period up to thirty (30) years. Under Act 105, the System could fund 75 percent to 100 percent of its estimated \$1.1 billion unfunded accrued pension liability. In 2021, the System entered into a Funding Agreement with SERS for the prepayment of \$825 million of the long-term pension liability, supported through the proceeds of bonds issued through the Pennsylvania Economic Development Financing Authority (PEDFA). The agreement provides credits, or setoffs, over the course of the 30-year agreement. The annual savings generated through this agreement deliver funding to support the System's financial sustainability and as strategic initiatives. The annual setoff amounts included in the Funding Agreement are as follows:

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SERS		SERS	
Fiscal Year	Setoff Amount	Fiscal Year	Setoff Amount
2022	\$79,939,555	2037	69,427,421
2023	79,939,555	2038	52,258,540
2024	79,939,555	2039	52,258,540
2025	79,939,555	2040	52,258,540
2026	79,939,555	2041	52,258,540
2027	79,939,555	2042	22,001,027
2028	79,939,555	2043	12,093,718
2029	79,939,555	2044	12,093,718
2030	79,939,555	2045	11,043,542
2031	79,939,555	2046	9,574,074
2032	69,427,421	2047	4,938,453
2033	69,427,421	2048	2,686,967
2034	69,427,421	2049	2,686,967
2035	69,427,421	2050	2,686,967
2036	69,427,421	2051	2,686,967
		Total	\$1,507,486,640

The planned savings generated for the System through Act 105 and the Funding Agreement provides cash flow to assist in supporting long-term financial health and funding important future strategic investments. With respect to the cash flow associated with this program, to-date the Board of Governors has authorized these savings funds for strategic initiatives, such as supporting university integrations. Future uses of these funds, in consultation with the Board of Governors, will be in support of financial sustainability and strategic needs of the State System.

### **Accounting Matters**

The System's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and are attached to this Official Statement as Appendix C.

As of July 1, 1983, with the enactment of Act 188, the System became responsible for the use of all appropriations for all the Universities. Any funds unexpended at the end of any given fiscal year by any University or the Office of the Chancellor do not lapse to the Commonwealth but remain in the respective accounts for future use. The presidents have the authority to expend their respective University's allocated funds as they deem proper and necessary, with review by the Office of the Chancellor. The amount of appropriations granted by the General Assembly and the Governor of Pennsylvania for the next fiscal year is not affected adversely by any cumulative amounts remaining unexpended by the Universities and the Office of the Chancellor from the prior fiscal year appropriations.

### ***U.S. Department of Education Program Review of Cheyney***

The System contracted with an external firm that, along with System personnel and in cooperation with the U.S. Department of Education (ED), analyzed and reconciled fiscal years 2011/12, 2012/13, and 2013/14 student financial aid awards of Cheyney University of Pennsylvania, a historically black university (HBCU).

In August 2015, Cheyney University self-reported to the ED of federal student financial aid improperly administered and delivered in the fiscal years under review. In September 2015, the ED placed the University on Heightened Cash Monitoring 2 (HCM2) status, meaning that the Cheyney University does not receive federal student financial aid funds in advance, but must use its own cash to grant federal financial aid to its students and then request reimbursement from the ED. In November 2019, Middle States Commission on Higher Education acted to reaffirm Cheyney University's



accreditation, citing the actions Cheyney has taken to be in compliance with Middle States requirements. Currently, the University is still on HCM2 status. However, in September 2020 Cheyney was granted a reduction of documentation requirement after submission of six positive results.

On August 8, 2019, Cheyney University received a letter from ED (the “ED Letter”) relating to its proposed resolution of its Program Review of Cheyney (the “Program Review”), asserting that Cheyney’s overall response to the Program Review did not fully address ED’s findings or accurately document the federal student aid funds disbursed during the periods under review (the 2011/2012, 2012/2013 and 2013/2014 award years). The ED Letter stated that under normal circumstances, ED would assess Cheyney full Federal Pell Grant and Federal Direct Loan liabilities in the amount of \$57,531,566 for the award years reviewed. However, ED did acknowledge that Cheyney has, since the beginning of the review, undertaken significant steps to accurately document its administration of federal student aid funds despite being limited in its ability to do so by the past deficiencies and, accordingly, expressed a willingness to presume that significant amounts of the financial aid funds were provided to, and earned by, the students and to conclude the Program Review in consideration of Cheyney’s (1) payment of \$14,308,377, (2) waiver of its rights to any administrative appeal, and (3) entry into an acceptable repayment agreement with ED.

In February 2020, a settlement agreement was executed between ED and Cheyney and a payment schedule was established for the \$14.3 million settlement amount.

In October 2024, Cheyney satisfied all outstanding debt related to this settlement agreement.

In the opinion of the System’s management, there has been no material adverse change in the financial condition of the System since June 30, 2024.

### **Budgetary Matters**

Each spring, the president of each university is required to submit a preliminary operating budget for the upcoming fiscal year and financial projections for two additional years. Each fall, the president is required to submit an updated final budget for the current fiscal year and updated financial projections for two additional years. With the passage by the Board of Governors of the University Financial Sustainability Policy and procedures and standards in 2019 (see the section titled “System Redesign” herein for additional information), Universities are assessed against sustainability metrics and classified in a sustainability plan category. Universities assessed as stable, or otherwise not identified for monitoring. Universities in a plan category requiring monitoring will submit quarterly updates to the System Office to outline progress they are making to reach financial sustainability and achieve the recommended financial sustainability metric goals. In fiscal year 2023/24, four of the 10 universities were being monitored and provided quarterly updates.

### **Financial Statements Audit**

The financial statements of the System as of and for the year ended June 30, 2024 (the “2024 Audited Financial Statements”), included in Appendix C of this Official Statement, have been audited by CliftonLarsonAllen LLP, the System’s independent auditors, as stated in their report appearing herein.

CliftonLarsonAllen LLP has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. CliftonLarsonAllen LLP also has not performed any procedures relating to this offering document.

## Legal Matters

It is the opinion of the Chief Counsel to the System that, to the best of her knowledge after reasonable investigation, there is no action, suit, proceeding, or investigation at law or in equity before or by any court, public board, or body, pending or threatened, against or affecting the System, wherein an unfavorable decision, ruling, or finding would materially adversely affect the transactions contemplated by this Official Statement or the validity of the Master Lease, Amended and Restated Ground Lease and Continuing Disclosure Agreement.

## Legislative Matters

Occasionally, legislation that may affect the System is introduced in the Pennsylvania General Assembly. The System cannot predict if such legislation will be passed now or in the future and, if enacted, how any such legislation may affect the System.

Legislation accompanying the Fiscal Year 2024-25 budget comprises various higher education-related policy provisions:

- **Act 55 of 2024** repealed the Public Higher Education Funding Commission.
- **Act 69 of 2024** creates a State Board of Higher Education, guarantees admission of a transferring community college undergraduate student into a parallel program at a System university, requires financial aid exit counseling, provides for cost and fee transparency, and establishes the Dual Credit Innovation and Equity Grant Program. Notably, the State Board of Higher Education is established within the Department of Education to provide direction, coordination and support to ensure that higher education institutions fully meet this Commonwealth's workforce and economic development needs and that all residents have access to affordable, world-class post-secondary education.
- **Act 89 of 2024** establishes two new scholarship programs. The Grow Pennsylvania Scholarship Grant Program, administered by the Pennsylvania Higher Education Assistance Agency (PHEAA), provides scholarships to Pennsylvania students who pursue an approved course of study, satisfy degree requirements of their program, and stay to work in Pennsylvania in an in-demand occupation after graduation. The Grow Pennsylvania Merit Scholarship Program, administered by PHEAA in conjunction with the System, allows eligible non-resident System students pursuing in-demand occupations to pay tuition at in-state rather than out-of-state rates. If less than 300 scholarships are awarded (the System's estimated break-even point), the Commonwealth must pay the System the difference in the subsequent year.

## Insurance

The Commonwealth's exposure to liability (other than for Workers' Compensation Liability) is governed by the dictates of Act 152, as amended by Act 142 of 1980 and Act 87 of 2019, commonly known as the Sovereign Immunity Tort Claims Act. Under this act, sovereign immunity was reaffirmed but waived in ten (10) specific areas of liability. In accordance with Section 8528 of the statute, eligible claims or suits against the Commonwealth, its officials or employees within the waived areas may be settled up to \$250,000.00 per person; \$1 million for each occurrence.

The Commonwealth has established a Tort Claims Self-Insurance Program to handle these claims or suits, which is administered by the Bureau of Finance and Risk Management, formerly known as the Bureau of Risk and Insurance Management, of the Department of General Services in close

relationship with the Office of Attorney General. This coverage applies to all Commonwealth departments, officials and employees while performing Commonwealth activities. The System is a covered agency for this program.

Commonwealth owned properties, including Commonwealth owned building contents and Commonwealth owned building contents at leased locations are self-insured for fire or other casualty under the State Insurance Fund created by Act 227 (1915 P.L. 524, approved May 14, 1915, as amended). The Fund is administered by the Department of General Services. The State Insurance Fund provides coverage for fire, casualty, perils of flood and flood related hazards or any other natural disasters for approximately 14,000 Commonwealth owned properties with a value of \$29 Billion. The limit of coverage is \$1,000,000 any one loss. Additionally, the Commonwealth of Pennsylvania is certified as a qualified self-insurer under the Pennsylvania Motor Vehicle Financial Responsibility Act and the Workers' Compensation Act providing the appropriate benefits required as a self-insurer.

### Contingencies and Commitments

See 2024 Audited Financial Statements Note 15 in Appendix C for more information on such matters.

### Future Financing

There are no capital projects approved to be bond financed in FY 2024/25 at this time. However, the System routinely engages in discussions with its universities on potential future financing needs and also reviews its financing portfolio on an ongoing basis to determine opportunities for refundings.

### Outstanding Indebtedness

As of November 15, 2024, the bond outstanding indebtedness of the System is as follows:

	<b>Issuance Date</b>	<b>Original Issuance Amount</b>	<b>Current Outstanding Principal*</b>	<b>Maturity Date</b>
Series AQ	05/07/15	94,975,000	29,315,000	06/15/36
Series AR	09/10/15	102,365,000	68,965,000	06/15/40
Series AS	06/07/16	47,280,000	24,930,000	06/15/37
Series AT	09/07/16	298,110,000	185,645,000	06/15/55
Series AU	09/14/17	128,260,000	71,820,000	06/15/42
Series AV	09/06/18	236,945,000	172,455,000	06/15/45
Series AW	09/10/19	84,980,000	34,215,000	06/15/44
Series AX	07/23/20	94,985,000	71,685,000	06/15/42
Series AY	10/01/20	78,925,000	38,305,000	06/15/36
Series 2021	04/28/21	827,580,000	719,780,000	06/15/42
Series AZ	06/24/21	142,710,000	130,020,000	06/15/47
<b>Total</b>		<b>\$2,137,115,000</b>	<b>\$1,547,135,000</b>	

\*Reflects optional redemptional and partial defeasance.

The System has no other existing long-term indebtedness, except for leased facilities, office equipment, computer equipment, energy conservation equipment, and similar types of acquisitions, and three master lease agreements for student housing. See Note 11 of the 2021 Audited Financial Statements in Appendix C for further information pertaining to the leases.

Maturities of long-term debt for the current fiscal year, as well as the next five fiscal years, are as follows:

	2024/25*	2025/26	2026/27	2027/28	2028/29	2029/30
Series AQ	\$7,275,000	\$5,120,000	\$1,485,000	1,525,000	1,570,000	\$1,620,000
Series AR	3,270,000	3,435,000	3,540,000	3,645,000	3,755,000	3,875,000
Series AS	3,140,000	2,985,000	3,135,000	1,325,000	1,395,000	1,465,000
Series AT	57,030,000	7,385,000	7,760,000	8,145,000	8,550,000	8,980,000
Series AU	10,250,000	6,835,000	7,160,000	7,515,000	5,450,000	5,685,000
Series AV	6,000,000	5,810,000	6,050,000	6,295,000	6,575,000	6,855,000
Series AW	4,215,000	4,420,000	4,365,000	4,865,000	5,110,000	650,000
Series AX	4,545,000	4,765,000	5,000,000	5,255,000	5,525,000	5,800,000
Series AY	8,495,000	4,950,000	4,630,000	4,695,000	4,775,000	4,860,000
Series 2021	37,140,000	37,575,000	46,670,000	47,490,000	48,425,000	49,475,000
Series AZ	4,435,000	4,560,000	4,685,000	4,830,000	4,975,000	5,115,000
<b>Total</b>	<b>\$145,795,000</b>	<b>\$87,840,000</b>	<b>\$94,750,000</b>	<b>\$95,585,000</b>	<b>\$96,105,000</b>	<b>\$94,380,000</b>

\*Reflects optional redemptional and partial defeasance.

## System Redesign

The System Redesign is guided by three strategic priorities approved by the Board of Governors in January 2019: (1) ensuring student success, (2) leveraging University strengths, and (3) transforming the governance/leadership structure. Small, tactical groups are being utilized to support each of the three strategic priorities.

As part of System Redesign efforts, a variety of options were analyzed to determine the best path forward for the System for meeting its statutory objective of offering high quality affordable education and also achieving financial sustainability. In October 2019, the Board of Governors continued its commitment to System Redesign through the passage of the University Financial Sustainability Policy. This passage put in place processes and procedures to further improve the transparency and financial sustainability of universities.

In addition to the Sustainability Policy and as part of System Redesign, the following are examples of additional initiatives implemented: procurement shared services for all but two universities and enabling technology, strategic sourcing, human resource shared services for six universities, early retirement programs, data center consolidation, and the launch of a consolidated student information system.

For additional information on System Redesign see (<https://passhe.edu/system-redesign/index.html>). (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**University Integrations.** Act 50 made amendments to the System's enabling legislation that included a requirement that the System's Board of Governors develop policies and procedures by which the Board may create, expand, consolidate, transfer or affiliate an institution or college and prescribes the process by which that may occur. Act 50 added additional policy mandates beyond the existing Board of Governors University Financial Sustainability Policy which established criteria and reporting process for determining University financial status and serving as a tool for each individual University to align operations and achieve sustainability.

In July 2021, the Board of Governors approved the integration of six universities into two universities as part of the broader System Redesign effort. Middle States approval was received in March of 2022. The new universities (Pennsylvania Western University of Pennsylvania and Commonwealth University of Pennsylvania) began operations as integrated entities as of July 1, 2022.

### **Housing Considerations**

COVID-19 had a significant impact on housing occupancy in fiscal 2019/2020 and fiscal 2020/21. At certain universities, declining enrollment has created strain on housing occupancy and the associated revenues. Because of this, the System has been working with Universities, their housing affiliates, and financial partners to address the impact of enrollment reductions on housing occupancy and bond financing separately obtained for the Universities (or through related foundations or affiliates). In some cases, the System has joined in master lease agreements to alleviate some covenant restrictions.

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**APPENDIX C**

**STATE SYSTEM AUDITED FINANCIAL STATEMENTS**

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# PENNSYLVANIA'S STATE SYSTEM *of* HIGHER EDUCATION



Pennsylvania's  
**STATE SYSTEM**  
of Higher Education

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FINANCIAL STATEMENTS  
JUNE 30, 2024

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**Pennsylvania’s State System of Higher Education  
Financial Statements  
June 30, 2024  
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## INDEPENDENT AUDITORS' REPORT

Board of Governors  
Pennsylvania State System of Higher Education  
Harrisburg, Pennsylvania

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Pennsylvania's State System of Higher Education ("the State System"), a component unit of the Commonwealth of Pennsylvania, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the State System's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the State System as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of certain discretely presented component units, which represent 98.05%, 96.14%, and 96.92%, respectively, of the assets, net assets, and revenues of the discretely presented component units as of June 30, 2024. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 State System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules of Proportionate Share of Net Pension Liability, OPEB Liability, Proportionate Share of Net OPEB Liability, and Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

King of Prussia, Pennsylvania  
September 25, 2024

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

As members of the Commonwealth of Pennsylvania's (Commonwealth) public four-year higher education system, the 10 universities of Pennsylvania's State System of Higher Education (State System) are charged with providing high-quality education at the lowest possible cost to the students. With approximately 83,000 degree-seeking students enrolled, and thousands more enrolled in certificate and other career-development programs, the State System is the largest producer of bachelor's degrees in the Commonwealth. The universities function independently, but being part of the State System enables them to share administrative resources and academic courses and benefit from economies of scale.

The State System's financial statements comprise:

- Cheyney University of Pennsylvania.
- Commonwealth University of Pennsylvania, including its campuses in Bloomsburg, Lock Haven and Mansfield and branch campus in Clearfield.
- East Stroudsburg University of Pennsylvania.
- Indiana University of Pennsylvania, including its branch campuses in Punxsutawney and Freeport.
- Kutztown University of Pennsylvania.
- Millersville University of Pennsylvania.
- Pennsylvania Western University of Pennsylvania, including its campuses in California, Clarion and Edinboro.
- Shippensburg University of Pennsylvania.
- Slippery Rock University of Pennsylvania.
- West Chester University of Pennsylvania, including its branch campus in center city Philadelphia.
- System Office.

## FINANCIAL HIGHLIGHTS

Following is an overview of the State System's financial activities for the year ended June 30, 2024, as compared to the year ended June 30, 2023, as well as future economic factors.

### **Tuition and Fees**

In its continued efforts to address affordability, in July 2024, the Board voted to **freeze basic in-state undergraduate tuition** for the 2024-25 academic year. This action resulted in an unprecedented six consecutive years in which tuition was frozen. The Board also set a tentative tuition rate for the 2025-26 academic year that was also frozen. These actions provide assurances and financial relief to current and potential students and ensure that the State System will maintain its place as the affordable higher education option for students of the Commonwealth. The State System will continue to monitor its funding sufficiency and propose a tuition rate for 2025-26 for the Board's consideration in 2025.

The base tuition rate for most full-time Pennsylvania residents will remain at \$3,858 per term, or \$7,716 for the full 2024-25 academic year. **Nonresident, undergraduate tuition** rates range from \$9,660 to \$19,290 for the 2024-25 academic year. The basic resident **graduate tuition** rate remained at \$516 per credit, while the typical nonresident, graduate tuition rate remained at \$774 per credit.

The **technology tuition fee** remains at \$478 for full-time in-state students and \$728 for full-time out-of-state students. All funds raised by the technology tuition fee are used directly to benefit student learning. Universities have used the funds to install multimedia classrooms, design online instructional materials, increase university capacity for connectivity for students, and provide hardware, software, and support for students and faculty. Beginning in academic year 2025-26, rate-approving authority for the technology tuition fee will be delegated to the universities' Councils of Trustees.

The State System's average **price of attendance** (tuition, mandatory fees, room, and board) for in-state undergraduate students increased slightly for academic year 2024-25 at \$22,988, compared to \$22,736 in academic year 2023-24, with the difference caused by increases in a few university-set fees across the State System. The average price of attendance among all four-year public universities in the United States in academic year 2023-24 was \$24,030.

### **Appropriations**

For fiscal year 2023-24, the State System received General Fund appropriations of \$585.6 million, which was an increase of 6.0% over the amount of \$552.5 million for fiscal year 2022-23. In fiscal year 2023-24, these appropriations represented approximately 35% of total revenues and gains.

In fiscal year 2024-25, the State System will receive \$620.8 million in General Fund appropriations, an increase of \$35.1 million or 6.0% over the prior fiscal year.

Pennsylvania ranked 40<sup>th</sup> in the nation in public higher education appropriations per FTE student, based on the 2023 State Higher Education Finance Report produced by the State Higher Education Executive Officers Association. This is an improvement over the 46<sup>th</sup> ranking in the 2022 report. State support is a main determinant influencing the State System's overall financial condition and directly impacts the ability of the State System to maintain affordable tuition rates. The appropriation increases in recent years have been instrumental in the ability to freeze tuition, provide important services for our students, and support our financial health.

The State System received a \$21.2 million Realty Transfer Tax allocation in fiscal year 2023-24 from the Commonwealth's **Key '93** (Keystone Recreation, Park and Conservation) Fund. With the exception of fiscal years 2009-10 and 2010-11, when no funding was received, Key '93 funds have provided a consistent revenue stream for university deferred maintenance projects since 1993.

The State System was allocated \$70 million in **Commonwealth capital funding** in fiscal year 2023-24, a decrease of \$15 million from the prior year. This level of funding (\$70 million) is consistent with prior years excluding the amount received in fiscal year 2022-23 which was higher than normal. These funds are primarily for the renovation, replacement, and demolition of existing educational and general (E&G) buildings, all of which is completed under the direction and project management of the Commonwealth. Except for the additional direct contributions from universities, they do not record the value of Commonwealth-funded capital projects as revenue or assets, since the Commonwealth retains title to any part of a capital project for which they directly provide funding.

During fiscal year 2023-24, an additional \$21 million of Commonwealth Public Improvement Project Capital Funding (PIP) was allocated to the State System, which were received and recorded as revenue in the current fiscal year.

The State System also received a special appropriation of \$65.4 million, during the fiscal year, from the Commonwealth's Facility Transition Account, a restricted account in the General Fund, to make early repayment of debt service on PASSHE owned facilities. \$62.5 million was used to make this early redemption and defeasance with the unused portion returned to the Commonwealth. The use of these funds is discussed further in the footnotes to the financial statements, bonds payable section.

In fiscal year 2024-25, the State System will receive another special appropriation of \$85 million from the Commonwealth's Facility Transition Account for facilities transition costs, payment of bond debt services, loan repayments and other repayments.

### **Enrollment**

Fall 2023 student headcount was 82,688, a decrease of 1,879 students, or (2.2%), from fall 2022, and a decrease of 27,120 students, or (24.7%), from fall 2014. The following is the history of State System student headcount enrollment since 2014, for credit-bearing and clock hour students.

Year	Fall Enrollment	% Change from Prior Year
2023	82,688	-2.2%
2022	84,567	-4.6%
2021	88,651	-5.4%
2020	93,704	-2.2%
2019	95,782	-2.6%
2018	98,350	-4.1%
2017	102,547	-2.4%
2016	105,038	-2.2%
2015	107,386	-2.2%
2014	109,808	-3.0%

While the overall enrollment declined by 2.2% for Fall 2023, incoming undergraduate student enrollment increased by 3.4% compared to the prior fall.

In academic year 2022-23, the universities awarded 22,166 degrees and certificates, a decrease of 6.5% from the 23,707 degrees awarded in academic year 2021-22.

	2022-23	2021-22	2020-21
Undergraduate	16,113	17,047	17,746
Graduate	6,053	6,660	6,199
Total	22,166	23,707	23,945

With an undergraduate population comprising 88% Pennsylvania residents—and the majority of those being traditional-age students enrolling right out of high school—the State System's enrollment historically has been closely tied to the state's high school demographic trends. Near-term demographic trends predict a growth in high school graduates through fiscal 2025, and then a decline for several years thereafter. This demographic cliff trend is predicted throughout the country, and is more acute in the northeastern United States, which has seen greater overall demographic declines.

Since peaking at 131,733 students in academic year 2011-12, the projected number of high school graduates has dropped by 5.6% to 124,310 in academic year 2023-24. Following is the projected number of Pennsylvania high school graduates based on estimates from the Pennsylvania Department of Education.



Projected Pennsylvania High School Graduates		
Fiscal Year	Number of Graduates	% Increase (Decrease)
2023-24	124,310	-1.6%
2024-25	128,403	3.3%
2025-26	129,104	0.5%
2026-27	125,330	-2.9%
2027-28	122,465	-2.3%
2028-29	122,188	-0.2%
2029-30	121,197	-0.8%
2030-31	121,250	0.0%

The impact of the reductions in the number of high school graduates is compounded by a decline in the proportion of those who pursue higher education, an overcrowded higher education marketplace in the state, and the continued follow-on impact of COVID-19.

### **Employee Compensation Costs**

Approximately 84% of PASSHE's full-time equivalent (FTE) employees are represented by eight unions under nine collective bargaining agreements. During 2023-24, seven new collective bargaining agreements were established that represent various State System employees. These seven new agreements are effective July 1, 2023 through June 30, 2027, with one agreement awaiting ratification. Agreements with the other two represented group are effective from September 1, 2022 through August 31, 2025.

### **Pension and OPEB Liabilities**

The State System's liabilities related to **unfunded future pension and retiree healthcare costs total \$2.52 billion** when combined with the respective deferred inflows of resources (DOR) and deferred outflows of resources (DOR). The State System has virtually no control over \$1.2 billion of this amount, which represents its share of the plans administered by the Commonwealth, since the Commonwealth determines the associated benefits as well as the employer and retiree contribution rates for these plans.

The **Commonwealth's combined net pension and other postemployment benefit (OPEB) liabilities** totaled \$73.4 billion at June 30, 2024, compared to \$77.2 billion at June 30, 2023. Credit rating agencies consistently cite these liabilities as significant challenges for both the State System and the Commonwealth and as factors that have contributed to credit rating downgrades. Commonwealth **pension legislation** enacted in 2017, modified the pension benefits for new hires beginning January 1, 2019 or July 1, 2019 depending on the underlying plan, slowing the rate of growth of the pension liability, but it will not aid in reducing the existing liability. No legislation has been enacted or proposed to either reduce or slow the growth of the OPEB liabilities administered by the Commonwealth, in which the AFSCME employees participate since 2019. The State System, however, closed the State System OPEB plan to new employees—except for employees represented by APSCUF—hired after January 2016. Although this will not reduce the existing liability, the new hires bring no additional OPEB liability, now or in the future.

### **Capital Investment and Debt**

The State System conducted improvements amounting to \$58.3 million in **capital assets** in fiscal year 2023-24, which includes \$36.3 million to build or improve academic and auxiliary facilities across all 10 universities. These figures do not include construction in progress or capital assets recognized under right of use leases or subscription-based information technology arrangements, which were \$39.5 million, \$7.4 million and \$22.0 million, respectively.

During fiscal year 2023-24, there were no new bond issuances by the State System.

Bond principal, refundings or defeasance of \$189.1 million and bond interest of \$54.7 million were paid, bringing the total outstanding **bond debt** to \$1.606 billion at June 30, 2024.

In December 2023, Moody's Investors Service, Inc. maintained the State System's **bond rating** of Aa3, but revised the outlook from negative to stable. The stable outlook reflects Moody's expectations that leadership will continue to successfully execute the system redesign initiative leading to the maintenance of break-even operations and expectations of continued strong liquidity, growing Commonwealth financial support and steady declines in bonded debt. At the same time, Moody's revised the State System's Environmental, Social, and Governance (ESG) and Credit Impact Scores (CIS) from CIS-4 to CIS-3, reflecting an improvement in that measure. CIS-3 reflects the State System's elevated exposure to social risks, including weak demographics and highly competitive market conditions, while strong financial management partly mitigates its exposure to ESG risks. In March 2024, Fitch Ratings affirmed the State System's rating of A+ with stable outlook.

## THE FINANCIAL STATEMENTS

### **Statement of Net Position**

The *Statement of Net Position* reports the balances of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the State System as of the end of the fiscal year.

- *Assets* include cash; investments reported at market value; the value of outstanding receivables due from students and other parties; and land, buildings, and equipment reported at cost, less accumulated depreciation, and right of use and subscription assets less accumulated amortization.
- *Deferred Outflows of Resources*, defined as a consumption of net position that applies to future periods, reports the deferred loss on bond defeasance and certain items associated with the pension and other postemployment benefits, or OPEB liabilities (health and tuition benefits expected to be paid to eligible current and future retirees).
- *Liabilities* include payments due to vendors, employees, and students; revenues received but not yet earned; the balance of bonds payable; and amounts estimated to be due for items such as workers' compensation (the State System is self-insured), compensated absences (the value of sick and annual leave earned by employees), pension benefits, OPEB and lease and subscription liabilities.
- *Deferred Inflows of Resources*, defined as an acquisition of net position that applies to future periods, reports the deferred gain on bond defeasance, the fair value of irrevocable split-interest agreements, certain items associated with the pension and OPEB and deferred income associated with lessor leases.
- *Net Position*, informally referred to as *Net Assets* or *Fund Balance* (as it was previously called), is the sum of Assets and Deferred Outflows of Resources less Liabilities and Deferred Inflows of Resources.

Following is a summary of the State System's statement of net position at June 30, 2024 and 2023.

<b>Statement of Net Position</b>			
<i>(in millions)</i>	<b>June 30, 2024</b>	<b>June 30, 2023</b>	<b>Change from Prior Year</b>
<b>Assets</b>			
Cash and investments	\$984	\$1,079	(8.8%)
Capital assets, net	2,185	2,240	(2.5%)
Other assets	936	957	(2.2%)
Deferred outflows	349	485	(28.0%)
Total assets and deferred outflows	4,454	4,761	(6.4%)
<b>Liabilities</b>			
Workers' compensation	21	21	0.0%
Compensated absences	124	119	4.2%
Net pension liability	940	1,028	(8.6%)
Net OPEB liability	1,176	1,265	(7.0%)
Bonds payable	1,606	1,795	(10.5%)
Lease obligations and financed purchases	275	278	(1.1%)
Other Liabilities	351	406	(13.5%)
Deferred inflows	763	955	(20.1%)
Total liabilities and deferred outflows	5,256	5,867	(10.4%)
<b>Net Position</b>			
Net investment in capital assets	976	870	12.2%
Restricted	193	179	7.8%
Unrestricted	(1,971)	(2,155)	(8.5%)
Total net position	(802)	(1,106)	(27.5%)
Total liabilities, deferred inflows and net position	\$4,454	\$4,761	(6.4%)

**Net Position**

Overall, **net position increased by \$304.0 million** in fiscal year 2023-24. This compares to an increase of \$267.0 million in fiscal year 2022-23 from fiscal year 2021-22.

In accordance with GASB requirements, the State System reports three components of net position:

- *Net investment in capital assets*, informally referred to as *NIP* (from its former name, *Net Investment in Plant*), is the cost of land, buildings, improvements, equipment, furnishings, library books, right of use leases and subscription assets, net of accumulated depreciation and amortization, less any associated debt (primarily bonds payable). This balance is not available for the State System's use in ongoing operations since the underlying assets would have to be sold to use the balance to pay current or long-term obligations. The Commonwealth prohibits the State System from selling university land and buildings without prior approval.
- *Restricted* net position represents the portion of balances of funds received from the Commonwealth, donors, or grantors, who have placed restrictions on the purpose for which the funds must be spent.

*Nonexpendable* restricted net position represents the corpus of endowments and similar arrangements in which only the associated investment income can be spent. *Expendable* restricted net position represents the portion of restricted funds that is available for expenditure as long as any external purpose and time restrictions are met.

- *Unrestricted* net position includes funds that the Board, chancellor, or university presidents have designated for specific purposes, auxiliary funds, and all other funds not appropriately classified as restricted or invested in capital assets.

Unrestricted net position includes **three liabilities that the State System does not fund**, along with the respective deferred outflows and deferred inflows of resources. Because these liabilities will be realized gradually over future years, and because of their size, the universities are expected to fund these liabilities only on a “pay-as-you-go” basis; i.e., as they become due.

- The liability for **compensated absences** represents the dollar value, based on an employee’s current salary, of annual and sick leave that employees have earned and could potentially receive in the form of cash payouts upon retirement or other termination. All full-time employees are eligible to be paid, upon termination, for their accumulated unused annual, personal, and holiday leave, with a maximum annual accumulation of 45 days. Sick leave payouts, however, are subject to vesting requirements, and the value of accumulated unused sick leave is paid only to those employees who retire and meet service and/or age requirements, and it is capped depending upon the number of days accumulated. The liability for sick leave is estimated based on historical sick leave payouts.

As employees earn and accumulate leave, the compensated absences liability increases; as employees use leave or terminate, the liability decreases. The liability increased by \$4.4 million to \$123.9 million for the year ended June 30, 2024, compared to a \$47.6 million decrease to \$119.5 million for the year ended June 30, 2023. Universities fund this liability only as cash payouts are made to employees upon termination. In fiscal year 2023-24, cash leave payouts to employees totaled \$8.7 million, compared to \$9.0 million in fiscal year 2022-23. At June 30, 2024, the vested value of sick leave payable to employees upon retirement was \$46.0 million, and the value of annual leave payable upon any termination was \$40.4 million, for a total of \$86.4 million, or 70% of the total liability, due and payable to employees. By contrast, at June 30, 2023, the vested value of sick leave payable to employees upon retirement was \$42.4 million, and the value of annual leave payable upon any termination was \$38.8 million, for a total of \$81.2 million, or 68% of the total liability, due and payable to employees.

- The **net pension liability**, along with the related deferred outflows and inflows of resources, is the State System’s allocated share of the difference between the Commonwealth’s defined benefit pension obligations and the funding set aside by the Commonwealth in a qualified trust to pay the future benefits that are promised to current employees, retirees, and their beneficiaries. The annual increase in the liability is the amount that current employees earn each fiscal year as a pension benefit, actuarially calculated based on years of service, age, and estimates of future service and employee longevity. The liability decreases when funding of the qualified trust increases and when employees or retirees leave the pension plans. The negative effect of this liability, along with the related deferred outflows and inflows of resources, on net position at June 30, 2024, was \$791 million, compared to \$827 million at June 30, 2023. Universities fund this liability on a “pay-as-you-go” basis; that is, they fund only the annual contractually required contributions to the State Employees Retirement System (SERS) and the Public School Employees Retirement System (PSERS).
- The **SERS prefunding** that was completed in the fiscal year ended June 30, 2021, via a bond issuance whose proceeds were transferred to the SERS plan, is reflected as an asset on the statement of net position in other assets. The balance at June 30, 2024 is \$746.0 million compared to \$774.0 million at June 30, 2023. This balance is amortized to reduce pension expense over time.
- The liability for **other postemployment benefits, or OPEB**, represents the estimated future healthcare costs for current and future retirees. The annual increase in the liability is the amount that current employees earn each fiscal year as a retiree healthcare benefit, actuarially calculated based on years of

service, age, and estimates of future service and employee longevity. The liability also increases as healthcare costs increase.

The liability decreases when required contributions by retirees are increased, when the number of eligible employees decreases, and when retirees leave the plan. The negative effect of this liability, along with the related deferred outflows and inflows of resources, on net position at June 30, 2024 was \$1.7 billion, compared to \$1.9 billion at June 30, 2023. Like the pension liability, universities fund these liabilities on a "pay-as-you-go" basis: For the State System plan, universities make biweekly contributions to fund the actual claims incurred by retirees during the year; for the Retired Employees Health Program (REHP) and PSERS OPEB plans, the universities make contractually required contributions as determined by the Commonwealth.

Below is a summary of the effect of the three unfunded liabilities, including the related deferred outflows of resources (DOR) and deferred inflows of resources (DIR), on the State System's net position.

<b>Effect of Unfunded Liabilities, including the respective Deferred Outflows of Resources and Deferred Inflows of Resources, on Unrestricted Net Position</b>		
<i>(in millions)</i>	<b>June 30, 2024</b>	<b>June 30, 2023</b>
Unrestricted Net Position when effect of unfunded liabilities is included	(\$1,971)	(\$2,155)
Pension Liabilities, including DOR and DIR		
SERS Pension	722	756
PSERS Pension	69	71
Total Pension Liabilities	791	827
OPEB Liabilities, including DOR and DIR		
SSHE OPEB Plan	1,262	1,355
REHP OPEB Plan	460	564
PSERS OPEB Plan	3	4
Total OPEB Liabilities	1,725	1,923
Compensated Absences Liability	124	119
Total Unfunded Liabilities, including DOR & DIR	2,640	2,869
Unrestricted Net Position when effect of unfunded liabilities is excluded	\$669	\$714

When the unfunded liabilities and related DOR and DIR are excluded, unrestricted net position decreased by \$45 million, or (6.3%) from fiscal year 2022-23 to 2023-24, compared to a decrease of \$37 million, or (4.9%), from fiscal year 2021-22 to 2022-23. The decrease in the current year is associated with decreased tuition and fee revenues as well as higher salaries, wages and benefits expense which were offset by higher state appropriations revenue. In fiscal year 2022-23, the decrease was associated with decreased tuition and fees revenues offset by lower operating expenses.

**Statement of Revenues, Expenses, and Changes in Net Position**

The *Statement of Revenues, Expenses, and Changes in Net Position* reports the revenues earned and the expenses incurred during the fiscal year. The result is reported as an increase or decrease in net position. In accordance with GASB requirements, the State System has classified revenues and expenses as either operating or nonoperating. GASB has determined that all public colleges' and universities' **state appropriations and appropriations and grants received as a result of the CARES, CRRSA and ARP Acts**

**are nonoperating revenues.** In addition, GASB requires classification of gifts, Pell grants, investment income and expenses, unrealized gains and losses on investments, interest expense, and gains and losses on disposals and acquisitions of assets as nonoperating. The State System classifies all of its remaining activities as operating.

### Revenues and Gains

Following is a summary of revenues and gains for the years ending June 30, 2024 and 2023.

<b>Revenues and Gains</b>			
<i>(in millions)</i>	<b>June 30, 2024</b>	<b>June 30, 2023</b>	<b>Change from Prior Year</b>
<b>Operating revenues</b>			
Tuition and fees, net	\$595	\$627	(5.1%)
Grants and contracts	191	190	0.5%
Auxiliary enterprises, net	330	310	6.5%
Other	52	48	8.3%
<b>Total Operating revenues</b>	<b>1,168</b>	<b>1,175</b>	<b>(0.6%)</b>
<b>Nonoperating revenues and gains</b>			
State appropriations	683	576	18.6%
Federal & State approp. & grants - COVID	49	56	(12.5%)
Investment income, net	69	44	56.8%
Unrealized gain on investments, net	3	-	0.0%
Gain on bond defeasance	5	-	0.0%
Gifts, nonoperating grants and other	198	165	20.0%
<b>Total Nonoperating revenues and gains</b>	<b>1,007</b>	<b>841</b>	<b>19.7%</b>
<b>Total revenues and gains</b>	<b>\$2,175</b>	<b>\$2,016</b>	<b>7.9%</b>

Overall, fiscal year 2023-24 **operating revenues** decreased slightly from the prior fiscal year due lower net tuition and fees revenue which was offset by increased auxiliary services revenue. Nonoperating revenues increased by 20%, mainly due to increased State appropriations revenues, including special appropriations used to defease certain debt, and greater investment income. The overall increase in revenues and gains was 7.9% over the prior year.

Tuition and fee revenue is shown net of discounts and allowances and bad debt expense. Discounts and allowances represent financial aid to students in the form of grants, scholarships, and waivers. Tuition was frozen again in fiscal year 2023-24 and fall enrollment declined slightly. These items resulted in an overall **decrease in net tuition and fee revenue of \$32 million** in fiscal year 2023-24 or (5.1%) from fiscal year 2022-23.

**Auxiliary enterprises** revenue, which includes food service sales, housing fees, and fees for the operation, maintenance, debt service, and renewal of student union and recreation centers, increased by \$20 million in fiscal year 2023-24, or 6.5% over fiscal year 2022-23. This compares to an increase of \$21 million or 7.3% in fiscal year 2022-23 from fiscal year 2021-22.

**State appropriations** include cash as well as capital appropriations that are received in the form of noncash furnishings and equipment for the Commonwealth-funded construction projects. The fiscal year 2023-24 appropriation was \$683 million, a \$107 million increase over fiscal year 2022-23. Included in this total is \$62.5 million special appropriations that was used to defease certain outstanding debt obligations at Pennsylvania Western University.

**Other Revenue** includes CARES Act and ARPA funds that have been provided to State System universities for emergency aid to students whose lives have been disrupted by the pandemic, as well as funds that can be used by the institution to help cover costs associated with providing a safe campus and work environment throughout this pandemic. Of the \$49 million amount of COVID related appropriations and grants recognized as revenue in fiscal year 2023-24, \$48 million was related to the \$125 million appropriation from the Commonwealth's American Rescue Plan's Coronavirus State and Local Fiscal Recovery Funds. \$48.3 million was recognized in revenue in fiscal year 2022-23. The remaining amount of \$28.7 million is anticipated to be recognized as revenue over the next two fiscal years.

### Expenses and Losses

Following is a summary of expenses and losses for the years ending June 30, 2024 and 2023.

<b>Expenses and Losses</b>			
<i>(in millions)</i>	<b>June 30, 2024</b>	<b>June 30, 2023</b>	<b>Change from Prior Year</b>
<b>Operating expenses</b>			
Instruction	\$588	\$520	13.1%
Research and public service	79	78	1.3%
Academic support	150	139	7.9%
Student services	170	155	9.7%
Institutional support	247	226	9.3%
Operations and maintenance of plant	102	97	5.2%
Depreciation and amortization	176	166	6.0%
Student aid	87	87	0.0%
Auxiliary enterprises	212	213	(0.5%)
<b>Total Operating expenses</b>	<b>1,811</b>	<b>1,681</b>	<b>7.7%</b>
<b>Other expenses and losses</b>			
Interest expense capital asset-related debt	57	61	(6.6%)
Loss on disposal / acquisition of assets	4	2	100.0%
Loss on termination of Perkins Loan Program	-	1	(100.0%)
Unrealized loss on investment, net	-	4	(100.0%)
<b>Total Other expenses and losses</b>	<b>61</b>	<b>68</b>	<b>(10.3%)</b>
<b>Total expenses and losses</b>	<b>\$1,872</b>	<b>\$1,749</b>	<b>7.0%</b>

The increase in **operating expenses** of \$123 million, or 7.0% in fiscal year 2023-24 compared to fiscal year 2022-23 is attributable to higher costs in instruction, academic support, student services and institutional support. These increases are mainly attributable to higher salary, wages and benefits costs.

Following is a summary of salaries, wages, and benefits expenses for the years ending June 30, 2024 and 2023.

<b>Salaries, Wages and Benefits</b>			
<i>(in millions)</i>	<b>June 30, 2024</b>	<b>June 30, 2023</b>	<b>Change from Prior Year</b>
<b>Salaries and wages</b>	\$906	\$820	10.5%
<b>Employer benefit contributions</b>			
Employee healthcare	135	131	3.1%
Pension benefits	155	146	6.2%
Retiree healthcare	50	38	31.6%
Other benefits	96	94	2.1%
<b>Total employer benefit contributions</b>	436	409	6.6%
<b>Noncash pension and OPEB expense</b>			
Pension expense	(81)	(52)	55.8%
Retiree healthcare expense	(198)	(216)	(8.3%)
<b>Total noncash pension and OPEB expense</b>	(279)	(268)	4.1%
<b>Total salaries, wages and benefits</b>	<b>\$1,063</b>	<b>\$961</b>	<b>10.6%</b>

**Salaries and wages** totaled \$906 million in fiscal year 2023-24, an increase of \$86 million, or 10.5%, over fiscal year 2022-23. The increase is the result of salary and wage increases granted as part of new collective bargaining agreements. Annualized full-time equivalent employees decreased to 9,413 in fiscal year 2023-24, compared to 9,531 in fiscal year 2022-23.

When the effects of the non-cash pension and OPEB expenses in excess of contributions are factored out, fiscal year 2023-24 **employee benefits** totaled \$436 million, an increase of \$27 million, or 6.6%, above fiscal year 2022-23.

The employer share of **employee healthcare contributions** increased by \$4 million in fiscal year 2023-24, or 3.1%, from fiscal year 2022-23. This follows an increase of \$5 million in fiscal year 2022-23, or 4.0%, from fiscal year 2021-22.

The employer share of **retiree benefits contributions** increased by \$12 million, or 31.6%, in fiscal year 2023-24 over fiscal year 2022-23. This follows an increase of \$3 million, or 1.6%, in fiscal year 2022-23 over fiscal year 2021-22.



Following is a summary of the State System's contributions for retiree pension and healthcare benefits for the years ending June 30, 2024 and 2023.

<b>State System Employer Contributions for Retiree Pension and Healthcare Benefits</b>			
<i>(in millions)</i>	<b>June 30, 2024</b>	<b>June 30, 2023</b>	<b>Change from Prior Year</b>
<b>Pension</b>			
SERS	\$99.9	\$93.1	7.3%
PSERS	9.6	9.3	3.2%
ARP	45.8	43.9	4.3%
<b>Retiree Healthcare</b>			
System Plan	30.6	29.1	5.2%
REHP	18.7	8.3	125.3%
PSERS Healthcare	0.2	0.2	0.0%
<b>Totals</b>	<b>\$204.8</b>	<b>\$183.9</b>	<b>11.4%</b>

- **Employer contributions to SERS**, a defined benefits pension plan, were 41.09% of a participating employee's salary for the majority of participants in fiscal year 2023-24, versus 38.82% in fiscal year 2022-23. This rate is expected to increase in the near future, but at a lesser rate than recent historical experience. This rate has been steadily and significantly increasing since fiscal year 2010-11, when the rate was 4.11% of an employee's salary. At December 31, 2023, 65.30% of the SERS liability was funded.
- **Employer contributions to PSERS**, a defined benefits pension plan, were 16.545% of a participating employee's salary in fiscal year 2023-24, versus 17.155% in fiscal year 2022-23. This rate is expected to increase in the near future, but at a lesser rate than recent historical experience. This rate has been significantly increasing, with some fluctuation, since fiscal year 2010-11, when the rate was 2.82% of an employee's salary. The Commonwealth makes annual pension contributions to PSERS on behalf of State System employees at the same annual rate. At June 30, 2024, 61.85% of the PSERS liability was funded.
- **Employer contributions to the ARP**, a defined contribution plan, were 9.29% of a participating employee's salary in fiscal year 2023-24, the same rate since the plan's inception, and are expected to remain at the same rate for the near future. Because it is a defined contribution plan, the ARP has no unfunded liability.
- **Employer contributions to the State System OPEB Plan**, a defined benefits retiree healthcare plan administered by the State System, are made to a third-party health insurance vendor based on claims estimates agreed to by the State System and the third-party vendor. The vendor charges an additional assessment or issues a cash refund in the following year to reconcile to the actual claims paid. Despite the increasing population of retirees and rising healthcare costs, the State System has seen flat or declining healthcare spending in this plan from retirees for the last several years. This can be attributed in part to design changes that increased retirees' share of expenses through higher retiree premium contributions, copays, deductibles, and coinsurance. The employer rate for fiscal year 2023-24 was set at \$189 per pay period per active participating employee and will increase to \$197 in fiscal year 2024-25. Future year changes will depend upon actual claims experience. As of June 30, 2024, no funds have been placed in a trust to fund the future liability.

- **Employer contributions to the REHP**, a defined benefits retiree healthcare plan administered by the Pennsylvania Employee Benefit Trust Fund (PEBTF), were \$275 per pay period per active participating employee in fiscal years 2023-24, versus \$120 per pay in the previous two fiscal years. The contribution rate is set at the discretion of the Commonwealth and periodically fluctuates, with the highest rate of \$418 in fiscal year 2015-16. For fiscal year 2024-25, the rate will remain the same at \$275 per pay period. At June 30, 2024, only 8.81% of the REHP liability was funded.
- **Employer contributions to the PSERS Health Insurance Premium Assistance Program**, a defined benefits retiree healthcare plan administered by PSERS, were 0.375% of a participating employee's salary in fiscal year 2023-24. The rate has been and is expected to remain at approximately the same amount. Any State System retiree who is a member of PSERS is eligible for this additional healthcare benefit, which offers up to \$100 per month of reimbursements for healthcare costs, including insurance premiums.

The cost for **all other employee benefits**, such as Social Security and workers' compensation, increased in fiscal year 2023-24 by a total of \$2 million, or 2.1%, over fiscal year 2022-23, compared to a fiscal year 2022-23 decrease of \$1 million, or (1.0%), over fiscal year 2021-22. The increase in fiscal year 2023-24 is correlated to the increase in salaries and wages over the same period.

### **Other Expenses and Losses**

**Interest expense on capital asset-related debt** was \$39 million, a decrease of \$4 million from fiscal year 2022-23. Interest expense on the SERS pre-funding bond issued in April 2021 was \$18 million, a decrease of \$0.1 million from fiscal year 2022-23. The decrease in interest expense is due to the passage of time and the bond defeasances for Pennsylvania Western University debt that were completed in October 2023. In addition, there were no new debt instruments issued during the fiscal year.

### **Statement of Cash Flows**

The *Statement of Cash Flows* provides information about the State System's cash receipts and cash payments. It can be used to determine the State System's ability to generate future net cash flows and meet its obligations as they come due and its need for external financing.

The universities record their share of the State System pooled deposits and investments account at cost; that is, without regard to the fair value of the underlying investments. The associated markup or markdown for the fair value, as well as the annual unrealized gains or losses on investments, are recorded only at the consolidated level. In fiscal year 2023-24, the unrealized loss on the State System pool deposits and investments account was \$4.9 million, while the accumulated fair value markdown at June 30, 2024 was \$12.1 million. This compares to an unrealized loss on deposits and investments account in fiscal year 2022-23 of \$12.0 million, and an accumulated fair value markdown of \$7.2 million at June 30, 2023.

Total operating cash decreased by \$99.8 million, or (10.5%), in fiscal year 2023-24 to \$853.2 million, compared to a balance of \$953.0 million at June 30, 2023. Cash flow weaknesses, which can seriously challenge financial viability, have affected some universities, primarily those in rural locations with declining demographics. The System Office is monitoring universities whose cash, revenue, expenditure, and enrollment trends may be an indication of future cash flow weaknesses.

## **OTHER ECONOMIC FACTORS**

The **Commonwealth** ended fiscal year 2023-24 with \$45.5 billion in General Fund collections, \$600 million more than the prior year and \$863 million above estimate.

On July 11, 2024, Governor Josh Shapiro signed a fiscal year 2024-25 Commonwealth General Fund budget of \$47.6 billion that provides for increased funding of higher education. The spending plan appropriated to the

State System was \$620.8 million in General Funds, as well as an additional \$85.0 million for various debt relief efforts.

Commonwealth appropriations are a significant source of revenues to the State System. The State System's continued operational viability is substantially dependent on a consistent and proportionate level of ongoing Commonwealth support. Commonwealth support also directly impacts the ability of the State System to maintain affordable tuition rates. The State System further depends on the Commonwealth to provide appropriations in support of its capital program.

### ***Cheyney University of Pennsylvania***

As a result of self-reported compliance issues reported in August 2015, Cheyney University entered into a settlement agreement with the U.S. Department of Education (ED) in February 2020 which resulted in (1) an assessment of \$14,308,377, (2) waiver of its rights to any administrative appeal, and (3) entry into an acceptable repayment agreement with ED. Cheyney has made payments against the principal amount outstanding totaling \$7.4 million through June 30, 2024.

Cheyney has been on the Department of Education's Heightened Cash Monitoring 2 (HCM2) status since September 2015, which means that the university does not receive federal student financial aid funds in advance, but must use its own cash to grant federal financial aid to its students and then request reimbursement from the ED. The university is still on HCM2 status as of June 30, 2024.

The university was still awaiting receipt of approximately \$6.3 million in federal student financial aid funds as of June 30, 2024. The delay in receipt of ED funds contributes to the university's tight cash flow toward the end of the fiscal year. During fiscal year 2023-24, the university took a \$3 million advance on state appropriations it anticipated receiving in 2024-25 and the State System provided a short-term note amounting to \$6 million to meet its cash needs. In April 2024, Cheyney received an HCM2 payment of approximately \$722,000, in relation to the 2022-23 period and is working closely with the Department of Education surrounding payments for 2023-24.

The System Office continues to monitor the university's level of debt and payables and its ability to generate revenue and cash. Securing removal from HCM2 status and obtaining reimbursement of past financial aid awards is a priority. The university continues to implement program and operating efficiencies, is undertaking fundraising campaigns, and is seeking ways to develop income-producing strategies using campus assets and strategic alliances with third parties. Cheyney's eligibility and certification to participate in Title IV programs are effective through June 2026.

As of June 27, 2024, Cheyney University of Pennsylvania was accredited by the Middle States Commission of Higher Education (MSCHE) and is no longer on probation. The university's next accreditation visit is set to be in 2030 with an interim report due March 1, 2025, followed by a small team visit.

***For further information about these financial statements, contact Pennsylvania's State System of Higher Education, Administration and Finance Division, 2300 Vartan Way, Suite 207, Harrisburg, PA 17110.***

# Pennsylvania's State System of Higher Education

## Statement of Net Position

(dollars in thousands)

### Assets and Deferred Outflows of Resources

	<u>June 30, 2024</u>
<b>Current Assets</b>	
Cash and cash equivalents	\$ 34,358
Short-term investments	389,980
Accounts receivable, students, net	49,019
Accounts receivable, other	21,167
Governmental grants and contracts receivable	28,518
Prepaid expenses	45,280
Current portion of loans receivable	439
Due from component units	16,395
Other current assets	12,217
Total Current Assets	<u>597,373</u>
<b>Noncurrent Assets</b>	
Restricted cash and cash equivalents	25
Long-term investments, including endowments	560,098
Beneficial interests	27,556
Loans receivable	750
Due from component units	2,591
Non-depreciable capital assets	103,220
Depreciable or amortizable capital assets, net of accumulated depreciation and amortization	2,081,485
Other noncurrent assets	731,870
Total Noncurrent Assets	<u>3,507,595</u>
<b>Total Assets</b>	<u>4,104,968</u>
<b>Deferred Outflows of Resources</b>	349,364
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 4,454,332</u>

See accompanying notes to financial statements.

**Pennsylvania's State System of Higher Education**

**Statement of Net Position** *(continued)*

*(dollars in thousands)*

**Liabilities, Deferred Inflows of Resources, and Net Position**

	<u>June 30, 2024</u>
<b>Current Liabilities</b>	
Accounts payable and accrued expenses	\$ 182,020
Unearned revenue	75,718
Deposits	5,337
Current portion of workers' compensation liability	5,998
Current portion of compensated absences liability	17,418
Current portion of OPEB liability	49,323
Current portion of lease, subscription and financed purchase obligations	30,110
Current portion of bonds payable	90,720
Due to component units	7,538
Other current liabilities	38,698
Total Current Liabilities	<u>502,880</u>
<b>Noncurrent Liabilities</b>	
Unearned revenue	672
Workers' compensation liability, net of current portion	15,206
Compensated absences liability, net of current portion	106,472
Net pension liability	940,306
OPEB liability, net of current portion	1,126,889
Lease, subscr. and financed purchase obligations, net of current portion	245,226
Bonds payable, net of current portion	1,515,015
Other noncurrent liabilities	40,307
Total Noncurrent Liabilities	<u>3,990,093</u>
<b>Total Liabilities</b>	<u>4,492,973</u>
<b>Deferred Inflows of Resources</b>	763,487
<b>Net Position</b>	
Net investment in capital assets	976,447
Restricted for:	
Nonexpendable:	
Scholarships and fellowships	68,515
Student loans	182
Other	1,584
Expendable:	
Scholarships and fellowships	38,878
Capital projects	60,601
Other	23,245
Unrestricted	(1,971,580)
<b>Total Net Position</b>	<u>(802,128)</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<u><u>\$ 4,454,332</u></u>

*See accompanying notes to financial statements.*

**Pennsylvania's State System of Higher Education**

**Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2024**

*(dollars in thousands)*

	<b>2024</b>
<b>Operating Revenues</b>	
Tuition and fees, net	\$ 595,012
Grants and contracts	190,807
Sales and services	43,797
Auxiliary enterprises, net	329,675
Other revenues, net	8,512
Total Operating Revenues	<u>1,167,803</u>
<b>Operating Expenses</b>	
Instruction	588,233
Research and Public Service	78,948
Academic support	150,388
Student services	169,628
Institutional support	247,337
Operations and maintenance of plant	101,643
Depreciation and amortization	176,283
Student aid	86,559
Auxiliary enterprises	212,448
Total Operating Expenses	<u>1,811,467</u>
Operating Loss	<u>(643,664)</u>
<b>Nonoperating Revenues (Expenses)</b>	
State appropriations, general and restricted	648,073
Federal and State appropriations and grants-COVID	49,376
Pell grants	124,363
Investment income, net	68,949
Unrealized gain on investments	3,353
Gifts for other than capital purposes	54,042
Interest expense on capital asset-related debt	(57,319)
Loss on disposal/acquisition of assets	(3,301)
Impairment loss net of insurance proceeds	(375)
Loss on termination of Perkins Loan Program	(481)
Gain on bond defeasance	5,432
Other nonoperating revenue	11,941
Net Nonoperating Revenues	<u>904,053</u>
Income before other revenues	<u>260,389</u>
State appropriations, capital	34,726
Capital gifts and grants	8,381
Income	<u>303,496</u>
<b>Increase in Net Position</b>	<u>303,496</u>
Net position—beginning of year	(1,105,624)
Net position—end of year	<u><u>\$ (802,128)</u></u>

*See accompanying notes to financial statements.*

**Pennsylvania's State System of Higher Education**

**Statement of Cash Flows**  
**For the Year Ended June 30, 2024**  
*(dollars in thousands)*

	<b>2024</b>
<b>Cash Flows from Operating Activities</b>	
Tuition and fees	\$ 593,168
Grants and contracts	198,114
Payments to suppliers for goods and services	(471,747)
Payments to employees	(1,283,875)
Loans issued to students	(126)
Loans collected from students	621
PLUS, Stafford, and other loans receipts (non-Perkins)	617,031
PLUS, Stafford, and other loans disbursements (non-Perkins)	(617,031)
Student aid	(88,327)
Auxiliary enterprise charges	327,295
Sales and services	43,750
Other receipts	6,220
Net cash used in operating activities	(674,907)
<b>Cash Flows from Noncapital Financing Activities</b>	
State appropriations	648,073
Gifts and nonoperating grants for other than capital purposes	179,744
Principal paid on prefunding pension bond	(36,860)
Agency transactions, net	3,087
Other	4,887
Net cash provided by noncapital financing activities	798,931
<b>Cash Flows from Capital Financing Activities</b>	
Proceeds from capital debt and leases	16,821
Capital appropriations	21,203
Capital grants and gifts received	7,924
Proceeds from sales of capital assets	1,935
Purchases of capital assets	(70,648)
Principal paid on capital debt and leases	(197,526)
Interest paid on capital debt and leases	(67,031)
Net cash used in capital financing activities	(287,322)
<b>Cash Flows from Investing Activities</b>	
Proceeds from sales and maturities of investments	39,865,665
Interest on investments	68,110
Purchase of investments	(39,776,852)
Net cash provided by investing activities	156,923
<b>Net Decrease in Cash and Cash Equivalents</b>	(6,375)
Cash and cash equivalents—beginning of year	40,758
Cash and cash equivalents—end of year	\$ 34,383

*See accompanying notes to financial statements.*

**Pennsylvania's State System of Higher Education**

**Statement of Cash Flows** *(continued)*

**For the Year Ended June 30, 2024**

*(dollars in thousands)*

	<u>2024</u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>	
Operating loss	\$ (643,664)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization expense	176,283
Expenses paid by Commonwealth or donor	7,055
Effect of changes in operating assets, liabilities, deferred outflows of resources, and deferred inflows of resources:	
Receivables, net	5,210
Other assets	18,574
Accounts payable	(3,899)
Unearned revenue	(2,378)
Student deposits	(336)
Compensated absences	4,417
Loans to students and employees	494
Net pension activity	(35,878)
Net other postemployment benefits (OPEB) activity	(197,902)
Other liabilities	(4,099)
Deferred inflows of resources related to lease receivable	1,216
Net cash used in operating activities	<u>\$ (674,907)</u>
<b>Noncash Activities</b>	
Capital assets included in payables	\$ 10,595
Capital assets acquired by notes payable (financed purchase)	2,467
Capital assets acquired by new right of use leases	7,404
Capital assets acquired by new subscription agreements	22,027
Capital assets acquired by gift or appropriation	13,979
Like-kind exchanges	143
Commonwealth on-behalf contributions to PSERS	7,055

*See accompanying notes to financial statements.*



# Pennsylvania's State System of Higher Education

## Component Units Statement of Financial Position

(dollars in thousands)

	<u>June 30, 2024</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 123,470
Accounts and interest receivable	6,823
Contributions/pledges receivable	29,907
Due from universities	2,165
Inventories and prepaid expenses	8,747
Restricted cash and cash equivalents	54,358
Short-term investments	28,658
Long-term investments	800,447
Land, buildings, and equipment, net	431,342
Right of use assets	7,690
Other assets	167,585
<b>Total Assets</b>	<u>\$ 1,661,192</u>
<b>Liabilities</b>	
Accounts and interest payable	\$ 17,089
Deferred revenue	7,734
Annuity liabilities	4,251
Due to universities	18,456
Deposits payable	43,573
Interest rate swap agreements	8,338
Lease liabilities	7,404
Bonds and notes payable	719,101
Other liabilities	12,152
<b>Total Liabilities</b>	<u>838,098</u>
<b>Net Assets</b>	
Without donor restrictions	181,332
With donor restrictions	641,762
<b>Total Net Assets</b>	<u>823,094</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,661,192</u>

See accompanying notes to financial statements.

**Pennsylvania's State System of Higher Education**

**Component Units Statement of Activities**

**For the Year Ended June 30, 2024**

*(dollars in thousands)*

	<u>2024</u>
<b>Changes in net assets without donor restrictions</b>	
Contributions	\$9,491
Sales and services	27,809
Student fees	29,281
Grants and contracts	17,149
Rental income	81,915
Investment return, net	21,107
Other revenues and gains	24,353
Net assets released from restrictions	<u>50,426</u>
Total Revenues and Gains	261,531
 <b>Expenses and Losses</b>	
Program services:	
Scholarships and grants	28,332
Student activities and programs	29,296
University stores	19,297
Housing	74,944
Other programs	44,160
Management and general	27,620
Fundraising	<u>10,657</u>
Total Expenses	234,306
Other expenses and losses	<u>471</u>
Total Expenses and Losses	234,777
 <b>Change in net assets without donor restrictions</b>	26,754
 <b>Changes in net assets with donor restrictions</b>	
Contributions	\$ 59,410
Investment return, net	58,490
Other revenue and gains	6,904
Other expenses and losses	(1,248)
Net assets released from restrictions	<u>(50,426)</u>
<b>Change in net assets with donor restrictions</b>	73,130
 <b>Change in total net assets</b>	<u>99,884</u>
 Net assets—beginning of year (restated)	<u>723,210</u>
Net assets—end of year	<u><u>\$ 823,094</u></u>

*See accompanying notes to financial statements.*

**Pennsylvania's State System of Higher Education**

**Component Units Expenses by Nature and Function  
For the Year Ended June 30, 2024**

*(dollars in thousands)*

<b>2024</b>										
<b>Natural Expense</b>	<b>Program Activities</b>						<b>Supporting Activities</b>			<b>Total Expenses</b>
	Scholarships and grants	Student activities and programs	University stores	Housing	Other programs	Total Programs	Management and general	Fundraising	Total Supporting	
Salaries and benefits	\$4,262	\$4,993	\$3,987	\$6,738	\$8,868	\$28,848	\$13,912	\$5,894	\$19,806	\$48,654
Gifts and grants	18,641	4,994	0	1,544	5,615	30,794	1,289	45	1,334	32,128
Supplies and travel	29	8,649	4,793	554	6,260	20,285	889	862	1,751	22,036
Services and professional fees	26	2,578	373	5,116	5,649	13,742	3,062	2,384	5,446	19,188
Office and occupancy	39	1,458	1,181	14,396	1,967	19,041	1,902	195	2,097	21,138
Depreciation	0	230	362	18,108	900	19,600	2,285	40	2,325	21,925
Interest	0	0	0	21,193	3,794	24,987	1,867	37	1,904	26,891
Other	5,335	6,394	8,601	7,295	11,107	38,732	2,414	1,200	3,614	42,346
<b>Total Expenses</b>	<b>\$28,332</b>	<b>\$29,296</b>	<b>\$19,297</b>	<b>\$74,944</b>	<b>\$44,160</b>	<b>\$196,029</b>	<b>\$27,620</b>	<b>\$10,657</b>	<b>\$38,277</b>	<b>\$234,306</b>

*See accompanying notes to financial statements.*

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## NOTES TO FINANCIAL STATEMENTS

### Year Ended June 30, 2024

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#### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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##### **Organization**

Pennsylvania's State System of Higher Education (State System) is a body corporate and politic, created by the State System of Higher Education Act of November 12, 1982, P.L. 660, No. 188, as amended (Act 188). The State System is a component unit of the Commonwealth of Pennsylvania (Commonwealth) and is governed by a Board of Governors (Board), as provided for in Act 188. The State System comprises 10 universities and the System Office.

##### **Reporting Entity**

The State System functions as a Business Type Activity, as defined by the Governmental Accounting Standards Board (GASB).

Certain affiliated organizations are included in the State System's financial statements as discretely presented component units. Some of the organizations, such as university student associations, are included because the Board has oversight responsibility for the organizations. The criteria used in determining the organizations for which the State System has oversight responsibility include financial interdependency, the ability to select members of the governing body, the ability to designate management, the ability to influence operations significantly, and accountability for fiscal matters. Other affiliated organizations for which the Board does not have oversight responsibility, such as university foundations and alumni associations, are included when the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the State System, the activity of the organization is significant to the State System universities, and the State System historically has received a majority of these economic resources. Neither the State System nor its universities control the timing or amount of receipts from these organizations.

During fiscal year 2023-24, Millersville University of Pennsylvania did not report Student Services, Inc. and Student Lodging, Inc. as discretely presented component units due to a change in reporting entity. The combined component unit financial statements for fiscal year 2023-24 have been restated accordingly and result in a reduction of \$37,941,000 of component unit assets, and a reduction of \$31,054,000 of component unit liabilities, which, when combined, result in a restatement of beginning net assets of \$6,887,000.

The State System does not consider any of its component units to be major and has aggregated all component unit information into a separate set of financial statements. Information on individual component units can be obtained by contacting the respective universities.

Transactions between the universities and the System Office have been eliminated in the accompanying financial statements.

##### **Measurement Focus, Basis of Accounting, and Basis of Presentation**

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by GASB. The economic resources measurement focus reports all inflows, outflows, and balances that affect an entity's net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The accompanying financial statements of the component units, which are all private nonprofit organizations, are reported in accordance with Financial Accounting Standards Board (FASB) requirements, including Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, an

amendment of FASB Codification Topic 958, *Not-for-Profit-Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications for these differences have been made to the component units' financial information presented herein.

### **Operating Revenues and Expenses**

The State System records tuition, all academic, instructional, and other student fees, student financial aid, auxiliary activity, and corporate partnerships as operating revenue. In addition, governmental and private grants and contracts in which the grantor receives equal value for the funds given to the university are recorded as operating revenue. All expenses, with the exception of interest expense, are recorded as operating expenses. Appropriations, gifts, investment income, parking and library fines, capital grants, gains and losses on investments, gains and losses on the acquisition and disposal of assets, and governmental and private research grants and contracts in which the grantor does not receive equal value for the funds given to the university are reported as nonoperating.

### **Deferred Outflows and Deferred Inflows of Resources**

The statement of net position reports separate sections for *Deferred Outflows of Resources* and *Deferred Inflows of Resources*.

*Deferred Outflows of Resources*, reported after *Total Assets*, is defined by GASB as a consumption of net position that applies to future periods. The expense is recognized in the applicable future period(s). *Deferred Inflows of Resources*, reported after *Total Liabilities*, is defined by GASB as an acquisition of net position that applies to future periods. The revenue is recognized in the applicable future period(s).

Transactions are classified as deferred outflows of resources or deferred inflows of resources only when specifically prescribed by GASB standards.

The State System is required to report the following as Deferred Outflows of Resources or Deferred Inflows of Resources.

- Deferred gain or loss on bond refundings, which results when the carrying value of a refunded bond is greater or less than its reacquisition price. The difference is deferred and amortized over the remaining life of the old bond or the life of the new bond, whichever is shorter.
- For defined benefit pension plans and other postemployment benefit (OPEB) plans: the difference between expected (actuarial) and actual experience, changes in actuarial assumptions, the net difference between projected (actuarial) and actual earnings on pension and OPEB plan investments, changes in the State System's proportion of expenses and liabilities of the pension and OPEB plans as a whole, differences between the State System's pension and OPEB contributions and its proportionate share of contributions, and State System pension and OPEB contributions subsequent to the respective pension or OPEB plan valuation measurement date.
- For lessor accounting: a deferred inflow of resources associated with leases where the State System is a lessor, recognized as income ratably over the term of the lease.

### **Net Position**

Net position is the residual of Assets, plus Deferred Outflows of Resources, less Liabilities, less Deferred Inflows of Resources. The State System maintains the following classifications of net position.

*Net investment in capital assets*: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

*Restricted—nonexpendable*: The portion of net position subject to externally imposed conditions requiring that it be maintained by the State System in perpetuity.

*Restricted—expendable*: The portion of net position use of which is subject to externally imposed conditions that can be fulfilled by the actions of the State System or by the passage of time.

*Unrestricted:* All other categories of net position. Unrestricted net position may be designated for specific purposes by the Board.

When both restricted and unrestricted funds are available for expenditure, the restricted funds will be used first.

### **Cash Equivalents and Investments**

The State System considers all demand and time deposits and money market funds to be cash equivalents. Investments purchased are stated at fair value. Investments received as gifts are recorded at their fair value or appraised value as of the date of the gift. The State System classifies investments as short-term when they are readily marketable and intended to be converted to cash within one year.

### **Accounts and Loans Receivable**

Accounts and loans receivable consist of tuition and fees charged to current and former students and amounts due from federal and state governments in connection with reimbursements of allowable expenditures made pursuant to grants, contracts, and other miscellaneous sources. Accounts and loans receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon the universities' historical losses and periodic review of individual accounts.

### **Capital Assets**

Land and buildings at the university campuses acquired or constructed prior to its creation on July 1, 1983, are owned by the Commonwealth and made available to the universities of the State System. Since the State System neither owns such assets nor is responsible to service associated bond indebtedness, no value is ascribed thereto in the accompanying financial statements. Likewise, no value is ascribed to the portion of any land or buildings acquired or constructed using capital funds appropriated by the Commonwealth after June 30, 1983 and made available to the universities.

All assets with a purchase cost, or acquisition value if acquired by gift, in excess of \$5,000, with an estimated useful life of two years or greater, are capitalized. Buildings, portions of buildings, and capital improvements acquired or constructed by the universities after June 30, 1983, through the expenditure of university funds or the incurring of debt are stated at cost less accumulated depreciation.

Equipment and furnishings are stated at cost less accumulated depreciation. Library books are capitalized on a composite basis in the year of purchase. Assets purchased under financed leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. Assets under right of use leases or subscription-based information technology agreements are recorded at the present value of the minimum lease payments plus any other amounts that must be included per the GASB standards. The State System provides for depreciation on the straight-line method over the estimated useful lives of the related assets. Buildings and improvements are depreciated over useful lives ranging from 10 to 40 years. Equipment and furnishings are depreciated over useful lives ranging from 3 to 10 years. Library books are depreciated over 10 years. Amortization of assets under right of use leases or subscription-based information technology agreements are included in depreciation and amortization expense over the shorter of the agreement term or the life of the underlying asset. Normal repair and maintenance expenditures are not capitalized because they neither add to the value of the property nor materially prolong its useful life.

The State System does not capitalize collections of art, rare books, historical items, etc., as they are held for public exhibition, education, or research rather than financial gain.

### **Impairment of Capital Assets**

Management reviews capital assets for impairment whenever events or changes in circumstances indicate that the service utility of an asset has declined significantly and unexpectedly. Any write-downs due to impairment are charged to operations at the time impairment is identified. During fiscal year 2023-24, certain assets of East Stroudsburg University were written down due to a fire at their Innovation Center building during the year. The

total cost of the write-down net of insurance proceeds of \$375,000 is reflected in the accompanying financial statements.

### ***Leases and Subscription-Based Information Technology Arrangements***

The State System routinely engages in lease agreements or subscription-based information technology arrangements (SBITA) to meet operational needs. The State System's lease contracts generally relate to land, buildings, and various equipment. For short-term leases and SBITAs with a maximum possible term of 12 months or less at commencement, the State System recognizes periodic revenue or expense based on the provision of the lease contract or SBITA. For all other contracts where the State System is the lessee, that meet the requirements of GASB 87 or GASB 96 and were in excess of the minimum dollar threshold, the State System recognized a lease or subscription liability and an intangible right of use asset based on the present value of the future lease payments or subscription payments over the contracted term of the lease or SBITA. Lease and subscription right of use assets are reported with capital assets, and lease and subscription liabilities are reported as long-term debt in the statement of net position. The right of use lease and subscription assets are amortized over the term of the lease or SBITA, as the State System is not expected to lease assets beyond the underlying asset's useful life. The State System also serves as a lessor for certain real estate. For those agreements required to be capitalized, the financial statements recognize a lease receivable and a deferred inflow of resources, based on the present value of the future lease payments expected to be received during the contracted lease term period and the deferred inflow of resources is amortized evenly over the term of the lease. Lease receivables are reported with other current assets and other noncurrent assets. Deferred inflow – lease receivable is reported as deferred inflow in the statement of net position.

The State System uses its estimated incremental borrowing rate as the discount rate for leases and SBITAs unless the rate the lessor charges is known. This rate is based on the general obligation bonds' weighted average interest rate for a given year. If amendments or other certain circumstances occur that are expected to significantly affect the amount of the lease or SBITA, the present value is remeasured, and corresponding adjustments made. Payments based on future performance are not included in the measurement of the lease or subscription liability or lease receivable but recognized as expense or revenue in the period performed. Residual value guarantees and exercise options will be included in the measurement if they are reasonably certain to be paid or exercised.

A minimum dollar threshold was established for lease and SBITA reporting purposes of \$25,000.

### ***Unearned Revenue***

Unearned revenue includes amounts for tuition and fees, grants, corporate sponsorship payments, and certain auxiliary activities received prior to the end of the fiscal year but earned in a subsequent accounting period.

### ***Compensated Absences***

The estimated cost of future payouts of annual leave and sick leave that employees have earned for services rendered, and which the employees may be entitled to receive upon termination or retirement, is recorded as a liability.

### ***Pension Plans and OPEB Plans***

Eligible employees of the State System enroll in one of three available pension plans immediately upon employment. The State System also offers healthcare and tuition benefits to eligible employees upon employment, which vary depending upon the employee's labor group.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Employees' Retirement System (SERS) and Public School Employees' Retirement System (PSERS) and additions to/deductions from SERS and PSERS fiduciary net position have been determined on the same basis as they are reported by SERS and PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net Other Postemployment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the System Plan, Retired Employees Health Program (REHP) and Premium Assistance Program (Premium Assistance) and additions to/deductions from the System Plan, REHP and Premium Assistance plans' fiduciary net position have been determined on the same basis as they are reported by the System Plan, REHP and Premium Assistance plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **Scholarships and Waivers**

In accordance with the Alternate Method prescribed by the National Association of College and University Business Officers (NACUBO) in Advisory Report 2000-05, the State System allocates the cost of scholarships, waivers, and other student financial aid between *Discounts and allowances* (netted against tuition and fees) and *Student aid expense*. Scholarships and waivers of room and board fees are reported in Auxiliary enterprises. The cost of tuition waivers granted to employees is reported as employees' benefits expense.

### **Income Taxes**

The State System and its member universities are tax-exempt; accordingly, no provision for income taxes has been made in the accompanying financial statements.

### **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, disclosures 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.

### **Component Unit Restatements**

Certain component units restated their prior year financial statements. These restatements resulted in a change in the beginning of year net assets of \$41,000, which is reflected in the accompanying Component Units Statement of Activities.

### **New Accounting Standards**

In June 2022, GASB issued Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62, effective for reporting periods beginning after June 15, 2023. Statement No. 100 defines accounting changes and prescribes the accounting and financial reporting for each type of accounting change and error corrections. The adoption of this statement by the State System had no impact on previously reported beginning net position at June 30, 2023.

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## **(2) DEPOSITS AND INVESTMENTS**

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On June 30, 2024, the carrying amount of the State System's demand and time deposits and certificates of deposit for all funds was \$43,319,000, compared to bank balances of \$43,238,000. The difference is caused primarily by items in transit. Of the bank balances, \$2,855,000 were covered by federal government depository insurance or collateralized by a pledge of U.S. Treasury obligations held by Federal Reserve banks in the name of the banking institutions; \$1,520,000 were uninsured and uncollateralized; and \$38,863,000 were uninsured and uncollateralized but covered under the collateralization provisions of the Commonwealth of Pennsylvania Act 72 of 1971, as amended. Act 72 allows banking institutions to satisfy the collateralization requirements by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institutions' trust departments.

Board of Governors Policy 1986-02-A: *Investment*, authorizes the State System to invest in obligations of the U.S. Treasury, repurchase agreements, commercial paper, certificates of deposit, banker's acceptances, U.S.



money market funds, municipal bonds, corporate bonds, collateralized mortgage obligations (CMOs), asset-backed securities, and internal loan funds. Restricted nonexpendable funds and amounts designated by the Board or university trustees may be invested in the investments described above as well as in corporate equities and approved pooled common funds. For purposes of convenience and expedience, universities use local financial institutions for activities such as deposits of cash. In addition, universities may accept gifts of investments from donors as long as risk is limited to the investment itself. Restricted gifts of investments fall outside the scope of the investment policy.

In keeping with its legal status as a system of public universities, the State System recognizes a fiduciary responsibility to invest all funds prudently and in accordance with ethical and prevailing legal standards. Investment decisions are intended to minimize risk while maximizing asset value. Adequate liquidity is maintained so that assets can be held to maturity. High quality investments are preferred. Reasonable portfolio diversification is pursued to ensure that no single security or investment or class of securities or investments will have a disproportionate or significant impact on the total portfolio. Investments may be made in U.S. dollar-denominated debt of high-quality U.S. and non-U.S. corporations. Investment performance is monitored on a frequent and regular basis to ensure that objectives are attained, and guidelines are followed.

Safety of principal and liquidity are the top priorities for the investment of the State System's operating funds. Within those guidelines, income optimization is pursued. Speculative investment activity is not allowed: this includes investing in asset classes such as commodities, futures, short-sales, equities, real or personal property, options, venture capital investments, private placements, letter stocks, and unlisted securities.

The State System's operating funds are invested and reinvested in the following types of instruments with qualifications as provided. (See [Board of Governors Policy 1986-02-A: Investment](#), for a complete list of and more details on permissible investments and associated qualifications.)

Investment Categories	Qualifications/Moody's Ratings Requirements
United States Government Securities	Together with repurchase agreements, must comprise at least 20% of the market value of the fund.
Repurchase Agreements	Underlying collateral must be direct obligations of the U.S. Treasury and be in the State System's or its agent's custody.
Commercial Paper	P-1 and P-2 notes only, with no more than 5% and 3%, respectively, of the market value of the fund invested in any single issuer. Total may not exceed 20% of the market value of the fund.
Municipal Bonds	Bonds must carry long-term debt rating of A or better. Total may not exceed 20% of the market value of the fund.
Corporate Bonds	15% must carry long-term debt rating of A or better; 5% may be rated Baa2 or better. Total may not exceed 20% of the market value of the fund.
Collateralized Mortgage Obligations (CMOs)	Must be rated Aaa and guaranteed by the U.S. government. Total may not exceed 20% of the market value of the fund.
Asset-Backed Securities	Must be Aaa rated. Total may not exceed 20% of the market value of the fund, with no more than 5% invested in any single issuer.
System Investment Fund Loans (university loans and bridge notes)	Total may not exceed 20% of the market value of the fund, and loan terms may not exceed 5 years.

**CMO Risk:** CMOs sometimes are based on cash flows from interest-only (IO) payments or principal-only (PO) payments and are sensitive to prepayment risks. The CMOs in the State System's portfolio do not have IO or PO structures; however, they are subject to extension or contraction risk based on movements in interest rates.

**Moody's Rating:** The State System uses ratings from Moody's Investors Service, Inc., to indicate the credit risk of investments; i.e., the risk that an issuer or other counterparty to an investment will not fulfill its obligations. An Aaa rating indicates the highest quality obligations with minimal credit risk. Ratings that begin with Aa indicate high quality obligations subject to very low credit risk; ratings that begin with A indicate upper-medium-grade obligations subject to low credit risk; and ratings that begin with Baa indicate medium-grade obligations, subject

to moderate credit risk, which may possess certain speculative characteristics. Moody's appends the ratings with numerical modifiers 1, 2, and 3, with 1 indicating a higher ranking and 3 indicating a lower ranking within the category. For short-term obligations, a rating of *P-1* indicates that issuers have a superior ability to repay short-term debt obligations, and a rating of *P-2* indicates that issuers have a strong ability to repay short-term debt obligations.

**Modified Duration:** The State System denotes interest rate risk, or the risk that changes in interest rates will affect the fair value of an investment, using *modified duration*. *Duration* is a measurement in years of how long it takes for the price of a bond to be repaid by its internal cash flows. *Modified duration* takes into account changing interest rates. The State System maintains a portfolio duration target of 1.8 years with an upper limit of 2.5 years for the intermediate-term component of the operating portion of the investment portfolio. The State System's duration targets are not applicable to its long-term investments.

**Fair Value Hierarchy:** GASB Statement No. 72, *Fair Value Measurement and Application*, requires that investments be classified according to a "fair value hierarchy." With respect to Statement No. 72's fair value hierarchy, GASB defines "inputs" as "the assumptions that market participants would use when pricing an asset or liability, including assumptions about risk." Statement No. 72 further categorizes inputs as *observable* or *unobservable*: *Observable inputs* are "inputs that are developed using market data, such as publicly available information about actual events or transactions, and which reflect the assumptions that market participants would use when pricing an asset or liability;" *Unobservable inputs* are "inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability."

Statement No. 72's fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

*Level 1:* Investments whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market, such as stocks listed in the S&P 500 or NASDAQ. If an up-to-date price of the investment can be found on a major exchange, it is a Level 1 investment.

*Level 2:* Investments whose values are based on quoted prices in active markets for similar assets, or quoted prices in inactive markets for identical assets, or whose values are based on models, and the inputs to those models are observable either directly or indirectly for substantially the full term of the asset or liability.

*Level 3:* Investments that trade infrequently, and as a result do not have many reliable market prices. Valuations of Level 3 investments typically are based on management assumptions or expectations. For example, a private equity investment or complex derivative would likely be a Level 3 investment.

In addition, the fair value of certain investments that do not have a readily determinable fair value is classified as NAV, meaning Net Asset Value per share, when the fair value is calculated in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Securities classified in Level 3 of the fair value hierarchy lack an independent pricing source and so are valued using an internal fair value as provided by the investment manager.

Commonfund investments, held locally by some of the universities, are valued based upon the unit values (NAV) of the funds held by the universities at year end. Unit values are based upon the underlying assets of the funds derived from inputs principally from or corroborated by observable market data, by correlation, or other means. Redemption restrictions for the Commonfund vary, depending upon the type of fund in which the universities have invested, and are restricted to withdrawals only on a weekly basis or the last business day of the month. All withdrawals require five days' notice.

**State System Pooled Deposits and Investments**

The carrying values (fair values) of deposits and investments for the State System's pooled funds in M&T Bank on June 30, 2024, follow.

<b>State System Pooled Deposits and Investments</b>				
<b>June 30, 2024</b>				
<i>(in thousands)</i>				
	<b>Fair Value</b>			
	<b>Hierarchy</b>	<b>Moody's Rating</b>	<b>Modified Duration</b>	
	<b>Level</b>	<b>(if applicable)</b>	<b>(if applicable)</b>	<b>Fair Value</b>
<b>Deposits</b>				
Demand and time deposits				\$692
Money market funds				8,922
<b>Total deposits</b>				<b>9,614</b>
<b>Investments</b>				
Commercial paper	2	P1	0.09	141,728
Government money market mutual fund	2	Aaa	0.00	1,278
U.S. government and agency obligations	2	Aaa	0.26	183,392
Asset-backed securities	2	Aaa	0.57	132,028
	2	P1	0.10	11,659
	2	NR	0.75	34,663
Collateralized mortgage obligations (CMOs)	2	Aaa	2.01	136,675
Corporate bonds and notes	2	Aa2	1.27	8,381
	2	Aa3	1.85	10,421
	2	A1	1.65	66,417
	2	A2	1.00	45,026
	2	A3	1.04	33,961
	2	Baa1	1.01	18,796
	2	Baa2	1.44	33,148
<b>Total investments</b>				<b>857,573</b>
<b>Total deposits and investments</b>				<b>\$867,187</b>

Of the investments noted above at June 30, 2024, \$692,000 was held by a trustee to be used for projects funded under the Pennsylvania Higher Educational Facilities Authority/State System of Higher Education bond issues (note 12). Such investments are made subject to the restrictions of the bond indenture and may be liquidated only for the payment of costs associated with the projects described in the bond indenture.

**University Local Deposits and Investments**

The carrying values (fair values) of local university deposits and investments on June 30, 2024, follow.

<b>University Local Deposits and Investments</b>				
<b>June 30, 2024</b>				
<i>(in thousands)</i>				
	<b>Fair Value</b>			
	<b>Hierarchy</b>	<b>Moody's Rating</b>	<b>Modified Duration</b>	
	<b>Level</b>	<b>(if applicable)</b>	<b>(if applicable)</b>	<b>Fair Value</b>
<b>Deposits</b>				
Demand and time deposits				\$33,691
Certificates of deposit				14
<b>Total deposits</b>				<u>33,705</u>
<b>Investments</b>				
U.S. government and agency obligations	1		0.01	358
	2		5.01	6,925
Bond mutual funds	1		3.10	2,844
	2		3.93	2,383
	NAV		0.16	8,657
Debt Securities	1	Aaa	0.01	20
	1	A1	0.01	20
	1	A2	2.66	133
	1	A3	3.70	218
	1	Baa1	1.61	23
	1	NR	0.00	1,718
	2	Aaa	4.98	95
	2	Aa2	4.98	117
	2	Aa3	4.98	170
	2	A1	4.98	598
	2	A2	4.98	328
	2	A3	4.98	468
	2	Baa1	4.98	110
	2	Baa2	2.60	23
	2	NR	4.98	10
Equity/balanced mutual funds	1			9,914
	2			27,791
	3			1,906
	NAV			14,965
Common stock	1			3,775
<b>Total investments</b>				<u>83,569</u>
<b>Total deposits and investments</b>				<u><u>\$117,274</u></u>

Investment revenue is reported net of related investment expenses. Gross investment revenue totaled \$69,979,000 at June 30, 2024. Of this amount, \$730,000 at June 30, 2024 represents the amount of related investment expenses.

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**(3) STUDENT REVENUE AND ACCOUNTS RECEIVABLE**

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Accounts receivable for tuition and fees charged to current and former students totaled \$94,083,000 at June 30, 2024. Of this amount, \$45,064,000 is estimated to be uncollectible based upon the universities' historical losses and periodic review of individual accounts. Other receivables are reported at net realizable value. Accounts will be written off when they are determined to be uncollectible based upon management's assessment of individual accounts.

Tuition and fee revenue is reported net of scholarship discounts and allowances. Gross tuition and fee revenue totaled \$899,818,000 at June 30, 2024. Of this amount, \$304,806,000 represents the amount of student grants, waivers, and scholarships calculated to be a discount against tuition and fees.

Revenue from auxiliary enterprises, which primarily comprises fees from student room and board, student recreation centers, and parking, is reported net of discounts. Gross auxiliary revenue totaled \$338,296,000 at June 30, 2024. Of this amount, \$8,621,000 represents the amount of student grants, waivers, and scholarships calculated to be a discount.

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**(4) LEASE RECEIVABLES**

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The State System routinely leases various land or facilities to third parties and component units. The contracts, at times, may include variable payments that are not known or certain to be exercised at the time of the lease receivable valuation. These are recognized as income in the period that they occur.

The lease revenue, interest income and variable lease income for the fiscal year ended June 30, 2024, is summarized in the following schedule.

<i>(in thousands)</i>	<b>June 30, 2024</b>	
	<b>Third Parties</b>	<b>Component Units</b>
Lease Revenue	\$1,209	\$317
Lease Revenue - Variable	243	-
Interest Income	190	168
Total	\$1,642	\$485

The following summary provides aggregated information reported for June 30, 2024 for lease receivables including additions and reductions for the year then ended.

<i>(in thousands)</i>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Lease Receivable, Third Parties	\$7,612	\$2,490	(\$1,136)	\$8,966
Lease Receivable, Comp Units	7,477	229	(102)	7,604
<b>Total</b>	<b>\$15,089</b>	<b>\$2,719</b>	<b>(\$1,238)</b>	<b>\$16,570</b>

### (5) BENEFICIAL INTERESTS

At June 30, 2024, the fair value of beneficial interests totaled \$27,556,000. Of this amount, \$27,555,000 represent gifts that donors placed in trust in perpetuity with third parties, with the respective universities receiving a restricted revenue stream in accordance with the donors' wishes; and \$1,000 represent a split-interest agreement that a donor placed in trust with a third party, and to which the university will take title upon the death of the donor.

### (6) CAPITAL ASSETS

Classifications of capital assets and related depreciation and amortization at June 30, 2024 follows.

<i>(in thousands)</i>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements/ Adjustments</b>	<b>Ending Balance</b>
Land	\$33,789	\$0	(\$12)	\$33,777
Construction in progress	68,789	39,535	(38,880)	69,444
<b>Total capital assets not being depreciated</b>	<b>102,578</b>	<b>39,535</b>	<b>(38,892)</b>	<b>103,221</b>
Buildings, including improvements	3,397,387	36,285	8,353	3,442,025
Improvements other than buildings	355,467	2,899	(1,691)	356,675
Equipment and furnishings	568,466	18,711	(22,168)	565,009
Library books	70,262	403	(558)	70,107
Right of use assets land	1,841	0	(255)	1,586
Right of use assets buildings	92,892	7,029	(3,567)	96,354
Right of use assets equipment	5,519	374	(1,146)	4,747
Subscription assets	30,279	22,027	7,960	60,266
<b>Total capital assets being depreciated or amortized</b>	<b>4,522,113</b>	<b>87,728</b>	<b>(13,072)</b>	<b>4,596,769</b>

<i>(in thousands)</i>	<i>(Continued)</i>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements/ Adjustments</b>	<b>Ending Balance</b>
Less accumulated depreciation and amortization:				
Buildings and improvements	(1,503,105)	(116,094)	13,722	(1,605,477)
Land improvements	(235,840)	(12,576)	3,285	(245,131)
Equipment and furnishings	(499,896)	(23,457)	22,709	(500,644)
Library books	(67,537)	(628)	558	(67,607)
Right of use assets land	(944)	(279)	149	(1,074)
Right of use assets buildings	(67,053)	(6,114)	3,511	(69,656)
Right of use assets equipment	(3,108)	(1,037)	1,145	(3,000)
Subscription assets	(7,557)	(16,098)	959	(22,696)
<b>Total accumulated depreciation and amortization</b>	<b>(2,385,040)</b>	<b>(176,283)</b>	<b>46,038</b>	<b>(2,515,285)</b>
<b>Total capital assets being depreciated, net</b>	<b>2,137,073</b>	<b>(88,555)</b>	<b>32,966</b>	<b>2,081,484</b>
<b>Capital assets, net</b>	<b>\$2,239,651</b>	<b>(\$49,020)</b>	<b>(\$5,926)</b>	<b>\$2,184,705</b>

### (7) WORKERS' COMPENSATION

The State System is self-insured for workers' compensation losses. For claims occurring prior to July 1, 1995, State System universities must pay up to \$100,000; for claims occurring on or after July 1, 1995, State System universities must pay up to \$200,000. Claims in excess of the self-insurance limits are funded through the Workers' Compensation Collective Reserve Fund (Reserve Fund), to which all State System universities contribute an amount determined by an independent actuarial study. Based on updated actuarial studies, the universities contributed \$828,000, and \$1,346,000 to the Reserve Fund during the years ended June 30, 2024 and 2023, respectively.

For the years ended June 30, 2024 and 2023, the aggregate liability for claims under the self-insurance limit was \$6,983,000 and \$7,435,000, respectively. The Reserve Fund assets of \$14,221,000 and \$13,557,000 were equal to the liability for claims in excess of the self-insurance limits for the years ended June 30, 2024 and 2023, respectively. Changes in the workers' compensation claims liability in fiscal years 2023, and 2024, follow.

<i>(in thousands)</i>				
<b>Year</b>	<b>Beginning Balance</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Ending Balance</b>
2023	\$20,383	\$3,769	(\$3,160)	\$20,992
2024	\$20,992	\$4,516	(\$4,304)	\$21,204

**(8) COMPENSATED ABSENCES**

Compensated absences are absences for vacation, holiday, and sick leave for which employees will be paid in cash at termination or retirement. Changes in the compensated absences liability in fiscal years 2023 and 2024 are as follows.

*(in thousands)*

Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2023	\$167,049	(\$38,602)	(\$8,974)	\$119,473
2024	\$119,473	\$13,074	(\$8,657)	\$123,890

**(9) PENSION BENEFITS**

Employees of the State System enroll in one of three available retirement plans immediately upon employment: the Commonwealth of Pennsylvania State Employees' Retirement System (SERS), the Public School Employees' Retirement System (PSERS), or the Alternative Retirement Plan (ARP).

Following is the total of the State System's pension liabilities, deferred outflows and inflows of resources related to pensions, and the pension expense for the fiscal year ended June 30, 2024.

*(in thousands)*

	SERS	PSERS	ARP	Total
<b>Net pension liabilities</b>	<b>\$ 858,718</b>	<b>\$ 81,588</b>	<b>\$ -</b>	<b>\$ 940,306</b>
Deferred outflows of resources:				
Difference between expected and actual experience	24,245	18	-	24,263
Net difference between projected and actual investment earnings on pension plan investments	67,468	2,308	-	69,776
Changes in assumptions	37,007	1,217	-	38,224
Difference between employer contributions and proportionate share of contributions	3,208	(82)	-	3,126
Changes in proportion	-	1,780	-	1,780
Contributions after the measurement date	56,955	9,485	-	66,440
<b>Total deferred outflows of resources</b>	<b>\$ 188,883</b>	<b>\$ 14,726</b>	<b>\$ -</b>	<b>\$ 203,609</b>



<i>(in thousands)</i>	<i>(Continued)</i>	<b>SERS</b>	<b>PSERS</b>	<b>ARP</b>	<b>Total</b>
Deferred inflows of resources:					
Difference between expected and actual experience		1,745	1,117	-	2,862
Net difference between projected and actual investment earnings on pension plan investments		-	-	-	-
Difference between employer contributions and proportionate share of contributions		513	-	-	513
Changes in proportion		50,382	951	-	51,333
<b>Total deferred inflows of resources</b>		<b>\$ 52,640</b>	<b>\$ 2,068</b>	<b>\$ -</b>	<b>\$ 54,708</b>
<b>Pension expense, excluding prefunding credit</b>		<b>\$ 65,857</b>	<b>\$ 13,947</b>	<b>\$ 45,803</b>	<b>\$ 125,607</b>
<b>Contributions recognized by pension plans</b>		<b>\$ 99,236</b>	<b>\$ 9,485</b>	<b>N/A</b>	<b>\$ 108,721</b>

The State System will recognize the \$56,955,000 reported as 2024 SERS deferred outflows of resources resulting from pension contributions after the measurement date, and the \$9,485,000 reported as 2024 PSERS deferred outflows of resources resulting from pension contributions after the measurement date, as reductions of the respective net pension liabilities in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows.

<i>(in thousands)</i>	<b>Amortization</b>	
	<b>SERS</b>	<b>PSERS</b>
Fiscal Year Ended		
June 30, 2025	\$ 12,486	\$ 519
June 30, 2026	23,045	(965)
June 30, 2027	57,014	2,903
June 30, 2028	(13,361)	716
June 30, 2029	104	
Totals	<b>\$ 79,288</b>	<b>\$ 3,173</b>

## **SERS**

### *Plan Description*

SERS is the administrator of the State Employees' Retirement fund, a cost-sharing multiple-employer defined benefit pension plan. SERS also is the administrator of the State Employees' Defined Contribution Plan, which was established as part of Commonwealth Act 2017-5. Both the defined benefit plan and the defined contribution plan were established by the Commonwealth to provide retirement benefits for employees of state government and certain independent agencies. SERS is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund. SERS issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained from the SERS website at [www.sers.pa.gov](http://www.sers.pa.gov).

Membership in SERS is mandatory for most state employees. Members and employees of the General Assembly, certain elected or appointed officials in the executive branch, department heads, and certain employees in the field of education are not required, but are given the option, to participate.

#### *Benefits Provided*

SERS provides retirement, death, and disability benefits. Article II of the Commonwealth's Constitution assigns the authority to establish and amend the benefit provisions of the plan to the General Assembly. Cost of Living Adjustments (COLA) are provided ad hoc at the discretion of the General Assembly.

Employees who were hired prior to January 1, 2011, and retire at age 60 with three years of service, or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit; members of the General Assembly and certain employees classified in hazardous duty positions can retire with full benefits at age 50 with at least three years of service. Act 120 of 2010 (Act 120) preserved all benefits in place for members but mandated a number of benefit reductions for new members effective January 1, 2011, through December 31, 2018. The benefit reduction included a new class of membership that accrues benefits at 2% of members' final average salary instead of the previous 2.5%. The vesting period changed from 5 to 10 years of credited service, and the option to withdraw lump-sum accumulated deductions was eliminated. The new normal retirement age is 65 for most employees and 55 for members of the General Assembly and certain employees classified in hazardous duty positions. Act 2017-5 preserved all benefits in place for members, but fundamentally changed retirement options for new hires beginning January 1, 2019: most employees who first become SERS members on or after January 1, 2019, must choose from one of two new defined benefit/defined contribution hybrid options or a straight 401(a) defined contribution option.

According to the State Employees' Retirement Code (SERC), all obligations of SERS will be assumed by the Commonwealth should SERS terminate.

#### *Prefunding Adjustment*

Act 105 issued in November 2019 authorizes eligible employers to make a one-time advance payment to SERS in exchange for a schedule of credits against the employer's future annual accrued liability contributions to SERS for a period of up to thirty (30) years. In the agreement established with SERS, the State System provided a lump sum payment to SERS of approximately 75 percent of its unfunded actuarial liability (UAL) for \$825 million, through the proceeds of the Series of 2021 bond issuance. In exchange for the lump sum payment, SERS established a schedule of setoff credits that will be issued to the State System totaling over \$1.5 billion over the term of the agreement commencing with the fiscal year ended June 30, 2022. These credits are assigned to each year of the agreement and will be used to support the annual bond payment and will offset the SERS employer expense incurred, generating net savings each year. For the fiscal year ended June 30, 2024, the State System recognized reduced pension expense associated with these credits of \$51,887,000. This amount and the remaining prefunding balance of \$746,019,000 at June 30, 2024, is not reflected in the subsequent tables and schedules related to the SERS plan. The prefunding balance at June 30, 2024, based on the actuarial valuation dated December 31, 2023 was \$ 770,286,208.

#### *Contributions*

The contribution rate for both active members and the State System depends upon when the active member was hired and what benefits class was selected. Section 5507 of the SERC (71 Pa. C.S. §5507) requires the Commonwealth and other employers whose employees are SERS members to make contributions on behalf of all active members and annuitants to fund the liabilities and provide the annuity reserves required to pay benefits. The SERS funding policy, as set by the SERS Board, provides for periodic active member contributions at statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS' funding valuation, expressed as a percentage of annual retirement covered payroll, such that the employer contributions, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. Act 2017-5 includes a savings "plow-back" provision requiring that the annual savings achieved through SERS benefit changes flow back into the Defined Benefit Plan through the employer contributions rate rather than to other non-pension obligations.

For the SERS defined benefit plan, the State System's actuarially determined contribution rate for most active members was 41.09% of active members' annual covered payroll at June 30, 2024, with less common rates ranging between 27.60% and 32.24%, depending upon the defined benefit plan chosen by the employee. For the SERS defined benefit/defined contribution hybrid plan, the State System's actuarially determined contribution rate was either 17.40% or 17.65% of annual covered payroll, depending upon the hybrid plan chosen by the employee. In addition, the State System was required to contribute to the defined benefit plan 16.10% of the annual covered payroll of employees who selected the straight 401(a) defined contribution plan. The State System's contributions to the SERS defined benefit plan for the year ended June 30, 2024, was \$99,236,000, equal to the required contractual contribution.

The contribution rate of most active members who participate in the SERS defined benefit plan was 6.25% of gross salary, with less common rates ranging between 5.00% and 9.30% of salary, depending upon when the member was hired and what class of membership was elected. Defined benefit contribution rates for active members who participate in the defined benefit/defined contribution hybrid plan were either 3.25% or 3.50% of gross salary, depending upon what class of membership was elected. The contribution rate to the defined contribution plan for active members who participate in the straight 401(a) defined contribution plan was 7.5% of gross salary.

For the SERS defined contribution plan, the State System contributed at actuarially determined rates of between 2.00% and 3.50% of active members' annual covered payroll at June 30, 2024, depending upon the plan chosen by the employee. The State System recognized \$743,000 in SERS defined contribution pension expense for the year ended June 30, 2024. The vesting period for employer contributions to the defined contribution plan, both for members who participate in the straight 401(a) defined contribution plan and those who participate in one of the defined benefit/defined contribution hybrid plans, is three years. Once money is contributed to the plan, it cannot be removed from the plan, except for making distribution payments to participants. Forfeitures of unvested employer contributions and earnings are invested in the PA Treasury short-term investment fund. The funds are forfeited to the employee's most recent employer and used to offset future contributions to the plan and correct funding discrepancies. Forfeitures seized under the Pension Forfeiture Act are used for administrative expenses of the plan.

#### *Actuarial Methods and Assumptions*

Actuarial valuations are performed annually using a December 31 measurement date. Every five years, SERS is required to conduct an actuarial experience study to determine whether the assumptions used in its annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions. The 19<sup>th</sup> *Investigation of Actuarial Experience* study for the period 2015–2019 was released in July 2020. The actuary, under oversight of the SERS Board, reviewed economic assumptions (such as the assumed future investment returns and salary increases) as well as demographic assumptions (such as employee turnover, retirement, disability, and death rates). Some assumption adjustments increased projected cost, and some decreased it, but the overall result was a slight increase to the net pension liability. The SERS Board adopted the actuarial assumptions set forth in the 19<sup>th</sup> *Investigation of Actuarial Experience* at its September 2020 meeting. In addition, SERS reviews its investment return assumption in light of economic conditions every year. At its June 2024 meeting, the SERS Board approved maintaining the assumed investment rate of return at 6.875%. The next SERS actuarial experience review will occur in summer 2025 and will be used for its 2025 annual valuation.

The following methods and assumptions were used in the actuarial valuation for the December 31, 2023, measurement date.

- Entry age actuarial cost method.
- Investments amortized on a straight-line, closed-period basis over five years; assumption changes and noninvestment gains/losses amortized over the average expected remaining service lives of all employees who are provided benefits.
- Inflation of 2.50%.
- Investment return of 6.875%, net of manager fees and including inflation.

- Salary increases based on an average of 4.55%, with a range of 3.30% to 6.95%, including inflation.
- Asset valuation using fair (market) value.
- Mortality rates based on the projected PubG-2010 and PubNS-2010 Mortality Tables, adjusted for actual plan experience and future improvement.
- No cost-of-living adjustments.

The long-term expected real rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of manager fees and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in SERS' target asset allocation as of December 31, 2023, are summarized below.

Asset Class	Target Allocation	Long-Term Real Rate of Return
Private equity	16.00%	6.00%
Real estate	7.00%	4.80%
U.S. equity	31.00%	4.85%
International developed equity	14.00%	4.75%
Emerging markets equity	5.00%	4.95%
Fixed income	22.00%	1.75%
Inflation protection (TIPS)	3.00%	1.50%
Cash	2.00%	0.25%
	100.00%	

The discount rate used to measure the total SERS pension liability was 6.875%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable for each member and that employer contributions will be made based on rates determined by the actuary and as set by statute. Based on those assumptions, SERS' fiduciary net position was projected to be available to make all projected future benefit payments of current SERS members. The long-term expected rate of return on SERS' investments, therefore, was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the State System's proportionate share of the SERS net pension liability at June 30, 2024, calculated using the discount rate of 6.875%, as well as what the SERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.875%) or one percentage point higher (7.875%) than the current rate.

<b>Sensitivity of the State System's Proportionate Share of the SERS Net Pension Liability to Changes in the Discount Rate</b>		
<i>(in thousands)</i>		
1% Decrease 5.875%	Current Rate 6.875%	1% Increase 7.875%
\$1,031,982	\$858,718	\$578,970

**Proportionate Share**

At June 30, 2024, the amount recognized as the State System's proportionate share of the SERS net pension liability, measured at December 31, 2023, was \$858,718,000.

The allocation percentage assigned to each participating employer is based on a projected contribution method. For the allocation of the December 2023 amounts, this methodology applies the most recently calculated contribution rates for fiscal year 2024-25, from the December 31, 2023, funding valuation, to the expected funding payroll. At the December 31, 2023 measurement date, the State System's proportion was 4.0628%, a decrease of 0.0876% from its proportion calculated as of the December 31, 2022 measurement date.

## **PSERS**

### *Plan Description*

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement, disability, and death benefits to public school employees of the Commonwealth. The members eligible to participate in PSERS include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C.S. §§8101–8535) (the Code) is the authority by which PSERS benefits provisions and contribution requirements are established. The Commonwealth's General Assembly has the authority to amend the benefit terms by passing bills in the Senate and House of Representatives and sending them to the Governor for approval. The Code requires contributions by active members, the employer (State System), and the Commonwealth. PSERS is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund.

On June 12, 2017, Commonwealth of Pennsylvania Act 5 of 2017 was signed into law. This legislation establishes a new hybrid defined benefit/defined contribution retirement benefit plan applicable to all school employees who become new members of PSERS on July 1, 2019, and thereafter. The three new plan design options under Act 5 include two hybrid plans consisting of defined benefit and defined contribution components and a stand-alone defined contribution plan. A stand-alone defined benefit plan is no longer available to new members after June 30, 2019.

PSERS issues a publicly available financial report that may be obtained at [www.psers.pa.gov](http://www.psers.pa.gov).

### *Benefits Provided*

Members who joined prior to July 1, 2011, are eligible for monthly retirement benefits upon reaching age 62 with at least one year of credited service, age 60 with 30 or more years of credited service, or any age with 35 or more years of service. Act 120 of 2010 preserved the benefits of members who joined prior to July 1, 2011, and introduced benefit reductions for individuals who become new members on or after July 1, 2011, through June 30, 2019, by creating two new membership classes: Class T-E and Class T-F. To qualify for normal retirement, Class T-E and Class T-F members must complete a minimum of 35 years of service with a combination of age and service that totals 92 or greater, or they must work until age 65 with a minimum of three years of service.

Depending upon membership class, benefits are generally between 1% to 2.5% of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. Members who joined prior to July 1, 2011, vest after completion of five years of service and may elect early retirement benefits. Class T-E and Class T-F members vest after completion of 10 years of service.

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

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or has at least five years of credited service (10 years for Class T-E and Class T-F members). Such benefits are

actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

#### *Member Contributions*

Active members who joined PSERS prior to July 22, 1983, contribute at 5.25% (Class T-C members) or at 6.50% (Class T-D members) of the member's qualifying compensation. Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Class T-C) or at 7.5% (Class T-D) of the member's qualifying compensation. Members who joined PSERS after June 30, 2001, and before July 1, 2011, contribute at 7.5% (Class T-D). For these hires and for members who elected Class T-D, the 7.5% contribution rate began with service rendered on or after January 1, 2002. Members who joined PSERS after June 30, 2011, contribute at the rate of 7.5% (Class T-E) or 10.3% (Class T-F) of their qualifying compensation. Class T-E and Class T-F members are subject to a "shared risk" provision in Act 120 that could cause the rate in future years to fluctuate between 7.5% and 9.5% for Class T-E and 10.3% and 12.3% for Class T-F.

#### *Employer Contributions*

The State System's contractually required contribution rate for PSERS for fiscal year ended June 30, 2024, was 33.09% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Per §8327 of the Code, the Commonwealth is required to contribute 50% of the contribution rate directly to PSERS on behalf of the State System, meaning that the amount that the State System actually contributed was 16.545% of covered payroll. The State System's reported contributions for year ended June 30, 2024, was \$9,486,000 which is equal to the required contractual contribution.

For the PSERS defined contribution plan, the State System is required to contribute at actuarially determined average rate 0.27% of active members' annual covered payroll for the year ending June 30, 2024, depending upon the plan chosen by the employee. Members were first eligible to choose the defined contribution plan on July 1, 2019. The contributions for the year ended June 30, 2024, was \$22,000.

#### *Actuarial Assumptions*

The State System records its PSERS pension liability annually utilizing a measurement date one year prior to its fiscal year end. The total PSERS pension liability, as of the June 30, 2023, measurement date, was determined by rolling forward PSERS' total pension liability at June 30, 2022, to June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement.

- Valuation date - June 30, 2022
- Actuarial cost method is entry age normal, level percent of pay.
- Investment return of 7.00% with 2.50% inflation.
- Salary increases based on an effective average of 4.5%, which comprises a 2.50% allowance for inflation and 2.00% for real wage growth and merit or seniority increases.
- Mortality rates based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

PSERS' policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board of Trustees. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension. Following is the PSERS Board of Trustees'

adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2023.

Asset Class	Target Allocation	Long-Term Real Rate of Return
Global public equity	30.00%	5.20%
Private equity	12.00%	7.90%
Fixed income	33.00%	3.20%
Commodities	7.50%	2.70%
Infrastructure/MLPs	10.00%	5.40%
Real estate	11.00%	5.70%
Absolute return	4.00%	4.10%
Cash	3.00%	1.20%
Leverage	(10.50%)	1.20%
	100.00%	

The discount rate used to measure the total PSERS pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, PSERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on PSERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the State System's proportionate share of the PSERS net pension liability at June 30, 2024, calculated using the discount rate of 7.00%, as well as what the PSERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

<b>Sensitivity of the State System's Proportionate Share of the PSERS Net Pension Liability to Changes in the Discount Rate</b>		
<i>(in thousands)</i>		
1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
\$105,761	\$81,588	\$61,194

**Proportionate Share**

The amount recognized as the State System's proportionate share of the PSERS net pension liability, plus the related PSERS pension support provided by the Commonwealth, is as follows.

<i>(in thousands)</i>	2024	2023
Total PSERS net pension liability associated with the State System	\$ 163,176	\$ 158,984
Commonwealth's proportionate share of the PSERS net pension liability associated with the State System	(81,588)	(79,492)
State System's proportionate share of the PSERS net pension liability	\$ 81,588	\$ 79,492

PSERS measured the 2024 net pension liabilities as of June 30, 2023. PSERS calculated the employer's proportion of the net pension liability using the employer's one-year reported covered payroll in relation to all participating employers' one-year reported covered payroll. At June 30, 2023, the State System's proportion was 0.1834%, an increase of 0.0046% from its proportion calculated as of June 30, 2022.

### **ARP**

The ARP is a defined contribution pension plan administered by the State System. Benefits equal amounts contributed to the plan plus investment earnings. Act 188 empowers the Board to establish and amend benefits provisions. The State Employees' Retirement Code establishes the employer contribution rate for the ARP, while the Board establishes the employee contribution rates. Active members contribute at a rate of 5% of their qualifying compensation. The State System recognizes annual pension expenditures equal to its contractually required contributions to the plan. The State System's contribution rate on June 30, 2024, was 9.29% of qualifying compensation. The contributions to the ARP for the year ended June 30, 2024 was \$ 45,803,000, from the State System; and \$24,652,000 from active members. No liability is recognized for the ARP.

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## **(10) OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

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Other postemployment benefits (OPEB) are benefits such as healthcare benefits that are paid in the period after employment and that are provided separately from a pension plan. OPEB does not include termination benefits or retirement payments for sick leave. (See note 8)

State System employees who retire after meeting specified service and age requirements are eligible to receive healthcare and tuition benefits in retirement. Employee members of the Association of Pennsylvania State College and University Faculties (APSCUF), the State College and University Professional Association (SCUPA), PASSHE Officers Association (POA), Security Police and Fire Professionals of America (SPFPA), Office and Professional Employees International Union (OPEIU), and nonrepresented employees participate in a defined benefit healthcare plan administered by the State System (System Plan). Employee members of the American Federation of State, County and Municipal Employees (AFSCME); Pennsylvania Doctors Alliance (PDA); and Service Employees International Union (SEIU, Local 668), formerly Pennsylvania Social Services Union (PSSU), participate in the Retired Employees Health Program (REHP), which is a defined benefit healthcare plan sponsored by the Commonwealth and administered by the Pennsylvania Employee Benefits Trust Fund (PEBTF). In addition to the above, any employee who participates in the Public School Employees' Retirement System (PSERS) pension plan is eligible to receive benefits from the PSERS Health Insurance Premium Assistance Program (Premium Assistance), a defined benefit plan, and all eligible retirees and their eligible dependents receive tuition waivers at any of the 10 State System universities.

Following is the total of the State System's OPEB liabilities, deferred outflows and inflows of resources related to OPEB, and the OPEB expense for the fiscal year ended June 30, 2024.



(in thousands)

	System Plan	REHP	Premium Assistance	Total
<b>Net OPEB liabilities</b>	\$ 937,363	\$ 235,554	\$ 3,295	\$ 1,176,212
Deferred outflows of resources:				
Difference between expected and actual experience	-	8,989	22	9,011
Net difference between projected and actual investment earnings on OPEB plan investments	-	231	7	238
Changes in assumptions	67,084	16,425	285	83,794
Changes in proportion	-	-	122	122
Contributions after the measurement date	30,635	18,688	184	49,507
<b>Total deferred outflows of resources</b>	\$ 97,719	\$ 44,333	\$ 620	\$ 142,672
Deferred inflows of resources:				
Difference between expected and actual experience	169,537	71,297	33	240,867
Net difference between projected and actual investment earnings on OPEB plan investments	-	-	-	-
Changes in assumptions	252,286	62,226	623	315,135
Changes in proportion	-	135,590	129	135,719
<b>Total deferred inflows of resources</b>	\$ 421,823	\$ 269,113	\$ 785	\$ 691,721
<b>OPEB expense</b>	\$ (63,021)	\$ (85,463)	\$ 185	\$ (148,299)
<b>Contributions recognized by OPEB plans</b>	N/A	\$ 18,688	\$ 184	\$ 18,872

The State System will recognize the deferred outflows of resources resulting from contributions after the measurement date, totaling \$30,635,000 for the System Plan, \$18,688,000 for the REHP plan, and \$184,000 for the PSERS OPEB plan, as reductions of the respective net OPEB liabilities in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows.

Fiscal Year Ended	Amortization		
	System Plan	REHP	Premium Assistance
June 30, 2025	\$ (85,672)	\$ (75,578)	\$ (57)
June 30, 2026	(102,473)	(55,726)	(79)
June 30, 2027	(84,176)	(54,411)	(109)
June 30, 2028	(84,176)	(37,925)	(112)
June 30, 2029	1,758	(19,828)	8
Thereafter	-	-	-
Totals	\$ (354,739)	\$ (243,468)	\$ (349)

## **System Plan**

### *Plan Description*

The System Plan is a single-employer defined benefit healthcare plan administered by the System Office. Act 188 empowers the Board to establish and amend benefit provisions and to require the System Office to pay OPEB as the benefits come due. The System Office discretely accounts for and accumulates all System Plan contributions that have been collected from the universities (employer) and retirees, but not yet been paid to the provider; however, the System Plan has no assets accumulated in a trust in which the employer contributions are irrevocable, are dedicated to providing OPEB to plan members, or are legally protected from creditors.

The System Plan provides eligible retirees and their eligible dependents with healthcare benefits, including hospital, medical/surgical, prescription drugs, and major medical coverage, as well as a Medicare supplement for individuals over age 65. Retirees receive varying coverages based on the benefits in effect when they retired, and benefits may continue for the retiree's lifetime. Spouse benefits cease upon the retiree's death, but the surviving spouse may continue coverage at full cost. Non-spouse dependents may be covered until age 19 or until age 25 if a certified full-time student. SCUPA, SPFPA, POA, OPEIU, and nonrepresented employees whose retirement date is on or after January 1, 2016, and APSCUF employees whose retirement date is on or after July 1, 2017, receive the same pre-Medicare benefits as active employees, with benefits changing as active employee benefits change. All other pre-Medicare retirees continue to receive the same benefits to which they were entitled at retirement.

A total of 11,307 individuals are covered by the benefit terms (down from 11,872 in the prior actuarial valuation), including 5,817 active employees that may be entitled to receive benefit payments upon retirement, 314 retired participants entitled to but not yet receiving benefits, and 5,176 retired participants receiving benefits.

Effective January 16, 2016, the State System OPEB plan became closed to newly hired SCUPA, SPFPA, POA, OPEIU, and nonrepresented employees, while newly hired APSCUF employees (faculty and coaches) continue to be eligible to participate in the plan.

Plan members receiving benefits contribute at various rates, depending upon when they retire, whether they are eligible for Medicare, the contribution rate in effect on the day of their retirement or the contribution rate for active employees, and applicable collective bargaining agreements. Following are the contribution rates of eligible plan members receiving benefits as of June 30, 2024.

- Plan members who retired prior to July 1, 2005, are not required to make contributions.
- Plan members, with the exception of nonfaculty coaches, who retired on or after July 1, 2005, and prior to July 1, 2008, and who are under age 65, pay the same dollar amount they paid as active employees on the day of retirement. When these plan members become eligible for Medicare, they pay 18% of the current cost of their Medicare coverage and current cost of coverage for covered dependents. The rate changes annually, and future adjustments will apply if contributions increase for active employees.
- Plan members, with the exception of nonfaculty coaches, who retire on or after July 1, 2008, pay 18% of the plan premium in effect for active employees on their retirement date. Future adjustments will apply if contributions increase for active employees.
- Nonfaculty coaches who retired on or after July 1, 2005, pay 3.0% of their final annual gross salary at the time of retirement.

### *Actuarial Assumptions and Other Inputs*

The System performs actuarial valuations every two years for the System Plan and utilizes a measurement date that is the first day of its current fiscal year end. The actuarial valuation on which the total OPEB liability as of June 30, 2024, is based is dated July 1, 2022, which is the measurement date. The total OPEB liability was measured using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Healthcare cost trend rate of 7.0% in 2023, with 0.5% decrease per year until 5.5% in 2026 to 4.1% in 2075 and later, based on the Society of Actuaries Long-Run Medical Cost Trend Model.

- Annual salary increase of 4%.
- 90% of employees eligible for a subsidy and 15% of employees not eligible for a subsidy are assumed to elect coverage. 2% of vested former members are assumed to return to coverage each year upon reaching age 45.
- The per capita claims cost for medical and prescription drugs is based on the expected portion of the group's overall cost attributed to individuals in specified age and gender brackets.
- Retiree premium cost sharing for retired participants covered under "Other Less Subsidized Health Coverage" is assumed to remain at 18% and increase at the same rate as the Health Care Cost Trend Rate. Otherwise, retiree premium cost sharing is not assumed to increase after retirement.
- APSCUF mortality rates based on PubT-2010 Above Median Income Mortality Table, including rates for disabled retirees and contingent survivors. All other groups mortality rates based on the PubG-2010 Above Median Income Mortality Table, including rates for disabled retirees and contingent survivors. Both incorporate rates based on a generational projection using Scale MP-2021 to reflect mortality improvement.
- The discount rate increased from 4.06% to 4.13%, based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2023.
- Participant data is based on census information as of July 1, 2022.
- Rates of withdrawal vary by age and years of service.
- Costs have been loaded by 0.5% to account for tuition waiver benefits, which are offered to all eligible retirees, regardless of employee bargaining unit when active, and including those not represented when active, who meet years of service and/or age criteria.

The following presents the System Plan's net OPEB liability at June 30, 2024, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.0% decreasing to 3.1%) or one percentage point higher (8.0% decreasing to 5.1%) than the current healthcare cost trend rates (7.0% decreasing to 4.1%).

<b>Sensitivity of the System Plan's Net OPEB Liability to Changes in the Healthcare Cost Trend Rate</b>		
<i>(in thousands)</i>		
<b>1% Decrease (6.0% decreasing to 3.1%)</b>	<b>Healthcare Cost Trend Rates (7.0% decreasing to 4.1%)</b>	<b>1% Increase (8.0% decreasing to 5.1%)</b>
\$789,238	\$937,363	\$1,125,097

The following presents the State System's net OPEB liability at June 30, 2024, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) or one percentage point higher (5.13%) than the current discount rate (4.13%).

<b>Sensitivity of the System Plan's Net OPEB Liability to Changes in the Discount Rate</b>		
<i>(in thousands)</i>		
<b>1% Decrease 3.13%</b>	<b>Current Rate 4.13%</b>	<b>1% Increase 5.13%</b>
\$1,075,377	\$937,363	\$824,425

**System Plan OPEB Liability**

The System Plan's total OPEB liability of \$937,363,000 was measured and determined by an actuarial valuation as of July 1, 2022.

<b>Changes in the System Plan Total OPEB Liability</b>	
<i>(in thousands)</i>	
<b>Fiscal Year Ending</b>	<b>June 30, 2024</b>
Balance beginning of year	\$ 902,031
Service cost	25,367
Interest	36,829
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	10,551
Benefit payments	(37,415)
Net Changes	<u>35,332</u>
Balance end of year	<u>\$ 937,363</u>

**REHP**

*Plan Description*

The Retired Employees Health Program (REHP) is a single-employer defined benefit OPEB plan that includes Commonwealth agencies and some component units. The REHP is established as a trust equivalent arrangement. The REHP is administered by the Pennsylvania Employees Benefit Trust Fund (PEBTF), which acts as a third-party administrator under an agreement with the Commonwealth. The REHP is provided as part of collective bargaining agreements with most Commonwealth labor unions. All policy decisions and types and levels of benefits for the REHP fall under the purview of the Commonwealth's Executive Board and the Secretary of Administration. The REHP does not have a governing board.

The REHP is reported in the Commonwealth's Annual Comprehensive Financial Report (ACFR) as a Pension (and Other Employee Benefit) Trust. The REHP is reported using the economic resources measurement focus and the accrual basis of accounting. The ACFR is an audited financial statement and is available at [www.budget.pa.gov](http://www.budget.pa.gov).

The REHP provides eligible retirees and their eligible dependents with subsidized healthcare for the retiree's lifetime. Benefits include healthcare, including hospital, medical/surgical, prescription drugs, and major medical coverage, as well as a Medicare supplement for individuals over age 65. Retirees receive varying coverage based on the plan they choose. Spouse benefits cease upon the retiree's death, but the surviving spouse may continue coverage at full cost. Non-spouse dependents may be covered until age 26.

Plan members receiving benefits contribute at various rates, depending upon when they retire, whether they are eligible for Medicare, and their salary at retirement. Following are the contribution rates of eligible plan members receiving benefits as of June 30, 2024.

- Plan members who retired prior to July 1, 2005, are not required to make contributions.
- Plan members who retired on or after July 1, 2005, and prior to July 1, 2007, pay 1% of their final annual salary.
- Plan members who retired on or after July 1, 2007, and prior to July 1, 2011, pay 3% of either final gross annual base salary or final average salary, whichever is less. Members eligible for Medicare pay 1.5% of either final gross annual base salary or final average salary, whichever is less.

- Plan members who retire on or after July 1, 2011, pay 3% of final average salary. Members eligible for Medicare pay 1.5% of final gross annual base salary.

Employer contribution requirements are established by the Commonwealth as provided by pertinent statutory authority. With the exception of certain employing agencies, employers contributed to the REHP Trust a retiree health assessment rate of \$275.00 per pay period for each current REHP eligible active employee during the period July 1, 2023 through June 30, 2024. The rate during the period July 1, 2022 through June 30, 2023 was \$120.00 per pay period.

#### *Actuarial Assumptions and Other Inputs*

The State System records its REHP pension liability annually utilizing a measurement date one year prior to its fiscal year end. The Commonwealth's State Employees' Retirement System (SERS) performs experience studies periodically to determine reasonable and appropriate economic and demographic assumptions for purposes of valuing the defined benefit pension plan. The most recent SERS experience study covered the years 2015 through 2019 and was presented to the SERS Board in July 2020. The approved recommendations from that study were used to determine the assumptions in the REHP annual valuations, where applicable. The inflation assumption was selected by the SERS Board during a July 2020 meeting based on a review of actual plan experience and the prevalent economic outlook.

The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial Cost Method is Entry Age Normal, which requires an estimate of the projected benefit payable at retirement to determine costs and liabilities.
- Inflation of 2.50%.
- Healthcare cost trend rate of 8.9%, with rates gradually decreasing to 3.9% in 2075 and later, based on the SOA-Getzen trend rate model version 2023\_1f.
- Average salary growth of 2.50% per year and an assumed 2.80% payroll growth rate.
- Projected benefits based on estimates of future years of service and projected health benefit costs.
- Mortality rates for active employees based on PUB-2010 General Employees Headcount-Weighted Mortality Tables and adjusted for mortality improvements using projection scale MP-2021.
- Participant data based on census information as of December 31, 2021, for the June 30, 2022, measurement date.

The following assumptions were made with regard to the discount rate:

- Discount rate of 5.65% as of June 30, 2023.
- The discount rate was based on the long-term expected rate of return on assets held in the OPEB investment pool (6.75%) and a municipal bond rate of 3.65% based on the 20-year Bond Buyer GO Index as of the end of June 2023.

The long-term expected rate of return on REHP plan investments is determined using a risk premium review. This review compares the current relationship between fixed income and equity and their relationship over long periods of time to come up with an expected rate of return. Other variables considered in the expected rates of return are a reversion to the mean for each asset class.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	42.00%	5.10%
International equity	22.00%	5.50%
Fixed income	22.00%	1.80%
Public REITs	4.00%	0.00%
Infrastructure	4.00%	5.00%
Real estate	4.00%	4.80%
Cash and cash equivalents	1.00%	1.00%
Private Equity	1.00%	8.40%
	100.00%	

The Commonwealth calculated an allocated share of the REHP OPEB liability for each participating employer based upon their actual contributions made to the REHP. The State System's proportion of the collective net OPEB liability was 3.0292% for the measurement date of June 30, 2023, and 3.6478% for the measurement date of June 30, 2022.

The following presents the State System's share of the REHP net OPEB liability at June 30, 2024, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (7.9% decreasing to 2.9%) or one percentage point higher (9.9% decreasing to 4.9%) than the current healthcare cost trend rates (8.9% decreasing to 3.9%).

<b>Sensitivity of the REHP Net OPEB Liability to Changes in the Healthcare Cost Trend Rate</b>		
<i>(in thousands)</i>		
1% Decrease  (7.9% decreasing to 2.9%)	Healthcare Cost Trend Rates  (8.9% decreasing to 3.9%)	1% Increase  (9.9% decreasing to 4.9%)
\$205,189	\$235,554	\$272,219

The following presents the State System's share of the REHP net OPEB liability at June 30, 2024, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (4.65%) or one percentage point higher (6.65%) than the current discount rate (5.65%).

<b>Sensitivity of the REHP Net OPEB Liability to Changes in the Discount Rate</b>		
<i>(in thousands)</i>		
1% Decrease 4.65%	Current Rate 5.65%	1% Increase 6.65%
\$264,786	\$235,554	\$210,616

The assets of the REHP are managed by the Commonwealth's Treasury in an investment pool. The REHP investments are made based upon an interagency agreement, dated June 17, 2008, and the prudent investor standard set forth in the Commonwealth of Pennsylvania's amendment to fiscal code 72 P.S. §30.1, the principles of Prudent Investors Standards.

### **Premium Assistance**

#### *Plan Description*

The Health Insurance Premium Assistance Program (Premium Assistance) is a governmental cost sharing, multiple-employer OPEB plan administered by the administrative staff of PSERS. The members eligible to participate in the program include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. The control and management of PSERS, including the investment of its assets, is vested in the Board of Trustees (PSERS Board). The Commonwealth's General Assembly has the authority to amend the benefit terms of PSERS by passing bills in the Senate and House of Representatives and sending them to the Governor for approval. Additional plan information can be found in the PSERS Annual Comprehensive Financial Report at [www.psers.pa.gov](http://www.psers.pa.gov)

Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS Health Options Program. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees. Plan members receiving benefits are not required to make contributions.

Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. The contribution policy is governed by applicable provisions of the Retirement Code. The contractually required employer contribution rate was 0.75% of covered payroll for the fiscal year ended June 30, 2023, and 0.80% of covered payroll for the fiscal year ended June 30, 2022. Per §8327 of the Code, the Commonwealth is required to contribute 50% of the contribution rate directly to PSERS on behalf of the State System, meaning that the amount that the State System actually contributed was 0.375% of covered payroll.

#### *Actuarial Assumptions and Other Inputs*

The State System records its PSERS OPEB liability annually utilizing a measurement date one year prior to its fiscal year end. The total OPEB liability, as of the June 30, 2023 measurement date, was determined by rolling forward the PSERS total OPEB liability as of June 30, 2022, to June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date - June 30, 2022
- Actuarial cost method was entry age normal, level percent of pay.
- Investment return of 4.13% based on the S&P 20 Year Municipal Bond Rate.
- Effective average salary growth of 4.5%, comprising 2.50% for inflation and 2.00% for real wage growth and for merit and seniority increases.
- Premium Assistance reimbursement benefits capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Eligible retirees pre-age 65 are assumed to participate at 50%, while eligible retirees post-age 65 are assumed to participate at 70%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2021, determined the employer contribution rate for fiscal year 2023.
- Cost method was developed using the amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method was market value.
- Participation rate assumed that 63% of eligible retirees will elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.

The following assumptions were made with regard to the discount rate:

- The discount rate used to measure the total OPEB liability was 4.13% at June 30, 2023, and 4.09% at June 30, 2022.
- Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date.
- The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered to be a pay-as-you-go plan. A discount rate of 4.13%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2023, was applied to all projected benefit payments to measure the total OPEB liability.
- Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Under the program, as defined in the retirement code, employer contribution rates for Premium Assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. Following is the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class, as of June 30, 2023.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100.00%	1.20%
	<u>100.00%</u>	

The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the total OPEB liability as of June 30, 2022, to June 30, 2023. An employer's proportion is calculated utilizing the employer's one-year reported covered payroll as a percentage of total one-year reported covered payroll. The State System's proportion of the collective net OPEB liability was 0.1821% and 0.1780% for the measurement dates of June 30, 2023 and 2022, respectively.

The following presents the State System's share of the Premium Assistance net OPEB liability at June 30, 2024, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (between 4.0% and 6.0%) or one percentage point higher (between 6.0% and 8.0%) than the current healthcare cost trend rates (between 5.0% and 7.0%).



Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Healthcare Cost Trend Rate		
<i>(in thousands)</i>		
1% Decrease (between 4.0% and 6.0%)	Healthcare Cost Trend Rates (between 5.0% and 7.0%)	1% Increase (between 6.0% and 8.0%)
\$3,294	\$3,295	\$3,295

The following presents the State System's share of the Premium Assistance net OPEB liability at June 30, 2024, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) or one percentage point higher (5.13%) than the current discount rate (4.13%).

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Discount Rate at June 30, 2023		
<i>(in thousands)</i>		
1% Decrease 3.13%	Current Rate 4.13%	1% Increase 5.13%
\$3,725	\$3,295	\$2,934

#### (11) RIGHT OF USE LEASES, SUBSCRIPTION AGREEMENTS AND FINANCED PURCHASES

The State System routinely leases various facilities and equipment and enters into subscription-based information technology arrangements (SBITAs) instead of purchasing the assets. The contracts, at times, may include variable payments, residual value guarantees or termination penalties that are not known or certain to be exercised at the time of the lease or subscription liability valuation. These are recognized as expenses in the period that they occur. For the fiscal year ended June 30, 2024, lease and subscription variable payments, mainly based on performance, totaled \$49,000. There were no termination penalties or residual guarantee payments expensed for the fiscal year ended June 30, 2024. Interest expense on leases and SBITAs for the fiscal year ended June 30, 2024 totaled \$1,414,000 and \$796,000 respectively. Leases that provide for the transfer of title to the State System at the end of the lease term are accounted for as financed purchases. Interest expense recognized on these leases for the fiscal year ended June 30, 2024 totaled \$3,938,000.

The following schedule provided future minimum principal and interest payments to maturity for financed purchases, right of use leases and SBITAs.

<i>(in thousands)</i>	Financed Purchases		Right of Use Leases with Third Parties		Right of Use Leases with Component Units		Subscription Liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Fiscal Year Ending June 30								
2025	\$8,239	\$6,854	\$3,676	\$308	\$5,843	\$815	\$12,352	\$530
2026	8,553	6,590	3,351	225	5,327	604	10,037	220
2027	8,820	6,315	3,219	143	3,921	395	2,013	55
2028	9,108	6,024	2,171	72	2,625	263	705	17
2029	8,877	5,724	540	40	1,728	532	124	-

(in thousands) (Continued)	Financed Purchases		Right of Use Leases with Third Parties		Right of Use Leases with Component Units		Subscription Liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	Fiscal Year Ending June 30							
2030-2034	46,865	23,890	1,538	69	4,310	169	-	-
2035-2039	44,524	16,653	17	21	3,494	0	-	-
2040-2044	28,553	10,964	19	19	0	0	-	-
2045-2049	19,290	6,597	21	16	0	0	-	-
2050-2054	22,061	2,792	24	13	0	0	-	-
2055-2059	3,298	88	27	10	0	0	-	-
2060-2064	-	-	66	9	-	-	-	-
<b>Total</b>	<b>\$208,188</b>	<b>\$92,491</b>	<b>\$14,669</b>	<b>\$945</b>	<b>\$27,248</b>	<b>\$2,778</b>	<b>\$25,231</b>	<b>\$822</b>

The following summary provides aggregated information reported for June 30, 2024 financed purchases, right of use lease liabilities and subscription liabilities on SBITAs including additions, reductions and reported liabilities for the year then ended.

(in thousands)	Beginning Balance	Additions	Reductions	Ending Balance
Financed Purchases	\$214,399	\$2,467	(\$8,681)	\$208,185
Leases, Third Parties	11,546	7,100	(3,976)	14,670
Leases, Comp Units	33,089	304	(6,143)	27,250
Subscription liabilities	18,486	22,026	(15,281)	25,231
<b>Total</b>	<b>\$277,520</b>	<b>\$31,897</b>	<b>(\$34,081)</b>	<b>\$275,336</b>

## (12) BONDS PAYABLE

Bonds payable on June 30, 2024, consisted of several outstanding tax-exempt revenue and taxable bond series issued by the Pennsylvania Higher Educational Facilities Authority (PHEFA), except for Series 2021 which has been issued by the Pennsylvania Economic Development Financing Authority (PEDFA). In connection with the bond issuance, the State System entered into a loan agreement with PHEFA and PEDFA under which the State System has pledged its full faith and credit for the repayment of the bonds. The loan constitutes an unsecured general obligation of the State System. The bonds were issued to provide funds to undertake various capital projects at the universities, to refund certain previously issued bonds, or to undertake a prefunding savings program (SERS).

The Series of 2021 bond through PEDFA was permitted by Act 105 of November 2019 which authorizes eligible employers to make a one-time advance payment to SERS in exchange for a schedule of credits against the employer's future annual accrued liability contributions to SERS for a period of up to thirty (30) years. In the agreement established with SERS, the State System provided a lump sum payment to SERS of approximately 75 percent of its unfunded actuarial liability (UAL) for \$825 million, through the proceeds of the Series of 2021 bond issuance. In exchange for the lump sum payment, SERS established a schedule of setoff credits that will be issued to the State System totaling over \$1.5 billion over the term of the agreement. These credits are

assigned to each year of the agreement and will be used to support the annual bond payment and will offset the SERS employer expense incurred, generating net savings each year.

Activity for the various bond series for the year ended June 30, 2024, was as follows.

<b>Bonds Payable (in thousands)</b>							
<b>June 30, 2024 and 2023</b>							
<b>Description</b>	<b>Original Issuance</b>	<b>Weighted Average Interest Rate</b>	<b>Balance June 30, 2023</b>	<b>Bonds Issued</b>	<b>Bonds Redeemed/Refunded</b>	<b>Balance June 30, 2024</b>	<b>Current Portion</b>
Series AO issued in July 2013, final maturity October 2023	30,915	-	19,320	-	19,320	-	-
Series AP issued in May 2014, final maturity June 2024	46,110	-	8,015	-	8,015	-	-
Series AQ issued in May 2015, final maturity June 2036	94,975	4.06%	40,020	-	10,480	29,540	7,275
Series AR issued in September 2015, final maturity June 2040	102,365	3.70%	80,425	-	11,460	68,965	3,270
Series AS issued in June 2016, final maturity June 2037	47,280	4.07%	28,850	-	3,620	25,230	2,935
Series AT issued in September 2016, final maturity June 2055	298,110	3.47%	246,195	-	10,560	235,635	9,200
Series AU issued in September 2017, final maturity June 2042	128,260	3.42%	89,165	-	12,910	76,255	6,330
Series AV issued in September 2018, final maturity June 2045	236,945	4.10%	183,700	-	11,210	172,490	6,000
Series AW issued in September 2019, final maturity June 2044	84,980	4.44%	63,720	-	29,505	34,215	4,215
Series AX issued in July 2020, final maturity June 2042	94,985	3.58%	80,050	-	8,365	71,685	4,545
Series AY issued in October 2020, final maturity June 2036	78,925	1.72%	64,365	-	22,445	41,920	5,375
SERS 2021 issued in April 2021, final maturity June 2042	827,580	2.47%	756,640	-	36,860	719,780	37,140
Series AZ issued in June 2021, final maturity June 2047	142,710	2.75%	134,330	-	4,310	130,020	4,435
<b>Total</b>	<b>2,214,140</b>		<b>1,794,795</b>	<b>-</b>	<b>189,060</b>	<b>1,605,735</b>	<b>90,720</b>

Principal and interest requirements to maturity are as follows.

<i>(in thousands)</i>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	\$ 90,720	\$ 50,067	\$ 140,787
2026	91,225	47,357	138,582
2027	98,265	44,623	142,888
2028	99,130	41,700	140,830
2029	99,485	38,674	138,159
2030-2034	457,355	148,876	606,231
2035-2039	413,730	80,374	494,104
2040-2044	227,995	23,067	251,062
2045-2049	23,670	2,483	26,153
2050-2054	3,680	690	4,370
2055-2059	480	24	504
<b>Total</b>	<b>\$1,605,735</b>	<b>\$ 477,934</b>	<b>\$ 2,083,669</b>

The State System's outstanding bonds contain a provision that in an event of default, PHEFA or PEDFA may declare the outstanding principal plus accrued interest to be immediately due and payable. An event of default occurs if the State System fails to make a required payment when due, if the State System fails to perform any of its other covenants or obligations, or if a State System bankruptcy is instituted or commenced.

On July 15, 2023, the State System redeemed \$11,125,000 principal amount of the Series AO-2 revenue bonds originally issued in July 2013 by PHEFA. The early redemption was performed to reduce debt service by approximately \$3,300,000 at Indiana University of Pennsylvania and resulted in a recognized gain on early redemption of \$27,550.

On October 31, 2023, the State System redeemed \$8,195,000 principal amount of the Series AO-1 revenue bonds originally issued in July 2013 and defeased \$55,435,000 principal amount of eleven different bonds series originally issued between May 2014 and October 2020. The in-substance defeasance was accomplished by depositing funds irrevocably in trust with an escrow agent, such funds used to purchase U.S. Government Securities. This redemption and in-substances defeasance were performed to reduce average annual debt service by approximately \$4,600,000 at Pennsylvania Western University and resulted in an accounting gain of \$5,405,000. The funds associated with this redemption and defeasance were provided by the Commonwealth of Pennsylvania as part of their 2023-24 State Budget. A total of \$65,431,000 was provided by the Commonwealth to make this early repayment. The redemption and defeasance required \$62,454,906 of the funds provided by the Commonwealth. The unused portion of \$2,976,084 was returned to the Commonwealth on September 29, 2023. As of June 30, 2024, the principal amount of in-substance defeased debt that remains outstanding totals \$49,190,000.

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### (13) RATING ACTIONS

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In December 2023, Moody's Investors Service, Inc. maintained the State System's **bond rating** of Aa3, but revised the outlook from negative to stable. The stable outlook reflects Moody's expectations that leadership will continue to successfully execute the system redesign initiative leading to the maintenance of break-even operations and expectations of continued strong liquidity, growing Commonwealth financial support and steady declines in bonded debt. At the same time, Moody's revised the State System's Environmental, Social, and Governance (ESG) and Credit Impact Scores (CIS) from CIS-4 to CIS-3, reflecting an improvement in that measure. CIS-3 reflects the State System's elevated exposure to social risks, including weak demographics

and highly competitive market conditions, while strong financial management partly mitigates its exposure to ESG risks. In March 2024, Fitch Ratings affirmed the State System's existing rating of A+ with stable outlook.

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**(14) DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES**

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The classifications of deferred outflows of resources and deferred inflows of resources at June 30, 2024, follow.

<i>(in thousands)</i>	<b>June 30, 2024</b>
<b>Deferred Outflows of Resources</b>	
Pension related (see note 9)	\$ 203,609
OPEB related (see note 10)	142,672
Unamortized loss on refunding of debt	3,083
Total Deferred Outflows of Resources	<b>\$ 349,364</b>
 <b>Deferred Inflows of Resources</b>	
Lease receivable related (see note 4)	\$ 15,712
Pension related (see note 9)	54,708
OPEB related (see note 10)	691,721
Unamortized gain on refunding of debt	1,338
Split-interest agreements	8
Total Deferred Inflows of Resources	<b>\$ 763,487</b>

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**(15) CONTINGENCIES AND COMMITMENTS**

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**Contingencies**

The nature of the educational industry is such that, from time to time, the State System is exposed to various risks of loss related to torts; alleged negligence; acts of discrimination; breach of contract; labor disputes; disagreements arising from the interpretation of laws or regulations; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system.

The State System receives support from federal and Commonwealth grant programs, primarily for student financial assistance, including federal CARES, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and American Rescue Plan Act (ARPA) funding received between fiscal years 2020-21 and 2022-23. Entitlement to the resources requires compliance with terms of the grant agreements and applicable regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. As of June 30, 2024, the State System estimates that adjustments, if any, as a result of such audits would not have a material adverse effect on the accompanying financial statements.

**Cheyney University of Pennsylvania**

As a result of self-reported compliance issues reported in August 2015, Cheyney University entered into a settlement agreement with the U.S. Department of Education (ED) in February 2020 which resulted in (1) an assessment of \$14,308,377, (2) waiver of its rights to any administrative appeal, and (3) entry into an

acceptable repayment agreement with ED. Cheyney has made payments against the principal amount outstanding totaling \$7.0 million through June 30, 2024.

Cheyney has been on the Department of Education's (ED) Heightened Cash Monitoring 2 (HCM2) status since September 2015, which means that the university does not receive federal student financial aid funds in advance, but must use its own cash to grant federal financial aid to its students and then request reimbursement from the ED. The university is still on HCM2 status as of June 30, 2024.

The university was still awaiting receipt of approximately \$6.3 million in federal student financial aid funds as of June 30, 2024. The delay in receipt of ED funds contributes to the university's tight cash flow toward the end of the fiscal year. During fiscal year 2023-24, the university took a \$3 million advance on state appropriations it anticipated receiving in 2024-25 and the State System provided a short-term note amounting to \$6 million to meet its cash needs. In April 2024, Cheyney received an HCM2 payment of approximately \$722,000, in relation to the 2022-23 period and is working closely with the Department of Education surrounding payments for 2023-24.

The System Office continues to monitor the university's level of debt and payables and its ability to generate revenue and cash. Securing removal from HCM2 status and obtaining reimbursement of past financial aid awards is a priority. The university continues to implement program and operating efficiencies, is undertaking fundraising campaigns, and is seeking ways to develop income-producing strategies using campus assets and strategic alliances with third parties. Cheyney's eligibility and certification to participate in Title IV programs are effective through June 2026.

As of June 27, 2024, Cheyney University of Pennsylvania was accredited by the Middle States Commission of Higher Education (MSCHE) and is no longer on probation. The university's next accreditation visit is set to be in 2030 with an interim report due March 1, 2025, followed by a small team visit.

### ***Insurance***

The State System is self-insured for workers' compensation up to stated limits (note 6). For all other risks of loss, the State System pays annual premiums to the Commonwealth to participate in its Risk Management Program. The State System does not participate in any public entity risk pools and does not retain risk related to any aforementioned exposure, except for those amounts incurred relative to policy deductibles that are not significant. The State System has not significantly reduced any of its insurance coverage from the prior year. Settled claims have not significantly exceeded the State System's insurance coverage in any of the past three years. It is not expected that the resolution of any outstanding claims and litigation will have a material adverse effect on the accompanying financial statements.

### ***Construction Commitments***

Authorized expenditures for construction projects unexpended as of June 30, 2024, were approximately \$46,852,000.

### ***Labor Concentration***

Approximately 84% of PASSHE's full-time equivalent (FTE) employees are covered by nine collective bargaining agreements. During 2023-24, new collective bargaining agreements were established for the State System's clerical, administrative, technical, maintenance and trade employees with American Federation of State, County, and Municipal Employees (AFSCME); State System's social workers with Service Employees International Union (SEIU); Association of Pennsylvania State College and University Faculties (APSCUF); State College & University Professional Association (SCUPA); APSCUF Non-Faculty Athletic Coaches and Office of Professional Employees International Union Healthcare Pennsylvania (OPEIU) which covers nursing positions. The new agreement with the Pennsylvania Doctors Alliance (PDA) is awaiting ratification. All of these agreements are effective July 1, 2023 through June 30, 2027. During 2022-23, new collective bargaining agreements were established for police supervisors and security officers with the International Union, Security, Police, and Fire Professionals of America (SPFPA) and PASSHE Officers Association (POA) through August 31, 2025.

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**(16) SUBSEQUENT EVENTS**

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The 2024-25 State budget, which was signed by Governor Shapiro on July 11, 2024, provides for an additional appropriation of \$85,000,000 to the State System for facilities transition costs, the payment of bond debt services, loan repayments and other repayments. In September 2024, a portion of these funds, approximately \$58,950,000, were used by the State System to make early repayment of various bonds series for Commonwealth University of Pennsylvania and Indiana University of Pennsylvania.

In August 2024, a federal jury awarded a \$3,933,638 verdict in favor of the plaintiff against Commonwealth University of Pennsylvania, University officials, and the State System. The verdict pertains to a matter that existed at the end of the fiscal year ending June 30, 2024. This amount, as well as estimated legal fees and interest expense totaling approximately \$5,265,000 has been recorded in the accompanying financial statements. The State System is in the process of filing post-trial motions seeking to reduce or eliminate various parts of the award and an appeal will likely follow.

**REQUIRED SUPPLEMENTARY INFORMATION**  
 Year Ended June 30, 2024  
 (Unaudited)

**Schedule of Proportionate Share of SERS Net Pension Liability (NPL)**

*Determined as of SERS' December 31 measurement dates*

*(in thousands)*

Fiscal Year	State System's Proportion	State System's Proportionate Share	State System's Covered-Employee Payroll	State System's	
				Proportionate Share of NPL as a Percentage of Covered-Employee Payroll	SERS Fiduciary Net Position as a Percentage of Total Pension Liability
2014-15	4.90%	\$728,094	\$296,967	245%	64.80%
2015-16	4.72%	\$858,417	\$297,714	288%	58.90%
2016-17	4.84%	\$931,620	\$300,803	310%	57.80%
2017-18	4.91%	\$848,315	\$309,084	275%	63.00%
2018-19	4.90%	\$1,020,123	\$318,501	320%	56.40%
2019-20	4.77%	\$867,669	\$315,000	276%	63.10%
2020-21	4.42%	\$808,636	\$297,904	271%	67.00%
2021-22	4.18%	\$608,705	\$279,479	218%	76.00%
2022-23	4.15%	\$948,291	\$283,603	334%	61.50%
2023-24	4.06%	\$858,718	\$288,184	298%	65.30%

**SERS Schedule of Contributions**

*Determined as of State System's June 30 fiscal year end dates*

*(in thousands)*

Fiscal Year	Contractually Required Contributions	Contributions Recognized by SERS	Contribution Deficiency (Excess)	Contributions as a Percentage of Covered-Employee Payroll	
				Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2014-15	\$57,234	\$57,234	\$0	\$293,506	19.50%
2015-16	\$69,021	\$69,021	\$0	\$291,594	23.67%
2016-17	\$83,754	\$83,754	\$0	\$301,828	27.75%
2017-18	\$94,727	\$94,727	\$0	\$304,575	31.10%
2018-19	\$97,467	\$97,467	\$0	\$315,369	30.90%
2019-20	\$97,074	\$97,074	\$0	\$305,074	31.82%
2020-21	\$93,434	\$93,434	\$0	\$291,237	32.08%
2021-22	\$91,297	\$91,297	\$0	\$283,328	32.22%
2022-23	\$92,544	\$92,544	\$0	\$285,524	32.41%
2023-24	\$99,236	\$99,236	\$0	\$294,495	33.70%



**Schedule of Proportionate Share of PSERS Net Pension Liability (NPL)**

*Determined as of PSERS' June 30 measurement dates*

*(in thousands)*

Fiscal Year	PSERS Net Pension Liability				State System's Covered-Employee Payroll	State System's Proportionate Share of NPL as a Percentage of Covered-Employee Payroll	PSERS Fiduciary Net Position as a Percentage of Total Pension Liability
	State System's Proportion	State System's Proportionate Share	Commonwealth's Proportionate Share	Total			
2014-15	0.1785%	\$70,650	\$70,650	\$141,350	\$45,552	155%	57.2%
2015-16	0.1852%	\$80,220	\$80,220	\$160,440	\$47,670	168%	54.4%
2016-17	0.1833%	\$90,838	\$90,838	\$181,676	\$47,485	191%	50.1%
2017-18	0.1811%	\$89,442	\$89,442	\$178,884	\$48,236	185%	51.8%
2018-19	0.1836%	\$88,137	\$88,137	\$176,274	\$49,437	178%	54.0%
2019-20	0.1886%	\$88,232	\$88,232	\$176,464	\$52,020	169%	55.7%
2020-21	0.1856%	\$91,388	\$91,388	\$182,776	\$51,994	173%	54.3%
2021-22	0.1777%	\$72,958	\$72,958	\$145,916	\$53,184	137%	63.7%
2022-23	0.1788%	\$79,492	\$79,492	\$158,984	\$55,460	143%	61.3%
2023-24	0.1834%	\$81,588	\$81,588	\$163,176	\$58,119	140%	61.9%

**PSERS Pension Schedule of Contributions**

*Determined as of State System's June 30 fiscal year end dates*

*(in thousands)*

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2014-15	\$5,236	\$5,236	\$0	\$51,086	10.25%
2015-16	\$6,012	\$6,012	\$0	\$48,419	12.41%
2016-17	\$7,107	\$7,107	\$0	\$49,518	14.35%
2017-18	\$7,880	\$7,880	\$0	\$50,586	15.58%
2018-19	\$8,565	\$8,565	\$0	\$53,394	16.04%
2019-20	\$8,771	\$8,771	\$0	\$53,324	16.45%
2020-21	\$8,746	\$8,746	\$0	\$51,994	16.82%
2021-22	\$8,896	\$8,896	\$0	\$53,184	16.73%
2022-23	\$9,342	\$9,342	\$0	\$55,460	16.84%
2023-24	\$9,486	\$9,486	\$0	\$58,119	16.32%

**State System Plan OPEB Liability**  
 Determined as of the July 1 measurement dates  
 (in thousands)

Fiscal Year	Beginning OPEB Liability	Service cost	Interest	Changes of benefit terms	Differences between expected and actual experience	Changes of assumptions	Benefit payments	Ending OPEB Liability
2017-18	\$1,559,134	\$48,636	\$39,441	\$0	\$0	(\$143,201)	(\$43,968)	\$1,460,042
2018-19	\$1,460,042	\$42,364	\$46,251	(\$1,018)	(\$175,819)	(\$11,542)	(\$45,671)	\$1,314,607
2019-20	\$1,314,607	\$35,611	\$39,561	\$0	\$0	(\$68,676)	(\$41,864)	\$1,279,239
2020-21	\$1,279,239	\$33,131	\$43,290	\$0	(\$150,225)	\$291,462	(\$44,263)	\$1,452,634
2021-22	\$1,452,634	\$44,750	\$27,454	\$0	\$0	(\$91,484)	(\$39,394)	\$1,393,960
2022-23	\$1,393,960	\$40,815	\$32,205	(\$8,221)	(\$209,238)	(\$306,370)	(\$41,120)	\$902,031
2023-24	\$902,031	\$25,367	\$36,829	\$0	\$0	\$10,551	(\$37,415)	\$937,363

**Note to Schedule:** The System Plan has no assets accumulated in a trust in which the employer contributions are irrevocable, are dedicated to providing OPEB to plan members, or are legally protected from creditors.

**State System Plan OPEB Covered Payroll**  
 Determined as of the July 1 measurement dates  
 (in thousands)

Fiscal Year	Covered Employee Payroll	OPEB Liability as a Percent of Covered Payroll
2017-18	\$592,245	246.53%
2018-19	\$582,841	225.55%
2019-20	\$582,841	219.48%
2020-21	\$570,846	254.47%
2021-22	\$570,846	244.19%
2022-23	\$515,352	175.03%
2023-24	\$515,352	181.89%

**Schedule of Proportionate Share of the REHP Net OPEB Liability**

*Determined as of REHP's June 30 measurement dates*

*(in thousands)*

<b>Fiscal Year</b>	<b>State System's Proportion</b>	<b>State System's Proportionate Share</b>	<b>State System's Covered-Employee Payroll</b>	<b>State System's Proportionate Share of Net OPEB Liability as a Percentage of Covered-Employee Payroll</b>	<b>REHP's Fiduciary Net Position as a Percentage of Total OPEB Liability</b>
2017-18	4.374%	\$860,881	\$117,366	734%	1.40%
2018-19	4.573%	\$658,214	\$117,400	561%	2.20%
2019-20	4.370%	\$455,091	\$116,857	389%	3.80%
2020-21	4.275%	\$526,658	\$116,118	454%	3.67%
2021-22	4.026%	\$411,946	\$104,727	393%	6.12%
2022-23	3.648%	\$359,910	\$100,940	357%	5.92%
2023-24	3.029%	\$235,554	\$105,080	224%	8.81%

**REHP Schedule of Contributions**

*Determined as of State System's June 30 fiscal year end dates*

*(in thousands)*

<b>Fiscal Year</b>	<b>Contractually Required Contributions</b>	<b>Contributions Recognized by SERS</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered-Employee Payroll</b>	<b>Contributions as a Percentage of Covered-Employee Payroll</b>
2017-18	\$21,441	\$21,441	\$0	\$141,268	15.18%
2018-19	\$25,787	\$25,787	\$0	\$144,385	17.86%
2019-20	\$19,567	\$19,567	\$0	\$139,418	14.03%
2020-21	\$10,369	\$10,369	\$0	\$131,491	7.89%
2021-22	\$9,181	\$9,181	\$0	\$126,955	7.23%
2022-23	\$8,291	\$8,291	\$0	\$125,654	6.60%
2023-24	\$18,688	\$18,688	\$0	\$131,030	14.26%

**Schedule of Proportionate Share of PSERS Net OPEB Liability**

*Determined as of PSERS' June 30 measurement dates*

*(in thousands)*

Fiscal Year	PSERS Net OPEB Liability				State System's Covered-Employee Payroll	System's Proportionate Share of Net OPEB Liability as a Percentage of Covered-Employee Payroll	PSERS Fiduciary Net Position as a Percentage of Total OPEB Liability
	State System's Proportion	State System's Proportionate Share	Commonwealth's Proportionate Share	Total			
2017-18	0.1811%	\$3,690	\$3,690	\$7,380	\$48,236	7.65%	5.73%
2018-19	0.1836%	\$3,828	\$3,828	\$7,656	\$49,437	7.74%	5.56%
2019-20	0.1886%	\$4,011	\$4,011	\$8,022	\$52,020	7.71%	5.56%
2020-21	0.1852%	\$4,002	\$4,002	\$8,004	\$51,994	7.70%	5.69%
2021-22	0.1770%	\$4,196	\$4,196	\$8,392	\$50,192	8.36%	5.30%
2022-23	0.1780%	\$3,277	\$3,277	\$6,554	\$52,352	6.26%	6.86%
2023-24	0.1821%	\$3,295	\$3,295	\$6,590	\$55,801	5.90%	7.22%

**PSERS OPEB Schedule of Contributions**

*Determined as of State System's June 30 fiscal year end dates*

*(in thousands)*

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2017-18	\$204	\$204	\$0	\$50,586	0.40%
2018-19	\$217	\$217	\$0	\$53,394	0.40%
2019-20	\$220	\$220	\$0	\$53,324	0.41%
2020-21	\$216	\$216	\$0	\$52,900	0.41%
2021-22	\$212	\$212	\$0	\$53,184	0.40%
2022-23	\$204	\$204	\$0	\$55,460	0.37%
2023-24	\$184	\$184	\$0	\$58,119	0.32%



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**APPENDIX D-1**

**SUMMARIES OF PRINCIPAL 2025AB FINANCING DOCUMENTS**

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## **APPENDIX D-1**

### **SUMMARIES OF PRINCIPAL 2025AB FINANCING DOCUMENTS**

The following is a brief summary of certain provisions of the 2025AB Indenture, the 2025AB Loan Agreement and the Intercreditor Agreement. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the 2025AB Indenture, the 2025AB Loan Agreement and the Intercreditor Agreement, copies of which will be available at the designated corporate trust office of the Trustee.

### **CERTAIN DEFINITIONS**

The following terms apply to the summaries of the 2025AB Indenture or the 2025AB Loan Agreement and to terms not otherwise defined in the Official Statement:

“2014A Bonds” means the Authority’s Student Housing Revenue Bonds, Series 2014A (Clarion University Foundation, Inc. Student Housing Project At Clarion University of Pennsylvania) issued pursuant to the 2014A/B/C Indenture.

“2014B Bonds” means the Authority’s Student Housing Revenue Bonds, Series 2014B (Clarion University Foundation, Inc. Student Housing Project At Clarion University of Pennsylvania) (Federally Taxable) issued pursuant to the 2014A/B/C Indenture.

“2014C-2 Bonds” means the Authority’s Student Housing Revenue Bonds, Series 2014C-2 (Clarion University Foundation, Inc. Student Housing Project At Clarion University of Pennsylvania) issued pursuant to the 2014A/B/C Indenture.

“2014A/B/C Indenture” means the Trust Indenture dated as of April 1, 2014 between the Authority and U.S. Bank Trust Company, National Association (as successor to U.S. Bank National Association), as trustee, pursuant to which the 2014A Bonds, the 2014B Bonds and the 2014C-2 Bonds were issued, as it may from time to time be amended or supplemented.

“2014 Trustee” means U.S. Bank Trust Company, National Association, as trustee under the 2014A/B/C Indenture, and its successors and assigns.

“2025AB Indenture” means this Trust Indenture dated as of \_\_\_\_\_, 2025 between the Authority and the Trustee, as it may from time to time be amended or supplemented.

“2025AB Loan Agreement” means the 2025AB Loan Agreement dated as of the date hereof between the Foundation and the Authority, as it may from time to time be amended or supplemented.

“Additional Bonds” means any Bonds issued pursuant to Section 211 subsequent to the issuance of the 2025AB Bonds.

“Additional Secured Debt” shall mean any debt incurred by the Foundation as permitted under the 2014 Loan Agreement and the 2025AB Loan Agreement which is expressly secured by a parity lien on the Foundation Revenues.

“Affiliate” of a Person means any Person controlling, controlled by or under common control with such Person.

“Assignment of Rents” means the Assignment of Rents dated as of the date hereof by the Foundation in favor of the Collateral Agent (of which the Trustee (and each trustee of the bonds associated with the Other Housing) is a third party beneficiary) assigning the Foundation’s rights to receive the University Lease Payments (and lease payments with respect to the Other Housing) and the right to enforce payment of the same under the University Lease, as it may from time to time be amended or supplemented.

“Authority” means the Clarion County Industrial Development Authority, a body corporate and politic created and existing under and by virtue of the Act, and its successors and assigns.

“Authority Fee” means the fees payable by the Foundation to the Authority pursuant to Section 4.02(g) of the 2025AB Loan Agreement.

“Authorized Denomination” means, with respect to the 2025AB Bonds, \$5,000 or any integral multiple thereof.

“Authorized Officer” means (a) with respect to the Foundation, the President or any Vice President of the Foundation or such other or different officers as may be designated in writing by the Foundation to the Trustee, the State System and the Authority from time to time, (b) with respect to the State System, the Vice Chancellor for Administration and Finance of the State System or such other or different officers as may be designated in writing by the State System to the Trustee and the Authority from time to time, or (c) with respect to the Authority, the Chairman, Vice Chairman, Secretary or Assistant Secretary of the Authority. In the absence of an Event of Default under the University Lease, a State System officer or a person designated in a certificate of an officer of the State System shall constitute an Authorized Officer of the Foundation for purposes of the 2025AB Indenture.

“Board” means the Board of Directors of the Foundation.

“Bond” or “Bonds” means the 2025AB Bonds and any Additional Bonds.

“Bond Counsel” means any nationally recognized municipal bond counsel.

“Bondholder,” “holder,” “owner” or “owner of the Bonds” means the registered owner of any Bond.

“Bond Documents” means the 2025AB Indenture, the 2025AB Loan Agreement, the Collateral Agreement, the Assignment of Rents, the Purchase Contract, the Foundation Continuing Disclosure Agreement, the State System Continuing Disclosure Agreement, the Intercreditor Agreement, the Mortgage and all other documents executed by the Foundation, the State System or the Authority in connection therewith.

“Bond Fund” means the trust fund so designated which is created and established pursuant to Section 404.

“Bond Register” means the registration books of the Authority kept by the Trustee (in its capacity as Registrar) or by any Co-Registrar (if designated by the Authority pursuant to Section 816) to evidence the registration and transfer of Bonds.

“Business Day” means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the Commonwealth or the State of New York are authorized by law to close for a reason not related to financial condition.

“Clearing Fund” means the trust fund so designated which is created and established pursuant to Section 302.

“Closing Date” means, with respect to a series of Bonds, the date of the initial authentication and delivery of such series of Bonds.

“Code” means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code herein shall be deemed to include the United States Treasury Regulations, including temporary and proposed regulations, relating to such section which are applicable to the Tax-Exempt Bonds or the use of the proceeds thereof.

“Collateral Agent” means the collateral agent appointed pursuant to the Collateral Agreement, as it may from time to time be amended or supplemented. The initial Collateral Agent shall be U.S. Bank Trust Company, National Association.

“Collateral Agreement” means the Collateral Agreement dated as of the date hereof among the Foundation, the Trustee, the trustees of the bonds associated with the Other Housing and the Collateral Agent, as it may from time to time be amended or supplemented.

“Commonwealth” means the Commonwealth of Pennsylvania.

“Defaulted Interest” means interest on any Bond which is payable but not duly paid on the date due.

“Designated Office” means when used with respect to the Trustee, the designated corporate trust office of the Trustee currently located in Pittsburgh, Pennsylvania.

“DTC” means the Depository Trust Company as securities depository for the Bonds.

“EMMA” means the Electronic Municipal Market Access website of the Municipal Securities Rulemaking Board.

“Event of Default” means any event specified in Section 701.

“Fiscal Year” means the fiscal year of the Foundation, which currently for the Foundation is the twelve-month period beginning July 1 of each year and ending on June 30 of the following year (or such other dates as the Foundation may set forth from time to time in a written direction to the Trustee).

“Foundation” means Clarion University Foundation, Inc., a nonprofit corporation organized under the laws of the Commonwealth, and its successors and assigns.

“Foundation Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement dated as of \_\_\_\_\_, 2025, between the Foundation and U.S. Bank Trust Company, National Association, as dissemination agent, as it may from time to time be amended or supplemented.

“Fund” means any of the funds established pursuant to the 2025AB Indenture.

“GAAP” means generally accepted accounting principles as defined more specifically in Section 1.04 of the 2025AB Loan Agreement.

“Government Obligations” means the following:

(i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America,

(ii) obligations issued by a Person controlled or supervised by and acting as an instrumentality of the United States of America, the payment of the principal of and interest on which is fully and unconditionally guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (a) issued or held in book-entry form in the name of the Trustee only on the books of the Department of Treasury of the United States of America),

(iii) any certificates or any other evidences of an ownership interest in obligations or specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in (a) or (b), which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian,

(iv) except for purposes of defeasance, stripped obligations of interest issued by the Resolution Funding Corporation pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (“FIRREA”), the interest on which, to the extent not paid from other specified sources, is payable when due by the Secretary of the Treasury pursuant to FIRREA, and

(v) obligations of any state or political subdivision thereof or any agency or instrumentality of such a state or political subdivision, provided that cash, obligations described in clauses (a), (b), (c) or (d) above, or a combination thereof have been irrevocably pledged to and deposited into a segregated escrow account for the payment when due of the principal or redemption price of and interest on such obligations, and provided further that, at the time of purchase, such obligations are rated by each Rating Agency in one of its two highest rating categories.

“Immediate Notice” means notice by telephone, telex, or telecopier or electronic mail to such address as the addressee shall have directed in writing, promptly followed by written notice by first class mail, postage prepaid or by overnight delivery service.

“Indebtedness” shall have the meaning set forth in the 2025AB Loan Agreement.

“Independent Counsel” means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include independent legal counsel for the Foundation, the Trustee or the Authority.

“Intercreditor Agreement” mean the Intercreditor Agreement dated as of \_\_\_\_\_, 2025 by and among the Foundation, the Trustee and U.S. Bank Trust Company, National Association, as trustee with respect to the 2014C-2 Bonds, pursuant to which the 2014C-2 Bonds will remain outstanding on a parity basis with the 2025AB Bonds and any Additional Bonds issued hereunder.

“Interest Payment Date” means each July 1 and January 1 commencing on July 1, 2025.

“Joint Written Request” means a Written Request of the Authority and the Foundation.

“Loan Payments” means the payments received or receivable by the Authority from or on behalf of the Foundation with respect to the Bonds pursuant to the 2025AB Loan Agreement (excluding the Unassigned Rights).

“Mortgage” shall mean the Open-End Leasehold Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing effective as of April 1, 2014 between the Foundation, as mortgagor and U.S. Bank Trust Company, National Association (as successor to U.S. Bank National Association), as mortgagee, as amended by a First Amendment to Leasehold Mortgage dated as of April 1, 2016 between the Foundation, as mortgagor and U.S. Bank Trust Company, National Association (as successor to U.S. Bank National Association), as mortgagee and as further amended by a Second Amendment to Leasehold Mortgage dated as of \_\_\_\_\_, 2025 between the Foundation, as mortgagor and U.S. Bank Trust Company, National Association, as mortgagee.

“Mortgaged Property” means the real and personal property in which a lien or security interest is granted by the Foundation to the Trustee pursuant to the Mortgage.

“Moody’s” shall mean Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally-recognized securities rating agency designated by the Foundation by written notice to the Trustee.

“Net Proceeds” means proceeds (net of all expenses, including all attorneys’ fees, incurred in the collection thereof) from insurance, condemnation awards (or other similar amounts) received as a result of any damage to, destruction or taking under the power of eminent domain of the Suites on Main Housing.

“Officer’s Certificate” means a certificate signed by an Authorized Officer of the Foundation or the Authority (as the case may be) or, in the case of a certificate delivered by any other Person, the chief executive officer, chief financial officer or any vice president of such other Person whose authority to execute such Certificate shall be evidenced to the satisfaction of the Trustee.

“Opinion of Bond Counsel” means a written opinion of Bond Counsel in form and substance acceptable to the Authority.

“Opinion of Counsel” means a written opinion of counsel who is not unsatisfactory to the Authority in form and substance acceptable to the Authority.

“Outstanding,” “Bonds outstanding” or “outstanding Bonds” means, as of any given date, all Bonds which have been duly authenticated and delivered under the 2025AB Indenture, except:

Bonds canceled after purchase in the open market or because of payment at maturity or redemption prior to maturity;

(vi) Bonds for the payment or redemption of which cash or Government Obligations shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds) in accordance with Article XI; provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee;

(vii) Bonds deemed no longer to be outstanding as provided in Section 503(d);

(viii) Bonds in lieu of which other Bonds have been authenticated under Section 207 or Section 208; or

(ix) Only for the purpose of all consents, directions, requests, approvals, waivers and notices required to be obtained or given hereunder, Bonds held or owned by the Foundation or any Affiliate of the Foundation.

“Participating Party” shall mean (a) the 2014 Trustee to which money is owed by the Foundation under such 2014 Trustee’s Related Agreement if there has been a payment default by the Foundation under such Related Agreement, (b) the Trustee to which money is owed by the Foundation under such Trustee’s Related Agreement if there has been a payment default by the Foundation under such Related Agreement and (c) any holders of Additional Secured Debt (or a trustee acting on their behalf) who becomes a Participating Party as described in Section 5 hereof.

“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 an agency, political subdivision or instrumentality thereof or any other group or organization of individuals.

“Project” means a project to be financed with proceeds of a series of Bonds and in the case of the 2025AB Bonds, means the 2025 Project.

“Project Facilities” means the Suites on Main Housing and any other project facilities financed with Additional Bonds and secured by the Suites on Main Housing.

“Property, Plant and Equipment” means all property which is classified as property, plant and equipment under GAAP.

“Purchase Contract” means, with respect to the 2025AB Bonds, the Bond Purchase Agreement dated \_\_\_\_\_, 2025 among Raymond James & Associates, Inc., the Foundation and the Authority providing for the sale of the 2025AB Bonds.

“Qualified Financial Institution” means (a) any United States domestic institution whose unsecured obligations or uncollateralized long-term debt obligations have been assigned a rating within one of the three highest rating categories by at least two nationally recognized rating agencies, which has issued a letter of credit, contract, agreement or surety bond in support of debt obligations which have been so rated or whose obligations thereunder are guaranteed by a Person whose unsecured obligations or uncollateralized long-term debt obligations have been assigned a rating within one of the three highest rating categories by at least two nationally recognized rating agencies; (b) an insurance company or corporation with a claims paying ability rated within one of the three highest rating categories by at least two nationally recognized rating agencies or whose unsecured obligations or uncollateralized long-term debt obligations have been assigned a rating within one of the three highest rating categories by at least two nationally recognized rating agencies; or (c) any non-United States institution whose unsecured obligations or uncollateralized long-term debt obligations have been assigned a rating within one of the three highest rating categories by at least two nationally recognized rating agencies or which are guaranteed by an entity whose unsecured obligations or uncollateralized long-term obligations have been so rated.

“Qualified Investments” means investments in any of the following:

Government Obligations;

(x) debt obligations issued by any of the following agencies or such other like governmental or government-sponsored agencies which may be created hereafter: Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Financing Bank; Federal Home Loan Bank System; Federal National Mortgage Association; Export-Import Bank of the United States; Farmers Home Administration; Small Business Administration; Inter-American Development Bank; International Bank for Reconstruction and Development; Federal Land Banks; Government National Mortgage Association; Federal Home Loan Mortgage Corporation; Federal Farm Credit System; or Resolution Funding Corporation;

(xi) long-term debt obligations of any state or political subdivision thereof or any agency or instrumentality of such a state or political subdivision or of any corporation, provided that such obligations are at the time of purchase rated by at least two nationally recognized rating agencies in any of the three highest rating categories assigned by at least two nationally recognized rating agencies;

(xii) rights to receive the principal of or the interest on obligations of states, political subdivisions, agencies or instrumentalities meeting the requirements set forth in subsection (c) above, whether through: (1) direct ownership as evidenced by physical possession of such obligations or unmatured interest coupons or by registration as to ownership on the books of the issuer or its duly authorized paying agent or transfer agent; or (2) purchase of certificates or other instruments evidencing an undivided ownership interest in payments of the principal of or interest on such obligations;

(xiii) negotiable and non-negotiable certificates of deposit, time deposits, banker's acceptances or other similar banking arrangements which are issued by banks, national banking associations, trust companies or savings and loan associations (including the Trustee or an affiliate of the Trustee), provided that, unless issued by a Qualified Financial Institution, any such certificate, deposit or other arrangement shall be continuously secured as to principal in the manner and to the extent provided in the last paragraph of this definition;

(xiv) repurchase agreements for Qualified Investments described in subsection (a) or (b) above with a Qualified Financial Institution or with dealers in government bonds which report to, trade with and are recognized as primary dealers by a Federal Reserve Bank or are members of the Securities Investors Protection Corporation, provided that the repurchase price payable under any such agreement shall be continuously secured in the manner and to the extent provided in the last paragraph of this definition;

(xv) investment agreements with Qualified Financial Institutions;

(xvi) commercial paper rated at the time of purchase in the highest rating category by at least two nationally recognized rating agencies;

(xvii) shares or certificates in any short-term investment fund, which short-term investment fund invests not less than 98% of its assets in obligations described in subparagraphs (a) through (h) above; including, without limitation, the money market mutual funds or any other mutual fund comprised of Qualified Investments for which the Trustee or an Affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (1) the Trustee or an Affiliate of the Trustee receives fees from such funds for services rendered, (2) the Trustee charges and collects fees for services rendered pursuant to the 2025AB Indenture, which fees are separate from the fees received from such funds, and (3) services performed for such funds and pursuant to the 2025AB Indenture may at times duplicate those provided to such funds by the Trustee or its Affiliates;

(xviii) dollar-denominated debt obligations of any foreign government or political subdivision thereof or any agency or instrumentality of such foreign government or political subdivision, provided that such obligations are rated at the time of purchase by at least two nationally recognized rating agencies in one of the three highest rating categories assigned by such rating agencies;

(xix) certificates of participation representing an interest in any of the above-listed securities; or

(xx) obligations issued by the Resolution Funding Corporation pursuant to FIRREA, the principal of which obligations is payable when due from payments of maturing principal and non-interest bearing direct obligations of the United States of America which are issued by the Secretary of the Treasury and deposited in the Funding Corporation Principal Fund established pursuant to FIRREA and the interest on which, to the extent not paid from other specified sources, is payable when due by the Secretary of the Treasury pursuant to FIRREA.



Any security required to be maintained for Qualified Investments in the form of certificates of deposit, time deposits, other similar banking arrangements and repurchase agreements described in subsections (e) and (f) above shall be subject to the following:

A. The collateral shall be in the form of obligations described in subsections (a) or (b) above, except that the security for certificates of deposit, time deposits or other similar banking arrangements may include other marketable securities which are eligible as security for trust funds under applicable regulations of the Comptroller of the Currency of the United States of America or under applicable state laws and regulations; and

B. The collateral shall have an aggregate market value, calculated not less frequently than monthly, at least equal to the principal amount (less any portion insured by the Federal Deposit Insurance Corporation or any comparable insurance corporation chartered by the United States of America) or the repurchase price secured thereby, as the case may be. The instruments governing the issuance of and security for the Qualified Investments shall designate the Person responsible for making the foregoing calculations; provided that upon Written Request the Trustee shall make such calculations if they are not made by the Person so designated.

Ratings of Qualified Investments shall be determined at the time of purchase of such Qualified Investments and the Trustee shall have no responsibility to monitor the ratings thereof.

“Rating Agency” means, with respect to a series of Bonds, each nationally recognized securities rating agency then maintaining a rating on such Bonds at the request of the Foundation, and initially, with respect to the 2025AB Bonds, means Moody’s.

“Rebate Fund” means the fund authorized pursuant to Section 409 to facilitate compliance with Section 148(f) of the Code.

“Record Date” means the 15th day of the calendar month immediately preceding each Interest Payment Date (whether or not a Business Day).

“Redemption Account” means the trust fund so designated which is created and established pursuant to Section 404.

“Registrar” means the Trustee and any Co-Registrar appointed pursuant to Section 816.

“Related Agreement” shall mean, with respect to (a) the 2014 Trustee, the 2014 Loan Agreement and the Mortgage, (b) the Trustee, the 2025AB Loan Agreement and the Mortgage and (c) the holder of Additional Secured Debt (or a trustee acting on their behalf), such credit or loan agreement securing such Additional Secured Debt.

“Representation Letter” means the Representation Letter from the Authority and the Trustee to DTC or any Blanket Letter of Representations from the Authority to DTC with respect to the Authority’s bonds.

“Revenue Fund” means the trust fund so designated which is created and established pursuant to Section 403.

“Series Issue Date” means, with respect to a series of Bonds, the date of issuance and delivery of such series of Bonds (in the case of the 2025AB Bonds means \_\_\_\_\_, 2025).

“Special Record Date” means the date fixed by the Trustee pursuant to Section 202(d) for the payment of Defaulted Interest.

“State System” means the State System of Higher Education, a body corporate and politic organized under the laws of the Commonwealth.

“State System Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement dated as of \_\_\_\_\_, 2025, between the State System and U.S. Bank Trust Company, National Association, as dissemination agent, as it may from time to time be amended or supplemented.

“Supplemental Indenture” means an amendment or supplement to the 2025AB Indenture entered into pursuant to Article IX.

“Surplus Fund” means the trust fund so designated which is created and established pursuant to Section 406.

“Tax Regulatory Certificate” means the Tax Regulatory and No Arbitrage Certificate dated the Closing Date executed by the Foundation and the Authority with respect to the 2025AB Bonds and delivered to the Trustee.

“Tax-Exempt Bonds” means the 2025A Bonds and any Additional Bonds the interest on which is excluded from gross income for federal income tax purposes.

“Trust Estate” shall have the meaning set forth in the Granting Clauses preceding this Article.

“Trustee” means U.S. Bank Trust Company, National Association, solely in its capacity as trustee under the 2025AB Indenture, having its Designated Office in Pittsburgh, Pennsylvania, or any successor trustee under the 2025AB Indenture.

“Trustee Fee” means the annual fee payable to the Trustee for serving as Trustee hereunder and any related costs, fees and expenses.

“Unassigned Rights” means the fees and expenses payable to the Authority, the Authority’s right to indemnification under the 2025AB Loan Agreement, the Authority’s right to receive notices under the 2025AB Indenture and the 2025AB Loan Agreement, and the Authority’s right to execute and deliver supplements and amendments to the 2025AB Loan Agreement.

“University Lease Payments” means all rent payments made by the State System to the Foundation pursuant to Section 3.1 of the University Lease relating to Suites on Main Housing.

“Written Request” means a request in writing signed by an Authorized Officer of the Authority or the Foundation (as the case may be).

## SUMMARY OF THE 2025AB INDENTURE

*The following is a brief summary of certain provisions of the 2025AB Indenture. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Indenture.*

### **Payment of Bonds**

***Payments, Etc., to be Sufficient.*** The Issuer covenants in the 2025AB Indenture that the payments under the 2025AB Loan Agreement will be such that the Loan Payments will be sufficient in each Fiscal Year to provide for the payment, when due, of the principal or redemption price of and interest on all of the Bonds and to provide for all other deposits and other payments required to be made under the 2025AB Indenture, provided that the Issuer will have no obligation to make such payment or to cause the Loan to be repaid except from the Trust Estate.

***Source of Payment of Bonds.*** The Bonds authorized and all payments to be made by the Issuer thereon and into the various Funds established under the 2025AB Indenture are not general obligations of the Issuer, but are limited obligations payable solely from the Trust Estate.

The pledge of the Trust Estate as security for the performance of all obligations of the Issuer under the 2025AB Indenture will be valid and binding from the date of execution of the 2025AB Indenture. The Trust Estate will immediately be subject to the lien of the pledge without any physical delivery or further act. Pursuant to the assignment of the Issuer's rights under the 2025AB Loan Agreement, the Loan Payments will be paid directly to the Trustee by the Foundation. Upon receipt of any Loan Payments or other payments under the 2025AB Indenture, the Trustee will deposit the same in the appropriate fund or funds established under the 2025AB Indenture. Except as otherwise provided in the 2025AB Indenture, the Trust Estate will be collected, held and applied for the equal and ratable benefit and security of all Bondholders.

### **Funds and Accounts**

***Bond Fund.*** The 2025AB Indenture provides for the creation of the "Bond Fund" and within the Bond Fund for each series of Bonds, a Redemption Account. The Bond Fund will be held by the Trustee. The Trustee will deposit to the credit of the appropriate account in the Bond Fund all installment payments received pursuant to the 2025AB Loan Agreement, Net Proceeds received by the Trustee pursuant to the 2025AB Indenture for the purpose of redeeming Bonds, and any other amounts required or permitted to be deposited in the Bond Fund pursuant to the 2025AB Indenture. Pursuant to the assignment and pledge of payments under the 2025AB Loan Agreement, the Issuer will direct the Foundation to make payments under the 2025AB Loan Agreement directly to the Trustee when and as the same become due and payable under the terms of the 2025AB Loan Agreement. Moneys so deposited to the Bond Fund will be applied as follows:

- (i) To the payment of interest, when due on all Outstanding Bonds;
- (ii) To the payment, when due, of the principal of Bonds then payable at maturity or upon mandatory sinking fund redemption (but only upon surrender of such Bonds);

(iii) During the 12 month period preceding each principal maturity or mandatory redemption date, the Trustee will, at the Written Request of the Foundation and upon deposit of moneys by the Foundation into the Redemption Account for such purpose, purchase Bonds of the maturity becoming due on such principal maturity or mandatory redemption date from funds deposited to the Bond Fund; and

(iv) To the payment, when due, from the Redemption Account for a series of Bonds, of all principal and interest due upon redemption of the Bonds other than mandatory sinking fund redemption.

***Other Funds and Accounts.*** The Revenue Fund, the Capital Reserve Fund and the Surplus Fund are described in the Official Statement under the heading “SECURITY AND SOURCES OF PAYMENTS OF THE BONDS.”

### **Investment of Funds**

Moneys on deposit in the funds established under the 2025AB Indenture will be invested in Qualified Investments; provided, however, that moneys held in the Bond Fund to be applied to pay the redemption price of Bonds called for redemption will only be invested in Government Obligations with a term not exceeding the earlier of 30 days or the date or dates that moneys therefrom are anticipated to be required. Except as otherwise provided in the preceding sentence with respect to investments in the Bond Fund, such investments will be made so as to mature on or prior to the date or dates that moneys therefrom are reasonably anticipated to be required. As and when any amounts invested pursuant to the 2025AB Indenture may be needed for disbursements from the Bond Fund, the Trustee will cause a sufficient amount of such investments to be sold or otherwise converted into cash to the credit of such Fund.

The interest, income and gains received in respect of any Qualified Investments will, with respect to each fund and account other than the Rebate Fund, be retained in such fund or account. The interest, income and gains received in respect of Qualified Investments in the Rebate Fund will be deposited to the credit of the Income Account of the Rebate Fund.

***Review of Bond Register.*** The Trustee will keep on file at its Designated Office the Bond Register relating to the Bonds indicating the names and addresses of the owners of the Bonds of each series and the serial numbers of such Bonds held by each of such owners. At reasonable times and under reasonable regulations established by the Trustee, the Bond Register may be inspected and copied by the Foundation, the Trustee, the Issuer or the authorized representative of any owner or owners of 15% or more in principal amount of the Bonds then outstanding, such ownership and the authority of any such designated representative to be evidenced to the satisfaction of the Trustee.

### **Rights Under the 2025AB Loan Agreement**

The Issuer agrees that the Trustee in its own name or in the name of the Issuer may enforce all rights of the Issuer and all obligations of the Foundation under and pursuant to the 2025AB Loan Agreement for and on behalf of the Bondholders (other than Unassigned Rights), whether or not the Issuer is in default under the 2025AB Indenture.

## Compliance with Internal Revenue Code

The Issuer covenants and agrees in the 2025AB Indenture that it will make no use of the proceeds of the 2019A Bonds which would cause such Bonds to be “arbitrage bonds” that it will comply with the requirements of the Code throughout the term of the 2019A Bonds.

## Events of Default; Remedies

***Extension of Payment; Penalty.*** In case the time for the payment of principal of or the interest on any Bonds will be extended, such principal or such interest so extended will not be entitled in case of default under the 2025AB Indenture to the benefit or security of the 2025AB Indenture except subject to the prior payment in full of the principal of all Bonds then outstanding and of all interest thereon, the time for the payment of which will not have been extended.

***Events of Default.*** Each of the following events is declared an event of default under the 2025AB Indenture:

(a) payment of any installment of interest payable on any of the Bonds will not be made when the same will become due and payable; or

(b) payment of the principal of or the premium, if any, payable on any of the Bonds will not be made when the same will become due and payable, either at maturity, by proceedings for redemption, upon acceleration, through failure to make any payment to any fund under the 2025AB Indenture or otherwise; or

(c) the Issuer will for any reason be rendered incapable of fulfilling its obligations under the 2025AB Indenture; or

(d) an order or decree will be entered appointing a receiver, receivers, custodian or custodians for any of the revenues of the Issuer or the State System, or approving a petition filed against the Issuer or the State System seeking reorganization of the Issuer or the State System under the federal bankruptcy laws or any other similar law or statute of the United States of America or any state thereof, or if any such order or decree, having been entered without the consent or acquiescence of the Issuer or the State System, will not be vacated or discharged or stayed on appeal within 120 days after the entry thereof; or

(e) any proceeding will be instituted, with the consent or acquiescence of the Issuer or the State System, or any plan will be entered into by the Issuer or the State System, for the purpose of effecting a composition between the Issuer or the State System and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or Commonwealth statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from any part or all of the Trust Estate, including the Loan Payments and other moneys derived by the Issuer or the State System under the 2025AB Loan Agreement; or

(f) the Issuer or the State System (i) files a petition in bankruptcy or under Title 11 of the United States Code, as amended, (ii) makes an assignment for the benefit of its creditors or (iii) consents to the appointment of a receiver, custodian or trustee for itself or for the

whole or any part of the Trust Estate, including the Loan Payments and other moneys derived by the Issuer or the State System under the 2025AB Loan Agreement; or

(g) if (i) the Issuer or the State System is adjudged insolvent by a court of competent jurisdiction, (ii) on a petition in bankruptcy filed against the Issuer or the State System, the Issuer or the State System is adjudged as bankrupt or (iii) an order, judgment or decree is entered by any court of competent jurisdiction appointing, without the consent of the Issuer or the State System, a receiver, custodian or trustee of the Issuer or the State System or of the whole or any part of its property and any of the aforesaid adjudications, orders, judgments or decrees will not be vacated or set aside or stayed within 120 days from the date of entry thereof; or

(h) the Issuer or the State System will file a petition or answer seeking reorganization or any arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof; or

(i) under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Issuer or the State System or of the whole or any substantial part of its property, and such custody or control will not be terminated within 30 days from the date of assumption of such custody or control; or

(j) the occurrence of an “Event of Default” under the Loan or the other Bond Documents, the Collateral Agreement or the Assignment of Rents (in each case solely as it relates to the Hilltop Suites Housing), or the University Lease (solely as it relates to the Hilltop Suites Housing) or any amendment or supplement to any of the foregoing in violation of the provisions of such document; or

(k) the Issuer will default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the 2025AB Indenture or in any indenture supplement to be performed on the part of the Issuer, and such default will continue for 30 days after written notice specifying such default and requiring the same to be remedied will have been given to the Issuer and the Foundation by the Trustee; provided that the Trustee may give such notice in its discretion and will give such notice at the written request of the owners of not less than 25% in aggregate principal amount of the Bonds then outstanding under the 2025AB Indenture; provided that if such default cannot with due diligence and dispatch be wholly cured within 30 days but can be wholly cured within a longer period of time, the failure of the Issuer to remedy such default within such 30-day period will not constitute a default under the 2025AB Indenture if the Issuer will immediately upon receipt of such notice commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, will thereafter prosecute and complete the same with due diligence and dispatch.

If on the date payment of principal of or interest on the Bonds is due, sufficient moneys are not available to make such payment, the Trustee will give telephonic notice of such insufficiency to the Foundation and the Issuer.

***Acceleration.*** Subject to the terms of the Collateral Agreement, the Trustee (a) may, upon the occurrence of an Event of Default specified above in (a) or (b) under the heading “Events of Default,” without any action on the part of the Bondholders, or (b) will, upon the occurrence of

any Event of Default specified above and receipt of the written request of the owners of not less than 25% in principal amount of the Bonds then outstanding under the 2025AB Indenture, declare the entire principal amount of the Bonds then Outstanding under the 2025AB Indenture and the interest accrued thereon immediately due and payable, and the entire principal and interest will thereupon become and be immediately due and payable, subject, however, to (i) the provisions of the 2025AB Indenture with respect to waivers of Events of Default and (ii) the requirement that before the Trustee declares the entire principal amount of the Bonds due and payable following an Event of Default described in (j) or (k) above, the Foundation will have had the opportunity to cure such default as provided in the 2025AB Loan Agreement. The Trustee will give notice thereof by first class mail, postage prepaid, to all owners of outstanding Bonds; provided, however, that the giving of such notice will not be considered a precondition to the Trustee declaring the entire principal amount of the Bonds then outstanding and the interest thereon immediately due and payable.

***Remedies; Rights of Bondholders.*** Subject to the terms of the Collateral Agreement, upon the occurrence and continuance of any Event of Default and receipt of the written request of the owners of not less than 25% in principal amount of the Bonds then Outstanding under the 2025AB Indenture, the Trustee will,

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the owners under, and require the Issuer or the Foundation to carry out any agreements with or for the benefit of the owners of Bonds and to perform its or their duties under, the Act, the 2025AB Loan Agreement and the 2025AB Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the 2025AB Loan Agreement or the 2025AB Indenture, as the case may be;

(b) bring suit upon the Bonds;

(c) cause the Collateral Agent to exercise its rights and remedies under the Collateral Agreement or the Assignment of Rents (in each case solely as they relate to the Hilltop Suites Housing); or

(d) by action or suite in equity enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds;

Provided, however, that the Trustee shall have the right to decline to comply with any such request or direction if the Trustee shall be advised by counsel that the action so requested may not lawfully be taken or the Trustee in good faith shall determine that such action would be unjustly prejudicial to the owners of Bonds not parties to such request.

No delay or omission of the Trustee or any owner of Bonds to exercise any right or power accruing upon any default or Event of Default will impair any such right or power or will be construed to be a waiver of any such default or Event of Default, or acquiescence therein; and every such right and power given to the Trustee and the owners of Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default under the 2025AB Indenture, whether by the Trustee or by the owners of Bonds, will extend to or will affect any subsequent default or Event of Default or will impair any rights or remedies consequent thereon.

***Direction of Proceedings by Bondholders.*** The owners of not less than a majority of the aggregate principal amount of Bonds then outstanding will have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the 2025AB Indenture, including enforcement of any rights of the Issuer under the 2025AB Loan Agreement, the Assignment of Rents or the Collateral Agreement or the appointment of a receiver or any other proceedings under the 2025AB Indenture; provided, that such direction will not be otherwise than in accordance with the provisions of law and of the 2025AB Indenture.

***Application of Moneys.*** All moneys received by the Trustee, will, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee or the Collateral Agent, will be deposited in the Bond Fund, and all moneys so deposited during the continuance of an Event of Default (other than moneys for the payment of Bonds (other than those owned of record by the Issuer or the Foundation or an Affiliate thereof) which have previously matured or otherwise become payable prior to such Event of Default or for the payment of interest due prior to such Event of Default), together with all moneys in the funds maintained by the Trustee, will be applied as follows:

(a) Unless the principal of all the Bonds will have become or will have been declared due and payable, all such moneys will be applied:

First: To the payment to the Persons entitled thereto of all installments of interest then due on the Bonds; and

Second: To the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which will have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the 2025AB Indenture).

(b) If the principal of all the Bonds will have become due or will have been declared due and payable, all such moneys will be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest.

Notwithstanding the foregoing, any moneys which the Trustee holds in the Rebate Fund established under the 2025AB Indenture must be distributed in accordance with the Tax Regulatory Certificate.

***Rights and Remedies of Bondholders.*** No owner of any Bond will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the 2025AB Indenture or for the execution of any trust of the 2025AB Indenture or for the appointment of a



receiver or any other remedy under the 2025AB Indenture, unless a default will have become an Event of Default and the owners of 25% in aggregate principal amount of Bonds then outstanding, will have made written request to the Trustee and will have offered the Trustee reasonable opportunity either to proceed to exercise the powers granted (or cause the Collateral Agent to exercise its powers under the Collateral Agreement and/or the Assignment of Rents) or to institute such action, suit or proceeding in its own name (or cause the Collateral Agent to so act under the Collateral Agreement and/or the Assignment of Rents), and unless also such Bondholders have offered to the Trustee or the Collateral Agent, as applicable, indemnity as provided in the 2025AB Indenture, and unless the Trustee or Collateral Agent, as applicable, will thereafter fail or refuse to exercise the powers therein granted, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of the 2025AB Indenture and to any action or cause of action for the enforcement of the 2025AB Indenture, or for the appointment of a receiver or for any other remedy under the 2025AB Indenture; it being understood and intended that no one or more owners of the Bonds will have any right in any manner whatsoever to affect, disturb or prejudice the lien of the 2025AB Indenture by any action or to enforce any right under the 2025AB Indenture except in the manner provided, and that all proceedings at law or in equity will be instituted, had and maintained in the manner provided and for the equal benefit of the owners of all Bonds outstanding. Nothing contained in the 2025AB Indenture will, however, (a) affect or impair the right of any owner to enforce the payment of the principal of and interest on any Bond at and after the maturity thereof or (b) affect or impair the obligation of the Issuer to pay the principal of and interest on each of the Bonds issued under the 2025AB Indenture to the respective owners thereof at the time and place, from the source and in the manner in said Bonds expressed.

***Waiver of Events of Default.*** Subject to the terms of the Collateral Agreement, the Trustee may, in its discretion, but without any action on the part of the Bondholders, waive any Event of Default under the 2025AB Indenture and its consequences and rescind any declaration of acceleration of principal, and will do so upon written request of the owners of (a) at least a majority of the aggregate principal amount of all Bonds outstanding in respect of which default in the payment of principal and/or interest exists, or (b) at least a majority of the aggregate principal amount of all Bonds outstanding, in the case of any other event of default; provided, however that there will not be waived (i) any Event of Default in the payment of the principal of any outstanding Bonds when due whether by mandatory redemption or at the dates of maturity specified therein or (ii) any default in the payment when due of the interest on any such Bonds.

In case of any such waiver or rescission or in case any proceeding taken by the Trustee on account of any such default will have been discontinued, abandoned or determined adversely, then and in every such case the Issuer, the Trustee and the Bondholders will, subject to any determination in such proceeding, be restored to their former positions and rights under the 2025AB Indenture respectively, but no such waiver or rescission will extend to any subsequent or other default, or impair any right consequent thereon.

### **Trustee and Paying Agents**

***Trustee Required; Eligibility.*** There will at all times be a Trustee under the 2025AB Indenture which will (a) be a commercial bank or trust company organized under the laws of the

United States of America or the laws of any state, authorized to exercise corporate trust powers, subject to supervision or examination by federal or state authorities and (b) have a reported combined capital and surplus of not less than \$50,000,000. No resignation or removal of the Trustee and no appointment of a successor Trustee will become effective until the successor Trustee has accepted its appointment.

***Resignation by the Trustee.*** The Trustee and any successor Trustee may at any time resign from the trusts created by the 2025AB Indenture by (a) executing any instrument in writing resigning such trusts and specifying the date when such resignation will take effect, (b) filing the same with the Issuer and the Foundation not less than 45 days before the date specified in such instrument when such resignation will take effect and (c) giving notice of such resignation by first class mail, postage prepaid, not less than 20 days prior to such resignation date, to each registered owner of Bonds then outstanding, as shown by the Bond Register. No such resignation will take effect until a successor trustee will have been appointed and has assumed such role.

***Removal of the Trustee.*** Any Trustee under the 2025AB Indenture may be removed at any time by an instrument appointing a successor to the Trustee so removed, executed by the holders of a majority in principal amount of the Bonds then Outstanding and filed with the Trustee and the Issuer. If no Event of Default under the 2025AB Loan Agreement has occurred and is continuing, the Issuer may and at the direction of the Foundation shall remove the Trustee and appoint a successor by an instrument filed with the Trustee and the Issuer.

***Designation and Succession of Registrar.*** The Trustee is designated and agrees to act as Registrar for and in respect of the Bonds. The Issuer, on its own or at the Written Request of the Foundation, may designate one or more entities to act as Co-Registrar for the Bonds along with the Trustee.

## **Supplemental Indentures and Amendments**

***Supplemental Indentures Not Requiring Consent of Bondholders.*** The Issuer and the Trustee may, without the consent of, or notice to, any of the Bondholders, enter into one or more Supplemental Indentures as will not be inconsistent with the terms and provisions of the 2025AB Indenture, for any one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission in the 2025AB Indenture;

(b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders and the Trustee, or either of them;

(c) to assign and pledge under or subject to the 2025AB Indenture additional revenues, properties or collateral;

(d) to evidence the appointment of a separate Trustee or the succession of a new Trustee under the 2025AB Indenture;

(e) to permit the qualification of the 2025AB Indenture under the Trust Indenture Act of 1939, as then amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States;

(f) to effect changes required to obtain or maintain a rating on the Bonds or permitted in connection with obtaining an upgrade of the rating on the Bonds to a higher rating category or subcategory;

(g) to permit continued compliance with the Tax Regulatory Certificate;

(h) to provide for uncertificated Bonds and a book-entry only system of registration;

(i) to provide for the refunding or advance refunding of any Bonds, including the right to establish and administer an escrow fund and to take related action in connection therewith; and

(j) to provide for the issuance of Additional Bonds; and

(k) to make any change that does not materially adversely affect the rights of any Bondholder or the Trustee.

Before the Issuer and the Trustee will enter into any Supplemental Indenture pursuant to the foregoing provisions, there shall have been delivered to the Issuer and the Trustee, at the expense of the Foundation, an opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the 2025AB Indenture and the Act, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Issuer in accordance with its terms and will not adversely affect any exemption from federal income taxation or applicable Pennsylvania taxation to which the interest on the 2019A Bonds would otherwise be entitled.

***Supplemental Indentures Requiring Consent of Bondholders.***

The owners of not less than a majority of the aggregate principal amount of the Bonds which are outstanding under the 2025AB Indenture will have the right, from time to time to consent to and approve the execution by the Issuer and the Trustee of a Supplemental Indenture for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the 2025AB Indenture or in any Supplemental Indenture; provided, however, that nothing in the 2025AB Indenture will permit, or be construed as permitting, a Supplemental Indenture to effect: (i) an extension of the maturity or reduction in the principal amount of, or reduction in the rate or extension of the time of paying interest on, or reduction of any premium payable on the redemption of, any Bonds, without the consent of the owners of such Bonds; (ii) the creation of any lien prior to or on a parity with the lien of the 2025AB Indenture on the Trust Estate or the deprivation of any Bondholders of the lien created by the 2025AB Indenture on the Trust Estate in any material respect, without the consent of the owners of all the Bonds at the time outstanding; (iii) a reduction in the aforesaid aggregate principal amount of Bonds the owners of which are required to consent to any such supplemental

indenture, without the consent of the owners of all the Bonds at the time outstanding which would be affected by the action to be taken or (iv) a modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee.

***Consent of Foundation.*** So long as the Foundation is not in default under the 2025AB Loan Agreement, a Supplemental Indenture which adversely affects the rights of the Foundation under the 2025AB Loan Agreement will not become effective unless and until the Foundation will have consented in writing to the execution and delivery of such Supplemental Indenture. In this regard, the Trustee will cause notice of the proposed execution and delivery of any such Supplemental Indenture to which the Foundation has not already consented, together with a copy of the proposed Supplemental Indenture and a written consent form to be signed by the Foundation, to be mailed by certified or registered mail to the Foundation at least 30 days prior to the proposed date of execution and delivery of any such Supplemental Indenture.

***Amendments, Etc. to Bond Documents Not Requiring Consent of Bondholders.*** The Issuer, the Foundation and the Trustee may, without the consent of or notice to the owners of the Bonds, consent to any amendment, change or modification of any of the Bond Documents as may be required:

- (a) by the provisions of the 2025AB Indenture or the 2025AB Loan Agreement,
  - (b) for the purpose of curing any ambiguity or formal defect or omission,
  - (c) for the purpose of permitting continued compliance with the Tax Regulatory Certificate,
  - (d) to effect changes required to obtain or maintain a rating on the Bonds or permitted in connection with obtaining an upgrade of the rating on the Bonds to a higher rating category or subcategory,
  - (e) for the purpose of granting a security interest or mortgage lien in or on other collateral or real property of the Foundation,
  - (f) for the purpose of providing for the issuance of a series of Additional Bonds,
- or
- (g) to make any change that does not materially adversely affect the rights of any Bondholder, the Issuer or the Trustee.

***Amendments, Etc. to Bond Documents Requiring Consent of Bondholders.*** Except for the amendments, changes or modifications described above under the subheading “Amendments, Etc. to Bond Documents Not Requiring Consent of Bondholders,” neither the Issuer nor the Trustee will consent to any other amendment, change or modification of any of the Bond Documents without the written approval or consent of the owners of not less than a majority of the aggregate principal amount of the Bonds which are outstanding under the 2025AB Indenture at the time of execution of any such amendment, change or modification. If at any time the Issuer and the Foundation will request the consent of the Trustee to any such proposed amendment, change or modification of any of such Bond Documents, the Trustee will cause notice of such

proposed amendment, change or modification to be mailed in the same manner as provided by the 2025AB Indenture with respect to Supplemental Indentures.

### **Defeasance; Discharge of 2025AB Indenture**

**Defeasance.** If the Issuer will pay or provide for the payment of the entire indebtedness on all Bonds outstanding (including, for the purpose of this section, any Bonds held by the Foundation or an Affiliate thereof) in any one or more of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on all Bonds outstanding, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, moneys in an amount sufficient to pay or redeem (when redeemable) all Bonds outstanding (including the payment of premium, if any, and interest payable on such Bonds to the maturity or redemption date thereof); provided that such moneys, if invested, will be invested in Government Obligations which are not callable or subject to prepayment prior to the date the moneys therefrom are anticipated to be required in an amount sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Bonds outstanding at or before their respective maturity dates, it being understood that the investment income on such Government Obligations may be returned to the Foundation and used for any other purpose under the Act if the funds remaining with the Trustee are sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Bonds outstanding at or before their respective maturity dates);

(c) by delivering to the Trustee, for cancellation by it, all Bonds outstanding;  
or

(d) by depositing with the Trustee, in trust, Government Obligations which are not callable or subject to prepayment prior to the date the moneys therefrom are anticipated to be required in such amount as will, together with the income or interest to accrue thereon, without consideration of any reinvestment thereof, and with any uninvested cash, be fully sufficient to pay or redeem (when redeemable), or verified by an independent certified public accountant or entity nationally recognized for providing such verifications and discharge the indebtedness on all Bonds at or before their respective maturity dates;

and if the Issuer will pay or cause to be paid all other sums payable under the 2025AB Indenture by the Issuer, then and in that case the 2025AB Indenture and the estate and rights granted under the 2025AB Indenture will cease, determine and become null and void.

**Discharge of 2025AB Indenture.** Upon the deposit with the Trustee, in trust, at or before maturity, of moneys or Government Obligations in the necessary amount to pay or redeem all outstanding Bonds (whether upon or prior to maturity or the redemption date of such Bonds) and compliance with the other payment requirements of the 2025AB Indenture, provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption will have been given as provided in the 2025AB Indenture, or provisions satisfactory to the Trustee will have been made for the giving of such notice, the 2025AB Indenture may be discharged and the owners of the Bonds will thereafter be entitled to payment only out of the moneys or the Government Obligations deposited with the Trustee as aforesaid.

## SUMMARY OF THE 2025AB LOAN AGREEMENT

*The following is a brief summary of certain provisions of the 2025AB Loan Agreement. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the 2025AB Loan Agreement.*

### **Loan of Bond Proceeds**

In order to provide the funds necessary to finance the Project, the Issuer agrees that it will use its best efforts to cause the Bonds to be issued, sold and delivered. The Issuer will, concurrently with the issuance of the Bonds, lend the proceeds from the sale of the Bonds to the Foundation for the purpose of financing the Project.

**Security.** The 2025AB Loan Agreement and the Foundation's obligations under the 2025AB Indenture are limited non-recourse obligations of the Foundation secured solely by, and payable solely from, the Trust Estate, which includes, among other things, the Foundation's rights and interests in the Assignment of Rents and the Collateral Agreement, including, but not limited to, its rights and interests in and to the University Lease Payments.

**Repayment of Loan.** The Foundation covenants and agrees that it will repay the Loan to the Issuer by making installment payments, in the manner and at the times set forth in the 2025AB Loan Agreement, in sums sufficient to pay the principal of, premium, if any, and interest payable on the Bonds, and to pay all other amounts payable under the terms of the 2025AB Loan Agreement.

### ***Time and Manner of Repayment.***

The Foundation agrees to make or cause to be made the following payments on the following dates by depositing with the Collateral Agent on behalf of the Trustee (or causing to be deposited with the Collateral Agent on behalf of the Trustee):

**Interest:** On or before December 25, 2019, and on or before the 25th day of each June and December thereafter, an amount equal to the interest due on the Bonds on the next succeeding Interest Payment Date.

**Payments Equal to Principal.** On or before June 25, 2020, an amount equal to the principal amount of the 2019 Bonds maturing by their terms on July 1, 2020 and on or before the 25th day of each June thereafter the principal amount of the Bonds maturing by their terms on the next succeeding July 1 (if any).

**Payments Required to Effect Mandatory Redemption.** (i) On or before the 25th day of each June beginning June 25, 20\_\_ and ending on June 25, 20\_\_, an amount equal to the principal amount of the Bonds subject to mandatory redemption on the next succeeding July 1 (if any).

**Payments Required to Effect Optional Redemption.** On or before the Business Day next preceding the date of redemption of any Bonds to be optionally redeemed pursuant to the 2025AB Indenture, an amount not less than the full amount required to pay the principal of and premium, if any, on such Bonds to be optionally redeemed.

*Rebate to the United States.* If there is any amount required to be paid to the United States pursuant to Section 148(f) of the Code the Foundation will pay or cause to be paid such amount to the Trustee for deposit to the Rebate Fund created under the 2025AB Indenture, which will submit the payment to the United States.

*Trustee's Fee.* The Foundation shall pay or cause to be paid the reasonable compensation and expenses of the Trustee under the Indenture promptly to such Trustee upon the receipt by the Foundation of a bill for such services and expenses from the Trustee.

*Issuer's Fees.* The Foundation shall pay the Issuer's closing fee in the amount of \$ \_\_\_\_\_ on the Closing Date. The Foundation also shall pay or cause to be paid any other administrative expenses incurred in connection with the financing of the Project, and any such additional fees and expenses (including reasonable attorney's fees) reasonably incurred by the Issuer or the Trustee in connection with investigating or enforcing the performance by the Foundation of its obligations hereunder, within thirty (30) days of receipt of a statement from the Issuer or the Trustee requesting payment of such amounts.

*Capital Reserve Fund.* The Foundation shall pay or cause to be paid to the Trustee for deposit into the Capital Reserve Fund the amounts set forth in the 2025AB Indenture.

***Additional Amounts Payable by the Foundation.*** In the event the Foundation should default under any of the provisions of the 2025AB Loan Agreement and the Issuer or the Trustee (in its own name or in the name and on behalf of the Issuer) should employ attorneys or agents or incur other expenses for the collection of the payments required under the 2025AB Loan Agreement or the enforcement of performance or observance of any obligation or agreement on the part of the Foundation contained in the 2025AB Loan Agreement, the Foundation will, on demand therefor, but subject to the provisions of the 2025AB Loan Agreement, pay or cause to be paid to the Issuer or the Trustee (as the case may be) the reasonable fee of such attorneys or agents and such other reasonable expenses so incurred.

***Taxes and Claims.*** The Foundation will pay and discharge all taxes, assessments and governmental charges or levies imposed upon it or on its income or properties prior to the date on which penalties attach thereto, and all lawful claims which, if unpaid, might become a lien or charge upon any of its properties, provided that the Foundation will not be required to pay any such tax, assessment, charge, levy or claim, the payment of which is being contested in good faith and by proper proceedings.

***Insurance.*** The Foundation will maintain, or cause to be maintained, insurance covering such risks and in such amounts as is customarily carried by such institutions and insurance on the Hilltop Suites Housing, as required by the 2025AB Loan Agreement, and which liability policies will name the Issuer and the Trustee as additional insured. Additionally, the Foundation will maintain, or cause to be maintained, business interruption insurance with coverage for a period of at least eighteen (18) months.

### **Extraordinary Redemption**

The Foundation shall notify the Issuer and the Trustee promptly in writing of any damage to or any destruction or condemnation of any portion of the Hilltop Suites Housing in excess of

10% of Property, Plant and Equipment of or relating to the Hilltop Suites Housing. Subject to the terms of the University Lease, any Net Proceeds received in respect of the occurrence shall be applied, at the option of the Foundation, as follows:

(a) to the reconstruction, replacement or repair of the affected Hilltop Suites Housing; provided that if such proceeds exceed the amount necessary for such reconstruction, replacement or repair, the excess shall be applied to the Extraordinary Redemption of the Bonds, and if such proceeds are insufficient to reconstruct, replace or repair the affected Hilltop Suites Housing to its revenue-producing capability prior to such event, then the Foundation shall provide or cause to be provided the balance necessary to reconstruct, replace or repair the affected Hilltop Suites Housing; or

(b) to the extent permitted under the redemption provisions of the 2025AB Indenture, to the Extraordinary Redemption of the Bonds, in whole, or if there are insufficient proceeds to redeem all of the Bonds then Outstanding and the Foundation chooses not to provide such other moneys sufficient for the Extraordinary Redemption of the balance of such Bonds, then such proceeds shall be applied to the Extraordinary Redemption of a part of the Bonds.

#### **Events of Default; Remedies**

***Events of Default by Foundation.*** The occurrence of any of the following will constitute an Event of Default under the 2025AB Loan Agreement:

(a) Failure by the Foundation to make any payments under the 2025AB Loan Agreement when due and payable, which failure shall have resulted in an Event of Default under the 2025AB Indenture; or

(b) Failure by the Foundation to make or cause to be made any payment under the 2025AB Loan Agreement or in the performance of or compliance with any of the provisions, warranties, covenants, agreements, terms or conditions contained in the 2025AB Loan Agreement other than those specified in clause (a) above, which continues for thirty (30) days following written notice thereof to the Foundation from the Issuer or the Trustee except in the case of a default which cannot be cured within such thirty (30) days, in which case the period shall be extended for such period as is reasonable to cure the same with due diligence, provided the Foundation commences such performance or compliance within thirty (30) days and proceeds diligently to cure the same; or

(c) An order or decree will be entered appointing one or more receivers or custodians for the Project Facilities or the revenues therefrom, or approving a petition filed against the Foundation seeking reorganization of the Foundation under the federal bankruptcy laws or any other similar law or statute of the United States of America or any state thereof, or if any such order or decree, having been entered without the consent or acquiescence of the Foundation, will not be vacated or discharged or stayed on appeal within 120 days after the entry thereof; or

(d) Any proceeding will be instituted, with the consent or acquiescence of the Foundation or the State System, or any plan will be entered into by the Foundation or the State System, for the purpose of effecting a composition between the Foundation or the State System and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal



or Commonwealth statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from any part or all of the amounts payable by the Foundation or the State System under the 2025AB Loan Agreement; or

(e) The Foundation or the State System (i) files a petition in bankruptcy or under Title 11 of the United States Code, as amended, (ii) makes an assignment for the benefit of its creditors or (iii) consents to the appointment of a receiver, custodian or trustee for itself or for the whole or any part of the revenues of the Foundation or the State System from which the payments by the Foundation or the State System under the 2025AB Loan Agreement may be made; or

(f) If (i) the Foundation or the State System is adjudged insolvent by a court of competent jurisdiction, (ii) on a petition in bankruptcy filed against the Foundation or the State System, the Foundation or the State System is adjudged as bankrupt or (iii) an order, judgment or decree is entered by any court of competent jurisdiction appointing, without the consent of the Foundation or the State System, a receiver, custodian or trustee of the Foundation or of the whole or any part of its property and any of the aforesaid adjudications, orders, judgments or decrees will not be vacated or set aside or stayed within 120 days from the date of entry thereof; or

(g) The Foundation or the State System will file a petition or answer seeking reorganization or any arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof; or

(h) Under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Foundation or the State System or of the whole or any substantial part of its property, and such custody or control will not be terminated within 30 days from the date of assumption of such custody or control; or

(i) If any representation or warranty made by the Foundation in the 2025AB Loan Agreement or in any statement or certificate furnished to the Issuer or the Trustee or the purchaser of any Bonds in connection with the sale of the Bonds or furnished by the Foundation under the 2025AB Loan Agreement proves untrue in any material respect as of the date of the issuance or making thereof and will not be corrected or brought into compliance within 30 days after written notice thereof to the Foundation or the State System by the Issuer or the Trustee; or

(j) The occurrence of an Event of Default under the 2025AB Indenture, the Assignment of Rents, the Collateral Agreement or the other Bond Documents, the State System's failure to pay University Lease Payments under the University Lease or the occurrence of an event which could result in a termination of the University Lease.

Unless and until the Issuer or the Trustee will have exercised any remedies upon an Event of Default, the Foundation (or any other person on behalf of the Foundation) may at any time (a) pay or cause to be paid all accrued unpaid payments then due and owing on the outstanding balance of the Loan and all other sums which the Foundation is obligated to pay under the 2025AB Loan Agreement and (b) cure all other existing defaults under the 2025AB Loan Agreement, and in every such case, such payment and cure will be deemed to constitute a waiver of the default and its consequences as though the default had not occurred.

***Remedies Upon Event of Default.*** Upon the occurrence of an Event of Default, and subject to the terms of the Collateral Agreement:

(a) The entire outstanding balance of the Loan and any other sums which the Foundation is obligated to pay to the Issuer under the 2025AB Loan Agreement will immediately be due and payable if the Trustee shall have declared the acceleration of the Bonds in accordance with the 2025AB Indenture;

(b) The Trustee, upon notice to the Foundation, may perform for the account of the Foundation any covenant of the Foundation under the 2025AB Loan Agreement in the performance of which the Foundation is in default or make any payment for which the Foundation is in default. The Foundation will pay to the Trustee upon demand any amount paid by it in the performance of such covenant and any amounts which the Trustee will have paid by reason of failure of the Foundation to comply with any covenant or provision of the 2025AB Loan Agreement, including reasonable counsel fees incurred in connection with prosecution or defense of any proceedings instituted by reason of default of the Foundation, together with interest at a rate equal to the lesser of the highest rate permitted by applicable law and the cost of the money to the Trustee, from the date of payment until repayment by the Company;

(c) The Trustee may cause the Collateral Agent to exercise its rights under the Assignment of Rents or the Collateral Agreement (in each case solely as they relate to the Hilltop Suites Housing); and

(d) The Issuer or the Trustee may pursue any other right or remedy available at law or in equity.

### **Covenants of Foundation**

The 2025AB Loan Agreement contains covenants of the Foundation which inure to the benefit of the holders of the Bonds which shall apply to the extent provided in the 2025AB Loan Agreement.

***Additional Bonds.*** The Foundation shall not cause the issuance of Additional Bonds unless an amendment to the University Lease shall be executed obligating the State System to make payments thereunder sufficient to pay debt service on the Additional bonds and amendments to each of the Assignment of Rents and the Collateral Agreement shall be executed, if appropriate, to contemplate such issuance of Additional Bonds.

## SUMMARY OF THE INTERCREDITOR AGREEMENT

*The following is a brief summary of certain provisions of the Intercreditor Agreement. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Intercreditor Agreement.*

### **Priority of Interests**

Notwithstanding the date, manner or order of recording of their respective liens on and security interests in the Foundation Revenues in favor of any of the 2014 Trustee or the Trustee, and further notwithstanding any conflicting term or condition which may be contained either the 2014 Loan Agreement, the 2025AB Loan Agreement or the Mortgage, as applicable, such liens on and security interests in the Foundation Revenues shall be a shared first priority *pari passu* lien.

### **Pro Rata Formula**

Upon receipt by any Participating Party of any amount described in the Intercreditor Agreement above, the receiving Participating Party shall hold such amount in trust and pay over to each other Participating Party a portion of such amount equal to the product of (i) such amount multiplied by (ii) a fraction, the numerator of which is the aggregate amount then due (including amounts due by reason of acceleration of maturity) and unpaid to such other Participating Party under its Related Agreement on the date of receipt of such amount by the receiving Participating Party (less amounts then held as security for, but not yet applied to reduce the amount then due under, such Related Agreement, including, without limitation, amounts held in any applicable debt service fund or debt service reserve fund), and the denominator of which is the sum of the amounts then due (including amounts due by reason of acceleration of maturity) and unpaid to all Participating Parties under their Related Agreements on the date of receipt of such amount by such Participating Party (less amounts then held as security for, but not yet applied to reduce the amount then due under, each such Related Agreement, including, without limitation, amounts held in any applicable debt service fund or debt service reserve fund).

The 2014 Trustee shall hold all moneys retained by or transferred to it under this Intercreditor Agreement for the benefit of the Bondholders (as defined in the 2014 Indenture).

The Trustee shall hold all moneys retained by or transferred to it under this Intercreditor Agreement for the benefit of the Bondholders (as defined in the 2025AB Indenture).

Each Participating Party shall, at the request of any other Participating Party, provide to the requesting Participating Party information relating to the amount then due and unpaid to such Participating Party under its Related Agreement and the amount of funds held by such Participating Party which are subject to distribution pursuant to this Intercreditor Agreement, for the purpose of enabling the requesting Participating Party to make the calculation required pursuant to the Intercreditor Agreement.

## **Defaults**

Nothing contained in the Intercreditor Agreement shall restrict or impair the right of either of the 2014 Trustee or the Trustee to declare an event of default, as the case may be, when such creditor deems it appropriate and has the right to do so under the terms of the 2014 Loan Agreement, the 2025AB Loan Agreement or any Related Agreement, as applicable; provided, however, that any creditor party declaring an event of default or termination event shall promptly notify the other creditor parties thereof, but failure to so provide notice shall not affect the validity of the declaration so made or to exercise any rights or remedies in respect thereof.

**APPENDIX D-2**

**SUMMARIES OF PRINCIPAL 2025C FINANCING DOCUMENTS**

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## APPENDIX D-2

### SUMMARIES OF PRINCIPAL 2025C FINANCING DOCUMENTS

The following is a brief summary of certain provisions of the 2025C Indenture and the 2025C Loan Agreement. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the 2025C Indenture and the 2025C Loan Agreement, copies of which will be available at the designated corporate trust office of the Trustee.

#### CERTAIN DEFINITIONS

The following terms apply to the summaries of the 2025C Indenture or the 2025C Loan Agreement and to terms not otherwise defined in the Official Statement:

“2014D Bonds” means the Authority’s Student Housing Revenue Bonds, Series 2014D (Clarion University Foundation, Inc. Student Housing Project At Clarion University of Pennsylvania) issued pursuant to the 2014D/E Indenture.

“2014D/E Indenture” means the Trust Indenture dated as of December 1, 2014 between the Authority and U.S. Bank Trust Company, National Association (as successor to U.S. Bank National Association), as trustee, pursuant to which the 2014D Bonds were issued, as it may from time to time be amended or supplemented.

“2014 Trustee” means U.S. Bank Trust Company, National Association, as trustee under the 2014D/E Indenture, and its successors and assigns.

“2025C Indenture” means this Trust Indenture dated as of \_\_\_\_\_, 2025 between the Authority and the Trustee, as it may from time to time be amended or supplemented.

“2025C Loan Agreement” means the 2025C Loan Agreement dated as of the date hereof between the Foundation and the Authority, as it may from time to time be amended or supplemented.

“Additional Bonds” means any Bonds issued pursuant to Section 211 subsequent to the issuance of the 2025C Bonds.

“Affiliate” of a Person means any Person controlling, controlled by or under common control with such Person.

“Assignment of Rents” means the Assignment of Rents dated as of the date hereof by the Foundation in favor of the Collateral Agent (of which the Trustee (and each trustee of the bonds associated with the Other Housing) is a third party beneficiary) assigning the Foundation’s rights to receive the University Lease Payments (and lease payments with respect to the Other Housing) and the right to enforce payment of the same under the University Lease, as it may from time to time be amended or supplemented.

“Authority” means the Clarion County Industrial Development Authority, a body corporate and politic created and existing under and by virtue of the Act, and its successors and assigns.

“Authority Fee” means the fees payable by the Foundation to the Authority pursuant to Section 4.02(g) of the 2025C Loan Agreement.

“Authorized Denomination” means, with respect to the 2025C Bonds, \$5,000 or any integral multiple thereof.

“Authorized Officer” means (a) with respect to the Foundation, the President or any Vice President of the Foundation or such other or different officers as may be designated in writing by the Foundation to the Trustee, the State System and the Authority from time to time, (b) with respect to the State System, the Vice Chancellor for Administration and Finance of the State System or such other or different officers as may be designated in writing by the State System to the Trustee and the Authority from time to time, or (c) with respect to the Authority, the Chairman, Vice Chairman, Secretary or Assistant Secretary of the Authority. In the absence of an Event of Default under the University Lease, a State System officer or a person designated in a certificate of an officer of the State System shall constitute an Authorized Officer of the Foundation for purposes of the 2025C Indenture.

“Board” means the Board of Directors of the Foundation.

“Bond” or “Bonds” means the 2025C Bonds and any Additional Bonds.

“Bond Counsel” means any nationally recognized municipal bond counsel.

“Bondholder,” “holder,” “owner” or “owner of the Bonds” means the registered owner of any Bond.

“Bond Documents” means the 2025C Indenture, the 2025C Loan Agreement, the Collateral Agreement, the Assignment of Rents, the Purchase Contract, the Foundation Continuing Disclosure Agreement, the State System Continuing Disclosure Agreement and all other documents executed by the Foundation, the State System or the Authority in connection therewith.

“Bond Fund” means the trust fund so designated which is created and established pursuant to Section 404.

“Bond Register” means the registration books of the Authority kept by the Trustee (in its capacity as Registrar) or by any Co-Registrar (if designated by the Authority pursuant to Section 816) to evidence the registration and transfer of Bonds.

“Business Day” means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the Commonwealth or the State of New York are authorized by law to close for a reason not related to financial condition.

“Clearing Fund” means the trust fund so designated which is created and established pursuant to Section 302.

“Closing Date” means, with respect to a series of Bonds, the date of the initial authentication and delivery of such series of Bonds.



“Code” means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code herein shall be deemed to include the United States Treasury Regulations, including temporary and proposed regulations, relating to such section which are applicable to the Tax-Exempt Bonds or the use of the proceeds thereof.

“Collateral Agent” means the collateral agent appointed pursuant to the Collateral Agreement, as it may from time to time be amended or supplemented. The initial Collateral Agent shall be U.S. Bank Trust Company, National Association.

“Collateral Agreement” means the Collateral Agreement dated as of the date hereof among the Foundation, the Trustee, the trustees of the bonds associated with the Other Housing and the Collateral Agent, as it may from time to time be amended or supplemented.

“Commonwealth” means the Commonwealth of Pennsylvania.

“Defaulted Interest” means interest on any Bond which is payable but not duly paid on the date due.

“Designated Office” means when used with respect to the Trustee, the designated corporate trust office of the Trustee currently located in Pittsburgh, Pennsylvania.

“DTC” means the Depository Trust Company as securities depository for the Bonds.

“EMMA” means the Electronic Municipal Market Access website of the Municipal Securities Rulemaking Board.

“Event of Default” means any event specified in Section 701.

“Fiscal Year” means the fiscal year of the Foundation, which currently for the Foundation is the twelve-month period beginning July 1 of each year and ending on June 30 of the following year (or such other dates as the Foundation may set forth from time to time in a written direction to the Trustee).

“Foundation” means Clarion University Foundation, Inc., a nonprofit corporation organized under the laws of the Commonwealth, and its successors and assigns.

“Foundation Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement dated as of \_\_\_\_\_, 2025, between the Foundation and U.S. Bank Trust Company, National Association, as dissemination agent, as it may from time to time be amended or supplemented.

“Fund” means any of the funds established pursuant to the 2025C Indenture.

“GAAP” means generally accepted accounting principles as defined more specifically in Section 1.04 of the 2025C Loan Agreement.

“Government Obligations” means the following:

(i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America,

(ii) obligations issued by a Person controlled or supervised by and acting as an instrumentality of the United States of America, the payment of the principal of and interest on which is fully and unconditionally guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (a) issued or held in book-entry form in the name of the Trustee only on the books of the Department of Treasury of the United States of America),

(iii) any certificates or any other evidences of an ownership interest in obligations or specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in (a) or (b), which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian,

(iv) except for purposes of defeasance, stripped obligations of interest issued by the Resolution Funding Corporation pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (“FIRREA”), the interest on which, to the extent not paid from other specified sources, is payable when due by the Secretary of the Treasury pursuant to FIRREA, and

(v) obligations of any state or political subdivision thereof or any agency or instrumentality of such a state or political subdivision, provided that cash, obligations described in clauses (a), (b), (c) or (d) above, or a combination thereof have been irrevocably pledged to and deposited into a segregated escrow account for the payment when due of the principal or redemption price of and interest on such obligations, and provided further that, at the time of purchase, such obligations are rated by each Rating Agency in one of its two highest rating categories.

“Immediate Notice” means notice by telephone, telex, or telecopier or electronic mail to such address as the addressee shall have directed in writing, promptly followed by written notice by first class mail, postage prepaid or by overnight delivery service.

“Indebtedness” shall have the meaning set forth in the 2025C Loan Agreement.

“Independent Counsel” means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include independent legal counsel for the Foundation, the Trustee or the Authority.

“Interest Payment Date” means each July 1 and January 1 commencing on July 1, 2025.

“Joint Written Request” means a Written Request of the Authority and the Foundation.

“Loan Payments” means the payments received or receivable by the Authority from or on behalf of the Foundation with respect to the Bonds pursuant to the 2025C Loan Agreement (excluding the Unassigned Rights).

“Moody’s” shall mean Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally-recognized securities rating agency designated by the Foundation by written notice to the Trustee.

“Net Proceeds” means proceeds (net of all expenses, including all attorneys’ fees, incurred in the collection thereof) from insurance, condemnation awards (or other similar amounts) received as a result of any damage to, destruction or taking under the power of eminent domain of the Reinhard Villages Housing.

“Officer’s Certificate” means a certificate signed by an Authorized Officer of the Foundation or the Authority (as the case may be) or, in the case of a certificate delivered by any other Person, the chief executive officer, chief financial officer or any vice president of such other Person whose authority to execute such Certificate shall be evidenced to the satisfaction of the Trustee.

“Opinion of Bond Counsel” means a written opinion of Bond Counsel in form and substance acceptable to the Authority.

“Opinion of Counsel” means a written opinion of counsel who is not unsatisfactory to the Authority in form and substance acceptable to the Authority.

“Outstanding,” “Bonds outstanding” or “outstanding Bonds” means, as of any given date, all Bonds which have been duly authenticated and delivered under the 2025C Indenture, except:

Bonds canceled after purchase in the open market or because of payment at maturity or redemption prior to maturity;

(vi) Bonds for the payment or redemption of which cash or Government Obligations shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds) in accordance with Article XI; provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee;

(vii) Bonds deemed no longer to be outstanding as provided in Section 503(d);

(viii) Bonds in lieu of which other Bonds have been authenticated under Section 207 or Section 208; or

(ix) Only for the purpose of all consents, directions, requests, approvals, waivers and notices required to be obtained or given hereunder, Bonds held or owned by the Foundation or any Affiliate of the Foundation.

“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 an

agency, political subdivision or instrumentality thereof or any other group or organization of individuals.

“Project” means a project to be financed with proceeds of a series of Bonds and in the case of the 2025C Bonds, means the 2025C Project.

“Project Facilities” means the Reinhard Villages Housing and any other project facilities financed with Additional Bonds and secured by the Reinhard Villages Housing.

“Property, Plant and Equipment” means all property which is classified as property, plant and equipment under GAAP.

“Purchase Contract” means, with respect to the 2025C Bonds, the Bond Purchase Agreement dated \_\_\_\_\_, 2025 among Raymond James & Associates, Inc., the Foundation and the Authority providing for the sale of the 2025C Bonds.

“Qualified Financial Institution” means (a) any United States domestic institution whose unsecured obligations or uncollateralized long-term debt obligations have been assigned a rating within one of the three highest rating categories by at least two nationally recognized rating agencies, which has issued a letter of credit, contract, agreement or surety bond in support of debt obligations which have been so rated or whose obligations thereunder are guaranteed by a Person whose unsecured obligations or uncollateralized long-term debt obligations have been assigned a rating within one of the three highest rating categories by at least two nationally recognized rating agencies; (b) an insurance company or corporation with a claims paying ability rated within one of the three highest rating categories by at least two nationally recognized rating agencies or whose unsecured obligations or uncollateralized long-term debt obligations have been assigned a rating within one of the three highest rating categories by at least two nationally recognized rating agencies; or (c) any non-United States institution whose unsecured obligations or uncollateralized long-term debt obligations have been assigned a rating within one of the three highest rating categories by at least two nationally recognized rating agencies or which are guaranteed by an entity whose unsecured obligations or uncollateralized long-term obligations have been so rated.

“Qualified Investments” means investments in any of the following:

Government Obligations;

(x) debt obligations issued by any of the following agencies or such other like governmental or government-sponsored agencies which may be created hereafter: Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Financing Bank; Federal Home Loan Bank System; Federal National Mortgage Association; Export-Import Bank of the United States; Farmers Home Administration; Small Business Administration; Inter-American Development Bank; International Bank for Reconstruction and Development; Federal Land Banks; Government National Mortgage Association; Federal Home Loan Mortgage Corporation; Federal Farm Credit System; or Resolution Funding Corporation;

(xi) long-term debt obligations of any state or political subdivision thereof or any agency or instrumentality of such a state or political subdivision or of any corporation, provided that such obligations are at the time of purchase rated by at least two nationally

recognized rating agencies in any of the three highest rating categories assigned by at least two nationally recognized rating agencies;

(xii) rights to receive the principal of or the interest on obligations of states, political subdivisions, agencies or instrumentalities meeting the requirements set forth in subsection (c) above, whether through: (1) direct ownership as evidenced by physical possession of such obligations or unmatured interest coupons or by registration as to ownership on the books of the issuer or its duly authorized paying agent or transfer agent; or (2) purchase of certificates or other instruments evidencing an undivided ownership interest in payments of the principal of or interest on such obligations;

(xiii) negotiable and non-negotiable certificates of deposit, time deposits, banker's acceptances or other similar banking arrangements which are issued by banks, national banking associations, trust companies or savings and loan associations (including the Trustee or an affiliate of the Trustee), provided that, unless issued by a Qualified Financial Institution, any such certificate, deposit or other arrangement shall be continuously secured as to principal in the manner and to the extent provided in the last paragraph of this definition;

(xiv) repurchase agreements for Qualified Investments described in subsection (a) or (b) above with a Qualified Financial Institution or with dealers in government bonds which report to, trade with and are recognized as primary dealers by a Federal Reserve Bank or are members of the Securities Investors Protection Corporation, provided that the repurchase price payable under any such agreement shall be continuously secured in the manner and to the extent provided in the last paragraph of this definition;

(xv) investment agreements with Qualified Financial Institutions;

(xvi) commercial paper rated at the time of purchase in the highest rating category by at least two nationally recognized rating agencies;

(xvii) shares or certificates in any short-term investment fund, which short-term investment fund invests not less than 98% of its assets in obligations described in subparagraphs (a) through (h) above; including, without limitation, the money market mutual funds or any other mutual fund comprised of Qualified Investments for which the Trustee or an Affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (1) the Trustee or an Affiliate of the Trustee receives fees from such funds for services rendered, (2) the Trustee charges and collects fees for services rendered pursuant to the 2025C Indenture, which fees are separate from the fees received from such funds, and (3) services performed for such funds and pursuant to the 2025C Indenture may at times duplicate those provided to such funds by the Trustee or its Affiliates;

(xviii) dollar-denominated debt obligations of any foreign government or political subdivision thereof or any agency or instrumentality of such foreign government or political subdivision, provided that such obligations are rated at the time of purchase by at least two nationally recognized rating agencies in one of the three highest rating categories assigned by such rating agencies;

(xix) certificates of participation representing an interest in any of the above-listed securities; or

(xx) obligations issued by the Resolution Funding Corporation pursuant to FIRREA, the principal of which obligations is payable when due from payments of maturing principal and non-interest bearing direct obligations of the United States of America which are issued by the Secretary of the Treasury and deposited in the Funding Corporation Principal Fund established pursuant to FIRREA and the interest on which, to the extent not paid from other specified sources, is payable when due by the Secretary of the Treasury pursuant to FIRREA.

Any security required to be maintained for Qualified Investments in the form of certificates of deposit, time deposits, other similar banking arrangements and repurchase agreements described in subsections (e) and (f) above shall be subject to the following:

A. The collateral shall be in the form of obligations described in subsections (a) or (b) above, except that the security for certificates of deposit, time deposits or other similar banking arrangements may include other marketable securities which are eligible as security for trust funds under applicable regulations of the Comptroller of the Currency of the United States of America or under applicable state laws and regulations; and

B. The collateral shall have an aggregate market value, calculated not less frequently than monthly, at least equal to the principal amount (less any portion insured by the Federal Deposit Insurance Corporation or any comparable insurance corporation chartered by the United States of America) or the repurchase price secured thereby, as the case may be. The instruments governing the issuance of and security for the Qualified Investments shall designate the Person responsible for making the foregoing calculations; provided that upon Written Request the Trustee shall make such calculations if they are not made by the Person so designated.

Ratings of Qualified Investments shall be determined at the time of purchase of such Qualified Investments and the Trustee shall have no responsibility to monitor the ratings thereof.

“Rating Agency” means, with respect to a series of Bonds, each nationally recognized securities rating agency then maintaining a rating on such Bonds at the request of the Foundation, and initially, with respect to the 2025C Bonds, means Moody’s.

“Rebate Fund” means the fund authorized pursuant to Section 409 to facilitate compliance with Section 148(f) of the Code.

“Record Date” means the 15th day of the calendar month immediately preceding each Interest Payment Date (whether or not a Business Day).

“Redemption Account” means the trust fund so designated which is created and established pursuant to Section 404.

“Registrar” means the Trustee and any Co-Registrar appointed pursuant to Section 816.

“Representation Letter” means the Representation Letter from the Authority and the Trustee to DTC or any Blanket Letter of Representations from the Authority to DTC with respect to the Authority’s bonds.

“Revenue Fund” means the trust fund so designated which is created and established pursuant to Section 403.

“Series Issue Date” means, with respect to a series of Bonds, the date of issuance and delivery of such series of Bonds (in the case of the 2025C Bonds means \_\_\_\_\_, 2025).

“Special Record Date” means the date fixed by the Trustee pursuant to Section 202(d) for the payment of Defaulted Interest.

“State System” means the State System of Higher Education, a body corporate and politic organized under the laws of the Commonwealth.

“State System Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement dated as of \_\_\_\_\_, 2025, between the State System and U.S. Bank Trust Company, National Association, as dissemination agent, as it may from time to time be amended or supplemented.

“Supplemental Indenture” means an amendment or supplement to the 2025C Indenture entered into pursuant to Article IX.

“Surplus Fund” means the trust fund so designated which is created and established pursuant to Section 406.

“Tax Regulatory Certificate” means the Tax Regulatory and No Arbitrage Certificate dated the Closing Date executed by the Foundation and the Authority with respect to the 2025C Bonds and delivered to the Trustee.

“Tax-Exempt Bonds” means the 2025A Bonds and any Additional Bonds the interest on which is excluded from gross income for federal income tax purposes.

“Trust Estate” shall have the meaning set forth in the Granting Clauses preceding this Article.

“Trustee” means U.S. Bank Trust Company, National Association, solely in its capacity as trustee under the 2025C Indenture, having its Designated Office in Pittsburgh, Pennsylvania, or any successor trustee under the 2025C Indenture.

“Trustee Fee” means the annual fee payable to the Trustee for serving as Trustee hereunder and any related costs, fees and expenses.

“Unassigned Rights” means the fees and expenses payable to the Authority, the Authority’s right to indemnification under the 2025C Loan Agreement, the Authority’s right to receive notices under the 2025C Indenture and the 2025C Loan Agreement, and the Authority’s right to execute and deliver supplements and amendments to the 2025C Loan Agreement.

“University Lease Payments” means all rent payments made by the State System to the Foundation pursuant to Section 3.1 of the University Lease relating to Reinhard Villages Housing.

“Written Request” means a request in writing signed by an Authorized Officer of the Authority or the Foundation (as the case may be).

## SUMMARY OF THE 2025C INDENTURE

*The following is a brief summary of certain provisions of the 2025C Indenture. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Indenture.*

### Payment of Bonds

***Payments, Etc., to be Sufficient.*** The Issuer covenants in the 2025C Indenture that the payments under the 2025C Loan Agreement will be such that the Loan Payments will be sufficient in each Fiscal Year to provide for the payment, when due, of the principal or redemption price of and interest on all of the Bonds and to provide for all other deposits and other payments required to be made under the 2025C Indenture, provided that the Issuer will have no obligation to make such payment or to cause the Loan to be repaid except from the Trust Estate.

***Source of Payment of Bonds.*** The Bonds authorized and all payments to be made by the Issuer thereon and into the various Funds established under the 2025C Indenture are not general obligations of the Issuer, but are limited obligations payable solely from the Trust Estate.

The pledge of the Trust Estate as security for the performance of all obligations of the Issuer under the 2025C Indenture will be valid and binding from the date of execution of the 2025C Indenture. The Trust Estate will immediately be subject to the lien of the pledge without any physical delivery or further act. Pursuant to the assignment of the Issuer’s rights under the 2025C Loan Agreement, the Loan Payments will be paid directly to the Trustee by the Foundation. Upon receipt of any Loan Payments or other payments under the 2025C Indenture, the Trustee will deposit the same in the appropriate fund or funds established under the 2025C Indenture. Except as otherwise provided in the 2025C Indenture, the Trust Estate will be collected, held and applied for the equal and ratable benefit and security of all Bondholders.

### Funds and Accounts

***Bond Fund.*** The 2025C Indenture provides for the creation of the “Bond Fund” and within the Bond Fund for each series of Bonds, a Redemption Account. The Bond Fund will be held by the Trustee. The Trustee will deposit to the credit of the appropriate account in the Bond Fund all installment payments received pursuant to the 2025C Loan Agreement, Net Proceeds received by the Trustee pursuant to the 2025C Indenture for the purpose of redeeming Bonds, and any other amounts required or permitted to be deposited in the Bond Fund pursuant to the 2025C Indenture. Pursuant to the assignment and pledge of payments under the 2025C Loan Agreement, the Issuer will direct the Foundation to make payments under the 2025C Loan Agreement directly to the



Trustee when and as the same become due and payable under the terms of the 2025C Loan Agreement. Moneys so deposited to the Bond Fund will be applied as follows:

- (i) To the payment of interest, when due on all Outstanding Bonds;
- (ii) To the payment, when due, of the principal of Bonds then payable at maturity or upon mandatory sinking fund redemption (but only upon surrender of such Bonds);
- (iii) During the 12 month period preceding each principal maturity or mandatory redemption date, the Trustee will, at the Written Request of the Foundation and upon deposit of moneys by the Foundation into the Redemption Account for such purpose, purchase Bonds of the maturity becoming due on such principal maturity or mandatory redemption date from funds deposited to the Bond Fund; and
- (iv) To the payment, when due, from the Redemption Account for a series of Bonds, of all principal and interest due upon redemption of the Bonds other than mandatory sinking fund redemption.

***Other Funds and Accounts.*** The Revenue Fund, the Capital Reserve Fund and the Surplus Fund are described in the Official Statement under the heading “SECURITY AND SOURCES OF PAYMENTS OF THE BONDS.”

### **Investment of Funds**

Moneys on deposit in the funds established under the 2025C Indenture will be invested in Qualified Investments; provided, however, that moneys held in the Bond Fund to be applied to pay the redemption price of Bonds called for redemption will only be invested in Government Obligations with a term not exceeding the earlier of 30 days or the date or dates that moneys therefrom are anticipated to be required. Except as otherwise provided in the preceding sentence with respect to investments in the Bond Fund, such investments will be made so as to mature on or prior to the date or dates that moneys therefrom are reasonably anticipated to be required. As and when any amounts invested pursuant to the 2025C Indenture may be needed for disbursements from the Bond Fund, the Trustee will cause a sufficient amount of such investments to be sold or otherwise converted into cash to the credit of such Fund.

The interest, income and gains received in respect of any Qualified Investments will, with respect to each fund and account other than the Rebate Fund, be retained in such fund or account. The interest, income and gains received in respect of Qualified Investments in the Rebate Fund will be deposited to the credit of the Income Account of the Rebate Fund.

***Review of Bond Register.*** The Trustee will keep on file at its Designated Office the Bond Register relating to the Bonds indicating the names and addresses of the owners of the Bonds of each series and the serial numbers of such Bonds held by each of such owners. At reasonable times and under reasonable regulations established by the Trustee, the Bond Register may be inspected and copied by the Foundation, the Trustee, the Issuer or the authorized representative of any owner or owners of 15% or more in principal amount of the Bonds then outstanding, such ownership and the authority of any such designated representative to be evidenced to the satisfaction of the Trustee.

## **Rights Under the 2025C Loan Agreement**

The Issuer agrees that the Trustee in its own name or in the name of the Issuer may enforce all rights of the Issuer and all obligations of the Foundation under and pursuant to the 2025C Loan Agreement for and on behalf of the Bondholders (other than Unassigned Rights), whether or not the Issuer is in default under the 2025C Indenture.

## **Compliance with Internal Revenue Code**

The Issuer covenants and agrees in the 2025C Indenture that it will make no use of the proceeds of the 2019A Bonds which would cause such Bonds to be “arbitrage bonds” that it will comply with the requirements of the Code throughout the term of the 2019A Bonds.

## **Events of Default; Remedies**

***Extension of Payment; Penalty.*** In case the time for the payment of principal of or the interest on any Bonds will be extended, such principal or such interest so extended will not be entitled in case of default under the 2025C Indenture to the benefit or security of the 2025C Indenture except subject to the prior payment in full of the principal of all Bonds then outstanding and of all interest thereon, the time for the payment of which will not have been extended.

***Events of Default.*** Each of the following events is declared an event of default under the 2025C Indenture:

(a) payment of any installment of interest payable on any of the Bonds will not be made when the same will become due and payable; or

(b) payment of the principal of or the premium, if any, payable on any of the Bonds will not be made when the same will become due and payable, either at maturity, by proceedings for redemption, upon acceleration, through failure to make any payment to any fund under the 2025C Indenture or otherwise; or

(c) the Issuer will for any reason be rendered incapable of fulfilling its obligations under the 2025C Indenture; or

(d) an order or decree will be entered appointing a receiver, receivers, custodian or custodians for any of the revenues of the Issuer or the State System, or approving a petition filed against the Issuer or the State System seeking reorganization of the Issuer or the State System under the federal bankruptcy laws or any other similar law or statute of the United States of America or any state thereof, or if any such order or decree, having been entered without the consent or acquiescence of the Issuer or the State System, will not be vacated or discharged or stayed on appeal within 120 days after the entry thereof; or

(e) any proceeding will be instituted, with the consent or acquiescence of the Issuer or the State System, or any plan will be entered into by the Issuer or the State System, for the purpose of effecting a composition between the Issuer or the State System and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or Commonwealth statute now or hereafter enacted, if the claims of such creditors are under any circumstances

payable from any part or all of the Trust Estate, including the Loan Payments and other moneys derived by the Issuer or the State System under the 2025C Loan Agreement; or

(f) the Issuer or the State System (i) files a petition in bankruptcy or under Title 11 of the United States Code, as amended, (ii) makes an assignment for the benefit of its creditors or (iii) consents to the appointment of a receiver, custodian or trustee for itself or for the whole or any part of the Trust Estate, including the Loan Payments and other moneys derived by the Issuer or the State System under the 2025C Loan Agreement; or

(g) if (i) the Issuer or the State System is adjudged insolvent by a court of competent jurisdiction, (ii) on a petition in bankruptcy filed against the Issuer or the State System, the Issuer or the State System is adjudged as bankrupt or (iii) an order, judgment or decree is entered by any court of competent jurisdiction appointing, without the consent of the Issuer or the State System, a receiver, custodian or trustee of the Issuer or the State System or of the whole or any part of its property and any of the aforesaid adjudications, orders, judgments or decrees will not be vacated or set aside or stayed within 120 days from the date of entry thereof; or

(h) the Issuer or the State System will file a petition or answer seeking reorganization or any arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof; or

(i) under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Issuer or the State System or of the whole or any substantial part of its property, and such custody or control will not be terminated within 30 days from the date of assumption of such custody or control; or

(j) the occurrence of an “Event of Default” under the Loan or the other Bond Documents, the Collateral Agreement or the Assignment of Rents (in each case solely as it relates to the Hilltop Suites Housing), or the University Lease (solely as it relates to the Hilltop Suites Housing) or any amendment or supplement to any of the foregoing in violation of the provisions of such document; or

(k) the Issuer will default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the 2025C Indenture or in any indenture supplement to be performed on the part of the Issuer, and such default will continue for 30 days after written notice specifying such default and requiring the same to be remedied will have been given to the Issuer and the Foundation by the Trustee; provided that the Trustee may give such notice in its discretion and will give such notice at the written request of the owners of not less than 25% in aggregate principal amount of the Bonds then outstanding under the 2025C Indenture; provided that if such default cannot with due diligence and dispatch be wholly cured within 30 days but can be wholly cured within a longer period of time, the failure of the Issuer to remedy such default within such 30-day period will not constitute a default under the 2025C Indenture if the Issuer will immediately upon receipt of such notice commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, will thereafter prosecute and complete the same with due diligence and dispatch.

If on the date payment of principal of or interest on the Bonds is due, sufficient moneys are not available to make such payment, the Trustee will give telephonic notice of such insufficiency to the Foundation and the Issuer.

***Acceleration.*** Subject to the terms of the Collateral Agreement, the Trustee (a) may, upon the occurrence of an Event of Default specified above in (a) or (b) under the heading “Events of Default,” without any action on the part of the Bondholders, or (b) will, upon the occurrence of any Event of Default specified above and receipt of the written request of the owners of not less than 25% in principal amount of the Bonds then outstanding under the 2025C Indenture, declare the entire principal amount of the Bonds then Outstanding under the 2025C Indenture and the interest accrued thereon immediately due and payable, and the entire principal and interest will thereupon become and be immediately due and payable, subject, however, to (i) the provisions of the 2025C Indenture with respect to waivers of Events of Default and (ii) the requirement that before the Trustee declares the entire principal amount of the Bonds due and payable following an Event of Default described in (j) or (k) above, the Foundation will have had the opportunity to cure such default as provided in the 2025C Loan Agreement. The Trustee will give notice thereof by first class mail, postage prepaid, to all owners of outstanding Bonds; provided, however, that the giving of such notice will not be considered a precondition to the Trustee declaring the entire principal amount of the Bonds then outstanding and the interest thereon immediately due and payable.

***Remedies; Rights of Bondholders.*** Subject to the terms of the Collateral Agreement, upon the occurrence and continuance of any Event of Default and receipt of the written request of the owners of not less than 25% in principal amount of the Bonds then Outstanding under the 2025C Indenture, the Trustee will,

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the owners under, and require the Issuer or the Foundation to carry out any agreements with or for the benefit of the owners of Bonds and to perform its or their duties under, the Act, the 2025C Loan Agreement and the 2025C Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the 2025C Loan Agreement or the 2025C Indenture, as the case may be;

(b) bring suit upon the Bonds;

(c) cause the Collateral Agent to exercise its rights and remedies under the Collateral Agreement or the Assignment of Rents (in each case solely as they relate to the Hilltop Suites Housing); or

(d) by action or suite in equity enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds;

Provided, however, that the Trustee shall have the right to decline to comply with any such request or direction if the Trustee shall be advised by counsel that the action so requested may not lawfully be taken or the Trustee in good faith shall determine that such action would be unjustly prejudicial to the owners of Bonds not parties to such request.

No delay or omission of the Trustee or any owner of Bonds to exercise any right or power accruing upon any default or Event of Default will impair any such right or power or will be construed to be a waiver of any such default or Event of Default, or acquiescence therein; and every such right and power given to the Trustee and the owners of Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default under the 2025C Indenture, whether by the Trustee or by the owners of Bonds, will extend to or will affect any subsequent default or Event of Default or will impair any rights or remedies consequent thereon.

***Direction of Proceedings by Bondholders.*** The owners of not less than a majority of the aggregate principal amount of Bonds then outstanding will have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the 2025C Indenture, including enforcement of any rights of the Issuer under the 2025C Loan Agreement, the Assignment of Rents or the Collateral Agreement or the appointment of a receiver or any other proceedings under the 2025C Indenture; provided, that such direction will not be otherwise than in accordance with the provisions of law and of the 2025C Indenture.

***Application of Moneys.*** All moneys received by the Trustee, will, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee or the Collateral Agent, will be deposited in the Bond Fund, and all moneys so deposited during the continuance of an Event of Default (other than moneys for the payment of Bonds (other than those owned of record by the Issuer or the Foundation or an Affiliate thereof) which have previously matured or otherwise become payable prior to such Event of Default or for the payment of interest due prior to such Event of Default), together with all moneys in the funds maintained by the Trustee, will be applied as follows:

(a) Unless the principal of all the Bonds will have become or will have been declared due and payable, all such moneys will be applied:

First: To the payment to the Persons entitled thereto of all installments of interest then due on the Bonds; and

Second: To the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which will have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the 2025C Indenture).

(b) If the principal of all the Bonds will have become due or will have been declared due and payable, all such moneys will be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest.

Notwithstanding the foregoing, any moneys which the Trustee holds in the Rebate Fund established under the 2025C Indenture must be distributed in accordance with the Tax Regulatory Certificate.

***Rights and Remedies of Bondholders.*** No owner of any Bond will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the 2025C Indenture or for the execution of any trust of the 2025C Indenture or for the appointment of a receiver or any other remedy under the 2025C Indenture, unless a default will have become an Event of Default and the owners of 25% in aggregate principal amount of Bonds then outstanding, will have made written request to the Trustee and will have offered the Trustee reasonable opportunity either to proceed to exercise the powers granted (or cause the Collateral Agent to exercise its powers under the Collateral Agreement and/or the Assignment of Rents) or to institute such action, suit or proceeding in its own name (or cause the Collateral Agent to so act under the Collateral Agreement and/or the Assignment of Rents), and unless also such Bondholders have offered to the Trustee or the Collateral Agent, as applicable, indemnity as provided in the 2025C Indenture, and unless the Trustee or Collateral Agent, as applicable, will thereafter fail or refuse to exercise the powers therein granted, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of the 2025C Indenture and to any action or cause of action for the enforcement of the 2025C Indenture, or for the appointment of a receiver or for any other remedy under the 2025C Indenture; it being understood and intended that no one or more owners of the Bonds will have any right in any manner whatsoever to affect, disturb or prejudice the lien of the 2025C Indenture by any action or to enforce any right under the 2025C Indenture except in the manner provided, and that all proceedings at law or in equity will be instituted, had and maintained in the manner provided and for the equal benefit of the owners of all Bonds outstanding. Nothing contained in the 2025C Indenture will, however, (a) affect or impair the right of any owner to enforce the payment of the principal of and interest on any Bond at and after the maturity thereof or (b) affect or impair the obligation of the Issuer to pay the principal of and interest on each of the Bonds issued under the 2025C Indenture to the respective owners thereof at the time and place, from the source and in the manner in said Bonds expressed.

***Waiver of Events of Default.*** Subject to the terms of the Collateral Agreement, the Trustee may, in its discretion, but without any action on the part of the Bondholders, waive any Event of Default under the 2025C Indenture and its consequences and rescind any declaration of acceleration of principal, and will do so upon written request of the owners of (a) at least a majority of the aggregate principal amount of all Bonds outstanding in respect of which default in the payment of principal and/or interest exists, or (b) at least a majority of the aggregate principal amount of all Bonds outstanding, in the case of any other event of default; provided, however that there will not be waived (i) any Event of Default in the payment of the principal of any outstanding Bonds when due whether by mandatory redemption or at the dates of maturity specified therein or (ii) any default in the payment when due of the interest on any such Bonds.

In case of any such waiver or rescission or in case any proceeding taken by the Trustee on account of any such default will have been discontinued, abandoned or determined adversely, then and in every such case the Issuer, the Trustee and the Bondholders will, subject to any determination in such proceeding, be restored to their former positions and rights under the 2025C

Indenture respectively, but no such waiver or rescission will extend to any subsequent or other default, or impair any right consequent thereon.

### **Trustee and Paying Agents**

***Trustee Required; Eligibility.*** There will at all times be a Trustee under the 2025C Indenture which will (a) be a commercial bank or trust company organized under the laws of the United States of America or the laws of any state, authorized to exercise corporate trust powers, subject to supervision or examination by federal or state authorities and (b) have a reported combined capital and surplus of not less than \$50,000,000. No resignation or removal of the Trustee and no appointment of a successor Trustee will become effective until the successor Trustee has accepted its appointment.

***Resignation by the Trustee.*** The Trustee and any successor Trustee may at any time resign from the trusts created by the 2025C Indenture by (a) executing any instrument in writing resigning such trusts and specifying the date when such resignation will take effect, (b) filing the same with the Issuer and the Foundation not less than 45 days before the date specified in such instrument when such resignation will take effect and (c) giving notice of such resignation by first class mail, postage prepaid, not less than 20 days prior to such resignation date, to each registered owner of Bonds then outstanding, as shown by the Bond Register. No such resignation will take effect until a successor trustee will have been appointed and has assumed such role.

***Removal of the Trustee.*** Any Trustee under the 2025C Indenture may be removed at any time by an instrument appointing a successor to the Trustee so removed, executed by the holders of a majority in principal amount of the Bonds then Outstanding and filed with the Trustee and the Issuer. If no Event of Default under the 2025C Loan Agreement has occurred and is continuing, the Issuer may and at the direction of the Foundation shall remove the Trustee and appoint a successor by an instrument filed with the Trustee and the Issuer.

***Designation and Succession of Registrar.*** The Trustee is designated and agrees to act as Registrar for and in respect of the Bonds. The Issuer, on its own or at the Written Request of the Foundation, may designate one or more entities to act as Co-Registrar for the Bonds along with the Trustee.

### **Supplemental Indentures and Amendments**

***Supplemental Indentures Not Requiring Consent of Bondholders.*** The Issuer and the Trustee may, without the consent of, or notice to, any of the Bondholders, enter into one or more Supplemental Indentures as will not be inconsistent with the terms and provisions of the 2025C Indenture, for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in the 2025C Indenture;
- (b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders and the Trustee, or either of them;

(c) to assign and pledge under or subject to the 2025C Indenture additional revenues, properties or collateral;

(d) to evidence the appointment of a separate Trustee or the succession of a new Trustee under the 2025C Indenture;

(e) to permit the qualification of the 2025C Indenture under the Trust Indenture Act of 1939, as then amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States;

(f) to effect changes required to obtain or maintain a rating on the Bonds or permitted in connection with obtaining an upgrade of the rating on the Bonds to a higher rating category or subcategory;

(g) to permit continued compliance with the Tax Regulatory Certificate;

(h) to provide for uncertificated Bonds and a book-entry only system of registration;

(i) to provide for the refunding or advance refunding of any Bonds, including the right to establish and administer an escrow fund and to take related action in connection therewith; and

(j) to provide for the issuance of Additional Bonds; and

(k) to make any change that does not materially adversely affect the rights of any Bondholder or the Trustee.

Before the Issuer and the Trustee will enter into any Supplemental Indenture pursuant to the foregoing provisions, there shall have been delivered to the Issuer and the Trustee, at the expense of the Foundation, an opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the 2025C Indenture and the Act, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Issuer in accordance with its terms and will not adversely affect any exemption from federal income taxation or applicable Pennsylvania taxation to which the interest on the 2019A Bonds would otherwise be entitled.

***Supplemental Indentures Requiring Consent of Bondholders.***

The owners of not less than a majority of the aggregate principal amount of the Bonds which are outstanding under the 2025C Indenture will have the right, from time to time to consent to and approve the execution by the Issuer and the Trustee of a Supplemental Indenture for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the 2025C Indenture or in any Supplemental Indenture; provided, however, that nothing in the 2025C Indenture will permit, or be construed as permitting, a Supplemental Indenture to effect: (i) an extension of the maturity or reduction in the principal amount of, or reduction in the rate or extension of the time of paying interest on, or reduction of any premium payable on the redemption of, any Bonds, without the consent of the owners of such



Bonds; (ii) the creation of any lien prior to or on a parity with the lien of the 2025C Indenture on the Trust Estate or the deprivation of any Bondholders of the lien created by the 2025C Indenture on the Trust Estate in any material respect, without the consent of the owners of all the Bonds at the time outstanding; (iii) a reduction in the aforesaid aggregate principal amount of Bonds the owners of which are required to consent to any such supplemental indenture, without the consent of the owners of all the Bonds at the time outstanding which would be affected by the action to be taken or (iv) a modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee.

***Consent of Foundation.*** So long as the Foundation is not in default under the 2025C Loan Agreement, a Supplemental Indenture which adversely affects the rights of the Foundation under the 2025C Loan Agreement will not become effective unless and until the Foundation will have consented in writing to the execution and delivery of such Supplemental Indenture. In this regard, the Trustee will cause notice of the proposed execution and delivery of any such Supplemental Indenture to which the Foundation has not already consented, together with a copy of the proposed Supplemental Indenture and a written consent form to be signed by the Foundation, to be mailed by certified or registered mail to the Foundation at least 30 days prior to the proposed date of execution and delivery of any such Supplemental Indenture.

***Amendments, Etc. to Bond Documents Not Requiring Consent of Bondholders.*** The Issuer, the Foundation and the Trustee may, without the consent of or notice to the owners of the Bonds, consent to any amendment, change or modification of any of the Bond Documents as may be required:

- (a) by the provisions of the 2025C Indenture or the 2025C Loan Agreement,
  - (b) for the purpose of curing any ambiguity or formal defect or omission,
  - (c) for the purpose of permitting continued compliance with the Tax Regulatory Certificate,
  - (d) to effect changes required to obtain or maintain a rating on the Bonds or permitted in connection with obtaining an upgrade of the rating on the Bonds to a higher rating category or subcategory,
  - (e) for the purpose of granting a security interest or mortgage lien in or on other collateral or real property of the Foundation,
  - (f) for the purpose of providing for the issuance of a series of Additional Bonds,
- or
- (g) to make any change that does not materially adversely affect the rights of any Bondholder, the Issuer or the Trustee.

***Amendments, Etc. to Bond Documents Requiring Consent of Bondholders.*** Except for the amendments, changes or modifications described above under the subheading “Amendments, Etc. to Bond Documents Not Requiring Consent of Bondholders,” neither the Issuer nor the Trustee will consent to any other amendment, change or modification of any of the Bond

Documents without the written approval or consent of the owners of not less than a majority of the aggregate principal amount of the Bonds which are outstanding under the 2025C Indenture at the time of execution of any such amendment, change or modification. If at any time the Issuer and the Foundation will request the consent of the Trustee to any such proposed amendment, change or modification of any of such Bond Documents, the Trustee will cause notice of such proposed amendment, change or modification to be mailed in the same manner as provided by the 2025C Indenture with respect to Supplemental Indentures.

### **Defeasance; Discharge of 2025C Indenture**

***Defeasance.*** If the Issuer will pay or provide for the payment of the entire indebtedness on all Bonds outstanding (including, for the purpose of this section, any Bonds held by the Foundation or an Affiliate thereof) in any one or more of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on all Bonds outstanding, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, moneys in an amount sufficient to pay or redeem (when redeemable) all Bonds outstanding (including the payment of premium, if any, and interest payable on such Bonds to the maturity or redemption date thereof); provided that such moneys, if invested, will be invested in Government Obligations which are not callable or subject to prepayment prior to the date the moneys therefrom are anticipated to be required in an amount sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Bonds outstanding at or before their respective maturity dates, it being understood that the investment income on such Government Obligations may be returned to the Foundation and used for any other purpose under the Act if the funds remaining with the Trustee are sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Bonds outstanding at or before their respective maturity dates);

(c) by delivering to the Trustee, for cancellation by it, all Bonds outstanding;  
or

(d) by depositing with the Trustee, in trust, Government Obligations which are not callable or subject to prepayment prior to the date the moneys therefrom are anticipated to be required in such amount as will, together with the income or interest to accrue thereon, without consideration of any reinvestment thereof, and with any uninvested cash, be fully sufficient to pay or redeem (when redeemable), or verified by an independent certified public accountant or entity nationally recognized for providing such verifications and discharge the indebtedness on all Bonds at or before their respective maturity dates;

and if the Issuer will pay or cause to be paid all other sums payable under the 2025C Indenture by the Issuer, then and in that case the 2025C Indenture and the estate and rights granted under the 2025C Indenture will cease, determine and become null and void.

***Discharge of 2025C Indenture.*** Upon the deposit with the Trustee, in trust, at or before maturity, of moneys or Government Obligations in the necessary amount to pay or redeem all outstanding Bonds (whether upon or prior to maturity or the redemption date of such Bonds) and

compliance with the other payment requirements of the 2025C Indenture, provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption will have been given as provided in the 2025C Indenture, or provisions satisfactory to the Trustee will have been made for the giving of such notice, the 2025C Indenture may be discharged and the owners of the Bonds will thereafter be entitled to payment only out of the moneys or the Government Obligations deposited with the Trustee as aforesaid.

## SUMMARY OF THE 2025C LOAN AGREEMENT

*The following is a brief summary of certain provisions of the 2025C Loan Agreement. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the 2025C Loan Agreement.*

### **Loan of Bond Proceeds**

In order to provide the funds necessary to finance the Project, the Issuer agrees that it will use its best efforts to cause the Bonds to be issued, sold and delivered. The Issuer will, concurrently with the issuance of the Bonds, lend the proceeds from the sale of the Bonds to the Foundation for the purpose of financing the Project.

**Security.** The 2025C Loan Agreement and the Foundation's obligations under the 2025C Indenture are limited non-recourse obligations of the Foundation secured solely by, and payable solely from, the Trust Estate, which includes, among other things, the Foundation's rights and interests in the Assignment of Rents and the Collateral Agreement, including, but not limited to, its rights and interests in and to the University Lease Payments.

**Repayment of Loan.** The Foundation covenants and agrees that it will repay the Loan to the Issuer by making installment payments, in the manner and at the times set forth in the 2025C Loan Agreement, in sums sufficient to pay the principal of, premium, if any, and interest payable on the Bonds, and to pay all other amounts payable under the terms of the 2025C Loan Agreement.

### ***Time and Manner of Repayment.***

The Foundation agrees to make or cause to be made the following payments on the following dates by depositing with the Collateral Agent on behalf of the Trustee (or causing to be deposited with the Collateral Agent on behalf of the Trustee):

**Interest:** On or before December 25, 2019, and on or before the 25th day of each June and December thereafter, an amount equal to the interest due on the Bonds on the next succeeding Interest Payment Date.

**Payments Equal to Principal.** On or before June 25, 2020, an amount equal to the principal amount of the 2019 Bonds maturing by their terms on July 1, 2020 and on or before the 25th day of each June thereafter the principal amount of the Bonds maturing by their terms on the next succeeding July 1 (if any).

**Payments Required to Effect Mandatory Redemption.** (i) On or before the 25th day of each June beginning June 25, 20\_\_ and ending on June 25, 20\_, an amount equal to the principal amount of the Bonds subject to mandatory redemption on the next succeeding July 1 (if any).

**Payments Required to Effect Optional Redemption.** On or before the Business Day next preceding the date of redemption of any Bonds to be optionally redeemed pursuant to the 2025C Indenture, an amount not less than the full amount required to pay the principal of and premium, if any, on such Bonds to be optionally redeemed.

*Rebate to the United States.* If there is any amount required to be paid to the United States pursuant to Section 148(f) of the Code the Foundation will pay or cause to be paid such amount to the Trustee for deposit to the Rebate Fund created under the 2025C Indenture, which will submit the payment to the United States.

*Trustee's Fee.* The Foundation shall pay or cause to be paid the reasonable compensation and expenses of the Trustee under the Indenture promptly to such Trustee upon the receipt by the Foundation of a bill for such services and expenses from the Trustee.

*Issuer's Fees.* The Foundation shall pay the Issuer's closing fee in the amount of \$ \_\_\_\_\_ on the Closing Date. The Foundation also shall pay or cause to be paid any other administrative expenses incurred in connection with the financing of the Project, and any such additional fees and expenses (including reasonable attorney's fees) reasonably incurred by the Issuer or the Trustee in connection with investigating or enforcing the performance by the Foundation of its obligations hereunder, within thirty (30) days of receipt of a statement from the Issuer or the Trustee requesting payment of such amounts.

*Capital Reserve Fund.* The Foundation shall pay or cause to be paid to the Trustee for deposit into the Capital Reserve Fund the amounts set forth in the 2025C Indenture.

***Additional Amounts Payable by the Foundation.*** In the event the Foundation should default under any of the provisions of the 2025C Loan Agreement and the Issuer or the Trustee (in its own name or in the name and on behalf of the Issuer) should employ attorneys or agents or incur other expenses for the collection of the payments required under the 2025C Loan Agreement or the enforcement of performance or observance of any obligation or agreement on the part of the Foundation contained in the 2025C Loan Agreement, the Foundation will, on demand therefor, but subject to the provisions of the 2025C Loan Agreement, pay or cause to be paid to the Issuer or the Trustee (as the case may be) the reasonable fee of such attorneys or agents and such other reasonable expenses so incurred.

***Taxes and Claims.*** The Foundation will pay and discharge all taxes, assessments and governmental charges or levies imposed upon it or on its income or properties prior to the date on which penalties attach thereto, and all lawful claims which, if unpaid, might become a lien or charge upon any of its properties, provided that the Foundation will not be required to pay any such tax, assessment, charge, levy or claim, the payment of which is being contested in good faith and by proper proceedings.

***Insurance.*** The Foundation will maintain, or cause to be maintained, insurance covering such risks and in such amounts as is customarily carried by such institutions and insurance on the Hilltop Suites Housing, as required by the 2025C Loan Agreement, and which liability policies will name the Issuer and the Trustee as additional insured. Additionally, the Foundation will maintain, or cause to be maintained, business interruption insurance with coverage for a period of at least eighteen (18) months.

### **Extraordinary Redemption**

The Foundation shall notify the Issuer and the Trustee promptly in writing of any damage to or any destruction or condemnation of any portion of the Hilltop Suites Housing in excess of

10% of Property, Plant and Equipment of or relating to the Hilltop Suites Housing. Subject to the terms of the University Lease, any Net Proceeds received in respect of the occurrence shall be applied, at the option of the Foundation, as follows:

(a) to the reconstruction, replacement or repair of the affected Hilltop Suites Housing; provided that if such proceeds exceed the amount necessary for such reconstruction, replacement or repair, the excess shall be applied to the Extraordinary Redemption of the Bonds, and if such proceeds are insufficient to reconstruct, replace or repair the affected Hilltop Suites Housing to its revenue-producing capability prior to such event, then the Foundation shall provide or cause to be provided the balance necessary to reconstruct, replace or repair the affected Hilltop Suites Housing; or

(b) to the extent permitted under the redemption provisions of the 2025C Indenture, to the Extraordinary Redemption of the Bonds, in whole, or if there are insufficient proceeds to redeem all of the Bonds then Outstanding and the Foundation chooses not to provide such other moneys sufficient for the Extraordinary Redemption of the balance of such Bonds, then such proceeds shall be applied to the Extraordinary Redemption of a part of the Bonds.

#### **Events of Default; Remedies**

***Events of Default by Foundation.*** The occurrence of any of the following will constitute an Event of Default under the 2025C Loan Agreement:

(a) Failure by the Foundation to make any payments under the 2025C Loan Agreement when due and payable, which failure shall have resulted in an Event of Default under the 2025C Indenture; or

(b) Failure by the Foundation to make or cause to be made any payment under the 2025C Loan Agreement or in the performance of or compliance with any of the provisions, warranties, covenants, agreements, terms or conditions contained in the 2025C Loan Agreement other than those specified in clause (a) above, which continues for thirty (30) days following written notice thereof to the Foundation from the Issuer or the Trustee except in the case of a default which cannot be cured within such thirty (30) days, in which case the period shall be extended for such period as is reasonable to cure the same with due diligence, provided the Foundation commences such performance or compliance within thirty (30) days and proceeds diligently to cure the same; or

(c) An order or decree will be entered appointing one or more receivers or custodians for the Project Facilities or the revenues therefrom, or approving a petition filed against the Foundation seeking reorganization of the Foundation under the federal bankruptcy laws or any other similar law or statute of the United States of America or any state thereof, or if any such order or decree, having been entered without the consent or acquiescence of the Foundation, will not be vacated or discharged or stayed on appeal within 120 days after the entry thereof; or

(d) Any proceeding will be instituted, with the consent or acquiescence of the Foundation or the State System, or any plan will be entered into by the Foundation or the State System, for the purpose of effecting a composition between the Foundation or the State System and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal

or Commonwealth statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from any part or all of the amounts payable by the Foundation or the State System under the 2025C Loan Agreement; or

(e) The Foundation or the State System (i) files a petition in bankruptcy or under Title 11 of the United States Code, as amended, (ii) makes an assignment for the benefit of its creditors or (iii) consents to the appointment of a receiver, custodian or trustee for itself or for the whole or any part of the revenues of the Foundation or the State System from which the payments by the Foundation or the State System under the 2025C Loan Agreement may be made; or

(f) If (i) the Foundation or the State System is adjudged insolvent by a court of competent jurisdiction, (ii) on a petition in bankruptcy filed against the Foundation or the State System, the Foundation or the State System is adjudged as bankrupt or (iii) an order, judgment or decree is entered by any court of competent jurisdiction appointing, without the consent of the Foundation or the State System, a receiver, custodian or trustee of the Foundation or of the whole or any part of its property and any of the aforesaid adjudications, orders, judgments or decrees will not be vacated or set aside or stayed within 120 days from the date of entry thereof; or

(g) The Foundation or the State System will file a petition or answer seeking reorganization or any arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof; or

(h) Under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Foundation or the State System or of the whole or any substantial part of its property, and such custody or control will not be terminated within 30 days from the date of assumption of such custody or control; or

(i) If any representation or warranty made by the Foundation in the 2025C Loan Agreement or in any statement or certificate furnished to the Issuer or the Trustee or the purchaser of any Bonds in connection with the sale of the Bonds or furnished by the Foundation under the 2025C Loan Agreement proves untrue in any material respect as of the date of the issuance or making thereof and will not be corrected or brought into compliance within 30 days after written notice thereof to the Foundation or the State System by the Issuer or the Trustee; or

(j) The occurrence of an Event of Default under the 2025C Indenture, the Assignment of Rents, the Collateral Agreement or the other Bond Documents, the State System's failure to pay University Lease Payments under the University Lease or the occurrence of an event which could result in a termination of the University Lease.

Unless and until the Issuer or the Trustee will have exercised any remedies upon an Event of Default, the Foundation (or any other person on behalf of the Foundation) may at any time (a) pay or cause to be paid all accrued unpaid payments then due and owing on the outstanding balance of the Loan and all other sums which the Foundation is obligated to pay under the 2025C Loan Agreement and (b) cure all other existing defaults under the 2025C Loan Agreement, and in every such case, such payment and cure will be deemed to constitute a waiver of the default and its consequences as though the default had not occurred.

***Remedies Upon Event of Default.*** Upon the occurrence of an Event of Default, and subject to the terms of the Collateral Agreement:

(a) The entire outstanding balance of the Loan and any other sums which the Foundation is obligated to pay to the Issuer under the 2025C Loan Agreement will immediately be due and payable if the Trustee shall have declared the acceleration of the Bonds in accordance with the 2025C Indenture;

(b) The Trustee, upon notice to the Foundation, may perform for the account of the Foundation any covenant of the Foundation under the 2025C Loan Agreement in the performance of which the Foundation is in default or make any payment for which the Foundation is in default. The Foundation will pay to the Trustee upon demand any amount paid by it in the performance of such covenant and any amounts which the Trustee will have paid by reason of failure of the Foundation to comply with any covenant or provision of the 2025C Loan Agreement, including reasonable counsel fees incurred in connection with prosecution or defense of any proceedings instituted by reason of default of the Foundation, together with interest at a rate equal to the lesser of the highest rate permitted by applicable law and the cost of the money to the Trustee, from the date of payment until repayment by the Company;

(c) The Trustee may cause the Collateral Agent to exercise its rights under the Assignment of Rents or the Collateral Agreement (in each case solely as they relate to the Hilltop Suites Housing); and

(d) The Issuer or the Trustee may pursue any other right or remedy available at law or in equity.

### **Covenants of Foundation**

The 2025C Loan Agreement contains covenants of the Foundation which inure to the benefit of the holders of the Bonds which shall apply to the extent provided in the 2025C Loan Agreement.

***Additional Bonds.*** The Foundation shall not cause the issuance of Additional Bonds unless an amendment to the University Lease shall be executed obligating the State System to make payments thereunder sufficient to pay debt service on the Additional bonds and amendments to each of the Assignment of Rents and the Collateral Agreement shall be executed, if appropriate, to contemplate such issuance of Additional Bonds.



**APPENDIX E**

**FORMS OF BOND COUNSEL OPINIONS**

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# Stevens & Lee

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\_\_\_\_\_, 2025

RE: \$ \_\_\_\_\_ Clarion County Industrial Development Authority Lease Revenue Refunding Bonds, Series 2025A (Clarion University Foundation, Inc.); \$ \_\_\_\_\_ Clarion County Industrial Development Authority Lease Revenue Refunding Bonds, Series 2025B (Clarion University Foundation, Inc.) (Federally Taxable) (the “Bonds”).

TO: THE REGISTERED OWNERS OF THE ABOVE-CAPTIONED BONDS:

We have served as Bond Counsel in connection with the issuance and sale by Clarion County Industrial Development Authority (the “Authority”) of its \$ \_\_\_\_\_ Clarion County Industrial Development Authority Lease Revenue Refunding Bonds, Series 2025A (Clarion University Foundation, Inc.) (the “2025A Bonds”), and its \$ \_\_\_\_\_ Clarion County Industrial Development Authority Lease Revenue Refunding Bonds, Series 2025B (Clarion University Foundation, Inc.) (Federally Taxable) (the “2025B Bonds” and, together with its 2025A Bonds, the “Bonds”).

The Bonds are being issued pursuant to the Pennsylvania Economic Development Financing Law (Act No. 102, approved August 23, 1967, P.L. 251, as amended, including the amendments effected by Act No. 48, approved July 10, 1987, P.L. 273 and Act No 74, approved December 17, 1993, P.L. 490) (the “Act”), and a resolution of the Board of the Authority adopted on December 27, 2024 (the “Resolution”) and pursuant to a Trust Indenture dated as of \_\_\_\_\_, 2025 (the “Indenture”) between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”).

The Bonds are being issued for the purpose of financing a project (the “Project”) consisting of, among other things, (i) the refunding of the Authority’s Student Housing Revenue Bonds (Clarion University Foundation, Inc. Student Housing Project at Clarion University of Pennsylvania), Series 2014A; (ii) the refunding of the Authority’s Student Housing Revenue Bonds (Clarion University Foundation, Inc. Student Housing Project at Clarion University of Pennsylvania) (Federally Taxable) Series 2014B; (iii) funding of any necessary reserves; and (iv) the payment of costs of issuing the Bonds.

To effect the financing of the Project, the Authority and Clarion University Foundation, Inc. (the “Foundation”) will execute and deliver a certain Loan Agreement dated as of \_\_\_\_\_, 2025 (the “Loan Agreement”) pursuant to which the Authority will lend the proceeds of the Bonds to the Foundation and the Foundation will repay such loan, in installment amounts, and at times, sufficient to, among other things, pay the principal of, and interest on, the Bonds when due.

# Stevens & Lee

\_\_\_\_\_, 2025  
Page 2

All terms and phrases used herein and not defined shall have the same meanings as in the Indenture.

In our capacity as Bond Counsel, we have reviewed the following:

1. The Act;
2. Section 103 and Sections 141 through 150 of the Internal Revenue Code of 1986, as amended (the “Code”) and the regulations and rulings promulgated thereunder;
3. The General Certificate of the Authority and all exhibits thereto;
4. The General Certificate of the Foundation and all exhibits thereto;
5. The opinion of Kooman, Heeter & Gulnac, counsel to the Authority;
6. The opinion of Kooman, Heeter & Gulnac, counsel to the Foundation;
7. The Bond Purchase Agreement delivered by Raymond James & Associates, Inc., as the underwriter for the Bonds, dated \_\_\_\_\_, 2025 and accepted by the Authority and the Foundation, with respect to the purchase of the Bonds;
8. A specimen copy of one of the Bonds;
9. An executed Nonarbitrage Certificate and Compliance Agreement of the Issuer delivered this day;
10. An executed Confirmation Certificate;
11. An executed copy of the Issue Price Certificate;
12. An original counterpart or a certified copy of the Indenture;
13. An original counterpart or a certified copy of the Loan Agreement; and
14. The information return of the Issuer on Form 8038-G.

Based and in reliance upon the foregoing and our attendance at the closing held this day, and subject to the caveats, qualifications, exceptions and assumptions set forth herein, it is our opinion that, as of the date hereof, under existing law:

1. The Authority is a body corporate and politic organized and existing pursuant to the Act and has the power to enter into the transactions contemplated by the Indenture and the Loan Agreement and to carry out its obligations thereunder.

# Stevens & Lee

\_\_\_\_\_, 2025  
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2. The Indenture and the Loan Agreement have been duly authorized, executed and delivered by the Authority and constitute the valid and binding obligation of the Authority enforceable against the Authority in accordance with their respective terms.

3. The issuance of the Bonds has been duly authorized by the Authority. The Bonds have been duly and validly authorized, executed and delivered by the Authority and, when duly authenticated by the Trustee, will constitute valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms.

4. Interest on the 2025A Bonds is not includable in gross income for federal income tax purposes under Section 103(a) of the Code.

5. Under the laws of the Commonwealth of Pennsylvania, the Bonds and interest on the Bonds shall be free from taxation for State and local purposes within the Commonwealth of Pennsylvania, but this exemption shall not extend to gift, estate, succession or inheritance taxes or other taxes not levied directly on the Bonds or the interest thereon. Under the laws of the Commonwealth, profits, gains or income derived from the sale, exchange or other disposition of the Bonds, are subject to State and local taxation within the Commonwealth.

6. Under the Code, interest on the 2025A Bonds does not constitute an item of tax preference under Section 57 of the Code and thus is not subject to alternative minimum tax on individuals and corporations; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations.

---

In connection with providing the foregoing opinions, we call to your attention the following:

A. We have relied upon the representations, statements, expectations and certifications contained in the documents and other certified proceedings reviewed by us (including representations and expectations as to the use of proceeds of the Bonds), without undertaking to verify the same by independent investigation. We have also relied upon the genuineness, authenticity, truthfulness and completeness of all facts, information, representations, and certifications contained in the agreements, certificates, documents, records and other instruments executed and delivered at or in connection with the closing held this day and have assumed compliance with the state and federal securities laws. We have also assumed the genuineness of the signatures (except those of the Issuer) appearing upon all the certificates, documents and instruments executed and delivered at the closing held this day.

B. In connection with the opinions set forth in paragraphs 2 and 3 above, we call to your attention that the validity, legality, enforceability and binding nature of the documents

# Stevens & Lee

\_\_\_\_\_, 2025  
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referred to therein may be limited by: (a) the availability or unavailability of equitable remedies including, but not limited to, specific performance and injunctive relief; (b) the effect of bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws or equitable principles generally affecting creditors' rights or remedies; and (c) the effect of certain laws and judicial decisions limiting on constitutional or public policy grounds any provisions set forth in such documents purporting to waive rights of due process and legal procedure.

C. In providing the opinion set forth in paragraph 4, above, we have assumed continuing compliance by the Issuer with the requirements of the Code and applicable regulations thereunder which must be met subsequent to the issuance of the Bonds in order that the interest thereon be and remain excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds.

D. In providing the opinion set forth in paragraph 6 above, we have assumed continuing compliance by the Issuer and the Foundation with the requirements of the Code and applicable regulations thereunder which must be met subsequent to the issuance of the Bonds in order that the interest thereon not constitute an item of tax preference under Section 57 of the Code. Failure to comply with such requirements could cause the interest on the Bonds to constitute an item of tax preference under Section 57 of the Code retroactive to the date of issuance of the Bonds.

E. Except as specifically set forth above, we express no opinion regarding other federal income tax consequences arising with respect to the Bonds, including, without limitation, the treatment for federal income tax purposes of gain or loss, if any, upon the sale, redemption, or other disposition of the Bonds prior to maturity of the Bonds subject to original issue discount and the effect, if any, of certain other provisions of the Code which could result in collateral federal income tax consequences to certain investors as a result of adjustments in the computation of tax liability dependent on tax-exempt interest.

F. We call to your attention that interest on the 2025B Bonds is not excludable from gross income of the holders thereof for federal income tax purposes.

G. We have not been engaged to verify, nor have we independently verified, the accuracy, completeness or truthfulness of any statements, certifications, information or financial statements set forth in the Preliminary Official Statement, dated \_\_\_\_\_, 2025 (the "Preliminary Official Statement") or the Official Statement, dated \_\_\_\_\_, 2025 (the "Official Statement"), or otherwise used in connection with the offer and sale of the Bonds or set forth in or delivered by the Issuer or Foundation officials. We express no opinion with respect to whether the Issuer or the Foundation, in connection with the sale of the Bonds or the preparation of the Preliminary Official Statement or the Official Statement, has made any untrue statement of a material fact necessary in order to make any statements made therein not misleading.

# Stevens & Lee

\_\_\_\_\_, 2025  
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H. We have not verified, and express no opinion as to the accuracy of, any “CUSIP” identification number which may be printed on any Bond. We have also assumed the genuineness of the signatures appearing upon all the certificates, documents and instruments executed and delivered at closing.

I. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement as Bond Counsel has concluded with the issuance of the Bonds and we disclaim any obligation to update this letter.

STEVENS & LEE, P.C.

# Stevens & Lee

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\_\_\_\_\_, 2025

RE: \$ \_\_\_\_\_ Clarion County Industrial Development Authority Lease Revenue Refunding Bonds, Series 2025C (Clarion University Foundation, Inc.) (the “Bonds”).

TO: THE REGISTERED OWNERS OF THE ABOVE-CAPTIONED BONDS:

We have served as Bond Counsel in connection with the issuance and sale by Clarion County Industrial Development Authority (the “Authority”) of its \$ \_\_\_\_\_ Clarion County Industrial Development Authority Lease Revenue Refunding Bonds, Series 2025C (Clarion University Foundation, Inc.) (the “Bonds”).

The Bonds are being issued pursuant to the Pennsylvania Economic Development Financing Law (Act No. 102, approved August 23, 1967, P.L. 251, as amended, including the amendments effected by Act No. 48, approved July 10, 1987, P.L. 273 and Act No 74, approved December 17, 1993, P.L. 490) (the “Act”), and a resolution of the Board of the Authority adopted on December 27, 2024 (the “Resolution”) and pursuant to a Trust Indenture dated as of \_\_\_\_\_, 2025 (the “Indenture”) between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”).

The Bonds are being issued for the purpose of financing a project (the “Project”) consisting of, among other things, (i) the refunding of the Authority’s Revenue Refunding Bonds (Clarion University Foundation, Inc. Student Housing Project at Clarion University of Pennsylvania), Series 2014D; (ii) funding of any necessary reserves; and (iii) the payment of costs of issuing the Bonds.

To effect the financing of the Project, the Authority and Clarion University Foundation, Inc. (the “Foundation”) will execute and deliver a certain Loan Agreement dated as of \_\_\_\_\_, 2025 (the “Loan Agreement”) pursuant to which the Authority will lend the proceeds of the Bonds to the Foundation and the Foundation will repay such loan, in installment amounts, and at times, sufficient to, among other things, pay the principal of, and interest on, the Bonds when due.

All terms and phrases used herein and not defined shall have the same meanings as in the Indenture.



# Stevens & Lee

\_\_\_\_\_, 2025  
Page 2

In our capacity as Bond Counsel, we have reviewed the following:

1. The Act;
2. Section 103 and Sections 141 through 150 of the Internal Revenue Code of 1986, as amended (the “Code”) and the regulations and rulings promulgated thereunder;
3. The General Certificate of the Authority and all exhibits thereto;
4. The General Certificate of the Foundation and all exhibits thereto;
5. The opinion of Kooman, Heeter & Gulnac, counsel to the Authority;
6. The opinion of Kooman, Heeter & Gulnac, counsel to the Foundation;
7. The Bond Purchase Agreement delivered by Raymond James & Associates, Inc., as the underwriter for the Bonds, dated \_\_\_\_\_, 2025 and accepted by the Authority and the Foundation, with respect to the purchase of the Bonds;
8. A specimen copy of one of the Bonds;
9. An executed Nonarbitrage Certificate and Compliance Agreement of the Issuer delivered this day;
10. An executed Confirmation Certificate;
11. An executed copy of the Issue Price Certificate;
12. An original counterpart or a certified copy of the Indenture;
13. An original counterpart or a certified copy of the Loan Agreement; and
14. The information return of the Issuer on Form 8038-G.

Based and in reliance upon the foregoing and our attendance at the closing held this day, and subject to the caveats, qualifications, exceptions and assumptions set forth herein, it is our opinion that, as of the date hereof, under existing law:

1. The Authority is a body corporate and politic organized and existing pursuant to the Act and has the power to enter into the transactions contemplated by the Indenture and the Loan Agreement and to carry out its obligations thereunder.
2. The Indenture and the Loan Agreement have been duly authorized, executed and delivered by the Authority and constitute the valid and binding obligation of the Authority enforceable against the Authority in accordance with their respective terms.

# Stevens & Lee

\_\_\_\_\_, 2025  
Page 3

3. The issuance of the Bonds has been duly authorized by the Authority. The Bonds have been duly and validly authorized, executed and delivered by the Authority and, when duly authenticated by the Trustee, will constitute valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms.

4. Interest on the Bonds is not includable in gross income for federal income tax purposes under Section 103(a) of the Code.

5. Under the laws of the Commonwealth of Pennsylvania, the Bonds and interest on the Bonds shall be free from taxation for State and local purposes within the Commonwealth of Pennsylvania, but this exemption shall not extend to gift, estate, succession or inheritance taxes or other taxes not levied directly on the Bonds or the interest thereon. Under the laws of the Commonwealth, profits, gains or income derived from the sale, exchange or other disposition of the Bonds, are subject to State and local taxation within the Commonwealth.

6. Under the Code, interest on the Bonds does not constitute an item of tax preference under Section 57 of the Code and thus is not subject to alternative minimum tax on individuals and corporations; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations.

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In connection with providing the foregoing opinions, we call to your attention the following:

A. We have relied upon the representations, statements, expectations and certifications contained in the documents and other certified proceedings reviewed by us (including representations and expectations as to the use of proceeds of the Bonds), without undertaking to verify the same by independent investigation. We have also relied upon the genuineness, authenticity, truthfulness and completeness of all facts, information, representations, and certifications contained in the agreements, certificates, documents, records and other instruments executed and delivered at or in connection with the closing held this day and have assumed compliance with the state and federal securities laws. We have also assumed the genuineness of the signatures (except those of the Issuer) appearing upon all the certificates, documents and instruments executed and delivered at the closing held this day.

B. In connection with the opinions set forth in paragraphs 2 and 3 above, we call to your attention that the validity, legality, enforceability and binding nature of the documents referred to therein may be limited by: (a) the availability or unavailability of equitable remedies including, but not limited to, specific performance and injunctive relief; (b) the effect of bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws or equitable principles generally affecting creditors' rights or remedies; and (c) the effect of certain

# Stevens & Lee

\_\_\_\_\_, 2025  
Page 4

laws and judicial decisions limiting on constitutional or public policy grounds any provisions set forth in such documents purporting to waive rights of due process and legal procedure.

C. In providing the opinion set forth in paragraph 4, above, we have assumed continuing compliance by the Issuer and the Foundation with the requirements of the Code and applicable regulations thereunder which must be met subsequent to the issuance of the Bonds in order that the interest thereon be and remain excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds.

D. In providing the opinion set forth in paragraph 6 above, we have assumed continuing compliance by the Issuer and the Foundation with the requirements of the Code and applicable regulations thereunder which must be met subsequent to the issuance of the Bonds in order that the interest thereon not constitute an item of tax preference under Section 57 of the Code. Failure to comply with such requirements could cause the interest on the Bonds to constitute an item of tax preference under Section 57 of the Code retroactive to the date of issuance of the Bonds.

E. Except as specifically set forth above, we express no opinion regarding other federal income tax consequences arising with respect to the Bonds, including, without limitation, the treatment for federal income tax purposes of gain or loss, if any, upon the sale, redemption, or other disposition of the Bonds prior to maturity of the Bonds subject to original issue discount and the effect, if any, of certain other provisions of the Code which could result in collateral federal income tax consequences to certain investors as a result of adjustments in the computation of tax liability dependent on tax-exempt interest.

F. We have not been engaged to verify, nor have we independently verified, the accuracy, completeness or truthfulness of any statements, certifications, information or financial statements set forth in the Preliminary Official Statement, dated \_\_\_\_\_, 2025 (the “Preliminary Official Statement”) or the Official Statement, dated \_\_\_\_\_, 2025 (the “Official Statement”), or otherwise used in connection with the offer and sale of the Bonds or set forth in or delivered by the Issuer or Foundation officials. We express no opinion with respect to whether the Issuer or the Foundation, in connection with the sale of the Bonds or the preparation of the Preliminary Official Statement or the Official Statement, has made any untrue statement of a material fact necessary in order to make any statements made therein not misleading.

G. We have not verified, and express no opinion as to the accuracy of, any “CUSIP” identification number which may be printed on any Bond. We have also assumed the genuineness of the signatures appearing upon all the certificates, documents and instruments executed and delivered at closing.

# Stevens & Lee

\_\_\_\_\_, 2025  
Page 5

H. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement as Bond Counsel has concluded with the issuance of the Bonds and we disclaim any obligation to update this letter.

STEVENS & LEE, P.C.

**APPENDIX F**

**DEBT SERVICE SCHEDULE FOR THE OFFERED BONDS\***

<b>Maturity Date</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
7/1/2025	\$ -	\$ 257,298.75	\$ 257,298.75
7/1/2026	80,000.00	1,143,550.00	1,223,550.00
7/1/2027	1,540,000.00	1,139,550.00	2,679,550.00
7/1/2028	1,620,000.00	1,061,200.00	2,681,200.00
7/1/2029	1,655,000.00	978,750.00	2,633,750.00
7/1/2030	2,100,000.00	896,000.00	2,996,000.00
7/1/2031	2,205,000.00	791,000.00	2,996,000.00
7/1/2032	2,315,000.00	680,750.00	2,995,750.00
7/1/2033	2,130,000.00	565,000.00	2,695,000.00
7/1/2034	575,000.00	458,500.00	1,033,500.00
7/1/2035	605,000.00	429,750.00	1,034,750.00
7/1/2036	635,000.00	399,500.00	1,034,500.00
7/1/2037	665,000.00	367,750.00	1,032,750.00
7/1/2038	700,000.00	334,500.00	1,034,500.00
7/1/2039	735,000.00	299,500.00	1,034,500.00
7/1/2040	775,000.00	262,750.00	1,037,750.00
7/1/2041	810,000.00	224,000.00	1,034,000.00
7/1/2042	850,000.00	183,500.00	1,033,500.00
7/1/2043	895,000.00	141,000.00	1,036,000.00
7/1/2044	940,000.00	96,250.00	1,036,250.00
7/1/2045	<u>985,000.00</u>	<u>49,250.00</u>	<u>1,034,250.00</u>
Totals	<u>\$22,815,000.00</u>	<u>\$10,759,348.75</u>	<u>\$33,574,348.75</u>

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\* Preliminary; subject to change.

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**APPENDIX G**

**FORM OF BORROWER CONTINUING DISCLOSURE AGREEMENT**

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## CONTINUING DISCLOSURE AGREEMENT

Clarion County Industrial Development Authority  
Lease Revenue Refunding Bonds  
(Clarion University Foundation, Inc. )

\$ \_\_\_\_\_  
Series 2025A

\$ \_\_\_\_\_  
Series 2025B  
(Federally Taxable)

\$ \_\_\_\_\_  
Series 2025C

This Continuing Disclosure Agreement (this “Disclosure Agreement”), dated as of April 1, 2025, is executed and delivered by Clarion University Foundation, Inc. (together with its successors and assigns, the “Borrower”) and U.S. Bank Trust Company, National Association, as the initial Dissemination Agent (the “Dissemination Agent”), in connection with the issuance and sale of (i) \$ \_\_\_\_\_ of Clarion County Industrial Development Authority Lease Revenue Refunding Bonds, Series 2025A (Clarion University Foundation, Inc.) (the “2025A Bonds”), (ii) \$ \_\_\_\_\_ of Clarion County Industrial Development Authority Lease Revenue Refunding Bonds, Series 2025B (Clarion University Foundation, Inc.) (Federally Taxable) (the “2025B Bonds” and, together with the 2025A Bonds, the “2025AB Bonds”), and (iii) \$ \_\_\_\_\_ of Clarion County Industrial Development Authority Lease Revenue Refunding Bonds, Series 2025C (Clarion University Foundation, Inc.) (the “2025C Bonds” and, together with the 2025AB Bonds, the “Bonds”).

The 2025AB Bonds are being issued pursuant to a Trust Indenture dated as of April 1, 2025 (the “2025AB Indenture”), between the Clarion County Industrial Development Authority (the “Issuer”) and U.S. Bank Trust Company, National Association, as trustee (the “2025AB Trustee”). The proceeds of the sale of the 2025AB Bonds are being applied by the Issuer to make a loan to the Borrower pursuant to the terms and conditions of a Loan Agreement dated as of April 1, 2025 between the Issuer and the Borrower (the “2025AB Loan Agreement”), to finance the costs of: (i) the refunding of all of the Issuer’s Student Housing Revenue Bonds, Series 2014A (Clarion University Foundation, Inc. Student Housing Project At Clarion University of Pennsylvania) and all of the Issuer’s Student Housing Revenue Bonds, Series 2014B (Clarion University Foundation, Inc. Student Housing Project At Clarion University of Pennsylvania) (Federally Taxable) originally issued to finance all or a portion of the costs of the acquisition, demolition, construction and equipping of student housing on the main campus of Pennsylvania Western University, PennWest Clarion Campus (f/k/a Clarion University of Pennsylvania) (the “University”) consisting of approximately 728 beds known as “Suites on Main Housing” and construction, furnishing and equipping of related improvements (collectively, the “Suites on Main Housing”), (ii) the funding of any necessary reserves for the 2025AB Bonds, and (iii) the payment of costs of issuing the 2025AB Bonds.

The 2025C Bonds are being issued pursuant to a Trust Indenture dated as of April 1, 2025 (the “2025C Indenture”), between the Issuer and U.S. Bank Trust Company, National Association, as trustee (the “2025C Trustee, and together with the 2025AB Trustee, the “2025 Trustee”). The proceeds of the sale of the 2025C Bonds are being applied by the Issuer to make a loan to the Borrower pursuant to the terms and conditions of a Loan Agreement dated as of April 1, 2025 between the Issuer and the Borrower (the “2025C Loan Agreement”), to finance

the costs of: (i) the refunding of all of the Issuer’s Student Housing Revenue Bonds (Clarion University Foundation, Inc. Student Housing Project at Clarion University of Pennsylvania), Series 2014D originally issued to finance all or a portion of the costs of the acquisition, construction, equipping and furnishing of off-campus student housing near the main campus of the University consisting of approximately 656 beds known as “Diane L. Reinhard Villages at Clarion University” and construction, furnishing and equipping of related improvements (collectively, the “Reinhard Villages Housing”), (ii) the funding of any necessary reserves for the 2025C Bonds, and (iii) the payment of costs of issuing the 2025C Bonds.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**Section 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Borrower and the Dissemination Agent for the benefit of the holders of the Bonds and in order to comply with the Rule (defined below). The Borrower and the Dissemination Agent acknowledge that the Issuer has undertaken no responsibility with respect to this Disclosure Agreement or any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any holder of the Bonds, with respect to this Disclosure Agreement or any such reports, notices or disclosures.

**Section 2. Definitions.** The terms set forth below shall have the following meanings in this Disclosure Agreement, unless the context clearly otherwise requires. Capitalized terms not otherwise defined herein shall have the meanings assigned thereto in the Indenture.

“*Annual Financial Information*” means the financial information and operating data described in Exhibit I.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

“*Audited Financial Statements*” means the audited financial statements of the Borrower, if any, prepared pursuant to the standards and as described in Exhibit I.

“*Commission*” means the Securities and Exchange Commission.

“*Dissemination Agent*” means any agent designated as such in writing by the Borrower and which has filed with the Trustee a written acceptance of such designation, and such agent’s successors and assigns. The initial Dissemination Agent is U.S. Bank Trust Company, National Association.

“*EMMA*” means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Financial Obligation*” shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned

debt obligation; or (c) a guarantee of (a) or (b). The term financial obligation does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB under the Rule.

“*Material Event*” means the occurrence of any of the events with respect to the Bonds set forth in Exhibit II.

“*Material Events Disclosure*” means dissemination of a notice of a Material Event as set forth in Section 5.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Bonds and Raymond James & Associates, Inc. in its capacity as underwriter for the Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Material Events with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org) (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information. The current Prescribed Form is a word searchable portable document format (PDF).

“*Rule*” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“*State*” means the Commonwealth of Pennsylvania.

“*Undertaking*” means the obligations of the Borrower pursuant to Sections 4 and 5.

**Section 3. CUSIP Number.** The CUSIP Number of the 2025A Bonds maturing July 1, 20\_\_ is \_\_\_\_\_, the CUSIP Number of the 2025B Bonds maturing July 1, 20\_\_ is \_\_\_\_\_, and the CUSIP Number of the 2025C Bonds maturing July 1, 20\_\_ is \_\_\_\_\_.

**Section 4. Annual Financial Information Disclosure.** Subject to Section 9 of this Disclosure Agreement, the Borrower hereby covenants that it will, or will direct the Dissemination Agent to, disseminate the Annual Financial Information to the MSRB not later than 180 days after the end of each fiscal year of the Borrower, commencing with the fiscal year ending in 2025. The Borrower further covenants that it will, or will direct the Dissemination Agent to, disseminate the Audited Financial Statements to the MSRB not later than 180 days after the end of each fiscal year of the Borrower, commencing with the fiscal year ending in 2025. Not later than 5 business days prior to each said date, the Borrower shall provide the Annual Financial Information and the Audited Financial Statements, if any, to the Dissemination Agent. In each case, the Annual Financial Information and the Audited Financial Statements, if any, may be submitted as a single document or as separate documents comprising a package.

If by 5 days prior to each date specified above for providing the Annual Financial Information and the Audited Financial Statements to the MSRB, the Dissemination Agent has not received a copy of the Annual Financial Information and the Audited Financial Statements, the Dissemination Agent shall contact the Borrower to determine if the Borrower is in compliance with this Section 4.

If the Dissemination Agent is unable to verify that the Annual Financial Information and the Audited Financial Statements have been provided to the MSRB by the dates required in this Section 4, the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit A.

The Dissemination Agent shall file a report with the Borrower and the Trustee certifying whether it has received and provided the Annual Financial Information and the Audited Financial Statements pursuant to this Disclosure Agreement, and if it has received the Annual Financial Information and the Audited Financial Statements from the Borrower, stating the dates it was provided to the MSRB.

The Borrower is required to deliver or cause to be delivered such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Borrower will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Disclosure Agreement, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

**Section 5. Material Events Disclosure.** Subject to Section 9 of this Disclosure Agreement, the Borrower hereby covenants that it will disseminate or cause the Dissemination Agent to disseminate, in a timely manner, not in excess of 10 business days after the occurrence of the event, Material Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds need not be given under this Disclosure Agreement any earlier than the notice (if any) of such redemption is given to the owners of the Bonds pursuant to the respective 2025AB Indenture or 2025C Indenture. The Borrower is required to deliver such Material Events Disclosure in the same manner as provided by Section 4 of this Disclosure Agreement.

**Section 6. Duty To Update EMMA/MSRB.** The Borrower and the Dissemination Agent shall each determine, in the manner each deems appropriate, whether there has occurred a change in the MSRB's filing procedures and requirements under EMMA each time it is required to file information with the MSRB.

**Section 7. Consequences of Failure of the Borrower To Provide Information.** The Borrower (or the Dissemination Agent, as and to the extent provided in Sections 4) shall give

notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Borrower to comply with any provision of this Disclosure Agreement, the Trustee, subject to prior receipt of indemnification satisfactory to it and payment of its fees and expenses, including fees and expenses of its counsel (whether incurred before trial, at trial, on appeal or in any bankruptcy or arbitration proceeding), at the written request of the Issuer or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under either the 2025AB Indenture or the 2025C Indenture or under either the 2025AB Loan Agreement or the 2025C Loan Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Borrower to comply with this Disclosure Agreement shall be an action to compel performance.

**Section 8. Amendments; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Borrower and the Dissemination Agent may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if:

(a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Borrower or type of business conducted;

(b) This Disclosure Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances in the opinion of counsel expert in federal securities laws acceptable to the Borrower, the Issuer and the Dissemination Agent; and

(c) The amendment or waiver does not materially impair the interests of the holders of the Bonds (in determining whether an amendment or waiver does not materially impair the interests of the holders of the Bonds the Dissemination Agent shall be entitled to receive and rely on an opinion of counsel); or

(d) The amendment or waiver is otherwise permitted by the Rule in the opinion of counsel expert in federal securities laws acceptable to the Borrower, the Issuer and the Dissemination Agent.

**Section 9. Termination of Undertaking.** The Undertaking of the Borrower shall be terminated hereunder when the Borrower shall no longer have any legal liability for any obligation on or relating to the repayment of the Bonds. The Borrower shall give notice to, or shall cause notice to be given to, the MSRB in a timely manner and in Prescribed Form if this Section is applicable. If the Borrower's obligations under the 2025AB Loan Agreement and the 2025C Loan Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the

Borrower and the original Borrower shall have no further responsibility hereunder. The Borrower shall not transfer its rights and obligations under the 2025AB Loan Agreement and the 2025C Loan Agreement unless the transferee agrees to assume the obligations of the Borrower hereunder.

**Section 10. Dissemination Agent.** The Borrower may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such agent, or such Dissemination Agent may resign upon 30 days prior written notice to the Borrower, with or without the Borrower appointing a successor Dissemination Agent. The Dissemination Agent shall be entitled to reasonable compensation for its services hereunder and reimbursement of its out-of-pocket expenses (including fees and expenses of its counsel). The Dissemination Agent shall have no obligation to disclose information about the Bonds except as expressly provided herein. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Borrower, apart from the relationship created by the Rule shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the Borrower.

**Section 11. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Agreement. If the Borrower chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Agreement, the Borrower shall not have any obligation under this Disclosure Agreement to update such information or include it in any future disclosure or notice of the occurrence of a Material Event.

**Section 12. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the Borrower, the Dissemination Agent, if any, the Issuer, the Trustee and the holders of the Bonds, and shall create no rights in any other person or entity.

**Section 13. Recordkeeping.** The Borrower and, to the extent submitted by the Dissemination Agent, the Dissemination Agent, shall maintain records of all Annual Financial Information Disclosure and Material Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

**Section 14. Past Compliance.** The Borrower represents that it has complied with the requirements of each continuing disclosure undertaking entered into by it pursuant to the Rule in connection with previous financings to which the Rule was applicable.

**Section 15. Duties, Immunities and Liabilities of Dissemination Agent.**

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Dissemination Agent's obligation to deliver the information

at the times and with the contents described herein shall be limited to the extent the Borrower has provided such information to the Dissemination Agent as required by this Disclosure Agreement. The Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Dissemination Agent shall have no duty or obligation to review or verify any Annual Financial Information, Audited Financial Statements, Material Events or any other information, disclosures or notices provided to it by the Borrower and shall not be deemed to be acting in any fiduciary capacity for the Borrower, the Holders of the Bonds or any other party. The Dissemination Agent shall have no responsibility for the Borrower's failure to report a Material Event to the Dissemination Agent. The Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Borrower has complied with this Disclosure Agreement. The Dissemination Agent may conclusively rely upon certifications of the Borrower at all times.

The Borrower agrees to indemnify and save the dissemination agent and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and the Dissemination Agent shall in no event incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the Borrower.

**Section 16. Indemnity of Issuer.** The Borrower agrees to indemnify and hold harmless the Issuer from and against any claim and all related expenses relating to any claim asserted against the Issuer or its members, officers, directors, employees or agents, arising out of or relating to this Disclosure Agreement or the obligations of the Borrower hereunder.

**Section 17. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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IN WITNESS WHEREOF, the Borrower and the Dissemination Agent have executed this Disclosure Agreement under seal on the date and year first written above.

CLARION UNIVERSITY FOUNDATION,  
INC.

By \_\_\_\_\_  
Authorized Officer



U.S. BANK TRUST COMPANY, NATIONAL  
ASSOCIATION, as Dissemination Agent

By \_\_\_\_\_  
Authorized Officer

[Signature Page to Disclosure Agreement - Clarion University Foundation, Inc.  
- 2025A, 2025B and 2025C]

**EXHIBIT A**

**NOTICE TO EMMA OF FAILURE TO FILE REPORT**

Name of Issuer: Clarion County Industrial Development Authority

Name of Bond Issue: \$\_\_\_\_\_ Clarion County Industrial Development Authority Lease Revenue Refunding Bonds (Clarion University Foundation, Inc.), Series 2025A, \$\_\_\_\_\_ Clarion County Industrial Development Authority Lease Revenue Refunding Bonds (Clarion University Foundation, Inc.), Series 2025B (Federally Taxable) and \$\_\_\_\_\_ Clarion County Industrial Development Authority Lease Revenue Refunding Bonds (Clarion University Foundation, Inc.), Series 2025C

Name of Borrower: Clarion University Foundation, Inc.

Date of Issuance of Bonds: April \_\_, 2025

NOTICE IS HEREBY GIVEN that the Borrower has not provided an Annual Financial Information Disclosure with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated as of April 1, 2025 between Clarion University Foundation, Inc. and U.S. Bank Trust Company, National Association, as Dissemination Agent. [The Borrower has notified the Dissemination Agent and the Trustee that the Borrower anticipates the Annual Financial Information Disclosure will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_.

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, on behalf of Clarion University Foundation, Inc.

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

cc: Clarion University Foundation, Inc.

## **EXHIBIT I**

### **ANNUAL FINANCIAL INFORMATION AND AUDITED FINANCIAL STATEMENTS**

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission. The Borrower shall clearly identify each such item of information included by reference.

#### **Annual Financial Information**

Annual Financial Information shall consist of updates of the following information contained under the heading “THE UNIVERSITY—Operations of the University” in the Official Statement for the Bonds:

1. Enrollment for the prior academic year, including the total number of undergraduate and graduate students;
2. The Freshmen application, acceptances and matriculation statistics for the prior academic year; and
3. The occupancy and semester rental rates for all housing on campus, with detail for each hall.

#### **Audited Financial Statements**

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the Borrower.

## EXHIBIT II

### EVENTS WITH RESPECT TO THE BONDS FOR WHICH MATERIAL EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies.
2. Non-payment-related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
7. Modifications to rights of holders of the Bonds, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances of the Bonds.
10. Release, substitution or sale of property securing repayment of the Bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the obligated person\*.
13. The consummation of a merger, consolidation or acquisition involving the obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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\*This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material.

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

17. Failure to provide Annual Financial Information, as required.

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**APPENDIX H**

**FORM OF STATE SYSTEM CONTINUING DISCLOSURE AGREEMENT**

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## **CONTINUING DISCLOSURE AGREEMENT**

THIS CONTINUING DISCLOSURE AGREEMENT (the “Disclosure Agreement”) is dated as of April 1, 2025, between the STATE SYSTEM OF HIGHER EDUCATION (the “System”), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as dissemination agent (the “Dissemination Agent”),

### **WITNESSETH:**

**WHEREAS**, the System, a body corporate and politic constituting a public corporation and instrumentality under the laws of the Commonwealth of Pennsylvania consisting of, among other universities, Pennsylvania Western University, PennWest Clarion Campus (f/k/a Clarion University of Pennsylvania) (the “University”), is leasing from the Clarion University Foundation, Inc. (the “Foundation”) pursuant to an Amended and Restated Master Lease Agreement dated as of December 1, 2019 (as amended from time to time, the “University Lease”) the following facilities in order to provide the University with flexibility to direct students to what it believes is the appropriate housing facility and to charge what it believes is the appropriate fee: (a) a student housing facility known as “Suites on Main” (the “Suites on Main Housing”), (b) a student housing facility known as “Diane L. Reinhard Villages” (the “Reinhard Villages Housing”) and (c) a student housing facility known as “Hilltop Suites” (the “Hilltop Suites Housing” and, collectively with the Suites on Main Housing and the Reinhard Villages Housing, the “Student Housing Facilities”); and

**WHEREAS**, the Suites on Main Housing was financed by an issuance by the Clarion County Industrial Development Authority (the “Authority”) of its Student Housing Revenue Bonds, Series 2014A (Clarion University Foundation, Inc. Student Housing Project At Clarion University of Pennsylvania) (the “2014A Bonds”), its Student Housing Revenue Bonds, Series 2014B (Clarion University Foundation, Inc. Student Housing Project At Clarion University of Pennsylvania) (Federally Taxable) (the “2014B Bonds”), and its Student Housing Revenue Bonds, Series 2014C-2 (Clarion University Foundation, Inc. Student Housing Project at Clarion University of Pennsylvania) (the “2014C-2 Bonds”), which 2014A Bonds and 2014B Bonds are being refunded and redeemed with proceeds of the Authority’s Lease Revenue Refunding Bonds, Series 2025A (Clarion University Foundation, Inc.) (the “2025A Bonds”) and Lease Revenue Refunding Bonds, Series 2025B (Clarion University Foundation, Inc.) (Federally Taxable) (the “2025B Bonds” and together with the 2025A Bonds, the “2025AB Bonds”), respectively, such that, upon the redemption of the 2014A Bonds and the 2014B Bonds, the 2025AB Bonds and the 2014C-2 Bonds will be the only bonds issued and outstanding with respect to the Suites on Main Housing;

**WHEREAS**, the original bonds issued to finance the Reinhard Villages Housing were refunded and redeemed with the proceeds of the Authority’s Revenue Refunding Bonds, Series 2014D (Clarion University Foundation, Inc. Student Housing Project at Clarion University of Pennsylvania) (the “2014D Bonds”) and Revenue Refunding Bonds, Series E (Clarion University Foundation, Inc. Student Housing Project at Clarion University of Pennsylvania) (Federally Taxable) (the “2014E Bonds”). The 2014E Bonds have all matured and the 2014D Bonds are being refunded and redeemed with proceeds of the Authority’s Lease Revenue Refunding Bonds, Series

2025C (Clarion University Foundation, Inc.) (the “2025C Bonds” and, collectively with the 2025AB Bonds, the “Bonds”), such that, upon the redemption of the 2014D Bonds, the 2025C Bonds will be the only bonds issued and outstanding with respect to the Reinhard Villages Housing; and

**WHEREAS**, the original bonds issued to finance the Hilltop Suites Housing were refunded with the proceeds of the Authority’s Revenue Refunding Bonds, Series 2019A (Clarion University Foundation, Inc. Student Housing Project at Clarion University of Pennsylvania) and Revenue Refunding Bonds, Series 2019B (Clarion University Foundation, Inc. Student Housing Project at Clarion University of Pennsylvania) (Federally Taxable) (collectively, the “2019 Bonds”), and the 2019 Bonds are the only bonds issued and outstanding with respect to the Hilltop Suites Housing; and

**WHEREAS**, pursuant to the University Lease, the System is agreeing to pay rent to the Foundation at the times and in the amounts necessary to enable the Foundation to (1) pay debt service on the Bonds, and (2) restore any reserve accounts or funds for the Bonds, if required by the indenture corresponding to each series of bonds and the Amended and Restated Master Lease Agreement dated as of April 1, 2025, entered into between Clarion University Foundation, Inc., as lessor, and the System, as lessee; and

**WHEREAS**, the System is an “obligated person” with respect to the Bonds for purposes of the Rule (as hereinafter defined); and

**WHEREAS**, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (the “Rule”), provides that a Participating Underwriter (as defined in the Rule) shall not purchase or sell municipal securities in connection with an Offering (as defined in the Rule) unless the Participating Underwriter has reasonably determined that an issuer of municipal securities, or an obligated person for whom financial or operating data is presented in the final official statement, has undertaken, either individually or in combination with other issuers of such municipal securities or obligated persons, in a written agreement or contract for the benefit of holders of such securities, to provide, either directly or indirectly through an indenture trustee or a designated agent, certain specified financial information and operating data and notices of certain material events; and

**WHEREAS**, the System desires to undertake to provide the information and notices required by the Rule;

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

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

“*Annual Financial Information*” shall mean the annual financial information to be provided annually containing the information specified in Schedule 1 hereto, as such schedule may be amended as provided herein.

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB as provided at <http://www.emma.msrb.org> or any similar system that is acceptable to or as may be specified by the Securities and Exchange Commission from time to time.

“Fiscal Year” shall mean, in the case of System, the fiscal year of the System as determined from time to time by the System (currently the System’s Fiscal Year begins on July 1 of each calendar year and ends on June 30 of the following calendar year).

“Financial Obligation” shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of (a) or (b). The term financial obligation does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB under the Rule.

“Indenture” shall mean (i) with respect to the 2025AB Bonds, the Trust Indenture dated as of April 1, 2025, between the Authority and U.S. Bank Trust Company, National Association, as trustee, and (ii) with respect to the 2025C Bonds, the Trust Indenture dated as of April 1, 2025 between the Authority and U.S. Bank Trust Company, National Association, as trustee.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Owner” shall mean the holders and/or beneficial owners from time to time of the Bonds.

“Reportable Event” shall mean any of the events listed on Schedule 2 hereto with respect to the Bonds.

“Trustee” shall mean the trustee under the Indenture.

**Section 2. Covenants of the System.** The System covenants to comply with all requirements of the Rule. In furtherance of the foregoing, and without limiting the generality thereof, the System agrees to provide to EMMA and to the Dissemination Agent, the Annual Financial Information within 150 days following the end of each Fiscal Year of the System and to provide notice after the occurrence of any Reportable Event, in a timely manner not in excess of ten (10) business days, to EMMA. In addition, the System covenants to provide notice in a timely manner to EMMA of a failure by the System to provide the Annual Financial Information as and when specified in the preceding sentence. At the same time that the System provides any Annual Financial Information or any notice to EMMA, the System shall provide a copy to the Authority and the Trustee. Financial statements will be prepared in accordance with generally accepted accounting principles. In the event that audited financial statements for any Fiscal Year are not available within 150 days after the end of such Fiscal Year, the System shall provide its unaudited financial statements for such Fiscal Year and shall provide the audited financial statements as soon as practicable after they become available for distribution.

The System represents and warrants that it has complied with its continuing disclosure obligations under the Rule with respect to obligations issued on its behalf prior to the date hereof. The Trustee shall have no duty to review, verify or analyze the Annual Financial Information or financial statements delivered to it hereunder and shall hold such Annual Financial Information and financial statements solely as a repository for the benefit of the Owners of the Bonds. The

Trustee shall not be deemed to have notice of any information contained therein, or default or Event of Default (as defined in the Indenture) which may be disclosed therein in any manner.

### **Section 3. Duties of Dissemination Agent; Fees and Expenses.**

(a) If, within 15 days prior to the applicable date specified in Section 2 hereof, the Dissemination Agent has not received a copy of the applicable Annual Financial Information, the Dissemination Agent shall notify the System and the Authority of such fact. The Dissemination Agent also shall notify the System and the Authority within two (2) business days of the occurrence of any Reportable Event of which a responsible officer of the Dissemination Agent's designated Corporate Trust Office has actual knowledge. In notifying the System and the Authority of such Reportable Event, the Dissemination Agent shall not be required to determine the materiality of such Reportable Event, or determine whether an unscheduled draw reflects financial difficulties.

(b) The Dissemination Agent shall have no responsibility or liability in connection with the System's filing obligations under this Disclosure Agreement, and it shall have no responsibility to review, and shall not be responsible for, the contents of any Annual Financial Information or Reportable Events report filed hereunder. The Dissemination Agent shall have only those duties specifically set forth in this Disclosure Agreement and no other duties shall be implied. Anything in this Disclosure Agreement to the contrary notwithstanding, in no event shall the Dissemination Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Dissemination Agent has been advised of the likelihood of such loss or damage and regardless of the form of action. The System shall pay the reasonable fees of the Dissemination Agent (as agreed to by the System and the Dissemination Agent) and shall, upon written request, promptly reimburse the Dissemination Agent for reasonable expenses of the Dissemination Agent incurred in carrying out its duties hereunder. This Section 3(b) shall survive the termination of this Disclosure Agreement or the removal or resignation of the Dissemination Agent or the System.

(c) The Dissemination Agent may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Dissemination Agent may consult with counsel and the advice or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance with such advice or opinion of counsel. The Dissemination Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed. None of the provisions of this Disclosure Agreement shall require the Dissemination Agent to expend or risk its own funds or otherwise to incur any financial liability in the performance of any of its duties hereunder. This provision shall not be

construed to limit the sovereign immunity of the Commonwealth of Pennsylvania or the System.

**Section 4. Termination of Reporting Obligations.** The System's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or the termination of the University Lease. If the System's obligations under the University Lease are assumed in full by some other entity and the System has been released from its obligations under the University Lease, such other entity shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the System and the System shall have no further responsibility hereunder except as provided in Section 3. In addition, the System's obligation to provide information and notices as specified in Section 2 hereof shall terminate at such other times as such information and notices (or any portion thereof) are no longer required to be provided by the Rule as it applies to the Bonds.

**Section 5. Amendment.** The System and the Dissemination Agent may amend this Disclosure Agreement, including amendments deemed necessary or appropriate in the judgment of the System (whether to reflect changes in the availability of information or in accounting standards or otherwise), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the undertakings of the System contained in Section 2 hereof or to Schedule 1 hereto, and such amendment is 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 the System or the type of business or operations conducted by the System;

(b) The undertakings contained in this Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond 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 either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners of the Bonds, the Authority or the Dissemination Agent.

The System shall provide notice of any amendment to this Disclosure Agreement to EMMA in a timely manner. Before being required to execute any proposed amendment to this Disclosure Agreement, the Dissemination Agent shall be provided with an opinion of counsel reasonably satisfactory to it to the effect that such proposed amendment is permitted under this Section 5.

**Section 6. Remedies for Default.** In the event of a breach or default by the System of its covenants to provide Annual Financial Information and notices as provided in Section 2 hereof, or a breach or default by the Dissemination Agent hereunder, the Dissemination Agent or any Owner

of Bonds shall have the right, but not the obligation, to bring an action in a court of competent jurisdiction to compel specific performance by the System, or the Dissemination Agent, as applicable. No monetary damages may be recovered under any circumstances for any breach or default by the System of its covenants hereunder. A breach or default under this Disclosure Agreement shall not constitute an Event of Default under the Indenture or the University Lease.

**Section 7. Reimbursement of Authority and Dissemination Agent.** The Authority shall have no responsibility or liability for this Disclosure Agreement or the System's obligations, including filing obligations, under this Disclosure Agreement, including, without limitation, financial information, operating data or notices provided under this Disclosure Agreement or for the contents of such filings or omissions therefrom. The System agrees to compensate and reimburse (to the extent permitted by law) the Authority, the Dissemination Agent and their respective members, officers, directors, employees and agents for any claims, loss, expense (including reasonable attorney's fees and expenses) or liability arising from or based upon this Disclosure Agreement and the transactions contemplated hereunder, including, without limitation, (i) any breach by the System of this Disclosure Agreement or (ii) any Annual Financial Information or notices provided under this Disclosure Agreement or any omissions therefrom when a final determination of liability on the part of the System is established by a court of law or when settlement has been agreed to by the System. This provision may not be construed to limit the sovereign immunity of the Commonwealth of Pennsylvania or the System. This Section 7 shall survive the termination of this Disclosure Agreement and the earlier removal or resignation of the Dissemination Agent.

**Section 8. Miscellaneous.**

(a) *Binding Nature of Agreement.* This Disclosure Agreement shall be binding upon the System and the Dissemination Agent and inure to the benefit of the System, the Authority and the Dissemination Agent and their respective successors and assigns.

(b) *Notices.* All notices and other communications required or permitted under this Disclosure Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mails, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

(i) If to the Authority:

Clarion County Industrial Development Authority  
330 North Point Drive, Suite 212  
Clarion, PA 16214  
Attention: Executive Director

(ii) If to the Dissemination Agent:

U.S. Bank Trust Company, National Association  
225 W. Station Square Drive, Suite 620  
Pittsburgh, PA 15219  
Attention: Corporate Trust Department

(iii) If to the System:

State System of Higher Education  
2300 Vartan Way, Suite 207  
Harrisburg, PA 17110  
Attention: Executive Vice Chancellor for Administration and  
Finance

Any party may alter the address to which communications are sent by giving notice of such change of address in conformity with the provision of this Section for the giving of notice

(c) *Execution in Counterparts.* This Disclosure Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Disclosure Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories.

(d) *Controlling Law.* This Disclosure Agreement and all questions relating to its validity, interpretation, performance and enforcement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania and the Rule (including any successor rule or regulation thereto).

(e) *Resignation.* The Dissemination Agent may resign and thereby become discharged from the duties as such under this Disclosure Agreement by notice given in accordance with subsection (b) above, such resignation to become effective on the earlier of the tenth (10th) day following the System's receipt of such notice (or at such different date as stated in such notice) or the effective date of the System's appointment of a new Dissemination Agent under this Disclosure Agreement.

(f) *Successor Dissemination Agent.* 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 of the corporate trust business of the Dissemination Agent in its individual capacity may be sold or otherwise transferred, shall be the Dissemination Agent hereunder without further act, provided that the Dissemination Agent shall provide the Authority and the System with at least 30 days prior written notice of such merger, conversion, consolidation or sale.

[SIGNATURE PAGE FOLLOWS]

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

STATE SYSTEM OF HIGHER EDUCATION.

By \_\_\_\_\_  
Authorized Officer



U.S. BANK TRUST COMPANY, NATIONAL  
ASSOCIATION, as Dissemination Agent

By \_\_\_\_\_  
Authorized Officer

[Signature Page to State System Disclosure Agreement - Clarion University Foundation, Inc.  
- 2025A, 2025B and 2025C]

## **SCHEDULE 1**

### **ANNUAL FINANCIAL INFORMATION**

The System will provide financial and operating data, including audited financial statements, generally consistent with the following information contained in Appendix B of the Official Statement dated \_\_\_\_\_, 2025 relating to the Bonds (the “Official Statement”) within 150 days following the end of each Fiscal Year of the System beginning with the Fiscal Year ending June 30, 2025: Accreditation; Degrees Awarded; Enrollment; Application and Admissions; Tuition, Student Fees and Competition; Freshman Enrollment Composition; Student Financial Aid; Commonwealth Appropriations; Unrestricted Net Assets; Faculty and Staff; and Outstanding Indebtedness.

## SCHEDULE 2

### REPORTABLE EVENTS

1. Principal and interest payment delinquencies.
2. Non-payment-related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
7. Modifications to rights of holders of the Bonds, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances of the Bonds.
10. Release, substitution or sale of property securing repayment of the Bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the System.
13. The consummation of a merger, consolidation or acquisition involving the System or the sale of all or substantially all of the assets of the System, 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.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a Financial Obligation of the System, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the System, any of which affect holders of the Bonds, if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the System, any of which reflect financial difficulties.
17. Failure to provide annual financial information as required.

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**CLARION COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY  
LEASE REVENUE REFUNDING BONDS (CLARION UNIVERSITY FOUNDATION, INC.), SERIES 2025A, SERIES 2025B (FEDERALLY TAXABLE) AND SERIES 2025C**



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