

In the opinion of Co-Bond Counsel, based upon certain assumptions and subject to conditions, qualifications and exceptions herein described, under existing laws, regulations, rulings, and judicial decisions, interest on the Series AV-1 Bonds is neither includable in gross income for federal income tax purposes nor a specific "item of tax preference" for purposes of the federal alternative minimum tax, provided, however, that interest paid to corporations is taken into account in determining adjusted current earnings for computing said alternative minimum tax. Under current Pennsylvania law, the Series AV Bonds are exempt from personal property taxes in Pennsylvania and interest on the Series AV Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. In the opinion of Co-Bond Counsel, interest on the Series AV-2 Bonds IS INCLUDABLE in gross income for purposes of federal income tax. For a more detailed description of Co-Bond Counsel's opinion including the aforementioned assumptions, qualifications and exceptions, see "TAX MATTERS" herein.

\$236,945,000
PENNSYLVANIA HIGHER EDUCATIONAL
FACILITIES AUTHORITY
(Commonwealth of Pennsylvania)
REVENUE BONDS
STATE SYSTEM OF HIGHER EDUCATION, SERIES AV
Consisting of:

\$102,345,000 Series AV-1
Revenue and Refunding Revenue Bonds

\$134,600,000 Series AV-2
Federally Taxable Revenue Bonds

Dated: Date of Delivery

Due: June 15, as shown on the inside front cover

The Series AV Bonds are issuable only as fully registered bonds without coupons, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series AV Bonds. Purchase of the Series AV Bonds will be made in book-entry only form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Series AV Bonds. So long as the Series AV Bonds are registered in the name of Cede & Co. as nominee of DTC, references herein to the registered owners shall mean Cede & Co., and shall not mean the Beneficial Owners of the Series AV Bonds. See "The Series AV Bonds - Book-Entry Only System" herein.

Principal of and interest on the Series AV Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., Philadelphia, Pennsylvania, as trustee (the "Trustee"). So long as DTC or its nominee, Cede & Co., is the registered owner of the Series AV Bonds, such payments will be made directly to it as registered owner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein. Interest will be payable on December 15 and June 15, commencing December 15, 2018, to the registered owners of record as of the pertinent record dates herein described.

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

The Series AV Bonds are limited obligations of the Authority and are secured under the provisions of the Indenture and the Loan Agreement, as each is defined herein, and are payable solely from payments to be received under the Loan Agreement by the Authority from the State System of Higher Education (the "System") and from certain funds held under the Indenture.

The scheduled payment of principal of and interest on the Series AV-2 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series AV-2 Bonds by **BUILD AMERICA MUTUAL**.



Neither the general credit of the Authority nor the credit or taxing power of the Commonwealth of Pennsylvania or of any political subdivision thereof is pledged for the payment of the principal of or the interest on the Series AV Bonds described above, nor shall such Series AV Bonds be deemed to be general obligations of the Authority or obligations of the Commonwealth of Pennsylvania or any political subdivision thereof, nor shall the Commonwealth of Pennsylvania or any political subdivision thereof be liable for the payment of the principal of or interest on the Series AV Bonds described above. The Authority has no taxing power.

The Series AV Bonds are offered when, as and if issued by the Authority and received by the Underwriters subject to receipt of the approving legal opinion of Kutak Rock LLP and Turner Law, P.C., both of Philadelphia, Pennsylvania, Co-Bond Counsel. Certain legal matters will be passed upon for the Authority by its counsel, Barley Snyder LLP, Lancaster, Pennsylvania, and for the System by its Chief Legal Counsel. It is expected that the Series AV Bonds in definitive form will be available for delivery in New York, New York on or about September 6, 2018.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Prospective purchasers of the Series AV Bonds must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The date of this Official Statement is August 23, 2018.

\$236,945,000
PENNSYLVANIA HIGHER EDUCATIONAL

FACILITIES AUTHORITY
(Commonwealth of Pennsylvania)
STATE SYSTEM OF HIGHER EDUCATION, SERIES AV

MATURITY SCHEDULES

\$102,345,000 Series AV-1 Revenue and Refunding Revenue Bonds

Maturity (June 15)	Amount	Interest	Yield	Price	CUSIP [†]
2019	\$9,330,000	5.000%	1.630%	102.582	70917S Z48
2020	3,545,000	5.000%	1.800%	105.562	70917S Z55
2021	7,710,000	5.000%	1.950%	108.196	70917S Z63
2022	9,145,000	5.000%	2.100%	110.468	70917SZ71
2023	7,970,000	5.000%	2.220%	112.525	70917S Z89
2024	7,755,000	5.000%	2.360%	114.171	70917S Z97
2025	2,390,000	5.000%	2.500%	115.488	70917S 2A0
2026	2,065,000	5.000%	2.630%	116.562	70917S 2B8
2027	2,170,000	5.000%	2.760%	117.347	70917S 2C6
2028	2,280,000	5.000%	2.850%	118.225	70917S 2D4
2029	2,395,000	5.000%	2.910%	117.665*	70917S 2E2
2030	2,510,000	4.000%	3.280%	105.975*	70917S 2F9
2031	2,615,000	4.000%	3.350%	105.376*	70917S 2G7
2032	2,715,000	4.000%	3.420%	104.780*	70917S 2H5
2033	2,825,000	4.000%	3.470%	104.357*	70917S 2J1
2034	2,940,000	4.000%	3.520%	103.936*	70917S 2K8
2035	3,055,000	3.500%	3.650%	98.126	70917S 2L6
2036	3,165,000	3.625%	3.700%	99.025	70917S 2M4
2037	3,280,000	3.750%	3.750%	100.000	70917S 2N2
2038	3,400,000	3.750%	3.800%	99.304	70917S 2P7

\$7,200,000 4.000% Term Bonds due: June 15, 2040 Yield: 3.750% Price 102.025*
CUSIP No. 70917S 2Q5

\$11,885,000 3.750% Term Bonds due: June 15, 2043 Yield: 3.900% Price 97.626
CUSIP No. 70917S 2R3

* Priced to the first optional redemption date of June 15, 2028.

[†] Copyright 2018, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. CUSIP numbers are included solely for the convenience of the holders of the Series AV Bonds and neither the Authority nor the System are responsible for the selection, uses or correctness (as listed above) of, or subsequent changes to, CUSIP numbers assigned to the Series AV Bonds.

MATURITY SCHEDULES

\$134,600,000 Series AV-2 Federally Taxable Revenue Bonds

Maturity (June 15)	Amount	Interest	Yield	Price	CUSIP [†]
2019	\$ 3,885,000	2.750%	2.750%	100.000	70917S 2S1
2020	2,625,000	2.950%	2.950%	100.000	70917S 2T9
2021	2,810,000	3.050%	3.050%	100.000	70917S 2U6
2022	3,005,000	3.200%	3.200%	100.000	70917S 2V4
2023	3,220,000	3.300%	3.300%	100.000	70917S 2W2
2024	3,445,000	3.375%	3.375%	100.000	70917S 2X0
2025	3,620,000	3.500%	3.500%	100.000	70917S 2Y8
2026	3,745,000	3.600%	3.600%	100.000	70917S 2Z5
2027	3,880,000	3.700%	3.700%	100.000	70917S 3A9
2028	4,015,000	3.850%	3.850%	100.000	70917S 3B7
2029	4,180,000	3.900%	3.900%	100.000	70917S 3C5
2030	4,345,000	3.950%	3.950%	100.000	70917S 3D3
2031	4,510,000	4.000%	4.000%	100.000	70917S 3E1
2032	4,695,000	4.050%	4.050%	100.000	70917S 3F8
2033	4,885,000	4.100%	4.100%	100.000	70917S 3G6

\$40,405,000 4.200% Term Bonds due: June 15, 2040 Yield: 4.200% Price 100.000
CUSIP No. 70917S 3H4

\$37,330,000 4.300% Term Bonds due: June 15, 2045 Yield: 4.300% Price 100.000
CUSIP No. 70917S 3J0

[†] Copyright 2018, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. CUSIP numbers are included solely for the convenience of the holders of the Series AV Bonds and neither the Authority nor the System are responsible for the selection, uses or correctness (as listed above) of, or subsequent changes to, CUSIP numbers assigned to the Series AV Bonds.

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

BOARD MEMBERS OF THE AUTHORITY

Honorable Thomas W. Wolf
Governor of the Commonwealth of Pennsylvania..... President

Honorable John H. Eichelberger, Jr.
Designated by the President Pro Tempore of the Senate..... Vice President

Honorable Andrew E. Dinniman
Designated by the Minority Leader of the Senate Vice President

Honorable Stanley E. Saylor
Designated by the Speaker of the House of Representatives..... Vice President

Honorable Joseph M. Torsella
State Treasurer..... Treasurer

Honorable Curtis M. Topper
Secretary of General Services..... Secretary

Honorable Anthony M. DeLuca
Designated by the Minority Leader of the House of Representatives Board Member

Honorable Eugene A. DePasquale
Auditor General Board Member

Honorable Pedro A. Rivera
Secretary of Education Board Member

EXECUTIVE DIRECTOR

Robert Baccon

AUTHORITY COUNSEL

(Appointed by the Office of General Counsel)

Barley Snyder LLP
Lancaster, Pennsylvania

TRUSTEE

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

CO-BOND COUNSEL

(Appointed by the Office of General Counsel)

Kutak Rock LLP	Turner Law, P.C.
Philadelphia, Pennsylvania	Philadelphia, Pennsylvania

FINANCIAL ADVISOR

to the State System of Higher Education

RBC Capital Markets, LLC
Philadelphia, Pennsylvania

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

No dealer, broker, salesman, or other person has been authorized by the Pennsylvania Higher Educational Facilities Authority, the State System of Higher Education or the Underwriter 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 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 Series AV Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the State System of Higher Education, and other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter or, as to information from other sources, by the Pennsylvania Higher Educational Facilities Authority or the State System of Higher Education. 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 or the date as of which particular information is given, if earlier.

The Series AV Bonds are not and will not be registered under the Securities Act of 1933, as amended, or under any state securities laws, and the Indenture has not been and will not be qualified under the Trust Indenture Act of 1939, as amended, in reliance on exemptions contained in such laws. Neither the Securities and Exchange Commission nor any federal, state, municipal or other governmental agency will pass upon the accuracy, adequacy or completeness of this Official Statement.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Series AV-2 Bonds or the advisability of investing in the Bonds. Series AV-2 Bonds In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance for the Series AV-2 Bonds" and "Appendix V - Specimen Municipal Bond Insurance Policy".

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OFFICIAL STATEMENT
\$236,945,000
PENNSYLVANIA HIGHER EDUCATIONAL
FACILITIES AUTHORITY
(COMMONWEALTH OF PENNSYLVANIA),
REVENUE BONDS
STATE SYSTEM OF HIGHER EDUCATION SERIES AV

Consisting of:

\$102,345,000 Series AV-1
Revenue and Refunding
Revenue Bonds

\$134,600,000 Series AV-2
Federally Taxable Revenue
Bonds

INTRODUCTION

This Introduction is qualified in all respects by the more detailed information appearing elsewhere in this Official Statement and in the Appendices hereto.

General

This Official Statement, including the cover page and the Appendices hereto, sets forth certain information concerning the issuance by the Pennsylvania Higher Educational Facilities Authority (the "Authority," the offices of which are located at 1035 Mumma Road, Wormleysburg, Pennsylvania 17043), of the Authority's Revenue Bonds, State System of Higher Education, Series AV, consisting of its \$102,345,000 Series AV-1 Revenue and Refunding Revenue Bonds (the "Series AV-1 Bonds") and its and its \$134,600,000 Series AV-2 Federally Taxable Revenue Bonds (the "Series AV-2 Bonds", and together with the Series AV-1 Bonds, sometimes referred to collectively, as the "Series AV Bonds"). The Authority is a body corporate and politic constituting a public corporation and a public instrumentality of the Commonwealth of Pennsylvania, created by The Pennsylvania Higher Educational Facilities Authority Act of December 6, 1967, P.L. 678, No. 318, as amended (the "Act"). See "**The Authority**" herein for certain information about the Authority.

The Series AV Bonds are being issued on behalf of the State System of Higher Education (the "System" or "SSHE"), 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"). See **Appendix I: "Certain Information Concerning Pennsylvania's State System of Higher Education"** for certain information concerning the System.

Certain capitalized terms used and not otherwise defined herein shall have the meaning assigned to them in **Appendix III: "Summary of Legal Documents -- Definitions of Certain Terms"**.

The Series AV Bonds

The Series AV Bonds are being issued by the Authority in the aggregate principal amount of \$236,945,000. They will be dated their date of delivery, and will bear interest from such date, payable June 15 and December 15, commencing December 15, 2018, at the rates set forth on the inside of the front cover page hereof and shall be subject to redemption prior to maturity as described herein. See "**The Series AV Bonds -- Redemption Provisions**" herein.

The Series AV Bonds will be issued pursuant to the Act and an Indenture of Trust dated as of June 1, 1985 (the "Original Indenture"), as previously supplemented and as further supplemented by a Forty-Fourth Supplemental Indenture of Trust dated as of September 1, 2018 (collectively, the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., Philadelphia, Pennsylvania, as trustee (the "Trustee"). The Series AV Bonds will be equally and ratably secured (as and to the extent described below) with the Outstanding bonds of forty-six prior series under the Indenture (such prior bonds are referred to collectively herein as the "Prior Bonds"). The Prior Bonds, the Series AV Bonds and any Additional Bonds which may be Outstanding from time to time under the Indenture are referred to collectively herein as "Bonds." As of July 1, 2018, there was a total of \$1,035,570,000 in aggregate principal amount of Prior Bonds outstanding. See **"Sources of and Security for Payment of the Series AV Bonds"** herein.

The Series AV Bonds are issuable only as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. See **"The Series AV Bonds -- Book-Entry Only System"** herein.

Use of Proceeds

Pursuant to a Loan and Security Agreement dated as of June 1, 1985, between the Authority and the System, as previously supplemented and as further supplemented, in particular by a Forty-Fourth Supplemental Loan and Security Agreement dated as of September 1, 2018 (collectively, the "Loan Agreement"), the Authority will lend the proceeds of the Series AV Bonds to the System, which will use such proceeds as more fully described herein under **"Sources and Uses of Funds"** and **"Plan of Finance."**

Security for the Series AV Bonds

The Series AV Bonds are being issued on a parity (except as to certain funds held under the Indenture) with the Prior Bonds and any Additional Bonds with respect to the amounts payable by the System under the Loan Agreement and by an assignment to the Trustee of all the right, title, and interest of the Authority in and to the Loan Agreement (except for the Authority's right to payment of certain fees and expenses and to indemnification), including such amounts payable thereunder. **The Loan Agreement is an unsecured general obligation of the System and the full faith and credit of the System is pledged to the payment of all sums due thereunder.** See **"Sources of and Security for Payment of the Series AV Bonds"** and **Appendix III: "Summary of Legal Documents"** herein.

Neither the general credit of the Authority nor the credit or taxing power of the Commonwealth of Pennsylvania or of any political subdivision thereof is pledged for the payment of the principal of or the interest on the Series AV Bonds, nor shall the Series AV Bonds be deemed to be general obligations of the Authority or obligations of the Commonwealth of Pennsylvania or any political subdivision thereof, nor shall the Commonwealth of Pennsylvania or any political subdivision thereof be liable for the payment of the principal of or interest on the Series AV Bonds. The Authority has no taxing power.

Availability of Documents

The general descriptions of various legal documents set forth in this Official Statement do not purport to be comprehensive or definitive and reference should be made to each document for the terms and provisions thereof. Copies of all documents referred to herein are available for inspection during normal business hours at the designated corporate trust office of the Trustee in Philadelphia, Pennsylvania. All statements herein are qualified in all respects by reference to such document in its entirety.

THE SERIES AV PROJECT

As further discussed below, the Series AV Bonds are being issued to finance the costs of the Series AV-1 Project and the Series AV-2 Project as further discussed and defined below.

The Series AV-1 Project. The Series AV-1 Bonds are being issued to provide funds to the System to finance: (i) construction of a mixed-use facility incorporating classrooms, office, and laboratory space, as well as a new dining facility and parking garage at West Chester University of Pennsylvania; (ii) the current refunding of certain of the Authority's State System of Higher Education Revenue Bonds, Series AG of 2008; (iii) the current refunding of certain of the Authority's State System of Higher Education Revenue Bonds, Series AI of 2008; and (iv) contingencies and payment of costs and expenses incident to the issuance of the Series AV-1 Bonds (collectively, the "Series AV-1 Project").

The Series AV-2 Project. The Series AV-2 Bonds are being issued to provide funds to the System to finance: (i) acquisition of a student housing facility at Shippensburg University of Pennsylvania from Shippensburg University Student Services, Inc.; and (ii) contingency and issuance costs related to the Series AV-2 Bonds (collectively, the "Series AV-2 Project," and together with the Series AV-1 Project, the "Series AV Project").

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The Refunded Bonds

Series AG Bonds being refunded are as set forth below (the “Refunded Series AG Bonds”).

(June 15)		
<u>Maturity</u>	<u>Principal</u>	<u>CUSIP</u>
2019	\$6,165,000	70917 RPM1
2021	4,360,000	70917 RPN9
2022	4,565,000	70917 RPP4
2023	4,805,000	70917 RPQ2
2024	5,070,000	70917 RPR0

Portions of the Series AI Bonds being refunded will be selected by lot from the maturities in the principal amounts set forth below (the “Refunded Series AI Bonds” and together with the Refunded Series AG Bonds, the “Refunded Bonds”).

(June 15)		
<u>Maturity</u>	<u>Principal</u>	<u>CUSIP</u>
2019	\$2,125,000	70917R ST3
2020	2,205,000	70917R SUO
2021	2,300,000	70917R SV8
2022	3,435,000	70917R SW6
2023	1,890,000	70917R SX4
2024	1,290,000	70917R SY2
2025	450,000	70917R SZ9

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth estimated sources and uses of funds for the Series AV Project:

Sources:

	<u>Series AV-1</u>	<u>Series AV-2</u>	<u>Total</u>
Series AV Bond Proceeds	\$102,345,000.00	\$134,600,000.00	\$236,945,000.00
Plus Original Issue Premium	<u>6,462,704.60</u>	-	<u>6,462,704.60</u>
Total Sources:	<u>\$108,807,704.60</u>	<u>\$134,600,000.00</u>	<u>\$243,407,704.60</u>

Uses:

	<u>Series AV-1 Project</u>	<u>Series AV-2 Project</u>	<u>Total</u>
Series AV Bond Proceeds Fund (Project)	\$68,527,000.00	\$133,006,164.40	\$201,533,164.40
Series AV Bond Proceeds Fund (Redemption) ⁽¹⁾	39,045,543.13	-	39,045,543.13
Issuance Costs ⁽²⁾	167,009.22	227,645.60	392,645.82
Underwriters' Discount	<u>1,068,152.25</u>	<u>1,366,190.00</u>	<u>2,434,342.25</u>
Total Uses:	<u>\$108,807,704.60</u>	<u>\$134,600,000.00</u>	<u>\$243,407,704.60</u>

(1) A portion of the proceeds of the Series AV-1 Bonds in the amount of \$39,045,543.13 will be irrevocably deposited to redeem a portion of the Refunded Bonds upon settlement of the Series AV Bonds.

(2) Includes fees and expenses of Co-Bond Counsel, the Financial Advisor, the Authority, the Trustee, rating agency fees, printing fees and miscellaneous fees and expenses.

THE AUTHORITY

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

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

Under the Act, the Board of the Authority (the "Board") consists of the Governor of the Commonwealth, the State Treasurer, the Auditor General, the Secretary of the Department of Education, the Secretary of the Department of General Services, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Minority Leader of the House of Representatives and the Minority Leader of the Senate. Pursuant to the Act, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Minority Leader of the Senate and the Minority Leader of the House of Representatives may designate a member of their respective legislative bodies to act as a member of the Authority in their stead. The members of the Board serve without compensation but are entitled to reimbursement for all

necessary expenses incurred in connection with the performance of their duties as members. The powers of the Authority are exercised by the Board.

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

The Authority may in the future issue other series of bonds for the purpose of financing projects for educational institutions in the Commonwealth. Each such series of bonds will be secured by instruments separate and apart from the Indenture securing the Series AV Bonds, except for any Additional Bonds issued thereunder.

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

The Series AV Bonds are being issued under the Act pursuant to a resolution of the Authority adopted on August 1, 2018, and pursuant to the Indenture.

Except for the Prior Bonds and any Additional Bonds, none of the revenues of the Authority with respect to any of the revenue bonds and notes referred to above are pledged as security for any of the Series AV Bonds and, conversely, the revenue bonds and notes referred to above are not payable from or secured by the revenues of the Authority or other moneys securing the Series AV Bonds. See **"Sources of and Security for Payment of the Series AV Bonds"**.

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

Robert Baccon, Executive Director

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

David Player, Comptroller & Director of Financial Management

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

Beverly M. Nawa, Administrative Officer

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

THE SERIES AV BONDS

Description of the Series AV Bonds

The Series AV Bonds shall be dated their date of delivery, will mature on the dates and in the amounts and shall be payable as to interest, on June 15 and December 15 of each year commencing December 15, 2018, at the rates set forth on the inside of the cover page hereof. The Series AV Bonds shall be subject to redemption prior to maturity as described below.

The Series AV Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. Purchases of the Series AV Bonds will be made in book-entry only form, in denominations of \$5,000 and any integral multiple thereof. Beneficial Owners will not receive certificates representing their interests in the Series AV Bonds purchased. So long as Cede & Co. is the registered owner, as nominee of DTC, references herein to the registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series AV Bonds. See "Book-Entry Only System" below.

Principal of and interest on the Series AV Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., Philadelphia, Pennsylvania, as Trustee. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series AV Bonds, such payments will be made directly to it as registered owner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

Book-Entry-Only System

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC, AND THE SYSTEM, THE AUTHORITY AND THE TRUSTEE TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

Purchasers of Series AV Bonds (the "Beneficial Owners") will not receive certificates representing their interest in the Series AV Bonds. Purchases of beneficial interests in the Series AV Bonds will be made in book-entry only form in Authorized Denominations by credit to participating broker-dealers and other institutions on the books of DTC as described herein. Payments of principal of and interest on the Series AV Bonds will be made by the Trustee directly to DTC as the registered Owner thereof. Disbursement of such payments to the Direct Participants (as hereinafter defined) is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the Direct

Participants and the Indirect Participants (as hereinafter defined), as more fully described herein. Any purchaser of beneficial interests in the Series AV Bonds must maintain an account with a broker or dealer who is, or acts through, a Direct Participant to receive payment of the principal of and interest on such Series AV Bonds.

The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Series AV Bonds (the "Bond Depository"). The Series AV Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series AV Bonds, each in the aggregate principal amount of the Series AV Bonds of such maturity, 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series AV Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series AV Bonds on DTC's records. The ownership interest of each 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 Series AV 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 Series AV Bonds, except in the event that use of the book-entry system for the Series AV Bonds is discontinued.

To facilitate subsequent transfers, all Series AV 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 Series AV Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series AV Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series AV 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 Series AV Bonds may wish to take certain steps to augment the transmission to them of notices

of significant events with respect to the Series AV Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond Documents. For example, Beneficial Owners of the Series AV Bonds may wish to ascertain that the nominee holding the Series AV 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 Series AV 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 Series AV Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series AV Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series AV Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

SO LONG AS CEDE & CO., AS THE NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE SERIES AV BONDS, THE AUTHORITY AND THE TRUSTEE WILL TREAT CEDE & CO. AS THE ONLY REGISTERED OWNER OF THE SERIES AV BONDS FOR ALL PURPOSES UNDER THE INDENTURE, INCLUDING RECEIPT OF ALL PRINCIPAL OF AND INTEREST ON THE SERIES AV BONDS, RECEIPT OF NOTICES, AND VOTING.

The Trustee will pay principal of and interest on the Series AV Bonds to or upon the order of the respective Owners, as shown on the Bond Register, or upon their respective attorneys duly authorized in writing, as provided in the Indenture, and all such payments will be valid and effective to fully satisfy the Authority's obligations with respect to the payment of principal and interest on the Series AV Bonds to the extent of the sum or sums so paid. Upon delivery by the nominee of DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of the existing nominee, and subject to the provisions of the Indenture with respect to record dates, the word "Cede & Co." in the Indenture will refer to such new nominee of DTC.

In the event the Authority or the Trustee receives written notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities, and the Authority is unable to find a substitute depository, in the opinion of the

Authority, willing and able to undertake the functions of the Bond Depository upon reasonable and customary terms, then the Series AV Bonds will no longer be restricted to being registered in the Bond Register in the name of the nominee of DTC or DTC, but may be registered in whatever name or names the Beneficial Owners (as certified by DTC) transferring or exchanging the Series AV Bonds will designate, in accordance with the provisions of the Indenture.

In the event the Authority determines that it is in the best interests of the Beneficial Owners of the Series AV Bonds that they be able to obtain bond certificates, the Authority may notify DTC and the Trustee, whereupon DTC will notify the Direct Participants and Indirect Participants of the availability through the nominee or DTC of bond certificates. In such event, the Trustee will issue, transfer, and exchange Series AV Bond certificates as requested by DTC and any other Bondowners in appropriate amounts, and whenever the Bond Depository requests the Authority and the Trustee to do so, the Authority and the Trustee will cooperate with DTC by taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Series AV Bonds to any nominee or Direct Participant having Series AV Bonds credited to its account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Series AV Bonds.

Notwithstanding any other provision described herein or contained in the Indenture to the contrary, so long as any Series AV Bond is registered in the name of the nominee of DTC, all payments with respect to the principal of and interest on such Series AV Bond will be made and given, respectively, to the nominee or DTC in the manner provided in the Blanket Letter of Representation entered into between DTC and the Authority.

In connection with any notice or communication to be provided to Series AV Bondowners pursuant to the Indenture by the Authority or the Trustee with respect to any consent or other action to be taken by Bondowners, the Authority, or the Trustee, as the case may be, will establish a record date for such consent or other action and give the nominee or DTC notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible.

THE SYSTEM, THE AUTHORITY AND THE TRUSTEE HAVE NO RESPONSIBILITY OR OBLIGATIONS TO THE DIRECT OR INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT; (B) THE PAYMENT BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES AV BONDS; (C) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BONDOWNERS; (D) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES AV BONDS; OR (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS REGISTERED BONDOWNER.

Redemption Provisions

The Series AV Bonds are subject to redemption as follows:

Optional Redemption: The Series AV Bonds maturing on and after June 15, 2029 are subject to optional redemption prior to maturity by the Authority at the written direction of the System in whole at any time or in part from time to time, on and after June 15, 2028 at a redemption price equal to one hundred percent (100%) of the principal amount thereof, plus accrued interest thereon to the date of redemption. Any partial redemption may be in any order of maturity and in any principal amount within a maturity as designated by the System by lot within a maturity. The Series AV Bonds to be redeemed within any maturity will be selected by the Trustee by lot.

Mandatory Redemption: The Series AV-1 Bonds maturing on June 15, 2040 are subject to mandatory redemption at a price of 100% of the principal amount thereof in advance of their maturity date, as provided in the table below:

Year (June 15)	Principal Amount
2039	\$3,530,000
2040*	3,670,000

The Series AV-1 Bonds maturing on June 15, 2043 are subject to mandatory redemption at a price of 100% of the principal amount thereof in advance of their maturity date, as provided in the table below:

Year (June 15)	Principal Amount
2041	\$3,815,000
2042	3,960,000
2043*	4,110,000

The Series AV-2 Bonds maturing on June 15, 2040 are subject to mandatory redemption at a price of 100% of the principal amount thereof in advance of their maturity date, as provided in the table below:

Year (June 15)	Principal Amount
2034	\$5,090,000
2035	5,295,000
2036	5,515,000
2037	5,755,000
2038	5,995,000
2039	6,245,000
2040*	6,510,000

The Series AV-2 Bonds maturing on June 15, 2045 are subject to mandatory redemption at a price of 100% of the principal amount thereof in advance of their maturity date, as provided in the table below:

Year (June 15)	Principal Amount
2041	\$6,780,000
2042	7,075,000
2043	7,375,000
2044	10,410,000
2045*	5,690,000

*Stated Maturity

The Series AV Term Bonds shall be subject to mandatory redemption by lot, prior to maturity, at a redemption price of one hundred percent (100%) of the principal amount thereof, plus accrued interest to the date of redemption, from moneys deposited in a sinking fund established for the Series AV Bonds within the Revenue Fund established under the

* Stated Maturity

Indenture. The principal amount of the Series AV Bonds otherwise required to be redeemed may be reduced by the principal amount of Series AV Bonds previously called for extraordinary optional redemption or theretofore delivered to the Trustee by the System in lieu of cash payments under the Loan Agreement or purchased by the Trustee out of moneys in the Revenue Fund established under the Indenture and which have not theretofore been applied as a credit against any sinking fund installment.

Extraordinary Optional Redemption: The Series AV Bonds will be subject to redemption prior to maturity at the option of the Authority, at the direction of the System, in whole at any time, or in part from time to time, with respect to the Series AV Bonds in any order of maturity selected by the System, and within any maturity by lot, upon payment of a redemption price equal to one hundred percent (100%) of the principal amount thereof, plus accrued interest to the date of redemption, but only in the event that all or a portion of the Series AV Projects financed or refinanced with the proceeds of the Series AV Bonds are damaged, destroyed or condemned, or sold under threat of condemnation, and it is determined that repair or reconstruction is not desirable, practical or financially feasible, from and to the extent of insurance proceeds, condemnation awards or proceeds of sale in lieu of condemnation received by the Trustee as a result of such damage, destruction, condemnation or sale under threat of condemnation.

Notice of Redemption: Notice of any redemption, identifying the Series AV Bonds or portions thereof to be redeemed, will be given not more than 45 nor less than 30 days prior to the redemption date, by first-class mail, postage prepaid, to the registered owners of the Series AV Bonds to be redeemed. Any defect in the notice or the mailing thereof with respect to any Series AV Bond will not affect the validity of the redemption as to any other Series AV Bonds. No further interest will accrue on the principal of any Series AV Bonds called for redemption after the date fixed for redemption if payment of the redemption price thereof has been duly provided for, and the registered owners of such Series AV Bonds will have no rights under the Indenture except to receive payment of the redemption price thereof and unpaid interest accrued to the date fixed for redemption. If the notice so specifies, a call for redemption may be conditioned on the deposit of funds for redemption by the redemption date, in the absence of which deposit the call for redemption would be of no effect. The Trustee will not be responsible for mailing notices of redemption to anyone other than DTC or its nominee as long as DTC acts as securities depository for the Series AV Bonds.

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DEBT SERVICE REQUIREMENTS ON THE SERIES AV BONDS AND THE PRIOR BONDS

The following tables set forth, for each of the periods indicated, the amounts required in such periods to be made available for the captioned purposes:

Fiscal Year Ended June 30	Series AV-1 Bonds			Series AV-2 Bonds			Prior Bonds		Refunding Bonds		Total	
	Principal	Interest	Total	Principal	Interest	Total	Total Debt	Service ¹	Debt	Service	Debt	Service
2019	\$9,330,000	\$3,555,540.16	\$12,885,540.16	\$3,885,000	\$4,150,904.85	\$8,035,904.85	\$119,136,695.08	\$119,136,695.08	\$10,003,525.00	\$10,003,525.00	\$130,054,615.09	\$130,054,615.09
2020	3,545,000	4,121,293.76	7,666,293.76	2,625,000	2,625,000	5,249,168.76	7,874,168.76	7,874,168.76	3,586,925.00	3,586,925.00	136,056,582.60	136,056,582.60
2021	7,710,000	3,944,043.76	11,654,043.76	2,810,000	5,171,731.26	7,981,731.26	105,469,676.36	105,469,676.36	7,950,968.78	7,950,968.78	117,154,482.60	117,154,482.60
2022	9,145,000	3,558,543.76	12,703,543.76	3,005,000	5,086,026.26	8,091,026.26	102,792,026.36	102,792,026.36	9,007,918.78	9,007,918.78	114,578,677.60	114,578,677.60
2023	7,970,000	3,101,293.76	11,071,293.76	3,220,000	4,989,866.26	8,209,866.26	100,482,760.10	100,482,760.10	7,324,387.52	7,324,387.52	112,439,532.60	112,439,532.60
2024	7,755,000	2,702,793.76	10,457,793.76	3,445,000	4,883,606.26	8,328,606.26	103,589,840.08	103,589,840.08	6,666,450.00	6,666,450.00	115,709,790.10	115,709,790.10
2025	2,390,000	2,315,043.76	4,705,043.76	3,620,000	4,767,337.50	8,387,337.50	75,296,185.08	75,296,185.08	470,250.00	470,250.00	87,918,316.34	87,918,316.34
2026	2,065,000	2,195,543.76	4,260,543.76	3,745,000	4,640,637.50	8,385,637.50	70,982,546.36	70,982,546.36			83,628,727.62	83,628,727.62
2027	2,170,000	2,092,293.76	4,262,293.76	3,880,000	4,505,817.50	8,385,817.50	66,192,301.36	66,192,301.36			78,840,412.62	78,840,412.62
2028	2,280,000	1,983,793.76	4,263,793.76	4,015,000	4,362,257.50	8,377,257.50	62,420,237.60	62,420,237.60			75,061,288.86	75,061,288.86
2029	2,395,000	1,869,793.76	4,264,793.76	4,180,000	4,207,680.00	8,387,680.00	58,124,893.82	58,124,893.82			70,777,367.58	70,777,367.58
2030	2,510,000	1,750,043.76	4,260,043.76	4,345,000	4,044,660.00	8,389,660.00	53,756,356.32	53,756,356.32			66,406,060.08	66,406,060.08
2031	2,615,000	1,649,643.76	4,264,643.76	4,510,000	3,873,032.50	8,383,032.50	49,535,100.06	49,535,100.06			62,182,776.32	62,182,776.32
2032	2,715,000	1,545,043.76	4,260,043.76	4,695,000	3,692,632.50	8,387,632.50	44,213,875.06	44,213,875.06			56,861,551.32	56,861,551.32
2033	2,825,000	1,436,443.76	4,261,443.76	4,885,000	3,502,485.00	8,387,485.00	43,592,956.30	43,592,956.30			56,241,885.06	56,241,885.06
2034	2,940,000	1,323,443.76	4,263,443.76	5,090,000	3,302,200.00	8,392,200.00	38,099,247.52	38,099,247.52			50,754,891.28	50,754,891.28
2035	3,055,000	1,205,843.76	4,260,843.76	5,295,000	3,088,420.00	8,383,420.00	36,304,230.02	36,304,230.02			48,948,493.78	48,948,493.78
2036	3,165,000	1,098,918.76	4,263,918.76	5,515,000	2,866,030.00	8,381,030.00	35,929,080.00	35,929,080.00			48,574,028.76	48,574,028.76
2037	3,280,000	984,187.50	4,264,187.50	5,755,000	2,634,400.00	8,389,400.00	29,203,437.50	29,203,437.50			41,857,025.00	41,857,025.00
2038	3,400,000	861,187.50	4,261,187.50	5,995,000	2,392,690.00	8,387,690.00	24,757,231.26	24,757,231.26			37,406,108.76	37,406,108.76
2039	3,530,000	733,687.50	4,263,687.50	6,245,000	2,140,900.00	8,385,900.00	22,503,618.76	22,503,618.76			35,153,206.26	35,153,206.26
2040	3,670,000	592,487.50	4,262,487.50	6,510,000	1,878,610.00	8,388,610.00	22,207,487.50	22,207,487.50			34,858,585.00	34,858,585.00
2041	3,815,000	445,687.50	4,260,687.50	6,780,000	1,605,190.00	8,385,190.00	15,708,537.50	15,708,537.50			28,354,415.00	28,354,415.00
2042	3,960,000	302,625.00	4,262,625.00	7,075,000	1,313,650.00	8,388,650.00	10,801,975.00	10,801,975.00			23,453,250.00	23,453,250.00
2043	4,110,000	154,125.00	4,264,125.00	7,375,000	1,009,425.00	8,384,425.00	7,229,000.00	7,229,000.00			19,877,550.00	19,877,550.00
2044				10,410,000	692,300.00	11,102,300.00	2,870,550.00	2,870,550.00			13,972,850.00	13,972,850.00
2045				5,690,000	244,670.00	5,934,670.00	871,900.00	871,900.00			6,806,570.00	6,806,570.00
2046							871,000.00	871,000.00			871,000.00	871,000.00
2047							873,750.00	873,750.00			873,750.00	873,750.00
2048							875,000.00	875,000.00			875,000.00	875,000.00
2049							874,750.00	874,750.00			874,750.00	874,750.00
2050							873,000.00	873,000.00			873,000.00	873,000.00
2051							874,750.00	874,750.00			874,750.00	874,750.00
2052							874,750.00	874,750.00			874,750.00	874,750.00
2053							873,000.00	873,000.00			873,000.00	873,000.00
2054							874,500.00	874,500.00			874,500.00	874,500.00
2055							504,000.00	504,000.00			504,000.00	504,000.00
TOTAL	<u>\$102,345,000.00</u>	<u>45,523,346.58</u>	<u>\$147,868,346.58</u>	<u>\$134,600,000.00</u>	<u>\$90,296,328.65</u>	<u>\$224,896,328.65</u>	<u>\$1,434,543,290.08</u>	<u>\$1,434,543,290.08</u>	<u>\$45,010,425.08</u>	<u>\$45,010,425.08</u>	<u>\$1,762,297,540.23</u>	<u>\$1,762,297,540.23</u>

¹ Includes \$8,990,000 of principal from the Series AL Bonds of the Authority that was internally defeased.

SOURCES OF AND SECURITY FOR PAYMENT OF THE SERIES AV BONDS

The Series AV Bonds are limited obligations of the Authority, payable solely from (i) payments received from the System under the Loan Agreement, and (ii) moneys held by the Trustee in funds established under the Indenture excepting, however, sinking or Indenture funds pledged to a specific series of Bonds.

Under the Loan Agreement, the System pledges its full faith and credit to the timely payment of the amounts payable and to the performance of the acts required of it thereunder. The Loan Agreement constitutes an unsecured general obligation of the System and does not limit the ability of the System to incur additional indebtedness. In accordance with the Loan Agreement, the System may pledge up to twenty percent (20%) of its tuition receipts and Commonwealth appropriations to secure any indebtedness it may incur or any guaranties it may undertake without providing similar pledges to the owners of the Series AV Bonds. As of the date hereof, no such pledge has been made by the System.

Additional Bonds

The Authority may issue Additional Bonds on parity with the Series AV Bonds (other than with respect to certain funds under the Indenture). In connection with the issuance of Additional Bonds, additional funds may be established under the Indenture for the benefit of such additional series. In such event, the holders of the Series AV Bonds will have no claims or right to any such funds. For a further description of the conditions under which such Additional Bonds may be issued, see **Appendix III: "Summary of Legal Documents: The Indenture -- Additional Bonds"**.

No Recourse

All covenants, stipulations, promises, agreements and obligations of the Authority contained in the Indenture are deemed to be covenants, stipulations, promises, agreements and obligations of the Authority and not of any member, officer or employee of the Authority in his or her individual capacity, and no recourse shall be had for the payment of the principal or redemption price of or interest on the Series AV Bonds or for any claim based thereon or on the Indenture against any member, officer or employee of the Authority or any person executing the Series AV Bonds.

BOND INSURANCE FOR THE SERIES AV-2 BONDS

BOND INSURANCE POLICY

Concurrently with the issuance of the Series AV-2 Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series AV-2 Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2018 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$519.5 million, \$99.3 million and \$420.2 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par

insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

CERTAIN BONDHOLDERS' RISKS

Introduction

The Series AV Bonds constitute limited obligations of the Authority, payable solely from the payments to be made by the System pursuant to the Loan Agreement. Future revenues and expenses of the System are subject to change, and no assurance can be given that the System will be able to generate sufficient revenues to meet its obligations, including its obligations under the Loan Agreement.

The purchase of the Series AV Bonds involves numerous investment risks, some of which are referred to in this Official Statement. No representation is made that the risks described or referred to in this Official Statement constitute all of the risks associated with investing in the Series AV Bonds. Accordingly, prior to making a decision to invest in the Series AV Bonds, each prospective purchaser thereof should make an independent evaluation of all of the information presented in this Official Statement, including the Appendices, and should review other pertinent information. **The Authority has made no independent investigation of the extent to which any such factors may have an adverse effect on the revenues of the System.**

General

There are a number of factors affecting institutions of higher education, including the System, that could have an adverse effect on the System's financial position and its ability to make the payments required under the Loan Agreement, including the debt service payments on the Series AV Bonds. These factors include, but are not limited to, competition with other educational institutions; an economic downturn in the regions served by the System; changing demographics in the regions served by the 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. See **Appendix I: "Certain Information Concerning Pennsylvania's State System of Higher Education"**. Appendix I should be read in its entirety.

Certain State Appropriations

A substantial portion of the System's operating revenues consists of appropriations made to the System by the Commonwealth of Pennsylvania. 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 I: "Certain Information Concerning Pennsylvania's State System of Higher Education - Commonwealth Appropriations"** for a discussion of such appropriations.

NCHEMS Report

Appendix I refers to a report released on July 21, 2017, by The National Center for Higher Education Management Systems (NCHEMS) which had been engaged by the Board of Governors to assist the System in addressing some of the issues referred to above ("NCHEMS Report"). The NCHEMS Report states in part, in its Executive Summary,

The twin challenges of demographic decline and diminished state support confront the Pennsylvania State System of Higher Education with a bleak fiscal future. Several of its institutions are now in immediate crisis. If current trends continue, it is just a matter of time before all of the universities become financially unsustainable.

See **Appendix I – Certain Information Concerning Pennsylvania's State System of Higher Education – Strategic System Review** for a further discussion regarding the System's response to the report.

LEGALITY FOR INVESTMENT

Under the Act, the Series AV Bonds are designated securities in which all officers of the Commonwealth and its political subdivisions and 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, and the Series AV Bonds are securities which properly and legally may be deposited with, and received by, any Commonwealth or municipal officers or agency of the Commonwealth for any purpose for which the deposit of bonds or other obligations of the Commonwealth is authorized by law.

NEGOTIABILITY

Under the Act, the Series AV Bonds have all the qualities of negotiable instruments under the law merchant and the laws of the Commonwealth relating to negotiable instruments.

TAX MATTERS

Federal – Series AV-1 Bonds

General. Co-Bond Counsel will deliver, concurrently with the issuance of the Series AV-1 Bonds their opinions to the effect that under existing statutes, regulations, rulings and court decisions, interest on the Series AV-1 Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"). Interest paid on the Series AV-1 Bonds will not be a specific preference item for purposes of calculating individual or corporate alternative minimum taxable income; however, interest on the Series AV-1 Bonds is included in adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations.

Original Issue Discount. Certain maturities of the Series AV-1 Bonds have been offered at a discount ("original issue discount") equal, generally, to the difference between public offering price and principal amount. For federal income tax purposes, original issue discount on a Series AV-1 Bond accrues periodically over the term of the Bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holder's tax basis in the Series AV-1 Bond for determining taxable gain or loss from sale or from redemption

prior to maturity. Prospective purchasers of the Series AV-1 Bonds should consult their tax advisers for an explanation of the treatment of original issue discount.

Original Issue Premium. Certain maturities of the Series AV-1 Bonds have been offered at a premium (“original issue premium”) over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically to the call date that produces the lowest yield through reductions in the holder’s tax basis for the Series AV-1 Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Series AV-1 Bond rather than creating a deductible expense or loss. Prospective purchasers of the Series AV-1 Bonds should consult their tax advisers for an explanation of the treatment of original issue premium.

Code Requirements. The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series AV-1 Bonds. Ongoing requirements include, among other things, the provisions of Section 148 of the Code which prescribe yield and other limits within which the proceeds of the Series AV Bonds are to be invested and which may require that certain excess earnings on investments made with the proceeds of the Series AV-1 Bonds be rebated on a periodic basis to the United States. The Authority and the System have made certain representations and undertaken certain agreements and covenants in the Indenture and in their tax compliance agreement to be delivered concurrently with the issuance of the Series AV-1 Bonds designed to ensure compliance with the applicable provisions of the Code. The inaccuracy of these representations or the failure on the part of the Authority or the System to comply with such covenants and agreements could result in the interest on the Series AV-1 Bonds being included in the gross income of a holder for federal income tax purposes, in certain cases retroactive to the date of original issuance of the Series AV-1 Bonds.

Co-Bond Counsel’s Assumptions. The opinion of Co-Bond Counsel assumes the accuracy of these representations and the future compliance by the Authority and the System with their covenants and agreements. Moreover, Co-Bond Counsel has not undertaken to evaluate, determine or inform any person, including any holder of Series AV-1 Bonds, whether any actions taken or not taken, events occurring or not occurring, or other matters that might come to the attention of Co-Bond Counsel would adversely affect the value of, or tax status of the interest on, the Series AV-1 Bonds.

No Opinion as to Collateral Tax Consequences. Ownership of the Series AV-1 Bonds may result in collateral federal tax consequences to certain taxpayers, including, without limitation, financial institutions, S corporations with excess net passive income, property and casualty insurance companies, individual recipients of social security or railroad retirement benefits and taxpayers who may be deemed to have incurred indebtedness to purchase or carry the Series AV-1 Bonds. Co-Bond Counsel will express no opinion with respect to these or any other collateral tax consequences of the ownership of the Series AV-1 Bonds. The nature and extent of the tax benefit to a taxpayer of ownership of the Series AV-1 Bonds will generally depend upon the particular nature of such taxpayer or such taxpayer’s own particular circumstances, including other items of income or deduction. Accordingly, prospective purchasers of the Series AV-1 Bonds should consult their tax advisers.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on obligations such as the Series AV-1 Bonds is subject to information reporting in a manner similar to interest paid on other investment obligations. Backup withholding may be imposed on payments made after March 31, 2007, to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The new reporting requirement does not in and of itself affect or alter the excludability of interest on the Series AV-1 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling obligations such as the Series AV-1 Bonds.

Possible Adverse Effect of Changes in Law or Policy. There can be no assurance that currently existing or future legislative proposals by the United States Congress limiting or further qualifying the excludability of interest on tax-exempt

bonds from gross income for federal tax purposes, or changes in federal tax policy generally, will not adversely affect the tax status of the interest on, or the market for, the Series AV-1 Bonds.

Federal – Series AV-2 Bonds

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series AV-2 Bonds is NOT EXCLUDABLE from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Series AV-2 Bonds will be fully subject to federal income taxation. Thus, owners of the Series AV-2 Bonds generally must include interest on the Series AV-2 Bonds in gross income for federal income tax purposes.

There are other federal income tax consequences arising from the purchase, ownership, sale, and redemption of the Series AV-2 Bonds. Such consequences include, but are not limited to, the inclusion in gross income of amortized original issue discount, the treatment of market discount, capital gain or loss upon sale or redemption of Series AV-2 Bonds, the application of backup withholding provisions of the Internal Revenue Code, the federal tax effects on tax-exempt entities under Section 501 of the Internal Revenue Code from purchasing and holding Series AV-2 Bonds, the federal tax effects on foreign investors as a result of purchasing and holding Series AV-2 Bonds, the impact of the Foreign Account Tax Compliance Act, and the application of state, local and foreign tax provisions to holders of the Series AV-2 Bonds. Prospective purchasers of the Series AV-2 Bonds should consult their tax advisors as to the effect of these and other tax provisions arising from the purchase, ownership, sale, or redemption of the Series AV-2 Bonds.

To ensure compliance with Treasury Circular 230, holders of the Series AV-2 Bonds should be aware and are hereby put on notice that: (a) the discussion in this Official Statement with respect to U.S. federal income tax consequences of owning the Series AV-2 Bonds is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer; (b) such discussion was written in connection with the promotion or marketing (within the meaning of Treasury Circular 230) of the transactions or matters addressed by such discussion; and (c) each taxpayer should seek advice based on its particular circumstances from an independent tax advisor.

Commonwealth of Pennsylvania

Co-Bond Counsel will also deliver an opinion to the effect that under existing law as enacted and construed on the date of such opinion, the Series AV Bonds are exempt from personal property taxes in the Commonwealth, and interest on the Series AV Bonds is exempt from the Commonwealth personal income tax and the Commonwealth corporate net income tax.

Attention is called to the fact, however, that any profits, gains or income derived from the sale, exchange or other disposition of the Series AV Bonds will be subject to Commonwealth taxes within the Commonwealth.

Other Jurisdictions

The Series AV Bonds and the interest thereon may be subject to state or local taxes in jurisdictions other than the Commonwealth under applicable state or local tax laws.

PROSPECTIVE PURCHASERS OF THE SERIES AV BONDS SHOULD CONSULT THEIR TAX ADVISERS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL INCOME TAX CONSEQUENCES OF OWNERSHIP OF THE SERIES AV BONDS AND ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED TAX LEGISLATION.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds will be passed upon by Kutak Rock LLP and Turner Law, P.C., both of Philadelphia, Pennsylvania, Co-Bond Counsel. Certain legal matters will be passed upon for the Authority by its counsel, Barley Snyder LLP, Lancaster, Pennsylvania and for the System by its Chief Legal Counsel. The proposed form of opinion to be rendered by each of such firms in connection with the issuance of the Series AV Bonds is set forth in Appendix IV attached hereto.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Fitch Ratings ("Fitch") have assigned their municipal bond ratings of "Aa3" (stable outlook) and "A+" (stable outlook), respectively, to the Series AV Bonds. With respect solely to the Series AV-2 Bonds, S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign its respective rating of "AA/Stable" based on the understanding that the standard municipal bond insurance policy of BAM insuring the scheduled payment of the principal of and interest due with respect such insured Bonds will be issued by BAM upon the issuance of the Series AV-2 Bonds. "See "Bond Insurance for the Series AV-2 Bonds –BUILD AMERICA MUTUAL" herein for a discussion of the ratings assigned to BAM and the Series AV-2.

Any explanation of these ratings may be obtained only from the rating agencies issuing such ratings. Generally, rating agencies base their ratings on information and materials supplied to them and on their own investigations, studies and assumptions. There is no assurance that such ratings, once assigned, will remain for any given period of time or that they will not be lowered or withdrawn entirely by either rating agency concerned if in its judgment circumstances so warrant. Any such downward change or withdrawal of such ratings may have an adverse effect on the market price of the Series AV Bonds.

LITIGATION

No Litigation Affecting the Series AV Bonds

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

Commonwealth Litigation Against RBC Capital Markets, LLC

On May 20, 2018, the Commonwealth of Pennsylvania and City of Harrisburg filed a lawsuit in the Commonwealth Court of Pennsylvania ("Commonwealth Complaint") against a number of professional advisors and financial firms alleging, inter alia, professional malpractice, unjust enrichment and breach of fiduciary duty in connection with a series of bonds issued by the Pennsylvania Economic Development Financing Authority in 2003, which has since defaulted, to finance an incinerator project ("Defaulted 2003 Bonds"). RBC Capital Markets, LLC ("RBC"), Financial Advisor to the System in connection with the issuance of the Series AV Bonds, was one of the underwriters of the Defaulted 2003 Bonds and, accordingly, is one of the defendants named in the Commonwealth Complaint. RBC intends to vigorously defend itself against the allegations in the Commonwealth Complaint and does not believe that such litigation has a material impact on its ability to act as Financial Advisor in connection with the issuance of the Series AV Bonds.

CONTINUING DISCLOSURE

To assist the Underwriter in satisfying the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the System will enter into a Continuing Disclosure Agreement with The Bank of New York

Mellon Trust Company, N.A., as dissemination agent (in such capacity, the "Dissemination Agent") for the benefit of owners of the Series AV Bonds. Pursuant to such agreement, the System will covenant to provide, through the Dissemination Agent, to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board (the "MSRB"), certain annual financial information and operating data of the nature included in the following sections of Appendix I to this Official Statement: Accreditation; Degrees Awarded; Enrollment; Application and Admissions; Tuition, Student Fees and Competition; Freshman Enrollment Composition; Student Financial Aid; Commonwealth Appropriations; Unrestricted Net Position; Faculty and Staff; and Outstanding Indebtedness. Audited financial statements of the System also will be provided to EMMA when available. The System will covenant to provide such information for a fiscal year within 150 days following the end of such fiscal year, commencing with the fiscal year ending June 30, 2017. The System will covenant to provide notice in a timely manner to EMMA of a failure of the System to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement.

In the Continuing Disclosure Agreement, the System also will covenant to provide, within 10 business days, to EMMA notice of the occurrence of any of the following events with respect to the Series AV Bonds: (1) principal and interest payment delinquencies, (2) non-payment related defaults, if material, (3) unscheduled draws on debt service reserves reflecting financial difficulties, (4) unscheduled draws on credit enhancements reflecting financial difficulties, (5) substitution of credit or liquidity providers, or their failure to perform, (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series AV Bonds, or other material events affecting the tax status of the Series AV Bonds, (7) modifications to rights of holders of the Series AV Bonds, if material, (8) Series AV Bond calls, if material, and tender offers, (9) defeasances, (10) release, substitution or sale of property securing repayment of the Series AV 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, and (15) failure to provide annual information as required.

The System and the Dissemination Agent may amend the Continuing 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 the Continuing 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 to provide annual financial information and notices, 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 the Continuing 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 Series AV 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 Holders of the Series AV Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series AV Bonds, the Authority or the Dissemination Agent. The System's obligation to provide the foregoing annual financial information and notices of the specified events when material will terminate when the Series AV Bonds have been fully paid or legally defeased or 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 Series AV Bonds. Notice of such amendment will be provided to EMMA.

Under the Continuing Disclosure Agreement, the sole remedy for a breach or default by the System of its covenants to provide annual financial information and notices will be an action to compel specific performance. No action may be brought for monetary damages or otherwise under any circumstances. A breach or default under the Continuing Disclosure Agreement will not constitute an Event of Default under the Indenture or the Loan Agreement.

The Authority has no responsibility for the Continuing Disclosure Agreement or for the System's compliance with the Continuing Disclosure Agreement or for the contents of the financial information, operating data or notices provided thereunder or any omissions therefrom.

During the last five years, the System failed to file with EMMA, in a timely manner, certain Annual Financial Information in accordance with the Rule and as required under its previous continuing disclosure undertakings as follows. For the fiscal year ended June 30, 2016, 2015 and 2014, Annual Financial Information otherwise timely filed was not properly associated with certain CUSIPs associated with four series' of the System's prior bonds. The required filings were corrected on EMMA on or before September 1, 2017.

UNDERWRITING

The Series AV-1 Bonds are being purchased for reoffering by a group of banks and investment banking firms represented by Robert W. Baird & Co., Inc., as representative (the "Series AV-1 Underwriter"). The Series AV-1 Underwriter has agreed to purchase the Series AV-1 Bonds at an aggregate purchase price of \$107,739,552.35.

The Series AV-2 Bonds are being purchased for reoffering by a group of banks and investment banking firms represented by Wells Fargo Bank, N.A., as representative (the "Series AV-2 Underwriter"). The Series AV-2 Underwriter has agreed to purchase the Series AV-2 Bonds at an aggregate purchase price of \$133,233,810.00.

FINANCIAL ADVISOR

The System has retained RBC Capital Markets, LLC as its financial advisor in connection with the issuance of the Series AV Bonds. The receipt of a fee by RBC Capital Markets, LLC is contingent upon the issuance of the Series AV Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

The Financial Advisor may also receive a fee for conducting a competitive bidding process regarding the investment of certain proceeds of the Series AV Bonds.

MISCELLANEOUS

All of the summaries of the provisions of the Act, Act 188, the Indenture, the Loan Agreement and of the Series AV Bonds set forth herein are only outlines of certain provisions thereof and are qualified in all respect by reference to all of the particular provisions thereof, to which attention is hereby directed for further information, and do not purport to be complete statements of the provisions of any such document.

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

This Official Statement is not to be construed as a contract or agreement between the Authority or the System and the purchasers or owners of any of the Series AV Bonds. The information hereinabove set forth and that which follows should not be construed as constituting all of the conditions affecting the Authority, the System or the Series AV Bonds.

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The distribution of this Official Statement has been duly authorized by the Authority and the System. The Authority has not assisted in the preparation of this Official Statement, except for the statements under the section captioned **"The Authority"** and **"Litigation – No Litigation Affecting the Series AV Bonds"** herein and, except for those sections, the Authority is not responsible for any statements made in this Official Statement. Except for the execution and delivery of documents required to effect the issuance of the Series AV Bonds, the Authority has not otherwise assisted in the public offer, sale or distribution of the Series AV Bonds. Accordingly, except as aforesaid, the Authority assumes no responsibility for the disclosures set forth in this Official Statement.

PENNSYLVANIA HIGHER EDUCATIONAL
FACILITIES AUTHORITY

By: /s/Robert Baccon
Robert Baccon
Executive Director

Approved:

STATE SYSTEM OF HIGHER EDUCATION

By: /s/James S. Dillon
James S. Dillon
Vice Chancellor for Administration and Finance

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Appendix I

**Certain Information Concerning
Pennsylvania's 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." 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 14 System Universities include:

- Bloomsburg University of Pennsylvania
- California University of Pennsylvania
- Cheyney University of Pennsylvania
- Clarion University of Pennsylvania
- East Stroudsburg University of Pennsylvania
- Edinboro University of Pennsylvania
- Indiana University of Pennsylvania
- Kutztown University of Pennsylvania
- Lock Haven University of Pennsylvania
- Mansfield University of Pennsylvania
- Millersville University of Pennsylvania
- Shippensburg University of Pennsylvania
- Slippery Rock University of Pennsylvania
- West Chester University of Pennsylvania

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 schools 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 14th State Normal School in 1922. These schools subsequently were redesignated as State Teachers' Colleges in 1929 (the "State Colleges"). The responsibility for certifying teachers then was 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 "Degrees Awarded" herein.) Graduate programs soon were 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.

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 Elder Hostel programs. In March 2017, the Board was notified of the Consortium's interest in seeking new ownership for the Field Station, due to the cost of operating the enterprise, including debt service obligations. The Consortium is actively seeking to divest itself from the property.

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, and 14 members who are appointed by the Governor of Pennsylvania and confirmed by the Senate. 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 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. 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 Governor, 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 or separation from the System. 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 services; however, all expenses incurred in the performance of their duties may be reimbursed by the System.

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

The Chancellor of the System (the "Chancellor") serves the Board 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.

Act 188 requires that 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. Presently, the Board convenes quarterly. 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.

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 Board must approve the Chancellor's salary and delineate any duties and responsibilities beyond those prescribed in Act 188.

The president of each University is appointed by the Board originally for a 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 14 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. The Board has approved a tuition/fee flexibility pilot program that allows for higher or lower tuition and fees based on local market forces.

There are five standing committees which make policy recommendations to the full Board: Audit and Compliance, 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.

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(No Vacancies)

Office of the Chancellor

Act 188 stipulates that 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 administration policies and procedures. In order to explore 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 System-wide management in such areas as academic 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 recommendation, the names of individuals recommended for consideration by the councils of trustees. Upon the appointment of each president, an annual evaluation process must be conducted, the results of which are reviewed thoroughly by the Board.

Daniel Greenstein Chancellor, Effective 09/04/18

Dr. Daniel Greenstein will become the fifth chancellor of Pennsylvania's State System of Higher Education on September 4, 2018. Dr. Greenstein led the Postsecondary Success strategy at the Bill & Melinda Gates Foundation for the past six years and previously was a top administrator in the University of California (UC) system. As director of the Gates Foundation's Postsecondary Success strategy, Greenstein worked with other higher education leaders across the country on initiatives designed to raise educational attainment levels and to promote economic mobility, especially among low-income and minority students. He developed and implemented a national strategy for increasing the number of degrees awarded and for reducing the attainment gaps among majority and nonmajority students at U.S. colleges and universities. Before joining the Gates Foundation in 2012, Greenstein spent nearly a decade in leadership roles in the UC system, including serving as vice provost of strategic planning, programs, and accountability in the Office of the President. He was responsible for introducing UC Online, revising the system's long-range enrollment plan, and developing a transparent means for distributing state resources to the UC campuses. He also provided leadership to the Regents' Commission of the Future, focusing on educational and curriculum reforms designed to improve student success, reduce students' time to degree, and make more effective use of the system's constrained academic program capacity. Greenstein earned bachelor's and master's degrees in history from the University of Pennsylvania, studied at the London School of Economics, and earned a Ph.D. in social studies from Oxford University.

Karen M. Whitney Interim Chancellor, Until 09/03/18

Dr. Karen M. Whitney assumed the role of Interim Chancellor of Pennsylvania's State System of Higher Education on September 12, 2017. Dr. Whitney previously served as president of Clarion University of Pennsylvania, beginning her tenure as the university's 16th president in July 2010. Dr. Whitney recently completed a three-year term as chair of the presidents' council for the 14 State System Universities. Dr. Whitney previously was vice chancellor for student life and diversity and dean of students at Indiana University Purdue University Indianapolis (IUPUI), and assistant and associate vice president for student life and director of resident life at the University of Texas at San Antonio. She also served as an adjunct assistant professor and instructor in the School of Education at Indiana University and taught various courses at both the University of Texas at San Antonio and the University of Houston. She earned a bachelor's degree in psychology and a

master's degree in public administration, both from the University of Houston, and a Ph.D. in higher educational administration from the University of Texas at Austin.

The Office of the Chancellor operates with two vice chancellors—an executive vice chancellor and a vice chancellor for administration and finance—and a chief of staff. The two vice chancellors and chief of staff 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 public.

Peter H. Garland
Executive Vice Chancellor

The executive vice chancellor is the System's chief operating officer, overseeing the major functional areas in the Office of the Chancellor; serving as liaison to University presidents and the System's Board of Governors; and leading major System-wide projects, programs, and initiatives. Dr. Garland is responsible for negotiating and administering all collective bargaining agreements covering approximately 11,000 unionized employees of the Office of the Chancellor and the 14 System Universities. He also provides centralized grievance and arbitration services.

Dr. Garland serves as executive vice chancellor, a position to which he was appointed in October 2006, and assumed chief academic officer responsibilities in February 2014. He served as the System's acting chancellor from March 1, 2013, to September 30, 2013. Dr. Garland previously joined the System as executive associate to the chancellor in January 2002 and was named vice chancellor for academic and student affairs in December 2003. Prior to joining the System, Dr. Garland had served as executive director of the State Board of Education since 1993. He also served as assistant commissioner for postsecondary and higher education for the Pennsylvania Department of Education, acting commissioner/deputy secretary for postsecondary and higher education, director of the bureau of postsecondary services, executive assistant to the commissioner for higher education, and senior program analyst in the Office of Higher Education Financing. Dr. Garland holds bachelor's degrees in English and psychology, a master's degree in educational administration from The College of William and Mary, a master's degree in political science, and a doctoral degree in higher education from Penn State. He has numerous publications to his credit and has reviewed articles for the Association for the Study of Higher Education and the American Educational Research Association. He serves as lecturer in the Graduate School of Education at the University of Pennsylvania.

James S. Dillon
Vice Chancellor for Administration and Finance

The vice chancellor for administration and finance is charged with leading the administration and management of the financial and administrative affairs of the System. He renders guidance in the development of policy and business procedures to be implemented by the Chancellor and by 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. This position also provides leadership for and works in partnership with Universities to establish, implement, and improve human resources management policies and practices for the System.

Mr. Dillon was appointed vice chancellor for administration and finance in June 2005. He joined the System in 1989 as cash and debt manager, was appointed director of cash and debt management in 1995, and was named treasurer in 1997. For five years prior to joining the System,

Mr. Dillon held several finance positions at The Equitable in New York, including manager in the Office of the Treasurer. Mr. Dillon holds a bachelor of science in business administration from Shippensburg University and a master of business administration, corporate finance, from Fordham University. He also participated in the Program for Senior Executives in State and Local Government sponsored by Harvard University, John F. Kennedy School of Government. Mr. Dillon has presented case studies at the National Multi-Housing Developers Association Conference and the Annual Treasury Management Conference of the Treasury Management Association.

Randy A. Goin, Jr.
Chief of Staff

The chief of staff and senior policy advisor coordinates the efforts of senior staff in the Office of the Chancellor and works closely with university, government, and business leaders to ensure timely advancement of Board of Governors' initiatives.

Mr. Goin was appointed chief of staff in December 2013. Prior to joining the System's leadership team, Mr. 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. Mr. 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's of arts degree with a focus in corporate and political communication from Florida Atlantic University.

The Presidents of the Universities

The presidents of the 14 Universities are appointed by the Board for a specified term. In an effort to ensure that the presidents are guiding the individual 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 the System 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.

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The 14 University presidents are listed below.

Dr. Bashar W. Hanna
Bloomsburg University of Pennsylvania

Dr. Kenneth S. Hawkinson
Kutztown University of Pennsylvania

Ms. Geraldine M. Jones
California University of Pennsylvania

Mr. Robert Pignatello (Effective 07/01/18)
Lock Haven University of Pennsylvania

Mr. Aaron A. Walton
Cheyney University of Pennsylvania

Mr. Peter C. Fackler (Interim, effective 08/03/18)
Mansfield University of Pennsylvania

Dr. Dale-Elizabeth Pehrsson (Effective
07/01/18)
Clarion University of Pennsylvania

Dr. Daniel A. Wubah (Effective 07/01/18)
Millersville University of Pennsylvania

Dr. Marcia G. Welsh
East Stroudsburg University of Pennsylvania

Dr. Laurie A. Carter
Shippensburg University of Pennsylvania

Dr. Michael J. Hannan (Interim, effective
04/05/18)
Edinboro University of Pennsylvania

Dr. William J. Behre (Effective 07/01/18)
Slippery Rock University of Pennsylvania

Dr. Michael A. Driscoll
Indiana University of Pennsylvania

Dr. Christopher M. Fiorentino
West Chester University of Pennsylvania

The Councils of Trustees

Each University within the System maintains a council of trustees consisting of 11 members who are appointed by the Governor with the advice and consent of the Senate. 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, other than a freshman, enrolled for at least 12 semester hours at the institution of which he/she is a trustee. The student member serves a term of three years or for so long as he/she is a full-time undergraduate student in good academic standing, whichever period is shorter. 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.

Each council's specific responsibilities include making recommendations to the Chancellor for the appointment, retention, or dismissal of the president of its University following consultation with students, faculty, and alumni; reviewing and approving the recommendations of the president as to the standards for admission, discipline, and expulsion of students; and reviewing and approving the recommendations of the president as to the policies and procedures governing the use of institutional facilities and property, and the policies and procedures for the 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 charges for room, board, and miscellaneous fees; to review and approve all contracts and purchases negotiated or awarded by the president, 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.

Capital Facilities

The campuses of the 14 Universities encompass more than 4,700 acres. To date, there are almost 900 physical plant structures, with 32.6 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 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, 2017, of \$1.9 billion net of accumulated depreciation. The current replacement cost of the total System capital facilities and infrastructure is estimated to be in excess of \$11 billion.

Educational and General Facilities—The Commonwealth appropriates funds for capital repairs and renovations while the System contributes regular maintenance funded from its operating budget. In July 1996, the Board of Governors approved a facilities renovation partnership with the Commonwealth of Pennsylvania. Currently, the Commonwealth is providing approximately \$65 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 billion for renovation of existing academic facilities since 1996, while the Commonwealth has appropriated approximately \$1.7 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 an in-depth 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 determined that additional facilities may be needed at the Universities and has adopted a Construction Finance Policy, which permits the System to seek bond funding to finance construction of new auxiliary facilities such as residence halls, recreation centers, student unions, and such other facilities, equipment, real property, or other needs as the Board decides. Auxiliary facilities are 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 restricted 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 over \$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 (Middle States). Certain academic programs are accredited individually by various other national professional organizations.

Cheyney University—In November 2015, Cheyney University was placed under probation by Middle States because of insufficient evidence that the institution was in compliance with Standard 3 (Institutional Resources). In June 2017, Middle States required the University to show cause, by September 1, 2017, as to why its accreditation should not be withdrawn.

On November 17, 2017, in a letter explaining its action to extend Cheyney's probation for one year, the commission indicated that the University was in compliance with standards related to planning, resource allocation, and administration. However, the University was required to provide evidence of continued progress in the areas of financial and institutional resources. The commission noted that Cheyney demonstrated “significant progress toward the resolution of its non-compliance issues” and was “making a good-faith effort to remedy existing deficiencies.” It further stated that there was “a reasonable expectation that such deficiencies will be remedied within the period of the extension” of the University's accreditation. Cheyney must provide a report to the commission by September 2018 demonstrating its progress on the remaining accreditation issues. Interested investors can obtain more information by contacting the Middle States Association of Colleges and Secondary Schools.

To maintain Middle States accreditation, Cheyney University has undertaken many steps to address the out-of-compliance status of multiple standards. The University is undertaking an overhaul of the academic enterprise, right sizing the staff and administration, and concentrating operations into fewer buildings. Cheyney University has already insourced most business operations to West Chester University, and has outsourced grounds, janitorial, IT services, HVAC, and some financial aid services. In addition, the University is seeking to develop new financial resources to adequately support its educational programs and assure long-term financial stability.

To be in compliance with Middle States' request, Cheyney also must mitigate the debt owed to other State System Universities. To that end, the University is implementing budget reductions in accordance with a System-approved full loan forgiveness program. This should alleviate a considerable component of the out-of-compliance finding for the Middle States financial resources standard, and will result in the forgiveness of all State System funds lent to or spent on behalf of Cheyney University over four fiscal years, through FY 2020/21 (\$30.5 million State System loans and \$3.9 million from the Office of the Chancellor spent directly on behalf of Cheyney).

Kutztown University—On June 21, 2018, the Middle States Commission on Higher Education (“MSCHE”) acted “[t]o warn [Kutztown University] that its accreditation may be in jeopardy because of insufficient evidence that the institution is currently in compliance with Standard V (Educational Effectiveness Assessment).” Standard V addresses the need for a university to effectively assess its academic programs. Kutztown University believes that the warning was issued because, during the February 2018 MSCHE site visit, the University's assessment process was not sufficient to meet the recently updated Standard V requirement. Noting that the University remains accredited while on warning, MSCHE requested a monitoring report due March 1, 2019, documenting that the institution has achieved and can sustain ongoing compliance with Standard V. The University believes that its revised assessment process now meets the Standard V requirement.

Degrees Awarded

A range of undergraduate and graduate degree programs is offered across the System; 190 undergraduate and 123 graduate programs are offered in 30 major academic areas. In addition, certification programs are offered in 144 areas. The System awarded 19,604 undergraduate degrees and 5,285 master's degrees in 2016/17. The System also awarded 185 doctoral degrees through Bloomsburg, Indiana, and Slippery Rock Universities of Pennsylvania and 467 associate's degrees through all the Universities.

Initiatives in Technology

By law and by history, System Universities share a mission of instruction, research, and public service, and through their existing infrastructure and human resources, have the objective of assisting the Commonwealth to achieve statewide goals and to support special programs. Directly and indirectly, these programs benefit students, families, faculty, local communities, professional organizations, government agencies, and the general public. Many programs are provided in partnership with public schools, service agencies, business and industry, other universities, and local to international government bodies.

The System operates a consolidated Enterprise Resource Planning (ERP) system for each University's finance, procurement, human resources, and payroll processes in a single, hosted solution managed from one location. Student administration functional processes, such as admissions, registration, financial aid, and student billing and accounting, are maintained at each University with interfaces to the ERP system, as necessary. The State System's Strategic Information Management System (SIMS) continues to see much progress. The first module, SIMS v1.0 Student Enrollment, went live in August 2017. Additional modules to collect detailed student attributes, including course information and completions, are scheduled to go into production in summer 2018. SIMS is an Enterprise Data Warehouse that transforms data from the 14 Universities and, when appropriate, combines it with external data to produce a strategic, dynamic, and evolving single statewide higher education source. SIMS is a multiyear endeavor being developed with the remaining modules (admissions, financial aid, retention, completions, alumni, student accounts, and external data modules) to be in production in January 2019. Ultimately, SIMS will be a modern information delivery platform that will enable efficient and timely decision support, predictive analytics, and data mining. It will support the production of educational intelligence for the 14 Universities and the State System.

The System and its Universities systematically have expanded the technological infrastructure and services provided through networked resources. Following are some highlights of these efforts.

Through the use of technology, the Universities are sharing courses—allowing students not only to take classes that might not otherwise be available at their University, but also to benefit from the expertise of extraordinary faculty at other institutions across the System. The expansion of online courses and programs has created even more opportunities for both traditional students—those who enroll in college right out of high school—and adult learners, many of whom would not be able to take the time away from job and family commitments to take a “regular” class at a campus that might be located literally hundreds of miles away. More than 60,000 System University students took at least one of their courses online during the 2016/17 academic year, earning more than 444,295 online credits. The System Universities now offer more than 243 online certificate and degree programs. During the 2016/17 academic year winter and summer breaks, the Universities offered a combined 3,664 online courses, providing students significant opportunities to stay on track toward graduation or even to get ahead in earning their degree.

The System maintains a wide area network, or SSHEnet, to provide connectivity between the Universities, to coordinate delivery of both commodity Internet and Internet2, and to facilitate resource sharing between System Universities and the Office of the Chancellor. SSHEnet is the main thoroughway for mission-critical services, such as distance education (university to/from Desire2Learn); student, faculty, and staff access to the Keystone Library Network; access to the Shared Administrative System for finance, procurement, and human resources/payroll processing; access to the Business Warehouse for web-based reporting and analysis templates; access to the enterprise portal for Employee Self-Service (ESS) and Manager Self-Service (MSS); and System-wide videoconferencing capabilities used by faculty and staff. The model of aggregating wide area

network services provides the opportunity to leverage best pricing from Internet Service Providers and point-to-point service providers. The ongoing operational costs are also reduced significantly by having a few highly skilled staff of network and video engineers to support the State System Universities and the Office of the Chancellor. In 2014, SSHEnet was transformed to take advantage of connectivity provided by the Keystone Initiative for Network Based Education and Research (KINBER). KINBER supports the Pennsylvania Research and Education Network (PennREN) that was built using funding from a federal broadband grant of almost \$100 million to build an education and research network connecting nearly 70 anchor sites and over 1,700 miles of fiber-optic cable. The System was a named participant in preparing the federal grant request. SSHEnet is architected to provide full redundancy that will allow System students, faculty, and staff the connectivity required in today's connected/cyber society.

The System uses several license agreements to provide quality software for students and faculty. Several third-party applications are used in conjunction with the online learning environment to enhance and expand the resources available. These applications include real-time videoconference and presentation resources, antiplagiarism resources, social networking resources, and others. Independent of the online learning environment, students and faculty have access to leading resources specific to mathematics, physics, geography, geology, business, and other disciplines. The System utilizes a Microsoft Campus Agreement that covers all Universities and the Dixon University Center. The agreement provides license coverage for Windows operating systems, the latest releases of Microsoft Office, and several other applications including Windows server, Exchange, and SharePoint, and extends licensing to all University-owned personal computers and work-at-home rights for all employees.

The System and its Universities use the power and potential of existing and emerging technologies to provide a high-quality education to its students and state-of-the-art services to students, faculty, and staff while continuously improving efficiency and lowering the total cost of education to students, their families, and the Commonwealth. Recognizing that the educational landscape is changing rapidly, the System intends to leverage the opportunities presented by emerging technologies to become more flexible in its operations, to remain agile in the face of new demands for content and delivery modes, and to enhance its understanding and responsiveness to the needs of the communities it serves, the Commonwealth, and the nation.

Accountability

The Board of Governors' commitment to accountability and excellence has included a performance funding program that was established in July 2000. This program measures and rewards University performance in key areas of student achievement, University excellence, diversity, and operational efficiency. The Board of Governors has increased the amount of performance funding available to the Universities from \$2 million in the first year of the program to the current level of \$39 million. The State System's focus on performance has produced results. Since the performance funding program began, student persistence and graduation rates (both four-year and six-year) have increased; the student and faculty populations have become more diverse—minority enrollment this fall reached another record high, now accounting for 21.14 percent of the student population; more community college students are transferring to System Universities; and more academic and professional programs are being accredited by national organizations—a sign of improved academic quality.

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Enrollment

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

	2013/14	2014/15	2015/16	2016/17	2017/18
Headcount					
Undergraduate	98,396	95,804	92,818	89,802	86,971
Graduate	13,632	13,802	14,308	14,977	15,330
Total	112,028	109,606	107,126	104,779	102,301
Full-Time	95,494	92,788	89,845	86,905	84,098
Part-Time	16,534	16,818	17,281	17,874	18,203
Total	112,028	109,606	107,126	104,779	102,301
Full-Time Equivalent					
Undergraduate	92,457	89,478	86,622	83,611	80,788
Graduate	7,801	7,916	8,207	8,606	8,825
Total	100,258	97,394	94,829	92,217	89,613

The declining number of high school graduates in Pennsylvania is a contributing factor in declining enrollment.

Applications and Admissions

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

	2013/14	2014/15	2015/16	2016/17	2017/18
Applied	77,826	78,878	79,468	79,426	81,619
Accepted	60,862	62,312	63,965	63,606	66,409
Enrolled	19,941	19,719	18,913	18,137	18,008
% Accepted	78.2%	79.0%	80.5%	80.1%	81.4%
% Enrolled/Accepted	32.8%	31.6%	29.6%	28.6%	27.1%

Tuition, Student Fees, and Competition

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

Full-Time Undergraduate Tuition and Student Fees

	2013/14	2014/15	2015/16	2016/17	2017/18
System Average	\$9,004	\$9,418	\$9,766	\$10,436	\$10,876

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.

	2017/18 Required Fees and Tuition
Selected Private Colleges and Universities	
Washington and Jefferson College	\$46,628
Elizabethtown College	\$45,350
Juniata College	\$43,875
Delaware Valley College	\$38,000
Gannon University	\$30,932
State-Related Universities (in-state)	
The University of Pittsburgh	\$19,080
The Pennsylvania State University	\$18,436
Temple University	\$16,658
Community Colleges (in-state)	
Community Colleges Average (full-time equivalent course load)	\$5,192
Pennsylvania's State System of Higher Education (in-state)	
System Average	\$10,876
Source: <i>The Chronicle of Higher Education</i>	

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	2013	2014	2015	2016	2017
1	21.1%	21.4%	20.9%	19.6%	21.0%
2	29.4%	29.4%	28.7%	27.5%	28.0%
3	27.2%	25.6%	26.5%	26.8%	26.5%
4	17.0%	17.5%	17.9%	19.0%	18.6%
5	5.3%	6.1%	6.0%	7.1%	5.9%

Average SAT Scores

	2013	2014	2015	2016	2017*
Verbal	490	490	491	488	534
Math	497	496	493	489	524
Total	987	986	984	977	1058

*SAT score for 2017 represents the new SAT score for tests taken on or after March 1, 2016. The Verbal score for 2017 is now the Evidence-Based Reading & Writing (ERW) score (combination of old SAT Writing and Critical Reading section scores). The changes in scoring resulted in higher test scores overall.

Student Financial Aid

Ninety percent of all first-time, full-time, degree-seeking undergraduate students attending State System Universities during academic year 2016/17 received financial aid. Thirty-seven percent

of these students received awards from federal grant aid, while 39 percent received awards from the Commonwealth or local agencies. Thirty-one percent of these students received awards from the institution. Seventy-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, Federal Perkins Loan 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 State System’s FY 2018/19 annual appropriation, based on the Commonwealth’s spending plan as enacted on June 22, 2018, represents approximately 20.2 percent of total revenues. 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.

Fiscal Year	Appropriations
2018/19	\$468,108,000
2017/18	\$453,100,000
2016/17	\$444,224,000
2015/16	\$433,389,000
2014/15	\$412,751,000
2013/14	\$412,751,000

The FY 2018/19 budget includes an increase of \$15 million (3.3 percent) in state appropriations. This increase, along with the \$20.6 million (5 percent) provided in FY 2015/16, the \$10.8 million (2.5 percent) increase in FY 2016/17, and the \$8.9 million (2 percent) in FY 2017/18 restores approximately 61 percent of the \$90.6 million cut made in FY 2011/12. At its July 2018 meeting, the Board of Governors voted to increase tuition by 2.99 percent. In addition, the State System continues to receive state funding for deferred maintenance through a portion of the realty transfer tax.

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 as to use for deferred maintenance on academic facilities. The chart below shows the current fiscal year and a four-year history of revenues the System received from this tax.

Fiscal Year	Revenue
2018/19	\$16,666,000
2017/18	\$18,023,000*
2016/17	\$16,081,000
2015/16	\$15,295,000
2014/15	\$13,409,000

**Notified in June 2018 that an additional \$151,000 was allocated to the State System for FY 2014/15 and an additional \$2,426,000 was allocated for FY 2017/18.*

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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In the opinion of Co-Bond Counsel, based upon certain assumptions and subject to conditions, qualifications and exceptions herein described, under existing laws, regulations, rulings, and judicial decisions, interest on the Series AV-1 Bonds is neither includable in gross income for federal income tax purposes nor a specific "item of tax preference" for purposes of the federal alternative minimum tax, provided, however, that interest paid to corporations is taken into account in determining adjusted current earnings for computing said alternative minimum tax. Under current Pennsylvania law, the Series AV Bonds are exempt from personal property taxes in Pennsylvania and interest on the Series AV Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. In the opinion of Co-Bond Counsel, interest on the Series AV-2 Bonds IS INCLUDABLE in gross income for purposes of federal income tax. For a more detailed description of Co-Bond Counsel's opinion including the aforementioned assumptions, qualifications and exceptions, see "TAX MATTERS" herein.

\$236,945,000
PENNSYLVANIA HIGHER EDUCATIONAL
FACILITIES AUTHORITY
(Commonwealth of Pennsylvania)
REVENUE BONDS
STATE SYSTEM OF HIGHER EDUCATION, SERIES AV
Consisting of:

\$102,345,000 Series AV-1
Revenue and Refunding Revenue Bonds

\$134,600,000 Series AV-2
Federally Taxable Revenue Bonds

Dated: Date of Delivery

Due: June 15, as shown on the inside front cover

The Series AV Bonds are issuable only as fully registered bonds without coupons, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series AV Bonds. Purchase of the Series AV Bonds will be made in book-entry only form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Series AV Bonds. So long as the Series AV Bonds are registered in the name of Cede & Co. as nominee of DTC, references herein to the registered owners shall mean Cede & Co., and shall not mean the Beneficial Owners of the Series AV Bonds. See "The Series AV Bonds - Book-Entry Only System" herein.

Principal of and interest on the Series AV Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., Philadelphia, Pennsylvania, as trustee (the "Trustee"). So long as DTC or its nominee, Cede & Co., is the registered owner of the Series AV Bonds, such payments will be made directly to it as registered owner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein. Interest will be payable on December 15 and June 15, commencing December 15, 2018, to the registered owners of record as of the pertinent record dates herein described.

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

The Series AV Bonds are limited obligations of the Authority and are secured under the provisions of the Indenture and the Loan Agreement, as each is defined herein, and are payable solely from payments to be received under the Loan Agreement by the Authority from the State System of Higher Education (the "System") and from certain funds held under the Indenture.

The scheduled payment of principal of and interest on the Series AV-2 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series AV-2 Bonds by **BUILD AMERICA MUTUAL**.



Neither the general credit of the Authority nor the credit or taxing power of the Commonwealth of Pennsylvania or of any political subdivision thereof is pledged for the payment of the principal of or the interest on the Series AV Bonds described above, nor shall such Series AV Bonds be deemed to be general obligations of the Authority or obligations of the Commonwealth of Pennsylvania or any political subdivision thereof, nor shall the Commonwealth of Pennsylvania or any political subdivision thereof be liable for the payment of the principal of or interest on the Series AV Bonds described above. The Authority has no taxing power.

The Series AV Bonds are offered when, as and if issued by the Authority and received by the Underwriters subject to receipt of the approving legal opinion of Kutak Rock LLP and Turner Law, P.C., both of Philadelphia, Pennsylvania, Co-Bond Counsel. Certain legal matters will be passed upon for the Authority by its counsel, Barley Snyder LLP, Lancaster, Pennsylvania, and for the System by its Chief Legal Counsel. It is expected that the Series AV Bonds in definitive form will be available for delivery in New York, New York on or about September 6, 2018.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Prospective purchasers of the Series AV Bonds must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The date of this Official Statement is August 23, 2018.

\$236,945,000
PENNSYLVANIA HIGHER EDUCATIONAL
FACILITIES AUTHORITY
(Commonwealth of Pennsylvania)
STATE SYSTEM OF HIGHER EDUCATION, SERIES AV

MATURITY SCHEDULES

\$102,345,000 Series AV-1 Revenue and Refunding Revenue Bonds

Maturity (June 15)	Amount	Interest	Yield	Price	CUSIP [†]
2019	\$9,330,000	5.000%	1.630%	102.582	70917S Z48
2020	3,545,000	5.000%	1.800%	105.562	70917S Z55
2021	7,710,000	5.000%	1.950%	108.196	70917S Z63
2022	9,145,000	5.000%	2.100%	110.468	70917SZ71
2023	7,970,000	5.000%	2.220%	112.525	70917S Z89
2024	7,755,000	5.000%	2.360%	114.171	70917S Z97
2025	2,390,000	5.000%	2.500%	115.488	70917S 2A0
2026	2,065,000	5.000%	2.630%	116.562	70917S 2B8
2027	2,170,000	5.000%	2.760%	117.347	70917S 2C6
2028	2,280,000	5.000%	2.850%	118.225	70917S 2D4
2029	2,395,000	5.000%	2.910%	117.665*	70917S 2E2
2030	2,510,000	4.000%	3.280%	105.975*	70917S 2F9
2031	2,615,000	4.000%	3.350%	105.376*	70917S 2G7
2032	2,715,000	4.000%	3.420%	104.780*	70917S 2H5
2033	2,825,000	4.000%	3.470%	104.357*	70917S 2J1
2034	2,940,000	4.000%	3.520%	103.936*	70917S 2K8
2035	3,055,000	3.500%	3.650%	98.126	70917S 2L6
2036	3,165,000	3.625%	3.700%	99.025	70917S 2M4
2037	3,280,000	3.750%	3.750%	100.000	70917S 2N2
2038	3,400,000	3.750%	3.800%	99.304	70917S 2P7

\$7,200,000 4.000% Term Bonds due: June 15, 2040 Yield: 3.750% Price 102.025*
CUSIP No. 70917S 2Q5

\$11,885,000 3.750% Term Bonds due: June 15, 2043 Yield: 3.900% Price 97.626
CUSIP No. 70917S 2R3

* Priced to the first optional redemption date of June 15, 2028.

[†] Copyright 2018, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. CUSIP numbers are included solely for the convenience of the holders of the Series AV Bonds and neither the Authority nor the System are responsible for the selection, uses or correctness (as listed above) of, or subsequent changes to, CUSIP numbers assigned to the Series AV Bonds.

MATURITY SCHEDULES

\$134,600,000 Series AV-2 Federally Taxable Revenue Bonds

Maturity (June 15)	Amount	Interest	Yield	Price	CUSIP [†]
2019	\$ 3,885,000	2.750%	2.750%	100.000	70917S 2S1
2020	2,625,000	2.950%	2.950%	100.000	70917S 2T9
2021	2,810,000	3.050%	3.050%	100.000	70917S 2U6
2022	3,005,000	3.200%	3.200%	100.000	70917S 2V4
2023	3,220,000	3.300%	3.300%	100.000	70917S 2W2
2024	3,445,000	3.375%	3.375%	100.000	70917S 2X0
2025	3,620,000	3.500%	3.500%	100.000	70917S 2Y8
2026	3,745,000	3.600%	3.600%	100.000	70917S 2Z5
2027	3,880,000	3.700%	3.700%	100.000	70917S 3A9
2028	4,015,000	3.850%	3.850%	100.000	70917S 3B7
2029	4,180,000	3.900%	3.900%	100.000	70917S 3C5
2030	4,345,000	3.950%	3.950%	100.000	70917S 3D3
2031	4,510,000	4.000%	4.000%	100.000	70917S 3E1
2032	4,695,000	4.050%	4.050%	100.000	70917S 3F8
2033	4,885,000	4.100%	4.100%	100.000	70917S 3G6

\$40,405,000 4.200% Term Bonds due: June 15, 2040 Yield: 4.200% Price 100.000
CUSIP No. 70917S 3H4

\$37,330,000 4.300% Term Bonds due: June 15, 2045 Yield: 4.300% Price 100.000
CUSIP No. 70917S 3J0

[†] Copyright 2018, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. CUSIP numbers are included solely for the convenience of the holders of the Series AV Bonds and neither the Authority nor the System are responsible for the selection, uses or correctness (as listed above) of, or subsequent changes to, CUSIP numbers assigned to the Series AV Bonds.

PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY

(Commonwealth of Pennsylvania)

1035 Mumma Road

Wormleysburg, Pennsylvania 17043

BOARD MEMBERS OF THE AUTHORITY

Honorable Thomas W. Wolf

Governor of the Commonwealth of Pennsylvania..... President

Honorable John H. Eichelberger, Jr.

Designated by the President Pro Tempore of the Senate..... Vice President

Honorable Andrew E. Dinniman

Designated by the Minority Leader of the Senate Vice President

Honorable Stanley E. Saylor

Designated by the Speaker of the House of Representatives..... Vice President

Honorable Joseph M. Torsella

State Treasurer..... Treasurer

Honorable Curtis M. Topper

Secretary of General Services..... Secretary

Honorable Anthony M. DeLuca

Designated by the Minority Leader of the House of Representatives Board Member

Honorable Eugene A. DePasquale

Auditor General Board Member

Honorable Pedro A. Rivera

Secretary of Education Board Member

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Philadelphia, Pennsylvania

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FINANCIAL ADVISOR

to the State System of Higher Education

RBC Capital Markets, LLC

Philadelphia, Pennsylvania

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

No dealer, broker, salesman, or other person has been authorized by the Pennsylvania Higher Educational Facilities Authority, the State System of Higher Education or the Underwriter 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 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 Series AV Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the State System of Higher Education, and other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter or, as to information from other sources, by the Pennsylvania Higher Educational Facilities Authority or the State System of Higher Education. 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 or the date as of which particular information is given, if earlier.

The Series AV Bonds are not and will not be registered under the Securities Act of 1933, as amended, or under any state securities laws, and the Indenture has not been and will not be qualified under the Trust Indenture Act of 1939, as amended, in reliance on exemptions contained in such laws. Neither the Securities and Exchange Commission nor any federal, state, municipal or other governmental agency will pass upon the accuracy, adequacy or completeness of this Official Statement.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Series AV-2 Bonds or the advisability of investing in the Bonds. Series AV-2 Bonds In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance for the Series AV-2 Bonds" and "Appendix V - Specimen Municipal Bond Insurance Policy".

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OFFICIAL STATEMENT
\$236,945,000
PENNSYLVANIA HIGHER EDUCATIONAL
FACILITIES AUTHORITY
(COMMONWEALTH OF PENNSYLVANIA),
REVENUE BONDS
STATE SYSTEM OF HIGHER EDUCATION SERIES AV

Consisting of:

\$102,345,000 Series AV-1
Revenue and Refunding
Revenue Bonds

\$134,600,000 Series AV-2
Federally Taxable Revenue
Bonds

INTRODUCTION

This Introduction is qualified in all respects by the more detailed information appearing elsewhere in this Official Statement and in the Appendices hereto.

General

This Official Statement, including the cover page and the Appendices hereto, sets forth certain information concerning the issuance by the Pennsylvania Higher Educational Facilities Authority (the "Authority," the offices of which are located at 1035 Mumma Road, Wormleysburg, Pennsylvania 17043), of the Authority's Revenue Bonds, State System of Higher Education, Series AV, consisting of its \$102,345,000 Series AV-1 Revenue and Refunding Revenue Bonds (the "Series AV-1 Bonds") and its \$134,600,000 Series AV-2 Federally Taxable Revenue Bonds (the "Series AV-2 Bonds", and together with the Series AV-1 Bonds, sometimes referred to collectively, as the "Series AV Bonds"). The Authority is a body corporate and politic constituting a public corporation and a public instrumentality of the Commonwealth of Pennsylvania, created by The Pennsylvania Higher Educational Facilities Authority Act of December 6, 1967, P.L. 678, No. 318, as amended (the "Act"). See "**The Authority**" herein for certain information about the Authority.

The Series AV Bonds are being issued on behalf of the State System of Higher Education (the "System" or "SSHE"), 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"). See **Appendix I: "Certain Information Concerning Pennsylvania's State System of Higher Education"** for certain information concerning the System.

Certain capitalized terms used and not otherwise defined herein shall have the meaning assigned to them in **Appendix III: "Summary of Legal Documents -- Definitions of Certain Terms"**.

The Series AV Bonds

The Series AV Bonds are being issued by the Authority in the aggregate principal amount of \$236,945,000. They will be dated their date of delivery, and will bear interest from such date, payable June 15 and December 15, commencing December 15, 2018, at the rates set forth on the inside of the front cover page hereof and shall be subject to redemption prior to maturity as described herein. See "**The Series AV Bonds -- Redemption Provisions**" herein.

The Series AV Bonds will be issued pursuant to the Act and an Indenture of Trust dated as of June 1, 1985 (the "Original Indenture"), as previously supplemented and as further supplemented by a Forty-Fourth Supplemental Indenture of Trust dated as of September 1, 2018 (collectively, the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., Philadelphia, Pennsylvania, as trustee (the "Trustee"). The Series AV Bonds will be equally and ratably secured (as and to the extent described below) with the Outstanding bonds of forty-six prior series under the Indenture (such prior bonds are referred to collectively herein as the "Prior Bonds"). The Prior Bonds, the Series AV Bonds and any Additional Bonds which may be Outstanding from time to time under the Indenture are referred to collectively herein as "Bonds." As of July 1, 2018, there was a total of \$1,035,570,000 in aggregate principal amount of Prior Bonds outstanding. See **"Sources of and Security for Payment of the Series AV Bonds"** herein.

The Series AV Bonds are issuable only as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. See **"The Series AV Bonds -- Book-Entry Only System"** herein.

Use of Proceeds

Pursuant to a Loan and Security Agreement dated as of June 1, 1985, between the Authority and the System, as previously supplemented and as further supplemented, in particular by a Forty-Fourth Supplemental Loan and Security Agreement dated as of September 1, 2018 (collectively, the "Loan Agreement"), the Authority will lend the proceeds of the Series AV Bonds to the System, which will use such proceeds as more fully described herein under **"Sources and Uses of Funds"** and **"Plan of Finance."**

Security for the Series AV Bonds

The Series AV Bonds are being issued on a parity (except as to certain funds held under the Indenture) with the Prior Bonds and any Additional Bonds with respect to the amounts payable by the System under the Loan Agreement and by an assignment to the Trustee of all the right, title, and interest of the Authority in and to the Loan Agreement (except for the Authority's right to payment of certain fees and expenses and to indemnification), including such amounts payable thereunder. **The Loan Agreement is an unsecured general obligation of the System and the full faith and credit of the System is pledged to the payment of all sums due thereunder.** See **"Sources of and Security for Payment of the Series AV Bonds"** and **Appendix III: "Summary of Legal Documents"** herein.

Neither the general credit of the Authority nor the credit or taxing power of the Commonwealth of Pennsylvania or of any political subdivision thereof is pledged for the payment of the principal of or the interest on the Series AV Bonds, nor shall the Series AV Bonds be deemed to be general obligations of the Authority or obligations of the Commonwealth of Pennsylvania or any political subdivision thereof, nor shall the Commonwealth of Pennsylvania or any political subdivision thereof be liable for the payment of the principal of or interest on the Series AV Bonds. The Authority has no taxing power.

Availability of Documents

The general descriptions of various legal documents set forth in this Official Statement do not purport to be comprehensive or definitive and reference should be made to each document for the terms and provisions thereof. Copies of all documents referred to herein are available for inspection during normal business hours at the designated corporate trust office of the Trustee in Philadelphia, Pennsylvania. All statements herein are qualified in all respects by reference to such document in its entirety.

THE SERIES AV PROJECT

As further discussed below, the Series AV Bonds are being issued to finance the costs of the Series AV-1 Project and the Series AV-2 Project as further discussed and defined below.

The Series AV-1 Project. The Series AV-1 Bonds are being issued to provide funds to the System to finance: (i) construction of a mixed-use facility incorporating classrooms, office, and laboratory space, as well as a new dining facility and parking garage at West Chester University of Pennsylvania; (ii) the current refunding of certain of the Authority's State System of Higher Education Revenue Bonds, Series AG of 2008; (iii) the current refunding of certain of the Authority's State System of Higher Education Revenue Bonds, Series AI of 2008; and (iv) contingencies and payment of costs and expenses incident to the issuance of the Series AV-1 Bonds (collectively, the "Series AV-1 Project").

The Series AV-2 Project. The Series AV-2 Bonds are being issued to provide funds to the System to finance: (i) acquisition of a student housing facility at Shippensburg University of Pennsylvania from Shippensburg University Student Services, Inc.; and (ii) contingency and issuance costs related to the Series AV-2 Bonds (collectively, the "Series AV-2 Project," and together with the Series AV-1 Project, the "Series AV Project").

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The Refunded Bonds

Series AG Bonds being refunded are as set forth below (the “Refunded Series AG Bonds”).

(June 15)		
<u>Maturity</u>	<u>Principal</u>	<u>CUSIP</u>
2019	\$6,165,000	70917 RPM1
2021	4,360,000	70917 RPN9
2022	4,565,000	70917 RPP4
2023	4,805,000	70917 RPQ2
2024	5,070,000	70917 RPR0

Portions of the Series AI Bonds being refunded will be selected by lot from the maturities in the principal amounts set forth below (the “Refunded Series AI Bonds” and together with the Refunded Series AG Bonds, the “Refunded Bonds”).

(June 15)		
<u>Maturity</u>	<u>Principal</u>	<u>CUSIP</u>
2019	\$2,125,000	70917R ST3
2020	2,205,000	70917R SUO
2021	2,300,000	70917R SV8
2022	3,435,000	70917R SW6
2023	1,890,000	70917R SX4
2024	1,290,000	70917R SY2
2025	450,000	70917R SZ9

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth estimated sources and uses of funds for the Series AV Project:

Sources:

	<u>Series AV-1</u>	<u>Series AV-2</u>	<u>Total</u>
Series AV Bond Proceeds	\$102,345,000.00	\$134,600,000.00	\$236,945,000.00
Plus Original Issue Premium	<u>6,462,704.60</u>	-	<u>6,462,704.60</u>
Total Sources:	<u>\$108,807,704.60</u>	<u>\$134,600,000.00</u>	<u>\$243,407,704.60</u>

Uses:

	<u>Series AV-1 Project</u>	<u>Series AV-2 Project</u>	<u>Total</u>
Series AV Bond Proceeds Fund (Project)	\$68,527,000.00	\$133,006,164.40	\$201,533,164.40
Series AV Bond Proceeds Fund (Redemption) ⁽¹⁾	39,045,543.13	-	39,045,543.13
Issuance Costs ⁽²⁾	167,009.22	227,645.60	392,645.82
Underwriters' Discount	<u>1,068,152.25</u>	<u>1,366,190.00</u>	<u>2,434,342.25</u>
Total Uses:	<u>\$108,807,704.60</u>	<u>\$134,600,000.00</u>	<u>\$243,407,704.60</u>

(1) A portion of the proceeds of the Series AV-1 Bonds in the amount of \$39,045,543.13 will be irrevocably deposited to redeem a portion of the Refunded Bonds upon settlement of the Series AV Bonds.

(2) Includes fees and expenses of Co-Bond Counsel, the Financial Advisor, the Authority, the Trustee, rating agency fees, printing fees and miscellaneous fees and expenses.

THE AUTHORITY

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

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

Under the Act, the Board of the Authority (the "Board") consists of the Governor of the Commonwealth, the State Treasurer, the Auditor General, the Secretary of the Department of Education, the Secretary of the Department of General Services, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Minority Leader of the House of Representatives and the Minority Leader of the Senate. Pursuant to the Act, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Minority Leader of the Senate and the Minority Leader of the House of Representatives may designate a member of their respective legislative bodies to act as a member of the Authority in their stead. The members of the Board serve without compensation but are entitled to reimbursement for all

necessary expenses incurred in connection with the performance of their duties as members. The powers of the Authority are exercised by the Board.

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

The Authority may in the future issue other series of bonds for the purpose of financing projects for educational institutions in the Commonwealth. Each such series of bonds will be secured by instruments separate and apart from the Indenture securing the Series AV Bonds, except for any Additional Bonds issued thereunder.

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

The Series AV Bonds are being issued under the Act pursuant to a resolution of the Authority adopted on August 1, 2018, and pursuant to the Indenture.

Except for the Prior Bonds and any Additional Bonds, none of the revenues of the Authority with respect to any of the revenue bonds and notes referred to above are pledged as security for any of the Series AV Bonds and, conversely, the revenue bonds and notes referred to above are not payable from or secured by the revenues of the Authority or other moneys securing the Series AV Bonds. See "**Sources of and Security for Payment of the Series AV Bonds**".

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

Robert Baccon, Executive Director

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

David Player, Comptroller & Director of Financial Management

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

Beverly M. Nawa, Administrative Officer

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

THE SERIES AV BONDS

Description of the Series AV Bonds

The Series AV Bonds shall be dated their date of delivery, will mature on the dates and in the amounts and shall be payable as to interest, on June 15 and December 15 of each year commencing December 15, 2018, at the rates set forth on the inside of the cover page hereof. The Series AV Bonds shall be subject to redemption prior to maturity as described below.

The Series AV Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. Purchases of the Series AV Bonds will be made in book-entry only form, in denominations of \$5,000 and any integral multiple thereof. Beneficial Owners will not receive certificates representing their interests in the Series AV Bonds purchased. So long as Cede & Co. is the registered owner, as nominee of DTC, references herein to the registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series AV Bonds. See "Book-Entry Only System" below.

Principal of and interest on the Series AV Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., Philadelphia, Pennsylvania, as Trustee. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series AV Bonds, such payments will be made directly to it as registered owner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

Book-Entry-Only System

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC, AND THE SYSTEM, THE AUTHORITY AND THE TRUSTEE TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

Purchasers of Series AV Bonds (the "Beneficial Owners") will not receive certificates representing their interest in the Series AV Bonds. Purchases of beneficial interests in the Series AV Bonds will be made in book-entry only form in Authorized Denominations by credit to participating broker-dealers and other institutions on the books of DTC as described herein. Payments of principal of and interest on the Series AV Bonds will be made by the Trustee directly to DTC as the registered Owner thereof. Disbursement of such payments to the Direct Participants (as hereinafter defined) is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the Direct

Participants and the Indirect Participants (as hereinafter defined), as more fully described herein. Any purchaser of beneficial interests in the Series AV Bonds must maintain an account with a broker or dealer who is, or acts through, a Direct Participant to receive payment of the principal of and interest on such Series AV Bonds.

The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Series AV Bonds (the "Bond Depository"). The Series AV Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series AV Bonds, each in the aggregate principal amount of the Series AV Bonds of such maturity, 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series AV Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series AV Bonds on DTC's records. The ownership interest of each 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 Series AV 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 Series AV Bonds, except in the event that use of the book-entry system for the Series AV Bonds is discontinued.

To facilitate subsequent transfers, all Series AV 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 Series AV Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series AV Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series AV 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 Series AV Bonds may wish to take certain steps to augment the transmission to them of notices

of significant events with respect to the Series AV Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond Documents. For example, Beneficial Owners of the Series AV Bonds may wish to ascertain that the nominee holding the Series AV 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 Series AV 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 Series AV Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series AV Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series AV Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

SO LONG AS CEDE & CO., AS THE NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE SERIES AV BONDS, THE AUTHORITY AND THE TRUSTEE WILL TREAT CEDE & CO. AS THE ONLY REGISTERED OWNER OF THE SERIES AV BONDS FOR ALL PURPOSES UNDER THE INDENTURE, INCLUDING RECEIPT OF ALL PRINCIPAL OF AND INTEREST ON THE SERIES AV BONDS, RECEIPT OF NOTICES, AND VOTING.

The Trustee will pay principal of and interest on the Series AV Bonds to or upon the order of the respective Owners, as shown on the Bond Register, or upon their respective attorneys duly authorized in writing, as provided in the Indenture, and all such payments will be valid and effective to fully satisfy the Authority's obligations with respect to the payment of principal and interest on the Series AV Bonds to the extent of the sum or sums so paid. Upon delivery by the nominee of DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of the existing nominee, and subject to the provisions of the Indenture with respect to record dates, the word "Cede & Co." in the Indenture will refer to such new nominee of DTC.

In the event the Authority or the Trustee receives written notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities, and the Authority is unable to find a substitute depository, in the opinion of the

Authority, willing and able to undertake the functions of the Bond Depository upon reasonable and customary terms, then the Series AV Bonds will no longer be restricted to being registered in the Bond Register in the name of the nominee of DTC or DTC, but may be registered in whatever name or names the Beneficial Owners (as certified by DTC) transferring or exchanging the Series AV Bonds will designate, in accordance with the provisions of the Indenture.

In the event the Authority determines that it is in the best interests of the Beneficial Owners of the Series AV Bonds that they be able to obtain bond certificates, the Authority may notify DTC and the Trustee, whereupon DTC will notify the Direct Participants and Indirect Participants of the availability through the nominee or DTC of bond certificates. In such event, the Trustee will issue, transfer, and exchange Series AV Bond certificates as requested by DTC and any other Bondowners in appropriate amounts, and whenever the Bond Depository requests the Authority and the Trustee to do so, the Authority and the Trustee will cooperate with DTC by taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Series AV Bonds to any nominee or Direct Participant having Series AV Bonds credited to its account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Series AV Bonds.

Notwithstanding any other provision described herein or contained in the Indenture to the contrary, so long as any Series AV Bond is registered in the name of the nominee of DTC, all payments with respect to the principal of and interest on such Series AV Bond will be made and given, respectively, to the nominee or DTC in the manner provided in the Blanket Letter of Representation entered into between DTC and the Authority.

In connection with any notice or communication to be provided to Series AV Bondowners pursuant to the Indenture by the Authority or the Trustee with respect to any consent or other action to be taken by Bondowners, the Authority, or the Trustee, as the case may be, will establish a record date for such consent or other action and give the nominee or DTC notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible.

THE SYSTEM, THE AUTHORITY AND THE TRUSTEE HAVE NO RESPONSIBILITY OR OBLIGATIONS TO THE DIRECT OR INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT; (B) THE PAYMENT BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES AV BONDS; (C) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BONDOWNERS; (D) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES AV BONDS; OR (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS REGISTERED BONDOWNER.

Redemption Provisions

The Series AV Bonds are subject to redemption as follows:

Optional Redemption: The Series AV Bonds maturing on and after June 15, 2029 are subject to optional redemption prior to maturity by the Authority at the written direction of the System in whole at any time or in part from time to time, on and after June 15, 2028 at a redemption price equal to one hundred percent (100%) of the principal amount thereof, plus accrued interest thereon to the date of redemption. Any partial redemption may be in any order of maturity and in any principal amount within a maturity as designated by the System by lot within a maturity. The Series AV Bonds to be redeemed within any maturity will be selected by the Trustee by lot.

Mandatory Redemption: The Series AV-1 Bonds maturing on June 15, 2040 are subject to mandatory redemption at a price of 100% of the principal amount thereof in advance of their maturity date, as provided in the table below:

Year (June 15)	Principal Amount
2039	\$3,530,000
2040*	3,670,000

The Series AV-1 Bonds maturing on June 15, 2043 are subject to mandatory redemption at a price of 100% of the principal amount thereof in advance of their maturity date, as provided in the table below:

Year (June 15)	Principal Amount
2041	\$3,815,000
2042	3,960,000
2043*	4,110,000

The Series AV-2 Bonds maturing on June 15, 2040 are subject to mandatory redemption at a price of 100% of the principal amount thereof in advance of their maturity date, as provided in the table below:

Year (June 15)	Principal Amount
2034	\$5,090,000
2035	5,295,000
2036	5,515,000
2037	5,755,000
2038	5,995,000
2039	6,245,000
2040*	6,510,000

The Series AV-2 Bonds maturing on June 15, 2045 are subject to mandatory redemption at a price of 100% of the principal amount thereof in advance of their maturity date, as provided in the table below:

Year (June 15)	Principal Amount
2041	\$6,780,000
2042	7,075,000
2043	7,375,000
2044	10,410,000
2045*	5,690,000

*Stated Maturity

The Series AV Term Bonds shall be subject to mandatory redemption by lot, prior to maturity, at a redemption price of one hundred percent (100%) of the principal amount thereof, plus accrued interest to the date of redemption, from moneys deposited in a sinking fund established for the Series AV Bonds within the Revenue Fund established under the

* Stated Maturity

Indenture. The principal amount of the Series AV Bonds otherwise required to be redeemed may be reduced by the principal amount of Series AV Bonds previously called for extraordinary optional redemption or theretofore delivered to the Trustee by the System in lieu of cash payments under the Loan Agreement or purchased by the Trustee out of moneys in the Revenue Fund established under the Indenture and which have not theretofore been applied as a credit against any sinking fund installment.

Extraordinary Optional Redemption: The Series AV Bonds will be subject to redemption prior to maturity at the option of the Authority, at the direction of the System, in whole at any time, or in part from time to time, with respect to the Series AV Bonds in any order of maturity selected by the System, and within any maturity by lot, upon payment of a redemption price equal to one hundred percent (100%) of the principal amount thereof, plus accrued interest to the date of redemption, but only in the event that all or a portion of the Series AV Projects financed or refinanced with the proceeds of the Series AV Bonds are damaged, destroyed or condemned, or sold under threat of condemnation, and it is determined that repair or reconstruction is not desirable, practical or financially feasible, from and to the extent of insurance proceeds, condemnation awards or proceeds of sale in lieu of condemnation received by the Trustee as a result of such damage, destruction, condemnation or sale under threat of condemnation.

Notice of Redemption: Notice of any redemption, identifying the Series AV Bonds or portions thereof to be redeemed, will be given not more than 45 nor less than 30 days prior to the redemption date, by first-class mail, postage prepaid, to the registered owners of the Series AV Bonds to be redeemed. Any defect in the notice or the mailing thereof with respect to any Series AV Bond will not affect the validity of the redemption as to any other Series AV Bonds. No further interest will accrue on the principal of any Series AV Bonds called for redemption after the date fixed for redemption if payment of the redemption price thereof has been duly provided for, and the registered owners of such Series AV Bonds will have no rights under the Indenture except to receive payment of the redemption price thereof and unpaid interest accrued to the date fixed for redemption. If the notice so specifies, a call for redemption may be conditioned on the deposit of funds for redemption by the redemption date, in the absence of which deposit the call for redemption would be of no effect. The Trustee will not be responsible for mailing notices of redemption to anyone other than DTC or its nominee as long as DTC acts as securities depository for the Series AV Bonds.

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DEBT SERVICE REQUIREMENTS ON THE SERIES AV BONDS AND THE PRIOR BONDS

The following tables set forth, for each of the periods indicated, the amounts required in such periods to be made available for the captioned purposes:

Fiscal Year Ended June 30	Series AV-1 Bonds			Series AV-2 Bonds			Prior Bonds		Refunding Bonds		Total	
	Principal	Interest	Total	Principal	Interest	Total	Total Debt Service ¹	Debt Service	Debt Service	Debt Service	Total Debt Service	Total Debt Service
2019	\$9,330,000	\$3,555,540.16	\$12,885,540.16	\$3,885,000	\$4,150,904.85	\$8,035,904.85	\$119,136,695.08	\$10,003,525.00		\$130,054,615.09		
2020	3,545,000	4,121,293.76	7,666,293.76	2,625,000	5,249,168.76	7,874,168.76	124,103,045.08	3,586,925.00		136,056,582.60		
2021	7,710,000	3,944,043.76	11,654,043.76	2,810,000	5,171,731.26	7,981,731.26	105,469,676.36	7,950,968.78		117,154,482.60		
2022	9,145,000	3,558,543.76	12,703,543.76	3,005,000	5,086,026.26	8,091,026.26	102,792,026.36	9,007,918.78		114,578,677.60		
2023	7,970,000	3,101,293.76	11,071,293.76	3,220,000	4,989,866.26	8,209,866.26	100,482,760.10	7,324,387.52		112,439,532.60		
2024	7,755,000	2,702,793.76	10,457,793.76	3,445,000	4,883,606.26	8,328,606.26	103,589,840.08	6,666,450.00		115,709,790.10		
2025	2,390,000	2,315,043.76	4,705,043.76	3,620,000	4,767,337.50	8,387,337.50	75,296,185.08	470,250.00		87,918,316.34		
2026	2,065,000	2,195,543.76	4,260,543.76	3,745,000	4,640,637.50	8,385,637.50	70,982,546.36			83,628,727.62		
2027	2,170,000	2,092,293.76	4,262,293.76	3,880,000	4,505,817.50	8,385,817.50	66,192,301.36			78,840,412.62		
2028	2,280,000	1,983,793.76	4,263,793.76	4,015,000	4,362,257.50	8,377,257.50	62,420,237.60			75,061,288.86		
2029	2,395,000	1,869,793.76	4,264,793.76	4,180,000	4,207,680.00	8,387,680.00	58,124,893.82			70,777,367.58		
2030	2,510,000	1,750,043.76	4,260,043.76	4,345,000	4,044,660.00	8,389,660.00	53,756,356.32			66,406,060.08		
2031	2,615,000	1,649,643.76	4,264,643.76	4,510,000	3,873,032.50	8,383,032.50	49,535,100.06			62,182,776.32		
2032	2,715,000	1,545,043.76	4,260,043.76	4,695,000	3,692,632.50	8,387,632.50	44,213,875.06			56,861,551.32		
2033	2,825,000	1,436,443.76	4,261,443.76	4,885,000	3,502,485.00	8,387,485.00	43,592,956.30			56,241,885.06		
2034	2,940,000	1,323,443.76	4,263,443.76	5,090,000	3,302,200.00	8,392,247.52	38,099,247.52			50,754,891.28		
2035	3,055,000	1,205,843.76	4,260,843.76	5,295,000	3,088,420.00	8,383,420.00	36,304,230.02			48,948,493.78		
2036	3,165,000	1,098,918.76	4,263,918.76	5,515,000	2,866,030.00	8,381,030.00	35,929,080.00			48,574,028.76		
2037	3,280,000	984,187.50	4,264,187.50	5,755,000	2,634,400.00	8,389,400.00	29,203,437.50			41,857,025.00		
2038	3,400,000	861,187.50	4,261,187.50	5,995,000	2,392,690.00	8,387,690.00	24,757,231.26			37,406,108.76		
2039	3,530,000	733,687.50	4,263,687.50	6,245,000	2,140,900.00	8,385,900.00	22,503,618.76			35,153,206.26		
2040	3,670,000	592,487.50	4,262,487.50	6,510,000	1,878,610.00	8,388,610.00	22,207,487.50			34,858,585.00		
2041	3,815,000	445,687.50	4,260,687.50	6,780,000	1,605,190.00	8,385,190.00	15,708,537.50			28,354,415.00		
2042	3,960,000	302,625.00	4,262,625.00	7,075,000	1,313,650.00	8,388,650.00	10,801,975.00			23,453,250.00		
2043	4,110,000	154,125.00	4,264,125.00	7,375,000	1,009,425.00	8,384,425.00	7,229,000.00			19,877,550.00		
2044				10,410,000	692,300.00	11,102,300.00	2,870,550.00			13,972,850.00		
2045				5,690,000	244,670.00	5,934,670.00	871,900.00			6,806,570.00		
2046							873,750.00			873,750.00		
2047							875,000.00			875,000.00		
2048							874,750.00			874,750.00		
2049							873,000.00			873,000.00		
2050							874,750.00			874,750.00		
2051							874,750.00			874,750.00		
2052							873,000.00			873,000.00		
2053							874,750.00			874,750.00		
2054							873,000.00			873,000.00		
2055							874,500.00			874,500.00		
TOTAL	<u>\$1,02,345,000.00</u>	<u>45,523,346.58</u>	<u>\$147,868,346.58</u>	<u>\$134,600,000.00</u>	<u>\$90,296,328.65</u>	<u>\$224,896,328.65</u>	<u>\$1,434,543,290.08</u>	<u>\$45,010,425.08</u>		<u>\$1,762,297,540.23</u>		

¹ Includes \$8,990,000 of principal from the Series AL Bonds of the Authority that was internally defeased.