Official Invitation for Proposals

For the Purchase of

$46,825,000*
Pennsylvania Higher Educational Facilities Authority
(Commonwealth of Pennsylvania)
Refunding Revenue Bonds
State System of Higher Education, Series AP

Electronically submitted proposals will be received by the Pennsylvania Higher Educational Facilities Authority (herein referred to as the "Authority"), up to 1:00 p.m., EST, on

April 22, 2014

for the purchase of $46,825,000* principal amount of the Authority's Refunding Revenue Bonds, State System of Higher Education, Series AP (the "Series AP Bonds") . Such electronic proposals will be made as described under "**Electronic Bids**" herein and reviewed by the Authority immediately thereafter.

No bid for the Series AP Bonds will be considered unless the underwriting group submitting such bid includes, as a co-manager, at least one Minority, Veteran or Female Business Enterprise, which shall be identified by the successful bidder prior to the award of the Series AP Bonds, as described under "ACCEPTANCE OF PROPOSALS" herein. Any determination of whether any firm so identified is in fact a Minority, Veteran or Female Business Enterprise will be made by the Authority and will be conclusive. Sealed bids and faxed bids will not be accepted by the Authority.

The Authority and the State System of Higher Education (the "System" or "SSHE"), individually and jointly, reserve the right to reject any and all bids and to waive any irregularity or obvious error in any bid. No bid may be withdrawn after the 1:00 p.m. deadline for the submission of bids. The award of the Series AP Bonds or the rejection of all bids will occur within five (5) hours after that time. **The Authority and the System reserve the right to extend any date and/or time fixed for the receipt of bids by giving notice, through The Bond Buyer Wire and Bloomberg Business News (the "News Services"), of the new date and time so fixed, which notice shall be given at least twenty-four (24) hours prior to such new date and time.** If all bids are rejected, the Authority and the System may fix a new date and time for the receipt of bids for the Series AP Bonds by giving notice in the same manner at least twenty-four (24) hours prior to such new date and time. Any notice specifying a new date and/or time for the receipt of bids, following the rejection of all bids received or otherwise, shall be considered an amendment to this Invitation.

The Series AP Bonds are being issued pursuant to Act No. 318 of the General Assembly of the Commonwealth of Pennsylvania, approved December 6, 1967, as amended, known as the Pennsylvania Higher Educational Facilities Authority Act (the "Act") to provide funds to finance the costs of: (i) the current refunding of all of the outstanding principal amount of the Authority's State System of Higher Education Revenue Bonds, Series Z maturing after June 15, 2014, (ii) the current refunding of all of the

* Estimated, subject to change. See "Adjustment of Principal Amounts" herein.

outstanding principal amount of the Authority's State System of Higher Education Revenue Bonds, Series AA maturing after June 15, 2014 and (iii) the financing of contingencies and payment of costs and expenses incident to the issuance of the Series AP Bonds. Terms used herein but not otherwise defined shall have the meaning given thereto in the Official Statement (defined below).

BOND DETAILS

The Series AP Bonds will be dated May 7, 2014 and will bear such rate or rates of interest, payable semiannually on June 15 and December 15 in each year, commencing December 15, 2014, as shall be fixed by the purchaser in its proposals for the purchase of the Series AP Bonds. The Series AP Bonds shall mature serially on June 15 in the respective years and in the respective amounts set forth in the following table. The Series AP Bonds will be issued in book-entry only form. See **"Book-Entry Only System"** herein.

Maturity Schedule for Series AP Bonds*

Maturity (June 15)	**Amount**
2015	$2,615,000
2016	$2,925,000
2017	$1,210,000
2018	$1,265,000
2019	$1,315,000
2020	$6,815,000
2021	$7,140,000
2022	$7,485,000
2023	$7,840,000
2024	$8,215,000

* Estimated, subject to change. See "Adjustment of Principal Amounts" herein.

At the option of the successful bidder of the Series AP Bonds, consecutively maturing serial Series AP Bonds (which may include a year in which the maturing principal is currently estimated to be zero) bearing the same rate of interest may be converted to a term Bond of the Series AP Bonds maturing in the final year of such Series in the manner described herein under the caption **"Redemption: Mandatory Redemption"**, subject to all terms and conditions set forth in the Indenture. **Within 24 hours of the award of the Series AP Bonds by the Authority, the successful bidder will be required to notify the Authority in writing as to which Series AP Bonds are to be converted to term Bonds if any such Series AP Bonds are to be so converted.**

Adjustment of Principal Amounts

The Authority and the System each reserves the right to modify or amend this Official Invitation for Proposals including changing the scheduled maturities or increasing or reducing the aggregate principal amount of the Series AP Bonds and the maturity offered for sale, prior to the bid date. If any modifications occur, supplemental information with respect to the Series AP Bonds will be communicated via TM3 (www.tm3.com) not later than 5:00 p.m., EST, on the day preceding the day on which proposals may be submitted, and bidders shall bid upon the Series AP Bonds based upon the terms thereof set forth in this Official Invitation for Proposals as so modified by such supplemental information. If any prospective bidder does not subscribe to TM3, please call RBC Capital Markets Corporation, Michael R. Baird, at 410-625-6103 and arrangements will be made to notify such prospective bidder of any change or modification to this Official Invitation for Proposals prior to 5:00 p.m., EST, on the day preceding the day on which proposals may be submitted.

The aggregate principal amount and the principal amount of each serial maturity of the Series AP Bonds are also subject to adjustment by the Authority after the receipt and opening of the electronically submitted bids for their purchase. Changes to be made will be communicated to the successful bidder not later than five (5) hours after the bids have been received and opened and will be made only as necessary to comply with the requirements of federal tax law, in order to maintain exemption from federal income tax for interest payable thereon and in no case will reduce or increase the aggregate principal amount of the Series AP Bonds by more than 10 percent from the amount bid upon. The underwriting spread bid by the successful bidder (defined as the amount equal to the difference between the purchase price bid for the Series AP Bonds and the aggregate reoffering price to the public of the Series AP Bonds) will be adjusted proportionally to reflect any reduction or increase in the aggregate principal amount of the Series AP Bonds, but the interest rates and reoffering prices specified by the successful bidder for all maturities will not change. The successful bidder may not withdraw its bid as a result of any changes within these limits.

MUNICIPAL BOND INSURANCE

Bidders may opt to purchase, at their expense, a municipal bond insurance policy selected by the Authority to insure payment of the principal of and interest on all, or a portion of, the Series AP Bonds when due.

REDEMPTION

Extraordinary Optional Redemption

The Series AP Bonds will be subject to redemption prior to maturity at the option of the Authority, at the direction of the System, in whole or in part at any time, 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, if any, to the date of redemption, but only in the event that all or a portion of the Projects financed or refinanced with the proceeds of the Series AP 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.

Mandatory Redemption

The successful bidder for the Series AP Bonds will be given the option to convert consecutively maturing serial Bonds bearing the same rate of interest to a term Bond of the Series AP Bonds maturing in the final year of such particular consecutive series. Such term Series AP 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, if any, to the date of redemption, from moneys deposited in a sinking fund established for the Series AP Bonds within the Revenue Fund established under the Indenture, such redemptions to occur according to the principal maturity schedule contained herein, in the proposal and in the Official Statement. The principal amount of the Series AP Bonds otherwise required to be redeemed may be reduced by the principal amount of such Series 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.

Notice of Redemption

Notice of redemption will be mailed to the registered owners of the Series AP Bonds not more than 45 nor less than 30 days prior to the date of redemption, by first class mail. 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 AP Bonds.

BOOK-ENTRY ONLY SYSTEM

The Series AP Bonds will be issued by means of a book-entry only system with no distribution of Series AP Bond certificates made to the public. One Series AP Bond certificate representing the aggregate principal amount of the Series AP Bonds maturing in each year will be issued and fully registered as to principal and interest in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), a Securities and Exchange Commission registered depository and a New York limited-purpose trust company. Ownership of the Series AP Bonds, in principal amounts of $5,000 or integral multiples thereof within a maturity within such Series, will be shown on, and transfers of beneficial ownership effected through, records maintained by DTC and its participants pursuant to rules and procedures established by DTC. The responsibility for maintaining, reviewing and supervising such records rests collectively with DTC and its participants. The successful bidder for the Series AP Bonds, as a condition to the delivery of such Series, shall be required to deposit the Series AP Bond certificates with DTC registered in the name of Cede & Co. Interest will be payable on each semiannual interest payment date, and principal of the Series AP Bonds will be paid annually as set forth in the foregoing maturity schedules to DTC or its nominee as registered owner of such Series. Transfer of principal and interest payments to the beneficial owners by participants of DTC will be the responsibility of such DTC participants and other nominees of beneficial owners. Neither the Authority nor the System will be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants, or persons acting through such participants.

Replacement Series AP Bonds upon Termination or Failure of Book-Entry Only System

In the event that (i) the Authority determines that DTC is incapable of discharging its duties or the interests of the Beneficial Owners or the Authority may be adversely affected if the book-entry only system of transfer is continued (the Authority undertakes no obligation to make any investigation to determine the occurrence of any events that would permit the Authority to make any such determination), or (ii) the System determines, and notifies the Authority of its determination, that continuation of the

book-entry only system through DTC is not in the best interests of the System, the Authority shall appropriately notify DTC and (if there is no successor depository) shall direct the Trustee to authenticate and make available for delivery replacement Series AP Bonds in the form of fully registered bond certificates.

INTEREST RATE AND BID REQUIREMENTS

Each bidder shall designate such rates of interest for the herein specified maturities in its proposal for the purchase of the Series AP Bonds subject to the following limitations:

(1) No bid for the Series AP Bonds will be considered unless the underwriting group submitting such bid includes, as a co-manager, at least one Minority, Veteran or Female Business Enterprise, which shall be identified by the successful bidder prior to the award of the Series AP Bonds, as described under **"ACCEPTANCE OF PROPOSALS"** herein. Any determination of whether any firm so identified is in fact a Minority, Veteran or Female Business Enterprise will be made by the Authority and will be conclusive. To facilitate the determination of whether a firm is a Minority, Veteran or Female Business Enterprise, bidders are asked to identify the co-manager(s) which are Minority, Veteran or Female Business Enterprises in advance of the deadline for submission of bids by completing the form attached as Exhibit A and sending it by telecopy to the number noted thereon.

(2) No interest rate shall be specified which is not a multiple of 1/20 or 1/8 of 1%, and a zero rate of interest may not be named;

(3) All Series AP Bonds maturing on the same date shall bear the same rate of interest;

(4) No one Series AP Bond shall bear interest at more than one rate;

(5) No proposal for less than all of the Series AP Bonds will be considered;

(6) No proposal naming an aggregate bid price of less than 98.5% of the principal amount of the Series AP Bonds, exclusive of accrued interest, will be considered;

(7) Proposals must be made upon the prescribed form of the Bid Services (see **Electronic Bids** below), and bidders must specify a single annual interest rate for each maturity of the Series AP Bonds set forth therein. Consecutive principal maturities of the Series AP Bonds bearing the same rates of interest may be converted to a term Series AP Bond at the option of the bidder as set forth herein under the caption **"REDEMPTION - Mandatory Redemption"**;

(8) Each proposal will be required to comply with the provisions relating to a Good Faith Deposit as further set forth herein under the caption "**GOOD FAITH**"; and

(9) Notwithstanding anything to the contrary herein, the Authority and the System, individually and jointly, reserve the right to reject any or all bids with respect to the Series AP Bonds.

Electronic Bids

Solely as an accommodation to bidders, the Authority will receive bids delivered electronically through the following services (the "Bid Services"); no bid will be received in any other medium:

- Dalcomp, a division of Thomson Financial Municipals Group, Inc.
  BIDCOMP Competitive Bidding System and Parity Electronic Bid Submission System ("Parity")
  395 Hudson Street
  New York, NY 10014
  Phone: (212) 806-8304
  Fax: (212) 989-9281
  Internet address: http://www.tm3.com

If any provision of this Invitation conflicts with information provided by Parity, this Invitation shall control. Each bidder submitting an electronic bid agrees by doing so that it is solely responsible for all arrangements with (including any charges by) Parity, that the Authority does not endorse or encourage the use of Parity, and that Parity is not acting as agent of the Authority. Instructions for submitting electronic bids must be obtained from Parity, and the Authority does not assume any responsibility for ensuring or verifying bidder compliance with Parity's procedures. The Authority shall be entitled to assume that any bid received via Parity has been made by a duly authorized agent of the bidder. Acceptance of electronic bids shall be subject to the limitations set forth in **"WARNINGS REGARDING ELECTRONIC BIDS"** below.

Warnings Regarding Electronic Bids

THE AUTHORITY, THE SYSTEM, THE FINANCIAL ADVISOR AND BOND COUNSEL ASSUME NO RESPONSIBILITY FOR ANY ERROR CONTAINED IN ANY BID SUBMITTED ELECTRONICALLY, OR FOR FAILURE OF ANY BID TO BE TRANSMITTED OR RECEIVED AT THE OFFICIAL TIME FOR RECEIPT OF BIDS. THE OFFICIAL TIME FOR RECEIPT OF BIDS WILL BE DETERMINED BY THE AUTHORITY AT THE PLACE OF BID RECEIPT, AND THE AUTHORITY SHALL NOT BE REQUIRED TO ACCEPT THE TIME KEPT BY PARITY AS THE OFFICIAL TIME. THE AUTHORITY ASSUMES NO RESPONSIBILITY FOR INFORMING ANY BIDDER PRIOR TO THE DEADLINE FOR RECEIVING BIDS THAT ITS BID IS INCOMPLETE OR NOT RECEIVED.

THE AUTHORITY WILL ACCEPT BIDS ONLY IN ELECTRONIC FORM AND ONLY THROUGH PARITY ON THE OFFICIAL BID FORM CREATED FOR SUCH PURPOSE. EACH BIDDER SUBMITTING AN ELECTRONIC BID UNDERSTANDS AND AGREES BY DOING SO THAT IT IS SOLELY RESPONSIBLE FOR ALL ARRANGEMENTS WITH PARITY, THAT THE AUTHORITY NEITHER ENDORSES NOR EXPLICITY ENCOURAGES THE USE OF PARITY, AND THAT PARITY IS NOT ACTING AS AN AGENT OF THE AUTHORITY. INSTRUCTIONS AND FORMS FOR SUBMITTING ELECTRONIC BIDS MUST BE OBTAINED FROM PARITY, AND THE AUTHORITY ASSUMES NO RESPONSIBILITY FOR ENSURING OR VERIFYING BIDDER COMPLIANCE WITH THE PROCEDURES OF PARITY. THE AUTHORITY SHALL ASSUME THAT ANY BID RECEIVED THROUGH PARITY HAS BEEN MADE BY A DULY AUTHORIZED AGENT OF THE BIDDER.

TERMS OF SALE

The Series AP Bonds will be awarded (or all bids will be rejected) within five (5) hours of the opening of the bids at 1:00 p.m., EST, on Tuesday, April 22, 2014, to the bidder for such Series submitting a proposal conforming to the terms of this Invitation and which produces the lowest true interest cost to the Authority for such Series, determined as set forth below (such bidder or, where appropriate, the representative thereof if such bidder is a syndicate, shall be sometimes referred to herein as the "successful bidder"). The proposal of such successful bidder will be accepted by the Authority and

the System, as described below under **"ACCEPTANCE OF PROPOSALS"**, and signed by an Authorized Officer of the Authority and an Authorized Officer of the System, subject to the individual and joint rights of the Authority and the System in their discretion to reject any and all proposals. **The true interest cost for the Series AP Bonds shall mean twice that semiannual interest rate at which the sum of the present values of scheduled principal and interest payments on such Series, as of their dated date, shall equal the amount bid for such Series, exclusive of accrued interest, if any, to the date of delivery.** For the purpose of determining the interval of time from the dated date of the Series AP Bonds and any payment date, the 30-day month, 360-day year convention shall be used. For the information of the Authority only, and not as part of its proposal, each bidder shall set forth in its proposal the true interest cost, expressed as a percentage, of its proposal for the Series AP Bonds. If two or more conforming bids are found to be the best bids, the Authority may, with the consent of such bidders, award the Series AP Bonds to them jointly or, absent such consent, may award such Series to any one of such bidders selected in any manner it deems appropriate.

ACCEPTANCE OF PROPOSALS

The Authority and the System shall accept the proposal of the successful bidder of the Series AP Bonds as follows: Upon determining to accept the successful bidder's proposal, the Authority and the System shall contact the successful bidder by telephone and promptly thereafter shall deliver to the successful bidder, by facsimile, written notice that they accept such proposal subject to the terms and conditions of this Invitation. Following such acceptance, the successful bidder shall execute and deliver by facsimile, to the Authority and the System, of the following:

(1) A certificate in the form attached to such written notice, executed on behalf of the successful bidder, confirming the bid submitted by such successful bidder (as set forth on the attachment described in clause (2) below). The certificate also shall identify each member of the syndicate if the successful bidder is a syndicate, **and identify the Minority, Veteran or Female Business Enterprise that is a co-manager of such syndicate;** and

(2) A printed copy of the winning bid electronically submitted by the successful bidder, which shall be provided by the Authority and the System to the successful bidder along with the written notice described above and shall be attached to and incorporated by reference in the certificate described in clause (1).

BIDDERS SHOULD BE AWARE THAT ANY AND ALL BIDS, ONCE SUBMITTED ELECTRONICALLY THROUGH PARITY, SHALL BE DEEMED BINDING ON SUCH BIDDER FOR ALL PURPOSES. THE CERTIFICATE DESCRIBED IN THE PREVIOUS PARAGRAPH IS ONLY A CONFIRMATION OF THE BIDDER'S BINDING ELECTRONICALLY SUBMITTED PROPOSAL.

REOFFERING AND SALE OF SERIES AP BONDS TO PUBLIC

Each bidder for the Series AP Bonds, by the submission of a bid, agrees that if it is the successful bidder, it will provide to the Authority, within 1 hour of the award of such Series, the initial offering price to the public (excluding bond houses and brokers or similar persons or organizations acting in the capacity as wholesalers or underwriters) for each maturity of such Series (the "Initial Reoffering Prices") and also agrees to make a *bona fide* public offering of each maturity of such Series at their Initial Reoffering Price. The successful bidder will be required to provide a certificate prior to settlement for such Series confirming that the successful bidder made a *bona fide* public offering of such Series at prices not greater than the Initial Reoffering Prices, and certain other information to enable the Authority and the System to compute the yield on such Series for Federal tax law purposes.

BLUE SKY LAWS AND LIMITATIONS ON BIDDERS

By submission of its bid, the successful bidder represents that the sale of the Series AP Bonds will be made only in accordance with all applicable laws, rules and regulations (including rules and regulations promulgated by the Municipal Securities Rulemaking Board, the Securities and Exchange Commission and the National Association of Securities Dealers), and only pursuant to exemptions from registration or, where necessary, registration of such Series by the successful bidder in accordance with the securities laws of the jurisdictions in which such Series are offered or sold. Except as indicated in the Blue Sky Memorandum described below, the Authority and the System agree to cooperate with the successful bidder at the successful bidder's written request and expense, in registering such Series or beneficial interests therein or obtaining an exemption from the registration in any jurisdiction where such action is necessary. The Authority and the System shall not be required to qualify as a foreign corporation in, or submit to jurisdiction of, any other state.

Cohen & Grigsby, P.C., Pittsburgh, Pennsylvania, has prepared a Blue Sky Memorandum that indicates the states and other jurisdictions of the United States in which the Series AP Bonds may be offered and sold to the public under applicable laws of such states and other jurisdictions as of the date of the Preliminary Official Statement. The Blue Sky Memorandum contains certain qualifications and assumptions set forth therein. Any potential purchaser desiring a more definitive opinion concerning the laws of any state or other jurisdiction applicable to the offering and sale of the Series AP Bonds therein should contact its own advisors. As noted in the preceding paragraph, compliance with the laws of any jurisdiction as a condition to the sale of the Series AP Bonds in such jurisdiction shall be the responsibility of the successful bidder. Neither the System nor the Authority will have taken any action necessary to fulfill any such condition prior to the official award of the Series AP Bonds, nor will either take any such action thereafter except as noted in the preceding paragraph. Bidders should be aware that neither the Authority nor the System will undertake to cause the Blue Sky Memorandum to be revised to reflect any potential changes in applicable law after the date thereof.

OFFICIAL STATEMENT - COMPLIANCE WITH SEC RULE 15c2-12

The Authority, solely with respect to the statements under the section captioned "The Authority", and the System have prepared a preliminary official statement relating to the Series AP Bonds (the "Preliminary Official Statement") that has been deemed final for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") as of April 8, 2014, subject to completion, revision and amendment in a final official statement as hereafter defined.

The Authority and the System shall deliver, without charge, not more than seven (7) business days (and in any event prior to closing on the Series AP Bonds) after the award of the Series AP Bonds, not more than 50 copies of a "final official statement," as that term is defined in the Rule, with respect to the Series AP Bonds (the "Official Statement") to the senior managing underwriter of the account to which the Series AP Bonds is awarded (the "Account Manager"). The Authority and the System shall, by awarding the Series AP Bonds, designate the Account Manager as their agent for purposes of distributing copies of the Official Statement to each "Participating Underwriter" (as that term is defined in the Rule) of such Series. Any person executing and delivering a Form of Proposal with respect to the Series AP Bonds agrees thereby that, if it is the successful bidder. (i) it shall accept such designation, and (ii) it shall enter into a contractual relationship with all Participating Underwriters for the purpose of distributing copies of the Official Statement pursuant to the provisions of the Rule.

The Authority, as to statements concerning the Authority under the caption "The Authority", and the System agree to advise the Account Manager, by written notice and to the best of their knowledge, of any developments affecting the accuracy and completeness of the material representations contained in

the Official Statement that occur during the period beginning on the date that the Official Statement becomes available and ending on the earlier of (i) ninety (90) days from the end of the underwriting period (as defined in the Rule) or (ii) the time when the Official Statement is available to any person through EMMA (as defined below), but in no case less than twenty-five days following the end of the underwriting period.

CONTINUING DISCLOSURE

In order to satisfy the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the System and The Bank of New York Mellon Trust Company, N.A., as dissemination agent (in such capacity, the "Dissemination Agent"), will enter into a Continuing Disclosure Agreement for the benefit of owners of the Series AP Bonds (the "Continuing Disclosure Agreement"). Pursuant to such agreement, the System will covenant to provide, through a 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 the Official Statement: Accreditation; Degrees Awarded; Enrollment; Application and Admissions; Tuition, Student Fees and Competition; Freshman Enrollment Composition; Student Financial Aid; Commonwealth Appropriations; Unrestricted Net Assets; Faculty and Staff; and Outstanding Indebtedness. 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. 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. The System has represented that it has made all required filings under its continuing disclosure agreements for the past five (5) years. The Authority has no responsibility for the System's compliance with the Continuing Disclosure Agreement or the information provided by the System thereunder.

In the Continuing Disclosure Agreement, the System will also covenant to provide, in a timely manner, to EMMA notice of the occurrence of any of the following events with respect to the Series AP 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 or events affecting the tax-exempt status of the Series AP Bonds, (7) modifications to rights of holders of the Series AP Bonds, if material, (8) Series AP Bond calls, if material, and tender offers, (9) defeasances, (10) release, substitution or sale of property securing repayment of the Series AP 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 AP 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 AP 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 AP Bonds or the Dissemination Agent. The System's obligation to provide the foregoing annual financial information and notices of the specified events will terminate when the Series AP 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 AP 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.

DELIVERY OF SERIES AP BONDS

Delivery of the Series AP Bonds in definitive form will be made to DTC in New York, New York, against payment by the successful bidder of such Series, in immediately available funds on or about May 7, 2014 (the "Closing Date"), at such time as may be fixed by the Authority, upon five days' written notice to the successful bidder and at such place as shall be agreed upon with the successful bidder. CUSIP (Committee on Uniform Security Identification Procedures) identification numbers will be imprinted on the Series AP Bonds, but neither the failure to print such numbers on any Series AP Bond or any error with respect thereto shall constitute cause for failure or refusal by the successful bidder to accept delivery of and pay for the Series AP Bonds in accordance with the terms hereof and pursuant to such successful bidder's proposal. All expenses in relation to the printing of CUSIP numbers on the Series AP Bonds will be paid for by the Authority; however, the CUSIP Service Bureau charge for the assignment of said numbers will be the responsibility of and will be paid for by the successful bidder.

GOOD FAITH

A Good Faith Deposit (the "Deposit") in the amount of $100,000 is required only from the successful bidder of the Series AP Bonds. The Deposit shall be payable for deposit with the Trustee in the form of a wire transfer in federal funds as instructed by the Financial Advisor no later than 5:00 p.m., EST, on Tuesday, April 22, 2014. As an alternative to wiring funds, a bidder for the Series AP Bonds may deposit with the Trustee a financial surety bond issued by Assured Guaranty Municipal Corp. (a "Financial Surety Bond") in the amount of $100,000, payable to the order of the Authority, with its bid. If used, the Financial Surety Bond must be submitted to the Authority prior to the deadline for the submission of bids. The Financial Surety Bond must identify each bidder whose deposit is guaranteed by such Financial Surety Bond. In the event the Purchaser fails to honor its accepted bid, the Financial Surety bond will be drawn upon by the Authority and such funds will be retained by the Authority.

LEGAL OPINION

The Authority will deliver to the successful bidder, without charge, the opinion of Cohen & Grigsby, P.C., Pittsburgh, Pennsylvania, Bond Counsel, approving the issue as to legality and the exemption from Federal income taxation of the interest on the Series AP Bonds under existing law, to the

extent described in the Preliminary Official Statement dated as of April 8, 2014, and providing that under existing law, the Series AP Bonds are exempt from personal property taxes in the Commonwealth and the interest on the Series AP Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. The opinion of Bond Counsel will be attached to each of the Series AP Bonds.

RATINGS OF THE SYSTEM

Moody's Investors Service and Fitch Ratings are expected to issue underlying credit ratings of the System of "Aa3" with an outlook of “negative” and "AA" with an outlook of “negative”, respectively.

CLOSING DOCUMENTS

At or prior to delivery of the Series AP Bonds to the successful bidder (the "Closing"), the Authority will furnish the successful bidder with the following:

(1) The opinion of Buchanan Ingersoll & Rooney PC, Pittsburgh, Pennsylvania, Counsel to the Authority, addressed to the Authority and the successful bidder, dated the date of Closing, to the effect that (i) to their knowledge, no litigation is pending or threatened (a) to restrain or enjoin the issuance or delivery of any of the Series AP Bonds or the collection of revenues pledged under the Indenture, (b) in any way contesting the existence of the Authority or the power or the authority of the Authority to issue the Series AP Bonds or the validity of the Series AP Bonds, the Indenture and the Loan Agreement (including the assignment thereof to the Trustee) (ii) to their knowledge, no event affecting the Authority has occurred since the date of the Official Statement that is necessary to be disclosed therein in order to make the statements therein with respect to the Authority under the captions "The Authority" and "Absence of Litigation" not misleading in any material respect, (iii) the Authority is a body corporate and politic constituting a public corporation and a public instrumentality of the Commonwealth created by and existing under the provisions of the Act, pursuant to which the Authority has full legal right, power and authority to execute and deliver the Indenture and the Loan Agreement (including the assignment thereof to the Trustee) and to issue the Series AP Bonds and utilize the proceeds of the Series AP Bonds pursuant to the Indenture, (iv) the Authority has duly authorized, executed and delivered the Thirty-Eighth Supplemental Indenture and the Thirty-Eighth Supplemental Loan Agreement (including the assignment thereof to the Trustee), and assuming due authorization, execution, and delivery by the other parties thereto, each constitutes the legal, valid, and binding obligation of the Authority enforceable in accordance with its respective terms (subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer, preferential transfer and other similar laws affecting the rights of creditors generally, heretofore or hereafter enacted, to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases), (v) to their knowledge, the execution and delivery of, consummation of the transactions contemplated by, and the fulfillment and compliance with the terms of, the Series AP Bonds, the Indenture and the Loan Agreement, under the circumstances contemplated thereby, do not and will not constitute on the part of the Authority a material breach of or default under the Act, the Authority's By-Laws, any existing law or regulation to which the Authority is subject to or any administrative or court order or decree which specifically names and is directed to the Authority or any indenture, mortgage, deed of trust or other instrument to which the Authority is a party or by which it may be bound of which such Counsel is aware, all as currently in effect, (vi) the Official Statement has been duly authorized, executed and delivered by the Authority, and (vii) to their knowledge, the information contained in the Official Statement relating to the Authority under the captions "The Authority" and "Absence of Litigation" does not contain any untrue statement of a material fact or omit to state a material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect;

(2) A certificate, dated the date of Closing, executed on behalf of the Authority by the Executive Director or other Authorized Officer of the Authority to the effect that: (i) the representations, warranties and covenants of the Authority contained in the Loan Agreement and the Indenture are true and correct in all material respects on and as of the date of the Closing, (ii) the Authority has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing, (iii) the information in the Official Statement under the captions "The Authority" and "Absence of Litigation" insofar as it relates to the Authority does not, and the Preliminary Official Statement dated as of April 8, 2014, did not, include any untrue statement of a material fact or omit to state any material fact necessary to make the statements contained therein not misleading; and (iv) there is no action, suit or proceeding, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the Authority, threatened against the Authority, affecting the existence of the Authority or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Series AP Bonds or the revenues or assets of the Authority pledged or to be pledged to pay the principal of, redemption premium, if any, and interest on the Series AP Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Series AP Bonds, the Indenture and the Loan Agreement (including the assignment thereof to the Trustee), or contesting in any way the completeness or accuracy of the Preliminary Official Statement, or the Official Statement, or contesting the power or authority of the Authority to issue the Series AP Bonds or to execute and deliver the Indenture and the Loan Agreement (including the assignment thereof to the Trustee); nor, to the knowledge of the Authority, is there any meritorious basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Series AP Bonds, the Indenture and the Loan Agreement (including the assignment thereof to the Trustee);

(3) The opinion of Andrew C. Lehman, Chief Legal Counsel to the System, dated the date of Closing and addressed to the Authority and the successful bidder to the effect that: (i) the System is a body corporate and politic and a public instrumentality of the Commonwealth, created and existing under the provisions of Act 188 of 1982, as amended, pursuant to which the System has the full legal right and power and authority to execute and deliver the Loan Agreement (including the assignment thereof to the Trustee) and the Continuing Disclosure Agreement, (ii) the System is a public instrumentality of the Commonwealth of Pennsylvania within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and Section 3(a)(29) of the Securities Exchange Act of 1934, as amended, (iii) pursuant to due authorization, the System has authorized the distribution of the Preliminary Official Statement and the Official Statement, (iv) the Loan Agreement and the Continuing Disclosure Agreement have each been duly authorized, executed and delivered by the System and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid, and binding agreements of the System enforceable against the System in accordance with their terms except as enforcement may be limited by bankruptcy, reorganization, insolvency, moratorium or other laws affecting the enforcement of rights of creditors generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), (v) except as set forth in the Official Statement, to the best of his knowledge after reasonable investigation, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, against or affecting the System, wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Official Statement or the validity of the Loan Agreement and the Continuing Disclosure Agreement, (vi) the execution of the Loan Agreement and the Continuing Disclosure Agreement and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not conflict with or constitute on the part of the System a breach of or default under any agreement or other instrument to which the System is a party or any existing law, ordinance, administrative regulation, court order or consent decree to which the System is subject, (vii) the assignment by the Authority of all of its right, title and interest in the Loan Agreement and the pledge of all moneys due thereunder to the Trustee will not affect the obligations of the System under the Loan

Agreement and the Continuing Disclosure Agreement, and (viii) without having undertaken to determine independently the accuracy or completeness of, or to verify the information furnished with respect to, matters described in the Official Statement under the caption "The Project" and Appendix I: "Certain Information Concerning the State System of Higher Education", nothing has come to his attention that causes him to believe that such sections contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, it being understood that, in rendering such opinion, such Counsel shall be expressing no opinion with respect to statistical data, technical and financial statements, operating statistics and other financial data in such captioned sections;

(4) A certificate, dated the date of Closing, signed by a principal financial or accounting officer of the System in which such officer states that to the best of his knowledge after reasonable investigation, (i) the Official Statement insofar as it relates to the System does not, and the Preliminary Official Statement dated as of April 8, 2014, did not, include any untrue statement of a material fact or omit to state any material fact necessary to make the statements contained therein not misleading, (ii) there has been no material adverse change in the financial position or results of operation of the System subsequent to the date of the Official Statement except as set forth therein or contemplated thereby, (iii) no litigation is pending or, to his knowledge, threatened (a) to restrain or enjoin the collection of revenues sufficient to enable the System to perform its obligations under the Loan Agreement and/or the Continuing Disclosure Agreement, (b) in any way contesting or affecting any authority for execution and delivery of the Series AP Bonds or the validity of the Series AP Bonds, the Loan Agreement or the Continuing Disclosure Agreement or (c) in any way contesting the corporate existence, tax-exempt status or powers of the System, and (iv) no event has occurred that would constitute a material default (including, but not limited to, any event that would permit acceleration) on the part of the System in any agreement relating to indebtedness of the System, if any, or that causes the System to believe it will default in any material way with respect to its obligations under any such agreement;

(5) A counterpart of the Thirty-Eighth Supplemental Indenture and the Thirty-Eighth Supplemental Loan Agreement executed by the parties thereto;

(6) A letter from Moody's Investors Services, Inc. ("Moody's") rating the Series AP Bonds as described under "Ratings" in the Official Statement;

(7) A letter from Fitch Ratings ("Fitch") rating the Series AP Bonds as described under "Ratings" in the Official Statement;

(8) One copy each of the Act and Act 188 of 1982, as amended, the by-laws of the System, as amended, and the resolutions of the Board of Governors of the System authorizing the execution and delivery of the Loan Agreement and all transactions contemplated by the Official Statement, all certified by its Secretary;

(9) An executed copy of the Continuing Disclosure Agreement;

(10) Such additional legal opinions, certificates, proceedings, instruments, and other documents as each successful bidder or Bond Counsel may reasonably request to evidence compliance by the Authority and the System with the terms of this Invitation and the accepted proposal of each successful bidder, together with all other legal requirements, and the performance or satisfaction by the Authority and the System at or prior to the Closing of all agreements then to have been performed and all conditions then to have been satisfied by the Authority and the System.

The Authority and the System will furnish each successful bidder with such conformed copies of such opinions, certificates, letters and documents as such successful bidder may reasonably request.

Prior to settlement, the purchaser will be required to deliver to the Authority and Bond Counsel the certificate referred to under "Reoffering and Sale of Series AP Bonds to Public" herein.

AVAILABILITY OF ADDITIONAL COPIES OF DOCUMENTS

Additional copies of this Invitation, the Blue Sky Memorandum, and the Preliminary Official Statement may be obtained upon request from the office of the Pennsylvania Higher Educational Facilities Authority, 1035 Mumma Road, Wormleysburg, Pennsylvania 17043 (Telephone (717) 975-2200) or RBC Capital Markets Corporation, 400 East Pratt Street, Suite 720, Baltimore, Maryland 21202 (Telephone (410) 625-6103).

Copies of the documents referred to above and copies of the Thirty-Eighth Supplemental Indenture, Thirty-Eighth Supplemental Loan Agreement and the Continuing Disclosure Agreement will also be available at the offices of the Authority and RBC Capital Markets Corporation.

Accepted subject to final approval as to form and legality from the Office of General Counsel and the Attorney General's Office.

PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY

By /s/ Robert Baccon
Robert Baccon
Executive Director

Dated: April 8, 2014

Due to the importance which [the Pennsylvania Higher Educational Facilities Authority and] the State System of Higher Education attach to the requirement that each underwriting group submitting a bid on their bond issues has as a co-manager at least one Minority, Veteran or Female Business Enterprise, each potential bidder is requested to submit the following form prior to the deadline for the submission of bids to the attention of **Michael R. Baird at telecopy number (866) 898-3791.**

EXHIBIT A
Series AP Bonds

Identification of Minority, Veteran or Female Business Enterprise Co-Manager

The undersigned intends to submit a bid to purchase the Pennsylvania Higher Education Facilities Authority Refunding Revenue Bonds, State System of Higher Education, Series AP and consequently wishes to identify the following Minority, Veteran or Female Business Enterprise(s) which will serve as co-manager(s) of the underwriting group if a bid in fact is made:

Name of Minority, Veteran or Female Business Enterprise Co-Manager	Address
_____	_____
	_____
_____	_____
	_____
_____	_____
	_____

Any questions concerning this identification can be addressed to the undersigned at the telephone number listed below the signer's name.

_____
Name of Bidder

Date: _____

By: _____
Name: _____
Title: _____
Telephone No.: _____

Notice of Sale of Sure-Bid Qualified Issue

For use only by financial advisors, issuers or bond counsel. Complete on screen, print and fax to Sure-Bid by 4:00 p.m. Eastern Time on the Thursday prior to the week of the sale. Please also fax a copy of the front page and "Good Faith Deposit" Section of the official statement.

Series AP Bonds

Appendix B

Facsimile: 212/339-3488

To: Sure-Bid Telephone: 212/339-3423

From: (F.A., Issuer, or Bond Counsel's Full Name and Mailing Address:)

Michael Baird
RBC Capital Markets, LLC
100 Light Street, Suite 2410, Baltimore, Maryland 21202

Re: ***Sure-Bid*** **Qualified Issue**

Issue Information:

Name of Issuer & State: **Pennsylvania Higher Educational Facilities Authority**		
Name of Issue: **Refunding Revenue Bonds, State System of Higher Education, Series AP**		
Par Amount of Issue: **$46,825,000 (subject to change)**		Sale Date: **April 22, 2014**
Principal Maturity Dates (years, from - to): **2014-2024**		
Good Faith Deposit Amount: **$100,000 (per the requirements in the Official Invitation for Proposals under the section entitled "GOOD FAITH")**		Sale Time: **1 PM**
Advisor's Name: **Michael Baird**	Telephone: **410-625-6103**	Facsimile: **866-898-3791**
Principal Contact (if other than advisor):	Telephone:	Facsimile:

Wiring Instructions (Account where good faith deposit should be sent)

Bank's Name: (please include City and State): **N/A**	Credit To: **N/A**
ABA #: **N/A**	Account #: **N/A**
For Further Credit To: **THE $100,000 WIRE TRANSFER OR SURETY BOND IS THE ONLY GOOD FAITH REQUIREMENT.**	
Contact Name & Phone # @ Bank: **THE WINNING BIDDER WILL PAY THE ENTIRE GROSS PURCHASE PRICE AT CLOSING (NET OF ANY GOOD FAITH DEPOSIT APPLIED)**	

Send Sure-Bid Surety Bond to (name address, city, state, ZIP):

RBC Capital Markets, LLC		
100 Light Street, Suite 2410		
Baltimore, Maryland 21202		
Attention: **Michael Baird**	Telephone: **410-625-6103**	Facsimile: **866-898-3791**

PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY
REFUNDING REVENUE BONDS, STATE SYSTEM OF HIGHER EDUCATION,
SERIES AP

BID CONFIRMATION CERTIFICATE

The undersigned hereby certifies to the Pennsylvania Higher Educational Facilities Authority (the "Authority") and the State System of Higher Education (the "System"), in connection with the proposal to purchase the above-referenced Bonds submitted by the undersigned on the date hereof, as follows:

1. Attached hereto is a true and accurate copy of the purchase proposal which was electronically submitted to the Authority and the System by the undersigned in accordance with the Official Invitation for Proposals dated April 8, 2014 (the "Invitation"). The undersigned, on behalf of itself and the other underwriting group members listed below, acknowledges that it has received, read and reviewed a copy of the Invitation and the Preliminary Official Statement dated April 8, 2014, prepared in respect of the Pennsylvania Higher Educational Facilities Authority Refunding Revenue Bonds, State System of Education, Series AP and agrees to comply with the terms thereof which are applicable to them.

2. The members of the underwriting group represented by the undersigned and on behalf of which the undersigned submitted the attached proposal are set forth below (attach additional sheet if necessary):

(Members…)

3. The Minority, Veteran or Female Business Enterprise which will serve as co-manager of the underwriting group is set forth below:

(M, V or FBE…)

(Winner)

By: _____
Name: _____
Title: _____

Date: _____ __, 2014

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