PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 7, 2017

NEW ISSUE – Book-Entry Only

Ratings: Moody's: "A1" (stable outlook)
See "RATING" herein

In the opinion of Drinker Biddle & Reath LLP, Bond Counsel, under existing laws as presently enacted and construed, interest on the Bonds (defined herein) is excluded from the gross income of the owners thereof for federal income tax purposes, and interest on the Bonds will not be a specific item of tax preference for purposes of the individual and corporate federal alternative minimum tax; however, interest on the Bonds will be included in "adjusted current earnings" in computing alternative minimum taxable income with respect to certain corporations. Such opinion of Bond Counsel is subject to continuous compliance by the Authority and the School with certain tax covenants contained with respect to the Bonds in the Indenture and the Loan Agreement. In the further opinion of Bond Counsel, under the Laws of the Commonwealth of Pennsylvania, the Bonds are exempt from personal property taxes in Pennsylvania, and interest on the Bonds is exempt from Pennsylvania personal income tax and the Pennsylvania corporate net income tax. Interest on the Bonds is included in the gross income of the owners thereof for federal income tax purposes. For a more complete description of certain federal and state tax consequences of ownership of the Bonds, see "CERTAIN TAX MATTERS" herein.

$19,765,000*
MONTGOMERY COUNTY HIGHER EDUCATION AND HEALTH AUTHORITY
REVENUE BONDS
(THE HILL SCHOOL PROJECT)
SERIES OF 2017

Dated: Date of Issuance

Due: August 15, as shown on the inside cover page

The $19,765,000* Revenue Bonds (The Hill School Project) Series of 2017 (the "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 a securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form. Purchasers will not receive certificates representing their beneficial ownership interests in the Bonds. Registered owners shall mean Cede & Co., as aforesaid, and shall not mean the actual purchasers of the Bonds. See "THE BONDS Book-Entry Only System" herein.

Principal or redemption price of and interest on the Bonds will be payable through the corporate trust office of Manufacturers and Traders Trust Company, as trustee (the "Trustee"). So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, such payments will be made directly to DTC or its nominee. Disbursements of such payments to the DTC Participants (as defined herein) is the responsibility of DTC, and disbursements of such payments to the actual purchasers is the responsibility of the DTC Participants and Indirect Participants (as defined herein), as more fully described herein. Interest will be paid each February 15 and August 15, commencing February 15, 2018.

The Bonds are subject to redemption prior to maturity as more fully described herein. See "THE BONDS-Redemption."

The Bonds are issued pursuant to the Pennsylvania Municipality Authorities Act, Pa. C.S. Ch. 56, as amended (the "Act"), a resolution of the Montgomery County Higher Education and Health Authority (the "Authority") and a Trust Indenture dated as of December 1, 2017 (the "Indenture"), between the Authority and the Trustee. The Bonds are limited obligations of the Authority and the principal or redemption price of and interest on the Bonds are payable by the Authority solely from payments to be made by The Hill School (the "School") under a Loan Agreement dated as of December 1, 2017 (the "Loan Agreement"), between the Authority and the School, and from other funds available under the Indenture.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE TRUST ESTATE DESCRIBED IN, AND OTHER MONEYS AVAILABLE THEREFOR UNDER, THE INDENTURE. THE BONDS SHALL NOT BE IN ANY WAY A DEBT OR LIABILITY OF THE COUNTY OF MONTGOMERY, PENNSYLVANIA, THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF, AND SHALL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE, OR CREATE OR CONSTITUTE AN INDEBTEDNESS, LIABILITY OR OBLIGATION OF, THE COUNTY OF MONTGOMERY, PENNSYLVANIA, THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF, MORAL OR OTHERWISE. NEITHER THE CREDIT NOR THE TAXING POWER OF THE COUNTY OF MONTGOMERY, PENNSYLVANIA, THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER.

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

The Bonds are offered when, as and if issued by the Authority and received by the Underwriter subject to the approving legal opinion of Drinker Biddle & Reath LLP, Philadelphia, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the Authority by its counsel, Douglas B. Breidenbach, Jr., Esquire, Pottstown, Pennsylvania; for the School by its counsel, Drinker Biddle & Reath LLP, Philadelphia, Pennsylvania; and for the Underwriter by its counsel, Butler Snow LLP, Boston, Massachusetts. It is expected that the Bonds will be available for delivery in definitive form through DTC in New York, New York, on or about December __, 2017.

George K. Baum & Company

This Official Statement is dated December __, 2017

* Preliminary, subject to change.

MATURITY SCHEDULE

$19,765,000*
MONTGOMERY COUNTY HIGHER EDUCATION AND HEALTH AUTHORITY
Revenue Bonds
(The Hill School Project)
Series of 2017

Maturing Date (August 15)	Principal Amount	Interest Rate	Priced to Yield	CUSIP©

$__________ _____% Term Bond due August 15, 20__ (Priced to Yield _____%) CUSIP© _______

$__________ _____% Term Bond due August 15, 20__ (Priced to Yield _____%) CUSIP© _______

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* Preliminary, subject to change.

© The CUSIP numbers listed above are provided by Standard & Poor's, CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. The CUSIP numbers are being provided solely for the convenience of bondholders only at the time of issuance of the Bonds and neither the Authority nor the School makes any representation with respect to such numbers or undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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

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

THE BONDS MAY BE OFFERED AND SOLD TO CERTAIN DEALERS (INCLUDING DEALERS DEPOSITING THE BONDS INTO INVESTMENT ACCOUNTS) AND TO OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS WITHOUT PRIOR NOTICE TO THE PUBLIC, BUT WITH PRIOR NOTICE TO THE AUTHORITY AND THE SCHOOL.

No dealer, broker, salesman or other person has been authorized by the Authority, the School 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 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 Authority, the School and other sources which are believed to be reliable, but, as to information from other sources, is not guaranteed as to accuracy or completeness by the Authority. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the School or with respect to other matters set forth herein since the date hereof or the date as of which particular information is given, if earlier.

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

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

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

This Official Statement speaks only as of the date printed on the cover page hereof. The information contained herein is subject to change. The Official Statement will be made available through the Electronic Municipal Market Access system.

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OFFICIAL STATEMENT

$19,765,000*
MONTGOMERY COUNTY HIGHER EDUCATION AND HEALTH AUTHORITY
Revenue Bonds
(The Hill School Project)
Series of 2017

INTRODUCTORY STATEMENT

Capitalized terms used in this Official Statement and not otherwise defined have the meanings ascribed to them in Appendix C hereto.

The purpose of this Official Statement of Montgomery County Higher Education and Health Authority (the "Authority"), which includes the cover page, inside cover page, Table of Contents and the Appendices, is to furnish certain information concerning the Authority, The Hill School (the "School") and the Authority's issuance of $19,765,000* aggregate principal amount of its Revenue Bonds (The Hill School Project) Series of 2017 (the "Bonds"). The Bonds are being issued pursuant to the Pennsylvania Municipality Authorities Act, Pa. C.S. Ch. 56, as amended (the "Act"), a resolution of the Authority adopted on November 27, 2017 (the "Resolution") and a Trust Indenture dated as of December 1, 2017 (the "Indenture"), between the Authority and Manufacturers and Traders Trust Company, as trustee (the "Trustee").

The School, one of the nation's oldest preparatory schools, founded in 1851, offers a comprehensive co-educational program for approximately 515 boarding and day students from grades nine through twelve. The School is a Pennsylvania nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), located on approximately 102 acres in the Borough of Pottstown, Montgomery County, Pennsylvania, 40 miles west of Philadelphia, Pennsylvania and 100 miles south of New York City, New York. For a further description of the School, see APPENDIX A – "INFORMATION CONCERNING THE HILL SCHOOL" attached hereto.

At the request of the School, the Authority intends to issue the Bonds to finance a portion of the costs of a project (the "Project"), consisting of: (i) the current refunding of the Pottstown Borough Authority's Variable Rate Demand Revenue Bonds (The Hill School Project), Series of 2002 (the "2002 Bonds") currently outstanding in the aggregate principal amount of $7,000,000; (ii) the current refunding of the Authority's Project Revenue Note (The Hill School Project), Series of 2008 (the "2008 Bonds") currently outstanding in the aggregate principal amount of $4,933,580; (iii) renovations and improvements to the Schools facilities and other capital projects (collectively, "Capital Projects") and (iv) the payment of a portion of the costs and expenses of issuing the Bonds. See "PLAN OF FINANCING" herein.

In connection with the issuance of the Bonds, the School and the Authority will enter into a Loan Agreement dated as of December 1, 2017 (the "Loan Agreement"), pursuant to which the Authority will loan the proceeds of the Bonds to the School, and the School will agree to repay directly to the Trustee (as assignee of the Authority's interest in the Loan Agreement) the amounts required to pay the principal or redemption price of and interest on the Bonds and to pay certain administrative expenses of the Authority. The Authority has assigned to the Trustee the Authority's rights and benefits under the Loan Agreement

* Preliminary, subject to change.

and all amounts payable by the School thereunder (except for certain Reserved Rights and amounts as stated in the Indenture).

The Loan Agreement is an unsecured, general obligation of the School. No property of the School is pledged or assigned to secure the payment obligations of the School under the Loan Agreement. The School has previously incurred, and there remains outstanding, additional unsecured indebtedness of the School as more particularly described under "INDEBTEDNESS OF THE SCHOOL" in APPENDIX A hereto.

The Bonds are secured under the Indenture by the pledge and assignment to the Trustee of all of the right, title and interest of (but not the obligations of) the Authority in and to the Trust Estate (subject to certain Reserved Rights). See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" herein and APPENDIX C – "DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LOAN AGREEMENT" attached hereto.

Brief descriptions of the Bonds, the Loan Agreement, and the Indenture are included in this Official Statement. The summaries of the documents contained herein do not purport to be complete, comprehensive or definitive and are qualified in their entirety by reference to the entire text of such documents, and the description herein of the Bonds is qualified in its entirety by reference to the form thereof and the information with respect thereto included in the aforesaid documents. Copies of the Loan Agreement and the Indenture will be available for inspection upon request during the initial offering period, at the principal offices of the Underwriter and, after initial delivery of the Bonds, at the corporate trust office of the Trustee in York, Pennsylvania.

THE AUTHORITY

The Authority is a body corporate and politic organized under the Act by a resolution adopted by the Board of County Commissioners of the County of Montgomery, Pennsylvania (the "County"). On October 1, 1968, the Secretary of the Commonwealth issued a Certificate of Incorporation to the Authority under the name "Montgomery County Hospital Authority." The Authority originally was formed for the purpose of acquiring, holding, constructing, equipping, furnishing, improving, maintaining, owning, leasing, either in the capacity of lessor or lessee, and operating hospital facilities or parts thereof in the County. On July 2, 1984, the Secretary of the Commonwealth issued a Certificate of Amendment to the Authority under which the name of the Authority was changed to "Montgomery County Higher Education and Health Authority" and the purposes of the Authority were amended to enable the Authority to participate in additional projects authorized by the Act. On October 24, 1985, the Secretary of the Commonwealth issued a Certificate of Amendment to the Authority under which the purposes of the Authority were amended to enable the Authority to participate in such buildings, projects, facilities and parts thereof in such locations as the Board of County Commissioners of the County may direct, and as authorized by the Act, and to grant to the Authority all of the powers granted by the Act.

Members of the Authority

The governing body of the Authority is a board consisting of six members appointed by the Board of County Commissioners of the County. Members of the Authority are appointed for staggered five-year terms and may be reappointed to an unlimited number of successive terms. All board members serve to December 31 of the year indicated and thereafter until replaced or reappointed. Current members of the Authority, their offices, principal occupations and terms of office are as follows:

Members	Office	Occupation	Term Expires
James A. Konnick	Chairman	CFO, Unlimited Restoration, Inc.	2017
Jeffrey Bevington	Vice Chairman	Retired	2016*
William P. Rimel, III	Assistant Secretary	Self-Employed	2016*
J. Mark Lankford	Assistant Secretary	Heritage Coach Company	2015*
James H. Shacklett, III	Assistant Secretary	Chief Executive Officer, National Label Company	2015*
Harriet Weiss	Board Member	Chief Executive Officer, CRW Graphics	2017

* Will serve until successor is appointed

The address of the Authority is 1800 East High Street, Suite 250, Pottstown, PA 19464.

Financings of the Authority

The Authority has participated in the past and intends to participate from time to time in the future in additional financing transactions for other health care and higher education facilities and projects, and for other projects permitted under the Act, and in connection therewith may issue bonds or notes which will be limited obligations of the Authority, to be solely payable from and secured by revenues derived from such projects. The Authority may also from time to time enter into refinancing transactions for obligations previously issued.

THE AUTHORITY HAS NOT PREPARED OR ASSISTED IN THE PREPARATION OF THIS OFFICIAL STATEMENT, EXCEPT THE STATEMENTS UNDER THIS SECTION AND UNDER THE HEADING “LITIGATION” BELOW IN RESPECT OF THE AUTHORITY, AND EXCEPT AS AFORESAID, THE AUTHORITY DISCLAIMS RESPONSIBILITY FOR THE DISCLOSURES SET FORTH HEREIN MADE IN CONNECTION WITH THE OFFER, SALE AND DISTRIBUTION OF THE BONDS.

The Bonds are limited obligations of the Authority and are payable solely from payments required to be made by the School under the Loan Agreement and other sources described herein. Neither the credit nor the taxing power of the County, the Commonwealth or any political subdivision thereof is pledged for the payment of the principal or Redemption Price of or the interest on the Bonds, nor shall the Bonds be deemed to be a general obligation of the Authority or an obligation of the County, the Commonwealth or any political subdivision thereof. The Authority has no taxing power.

THE BONDS

Description of the Bonds

The Bonds will be dated the date of original issuance, and will bear interest from such date payable on February 15 and August 15 (each, an “Interest Payment Date”) of each year commencing February 15, 2018, until maturity or prior redemption at the rates and will mature on the dates and in the amounts set forth on the inside cover page hereof. The principal of and interest on the Bonds will be payable in lawful money of the United States.

The Bonds will be issued in the Initial Fixed Rate Mode under the terms of the Indenture. The Indenture provides for conversion of all or a portion of the Bonds to other Interest Rate Modes; however, conversion of the Interest Rate Mode is permitted only when the Bonds are subject to optional redemption at par, and the Bonds being converted are subject to mandatory tender for purchase on the conversion date. See "Purchase in Lieu of Redemption or Mandatory Tender for Purchase During Period When Bonds are Subject to Optional Redemption at Par" below. This Official Statement does not purport to describe the terms of the Bonds in an Interest Rate Mode other than the Initial Fixed Rate Mode. If any Bonds are converted to another Interest Rate Mode, a new or supplemental disclosure document will be prepared that will describe such Bonds in the new Interest Rate Mode.

Interest on the Bonds will be paid on each Interest Payment Date by check or draft mailed to the persons in whose name the Bonds are registered on the registration books of the Authority maintained by the Trustee at the address appearing thereon at the close of business on the 1st day (whether or not a Business Day) of the calendar month immediately preceding each Interest Payment Date (the "Record Date"). The principal and redemption price of, and interest on, the Bonds are payable in any legal tender which at the time of payment constitutes lawful money of the United States of America.

The Bonds will be issued as fully registered book-entry bonds, and registered in the name of Cede & Co. ("Cede"), as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds under its book-entry only system (the "DTC Book- Entry Only System"). An individual purchaser may purchase a Bond in book-entry form (without certificates) in denominations of $5,000, or any integral multiple thereof. Unless the book-entry only system is discontinued and the Bonds are no longer held by DTC, or its nominee Cede, is the registered owner of the Bonds, the principal or redemption price of, and interest on, the Bonds will be paid to DTC or Cede, as its nominee. See "THE BONDS – Book-Entry Only System" herein.

Book-Entry Only System

The information in this section has been provided by DTC and is not to be deemed to be a representation of the Authority, the School or the Underwriter.

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

DTC, the world's largest securities depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the

DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

Payments of principal, premium, if any, and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the School or the Trustee, on payable dates 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 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the School, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium, if any, and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the School or the Trustee, disbursements 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 Bonds at any time by giving reasonable notice to the School 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 information in this section concerning DTC and DTC's book entry system has been obtained from DTC, and neither the Authority, the School nor the Underwriter take any responsibility for the accuracy thereof.

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

NEITHER THE AUTHORITY, THE SCHOOL NOR THE TRUSTEE SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A BONDHOLDER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR PURCHASE PRICE, OR INTEREST ON THE BONDS; (4) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER OF THE BONDS.

The School may determine to discontinue use of the system of book entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be prepared and delivered as described in the Indenture.

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

Discontinuation of Book-Entry Only System

In the event that the Book-Entry Only System is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions applicable to registered owners would apply:

Interest on the Bonds will be paid on each Interest Payment Date by check or draft mailed to the persons in whose name the Bonds are registered on the registration books of the Authority (the "Bond Register") maintained by the Trustee at the address appearing thereon on the close of business on the first day (whether or not a Business Day) of the month immediately preceding each Interest Payment Date (the "Regular Record Date"). Any such interest not so paid or duly provided for shall cease to be payable to the persons who are registered owners of the Bonds as of the Regular Record Date and will be payable to the persons who are registered owners of the Bonds at the close of business on a special record date established by the Trustee for the payment of such defaulted interest, which date shall be not less than ten days prior to the date of the proposed payment. Notwithstanding the foregoing, interest on any Bonds may be paid by wire transfer in immediately available funds to an account in any member bank of the Federal Reserve System designated in writing by the Holder thereof in an aggregate principal amount of $1,000,000 or more not less than 20 days prior to the applicable Interest Payment Date. Any such notice provided by an Holder in accordance with the preceding sentence may provide that it shall be effective for any and all future payment dates until otherwise specified in writing.

The Trustee will maintain a register in which, subject to such reasonable regulations as it may prescribe, the Authority shall provide for the registration of Bonds and the transfer of Bonds. Upon surrender for transfer of any Bond at the Payment Office of the Trustee, the Authority shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same maturity of any Authorized Denominations, of a like aggregate principal amount.

At the option of the registered owner, Bonds may be exchanged for other Bonds of the same maturity of any Authorized Denominations, of a like aggregate principal amount, upon surrender of the Bonds to be exchanged at such office. Whenever any Bonds are so surrendered for exchange, the Authority shall execute, and the Trustee shall authenticate and deliver, the Bonds of the same maturity which the registered owner making the exchange is entitled to receive.

Every Bond presented or surrendered for transfer or exchange shall be duly endorsed (with signatures guaranteed, if so requested by the Trustee), or be accompanied by a written instrument of transfer in form satisfactory to the Authority and the Trustee duly executed by the registered owner thereof or his attorney duly authorized in writing.

No service charge shall be made for any transfer or exchange of Bonds, but the Authority may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer of Bonds.

The Authority and the Trustee shall not be required (i) to issue, transfer or exchange any Bond during a period of 15 days before the day of the mailing of a notice of redemption of Bonds selected for redemption, or (ii) to transfer or exchange any Bond so selected for redemption in whole or in part.

Redemption*

Optional Redemption. The Bonds maturing on and after August 15, 20__, are subject to optional redemption prior to maturity at the written direction of the School, in whole or in part, on _______, 20__,

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* Preliminary, subject to change.

and on any date thereafter, in any order of maturity as the School may choose and within a maturity as shall be selected by the Trustee by lot, upon payment of a Redemption Price equal to 100% of the principal amount of such Bonds to be redeemed, together with accrued interest to the redemption date.

Mandatory Sinking Fund Redemption. The Bonds maturing on August 15, 20__ and on August 15, 20__, are subject to mandatory sinking fund redemption prior to maturity, in part, in direct order of maturity and within a maturity as chosen by lot by the Trustee, on August 15 of each of the years and in the respective amounts set forth below, at a Redemption Price of 100% of the principal amount thereof plus accrued interest to the redemption date and in the amounts, as follows:

2017 Bonds Due August 15, 20__

Year	Principal Amount
*	

2017 Bonds Due August 15, 20__

Year	Principal Amount
*	

* Principal maturity date.

As described in the Indenture, the principal amount of the Bonds otherwise required to be redeemed on any redemption date by mandatory sinking fund redemption may be reduced by the principal amount of such Bonds theretofore delivered to the Trustee in lieu of cash under the Loan Agreement. See "THE LOAN AGREEMENT – Prepayment and Payment with Bonds in Lieu of Cash" in APPENDIX C hereto. In addition, at the direction of the School, the principal amount of Bonds otherwise required to be redeemed by mandatory sinking fund redemption may also be reduced by the application to such redemption obligation of a partial optional redemption of such Bonds (as described in the "Optional Redemption" section above) in the manner designated by the School.

Extraordinary Optional Redemption. The Bonds will be subject to extraordinary optional redemption prior to maturity at the written direction of the School, in whole or in part at any time, upon payment of a Redemption Price equal to one hundred percent (100%) of the principal amount, plus accrued interest to the date of redemption, but only in the event that all or a portion of the Facilities are damaged, destroyed, condemned or sold under threat of condemnation and it is determined by the School that repair or reconstruction is not desirable, practical or financially feasible, from and to the extent of insurance proceeds or condemnation awards or proceeds of any sale under threat of condemnation received by the Trustee, as a result of such damage, destruction, condemnation or sale under threat of condemnation.

In the case of any extraordinary optional redemption of Bonds in part, the Bonds shall be redeemed in any order of maturities and any amount within each maturity as shall be directed by the School, and within any maturity, the Bonds to be redeemed shall be selected by the Trustee by lot.

Purchase in Lieu of Redemption or Mandatory Tender for Purchase During Period When Bonds are Subject to Optional Redemption at Par. The Indenture provides that the School may elect to purchase Bonds that have been called for optional redemption at par in lieu of redeeming and retiring such Bonds on the redemption date, provided that the notice of redemption to the Bondholders states that the School may so elect. The Indenture also provides for mandatory tender and purchase, at the election of the School, of all or a portion of the Bonds if such Bonds are converted from the Initial Fixed Rate Mode to another Interest Rate Mode (including a new Fixed Rate Mode). However, conversion of the Interest Rate

Mode is permitted only when the affected Bonds are subject to optional redemption at par. Notice of any such mandatory tender and purchase will be given by the Trustee to affected Bondholders not more than 60 nor less than 20 days prior to the proposed conversion date.

No Optional Tender and Purchase. The Bonds are not subject to tender and purchase at the option of the holders while the Bonds are in the Fixed Rate Mode.

Notice of Redemption

The Trustee shall cause notice of any redemption of Bonds to be mailed by first class mail to the Owners of all Bonds to be redeemed at the registered addresses appearing in the registration books maintained by the Bond Registrar. Each such notice shall (i) be mailed at least 30 days and not more than 60 days prior to the date fixed for redemption, (ii) identify the Bonds to be redeemed, specifying the name of the issue, the date of the issue, the stated maturity, the series designation, the CUSIP numbers and certificate numbers assigned to the Bonds subject to redemption, (iii) specify the date fixed for redemption and the Redemption Price and (iv) state that on the date fixed for redemption the Bonds called for redemption will be payable at the payment office of the Trustee upon presentation and surrender thereof, that from that date interest will cease to accrue and that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds. If at the time of mailing of any notice of redemption, the Authority shall not have deposited with the Trustee monies sufficient to redeem all the Bonds called for redemption, such notice shall state that such redemption is subject to, and conditioned upon, the deposit of the redemption monies with the Trustee not later than 10:00 a.m., Eastern Time, on the date fixed for redemption and shall be of no effect unless such monies are so deposited. Failure to give notice in the manner described in this paragraph with respect to any Bond, or any defect in such notice, shall not affect the validity of the proceedings for redemption for any Bond with respect to which notice was properly given.

So long as DTC or its nominee is the owner of the Bonds, the Authority, the School and the Trustee will recognize DTC or its nominee as the holder of the Bonds for all purposes, including receipt of payments, notices and voting; provided, the Trustee may recognize votes by or on behalf of Beneficial Owners as if such votes were made by Owners of a related portion of the Bonds when such votes are received in compliance with an omnibus proxy of the Securities Depository or otherwise pursuant to the Depository Procedures (as defined in the Indenture). Conveyance of notices and other communications by DTC to DTC Participants and by DTC Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time. So long as DTC or its nominee is the holder of the Bonds, any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner so affected shall not affect the validity of the redemption.

So long as DTC or its nominee is the holder of the Bonds, in the event of the partial redemption, the selection of particular Book-Entry Bonds to be redeemed shall be determined in accordance with Depository Procedures; provided however, the School shall direct the order of maturities in which such Bonds shall be redeemed.

PLAN OF FINANCING

General

The Bonds are being issued by the Authority for the purposes of undertaking a project (the "Project") on behalf of the School consisting of: (i) the current refunding of the outstanding 2002 Bonds; (ii) the current refunding of the outstanding 2008 Bonds; (iii) renovations and improvements to the

Schools facilities and other capital projects (collectively, "Capital Projects"); and (iv) the payment of the costs and expenses of issuing the Bonds.

Concurrently with the issuance and delivery of the Bonds, a portion of the proceeds thereof, together with other available funds of the School, after the payment of costs of issuance, will be used to redeem the 2002 Bonds and 2008 Bonds on the date of issuance of the Bonds at a redemption price of 100% of the outstanding principal amount thereof plus accrued interest. Additionally, a portion of the proceeds of the Bonds will be deposited in the Project Fund established under the Indenture and drawn on in accordance with the procedures established under the Indenture in order to complete the Capital Projects. For a more complete description of the Capital Projects, see APPENDIX A – "INFORMATION CONCERNING THE HILL SCHOOL – Capital Projects" attached hereto.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds to finance the Project is as follows:

	Total
SOURCES OF FUNDS	
Par Amount of the Bonds	$
Net Original Issue Premium/Discount	
TOTAL	$
USES OF FUNDS	
Deposit to the Project Fund	$
Redemption of 2008 Bonds	
Redemption of 2002 Bonds	
Costs of Issuance [1]	
TOTAL	$

[1] Includes underwriter's discount, legal costs, rating agencies fees, printing costs, trustee fees, financial advisory fees, accountants' fees, and other miscellaneous costs.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

Limited Obligations

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE TRUST ESTATE DESCRIBED IN, AND OTHER MONEYS AVAILABLE THEREFOR UNDER, THE INDENTURE. THE BONDS SHALL NOT BE IN ANY WAY A DEBT OR LIABILITY OF THE COUNTY OF MONTGOMERY, PENNSYLVANIA, THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF, AND SHALL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE, OR CREATE OR CONSTITUTE AN INDEBTEDNESS, LIABILITY OR OBLIGATION OF, THE COUNTY OF MONTGOMERY, PENNSYLVANIA, THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF, MORAL OR OTHERWISE. NEITHER THE CREDIT NOR THE TAXING POWER OF THE COUNTY OF MONTGOMERY, PENNSYLVANIA, THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER.

Except as stated above, the Authority shall not be liable on its obligations, nor are the members, officers or employees of the Authority personally liable on its obligations.

Sources of Payment and Security for the Bonds

The Bonds will be secured equally and ratably with one another. The Bonds are limited obligations of the Authority and will be payable solely from: (i) payments received from the School under the Loan Agreement; and (ii) other funds available under the Indenture (except as otherwise described herein).

The Bonds are secured under the Indenture by the pledge and assignment to the Trustee of all of the right, title and interest of (but not the obligations of) the Authority in and to the following (collectively, the "Trust Estate"), subject to certain Reserved Rights (as defined in the Indenture) of the Authority: (a) the Loan Agreement, including, but not limited to, the present and continuing right to make claim for, collect and receive all sums of money payable or receivable thereunder or under the Indenture, the exclusive right to bring action and proceeding thereunder or for the enforcement thereof, the exclusive right to grant consents, approvals and waivers and enter into amendments and to do any and all other things which the Authority is or may become entitled to do thereunder; (b) the Loan Payments; (c) all moneys and investments in the funds and accounts created under the Indenture (including all income and receipts earned on the funds and accounts held by the Trustee under the Indenture except as otherwise herein set forth), other than the Rebate Fund (as defined in the Indenture) which shall be held in accordance with the provisions of the Indenture; and (d) any and all other property rights and interests of any kind and nature from time to time hereafter by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, mortgaged or pledged to the Trustee, or otherwise subject hereto, as and for additional security herewith, by the School or any other Person (as defined herein) on its behalf or with its written consent or by the Authority or any other Person on its behalf or with its written consent, and the Trustee is hereby authorized to receive any and all property at any and all times and to hold and apply the same subject to the terms hereof.

Pursuant to the Loan Agreement, the Authority will loan the proceeds of the Bonds to the School, and the School will agree to repay directly to the Trustee (as assignee of the Authority's interest in the Loan Agreement) the amounts required to pay the principal or redemption price of and interest on the Bonds and to pay certain administrative expenses of the Authority. ***The obligation of the School to make payments under the Loan Agreement is a general unsecured obligation of the School. No property of the School is pledged or assigned to secure the payment obligations of the School under the Loan Agreement.*** The terms and provisions of the Indenture and the Loan Agreement are more particularly described in APPENDIX C hereto.

Other Indebtedness

The Bonds are the only series of bonds that can be issued under the Indenture.

The Loan Agreement does not limit or restrict the ability of the School to incur additional long-term or short-term debt in the future. The School has previously incurred, and there remains outstanding, additional unsecured indebtedness of the School as more particularly described under "INDEBTEDNESS OF THE SCHOOL" in APPENDIX A hereto.

Pursuant to the Loan Agreement, the School shall not create, incur, assume or suffer to exist any mortgage, lien, security interest, restriction or encumbrance with respect to any of the School Property, other than any Permitted Lien; except that the School may grant in favor of the lender or obligee with respect to any indebtedness hereafter incurred by the School (the "Other Lender") a lien or security interest in any of the School Property which is not otherwise a Permitted Lien (a "Parity Lien") to secure the repayment of such indebtedness (the "Parity Secured Debt"); provided that: (i) concurrently therewith the School shall grant in favor of the Trustee, as assignee of the Authority's rights under the Loan Agreement, a substantially identical lien or security interest with respect to such Property securing on an equal and ratable basis the School's obligation to pay the Loan Payments under the Loan Agreement, and (ii) the School, the Other Lender, and the Trustee shall enter into an intercreditor agreement, providing for the application of the proceeds of any and all collateral subject to such Parity Lien for the equal and ratable benefit of the Trustee, with respect to the School's obligations under the Loan Agreement, and the other lender, with respect to such Parity Secured Debt. See "THE LOAN AGREEMENT – Liens and Encumbrances" in APPENDIX C hereto.

DEBT SERVICE REQUIREMENTS

The following table sets forth, for each year of the School ending June 30, the amounts required to be made available in such year by the School for payment of the principal of, sinking fund installments and interest on the Bonds and the 2015 Bonds:

Year Ending June 30	Principal of the Bonds	Interest on the Bonds	2015 Bonds	Total Debt Service on the Bonds and the 2015 Bonds
2018	$	$	$ 1,168,448	$
2019			1,171,973	
2020			1,168,123	
2021			1,171,723	
2022			1,172,323	
2023			1,169,823	
2024			1,171,198	
2025			1,171,323	
2026			1,170,198	
2027			1,172,698	
2028			1,171,773	
2029			1,172,673	
2030			1,170,451	
2031			1,169,885	
2032			1,168,273	
2033			1,170,491	
2034			1,171,444	
2035			1,171,085	
2036			1,169,010	
2037			1,169,564	
2038			1,172,898	
2039			1,169,980	
2040			1,170,811	
2041			1,170,295	
2042			1,172,600	
2043			1,172,600	
2044			1,171,000	
2045			1,167,800	
2046			1,167,900	
2047				
2048				
2049				
2050				
Total	$	$	$ 33,948,363	$

CERTAIN BONDHOLDERS' RISKS

The Bonds are limited obligations of the Authority payable solely from amounts to be paid by the School under the Loan Agreement and from other funds available to the Trustee under the Indenture. No representation or assurance can be given to the effect that the School will generate sufficient revenues to meet its payment obligations under the Loan Agreement.

Various factors could adversely affect the School's ability to pay the obligations under the Loan Agreement. The future financial condition of the School could be adversely affected by, among other things, economic conditions in the areas from which the School traditionally draws students, legislation, regulatory actions, increased competition from other educational institutions, changes in the demand for higher educational services, demographic changes and litigation. Some of such risk factors are described below.

The following is intended only as a summary of certain risk factors attendant to an investment in the Bonds and is not intended to be exhaustive. In order to identify risk factors and make informed investment decisions, potential investors should be thoroughly familiar with the entire Official Statement (including each Appendix hereto) in order to make a judgment as to whether the Bonds are an appropriate investment. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks or other financial institutions or certain recipients of Social Security benefits, are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Bonds. See "CERTAIN TAX MATTERS" herein.

Legislative and Regulatory Actions. The School and its operations are subject to regulation, certification and accreditation by government agencies and by certain nongovernmental agencies. No assurance can be given as to the effect on future operations of existing laws, regulations and standards for certification or accreditation or of any future changes in such laws, regulations and standards.

Competition. The School could face additional competition in the future from other educational institutions that offer comparable services and programs to the population which the School presently serves. This could include the establishment of new programs and the construction, renovation or expansion of competing educational institutions.

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

Compliance with current and future regulations and rulings of the IRS could adversely affect the ability of the School to charge and collect revenues, finance or incur indebtedness on a tax-exempt basis or otherwise generate revenues necessary to provide for payment of the Bonds. Although the School has covenanted to maintain its tax-exempt status, loss of tax-exempt status by the School would likely have a significant adverse effect on the School and could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to their date of issue or acceleration of the maturity of the Bonds.

Property Tax Assessments. A number of local taxing authorities in Pennsylvania, including the County and certain local townships and school districts, have sought to subject the facilities of nonprofit entities to local real estate taxes, primarily by challenging their status as "purely public charities" as described in the Pennsylvania Constitution, notwithstanding the fact that the facilities of a Pennsylvania nonprofit have been viewed as exempt from such taxes. In response to the uncertainty resulting from divergent court decisions, the Pennsylvania legislature enacted The Institutions of Purely Public Charity Act on November 26, 1997 which, among other things, sets forth specific criteria to be met by an entity in order for such entity to be deemed an "institution of purely public charity." The criteria are highly fact-specific and are to be used by the courts as guidance; therefore, there are no assurances that the School's facilities will meet such criteria now or in the future.

Covenant to Maintain Exempt Status of the Bonds. The tax-exempt status of the Bonds is based on the continued compliance by the Authority and the School with certain covenants contained in the Tax Compliance Agreement executed by the Authority and the School on the date of issuance of the Bonds and in the Indenture and the Loan Agreement. These covenants relate generally to restrictions on the use of facilities financed with tax- exempt bonds, arbitrage limitations, rebate of certain excess investment earnings to the federal government and restrictions on the amount of issuance costs financed with the proceeds of the Bonds. Failure to comply with such covenants could cause interest on the Bonds to become subject to federal income taxation retroactively to the date of issuance of the Bonds.

Qualified 501(c)(3) Status of School. In rendering its opinion as to the tax-status of the Bonds for federal income tax purposes, Bond Counsel will further rely upon representations of the School with respect to the qualification of the School as a charitable organization described in Section 501(c)(3) of the Code. The failure of the School to be organized and to remain qualified as a so-called "501(c)(3) organization," and to conduct its activities (and, in particular, its activities with respect to the facilities financed or refinanced with the proceeds of the Bonds) in a manner that is substantially related to its charitable purpose could also result in the interest on the Bonds issued for the benefit of the School being included in the gross income of the Owners thereof for federal income tax purposes, in some cases retroactive to the date of their original issuance.

In recent years, the activities of tax-exempt nonprofit corporations have been subjected to increasing scrutiny by federal, state, and local legislative and administrative agencies. Various proposals either have been considered previously or are presently being considered at the federal, state and local level which would restrict the definition of tax-exempt or nonprofit entities in various ways, impose new restrictions on the activities of tax-exempt nonprofit corporations, and/or tax or otherwise burden the activities of such corporations. There can be no assurance that future changes in the laws, rules, regulations, interpretations and policies relating to the definition, activities and/or taxation of tax-exempt nonprofit corporations will not have materially adverse effects on the future operations of the School.

Loss of tax-exempt status by the School could result in loss of tax exemption of the Bonds and of other tax-exempt debt issued for the benefit of the School, and defaults in covenants regarding the Bonds and other related tax-exempt debt would likely be triggered. Such an event would have materially adverse consequences on the financial condition of the School. Management of the School is not aware of any transactions or activities currently ongoing that are likely to result in the revocation of the tax-exempt status of the School.

The maintenance by the School of its status as an organization described in Section 501(c)(3) of the Code is contingent upon compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable and educational purposes and their avoidance of transactions that may cause their assets to inure to the benefit of private individuals. The IRS has announced that it intends to closely scrutinize transactions between not-for-profit corporations and for-profit entities. Although certain specific activities have been the subject of interpretations by the IRS in the form of private letter rulings, many activities have not been addressed in any official opinion, interpretation or policy of the IRS.

Bond Audits. The IRS continues to devote increasing resources to audits of tax-exempt bonds in the charitable organization sector. The Bonds may be, from time to time, subject to audits by the IRS. The School believes that the Bonds properly comply with the tax laws. In addition, Bond Counsel will render an opinion with respect to the tax-exempt status of the Bonds. No ruling with respect to the tax-exempt status of the Bonds has been or will be sought from the IRS, however, and opinions of counsel are not binding on the IRS or the courts. There can be no assurance that an audit of the Bonds will not adversely affect the market for the Bonds.

Under current procedures, parties other than the Authority and the School, and their appointed counsel, including the owners of the Bonds, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority and the School may legitimately disagree, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of Bonds presenting similar tax issues, may affect the market price for, or the marketability of, the Bonds, and may cause the Authority, the School or the owners of the Bonds to incur significant expense.

The opinion of Bond Counsel represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the facts that it deems relevant to render such opinions. However, such opinion is not a guarantee of any result and is not binding on the IRS or the courts. Neither the Underwriter nor Bond Counsel is obligated to defend the tax- exempt status of the Bonds. None of the Authority, the Underwriter, the School or Bond Counsel is responsible to pay or reimburse the costs of any owner or beneficial owner with respect to any audit or litigation relating to the Bonds.

Certain Matters Relating to Enforceability of Obligations. The remedies available to the registered owners of Bonds upon an Event of Default under the Indenture or the Loan Agreement are in many respects dependent upon judicial action which is subject to discretion or delay. Under existing law and judicial decisions, including specifically the United States Bankruptcy Code (the “Bankruptcy Code”), the remedies specified in the Indenture and the Loan Agreement may not be readily available or may be limited. A court may decide not to order specific performance.

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

There exists statutory authority in Pennsylvania for a court to dissolve a nonprofit corporation or undertake supervision of its affairs on various grounds, including finding that such corporation is insolvent. Moreover, pursuant to the common law and statutory power to enforce charitable trusts and to see that charitable funds are applied to their intended uses, the Attorney General of the Commonwealth may commence legal proceedings to dissolve a nonprofit corporation acting contrary to its charitable purposes or to restrain actions inconsistent with the charitable use of such funds or which render such nonprofit corporation unable to discharge its charitable functions. In certain states, such actions may arise on a court's own motion or pursuant to a petition of the attorney general or such other persons who have interests different than those of the general public. The obligations of the School may be limited by such charitable trust laws.

Potential Effects of Bankruptcy. If the School were to file a petition for relief under the Bankruptcy Code (or if such a petition were filed against the School), the filing would operate as an automatic stay of the commencement or continuation of most judicial or other proceedings against the School and its property. If the bankruptcy court so ordered, the School's property, including the School's Unrestricted Revenues, could be used for the benefit of the School despite the claims of its creditors (including the Trustee acting on behalf of the Holders).

In the event of a bankruptcy proceeding involving the School, the Trustee could be treated under the Bankruptcy Code as the holder of a secured claim to the extent provided in the Loan Agreement. Among other things, the potential effects of a bankruptcy of the School could be to delay substantially the enforcement of remedies otherwise available to the Trustee and to allow the bankruptcy court, under certain circumstances (a) to subordinate the rights and liens securing the Bonds to any borrowing approved by the bankruptcy court, (b) to permit the School to cure defaults under the Loan Agreement or (c) to modify the terms of or payments due under the Loan Agreement.

In a bankruptcy proceeding, the School could file a plan for the adjustment of its debts which modifies, under certain circumstances, the rights of creditors generally or the rights of any class of creditors, secured or unsecured. The plan, when confirmed by the court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the debtor provided for in the plan. Except as described below, no plan may be confirmed unless, among other conditions, the plan is in the best interest of creditors, is feasible and has been accepted by each class of claims impaired thereunder.

Each class of claims has accepted the plan if at least two thirds in dollar amount and more than one half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds, among other things, that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly. Such an approved plan could limit recoveries by the registered owners of Bonds and/or reduce the collateral pledged as security therefor.

Additional Indebtedness. The School previously has incurred, and there is outstanding, certain additional long-term indebtedness as more particularly described under see "INFORMATION CONCERNING THE HILL SCHOOL - Indebtedness of The School" in APPENDIX A hereto. In addition, the Loan Agreement does not limit or restrict the ability of the School to incur additional long-term or short-term debt in the future. The occurrence of an Event of Default with respect to the Bonds could result in an event of default with respect to other indebtedness of the School, and, correspondingly, the occurrence of an event of default with respect to any of such other indebtedness could result in an Event of Default with respect to the Bonds. Accordingly, moneys available upon the exercise of remedies by the Trustee and/or by other lenders would likely be available to the Trustee for payment of amounts due with respect to the Bonds only on a pari passu basis with other lenders. None of the outstanding indebtedness of the School, including indebtedness under the Loan Agreement with respect to the Bonds, is currently secured by any lien or security interest in any property of the School. The School may only grant any lien or security interest to secure other indebtedness in the future, other than purchase money debt secured solely by assets acquired with the proceeds of such debt, if the School grants a similar lien or security interest in favor of the Trustee securing, on an equal and ratable basis, payment of the School's obligations under the Loan Agreement.

Other Factors. Additional factors may affect future operations of the School to an extent that cannot be determined at this time. These factors include, among others, the following:

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

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

(3) Changes in the demand for preparatory school education in general or for programs offered by the School in particular;

(4) Cost and availability of energy;

(5) Higher interest rates in the future, which could prevent borrowing for needed capital expenditures;

(6) An increase in the costs of health care benefits, retirement plan, or other benefit packages offered by the School to its employees and retirees;

(7) A significant decrease in the value of the School's investments caused by market or other external factors;

(8) Claims presently unknown to the School;

(9) Withdrawal of any current exemptions from local real estate taxes, business privilege taxes and similar impositions;

(10) Reduced future School net tuition revenues as a result of a need to increase tuition discounting to attract students;

(11) Poor financial operating performance by the School in the future;

(12) Increased competition from other institutions which may offer similar academic programs or may recruit similar students, and that may result in reduced enrollments and reduced School revenues;

(13) Annual or capital campaign contributions, that may limit future projects or the ability to address deferred maintenance and/or the support of expenses related to faculty salaries and tuition discounting;

(14) Reduced availability of qualified faculty to teach the programs offered by the School;

(15) An inability to retain students, resulting in enrollment losses and reduced revenues;

(16) Future deficits as a result of increased future expenses;

(17) A reduction in charitable pledges and other fundraising support of the School; or

(18) A downgrade in the School's bond rating to a level which prevents the School from being able to borrow at affordable rates in the future.

CERTAIN TAX MATTERS

Federal Tax Exemption

Bond Counsel will deliver, concurrently with the delivery of the Bonds, its opinion to the effect that, under existing law as enacted and construed on the date of such opinion, interest on the Bonds is excluded from gross income for federal income tax purposes. The opinion of Bond Counsel, the proposed form of which is included as Appendix D to this Official Statement, will further state that interest on the Bonds will not be a specific item of tax preference for purposes of the individual and corporate federal alternative minimum tax; but interest on the Bonds will be included in the "adjusted current earnings" in computing alternative minimum taxable income with respect to certain corporations.

Certain Federal Tax Considerations

Collateral Federal Tax Consequences. Ownership of the 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 companies, individual recipients of social security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, foreign corporations that may be subject to the foreign branch profits tax, and taxpayers who may be deemed to have incurred indebtedness to purchase or carry the Bonds. Bond Counsel will express no opinion with respect to these or any other collateral tax consequences of the ownership of the Bonds. The nature and extent of the tax benefit to a taxpayer of ownership of the 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 Bonds should consult their own tax advisors with respect to these and other collateral federal tax consequences resulting from ownership of the Bonds.

Original Issue Premium. The initial public offering price of certain of the Bonds may be greater than the stated redemption price at maturity thereof. The difference between the initial public offering price for any such Bond and the stated redemption price at maturity is "original issue premium." For federal income tax purposes, original issue premium is amortizable periodically over the term of a Bond through reductions in the holder's tax basis for such Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium does not create a deductible expense or loss. Purchasers of the Bonds should consult their tax advisors for an explanation of the accrual rules for original issue premium and any other federal, state or local tax consequences of the purchase of any Bonds with original issue premium.

Original Issue Discount. The initial public offering price of certain of the Bonds may be less than the stated redemption price at maturity thereof. The difference between the initial public offering price for any such Bond and the stated redemption price at maturity is "original issue discount." For federal income tax purposes, original issue discount on any Bond accrues to original holders of the Bond over the period of its maturity based on the constant yield method compounded annually 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 any Bond for determining taxable gain or loss on the maturity, redemption, prior sale or other disposition of such Bond. Purchasers of the Bonds should consult their tax advisors for an explanation of the accrual rules for original issue discount and any other federal, state or local tax consequences of the purchase of any Bonds with original issue discount.

Sale and Disposition of the Bonds. Owners of any Bonds should consult their own tax advisors concerning the tax consequences of the sale, disposition or redemption thereof prior to maturity.

Continuing Compliance of School and Authority

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 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 Bonds are to be invested and which may require that certain excess earnings on investments made with the proceeds of the Bonds be rebated on a periodic basis to the United States Treasury. The School and the Authority will make certain representations and undertake certain agreements and covenants in the Indenture and the Loan Agreement, and in one or more tax compliance agreements to be delivered concurrently with the original issuance of the 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 School to comply with such covenants and agreements could result in the interest on the Bonds being included in the gross income of the owners for federal income tax purposes, in certain cases retroactive to the date of original issue of the Bonds.

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

Future Changes

Future legislative or administrative actions and court decisions, at either the federal or state level, could have a materially adverse impact on the potential benefits of the exclusion from gross income of the interest on the Bonds for federal or state income tax purposes, and thus on the value or marketability of the Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having a materially adverse impact on the federal or state income tax treatment of holders of the Bonds may occur, including the legislative proposals described above.

Recent federal tax reform proposals approved separately in the United States House of Representatives on November 16, 2017, and in the United States Senate on December 1, 2017, would, among other things, reduce corporate tax rates, modify individual tax rates, eliminate many deductions, repeal the alternative minimum tax, eliminate advance refundings of tax-exempt bonds and, in the case of the House bill, eliminate private activity bonds (including tax-exempt bonds issued for 501(c)(3) organizations like the School). These proposals, if enacted into law, may increase, reduce or otherwise change the financial benefits currently provided to certain owners of state and local government bonds, including the Bonds. Additionally, holders of the Bonds should be aware that legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Bonds, and the ability of holders of the Bonds to sell their Bonds in the secondary market, may be affected. It cannot be predicted whether or in what form any federal tax reform proposal might be enacted or, if enacted, what the final effective date of the changes would be. The interest rates on the Bonds are not subject to adjustment, in the event of any change in the tax treatment of interest on the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any change in law on the Bonds.

Pennsylvania Tax Matters

In connection with the issuance of the Bonds, Drinker Biddle & Reath LLP, Bond Counsel, will also deliver its opinion to the effect that the Bonds are exempt from personal property taxes in Pennsylvania, and the interest on the Bonds is exempt from Pennsylvania personal income taxes and the Pennsylvania corporation net income tax.

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds will be passed upon by Drinker Biddle & Reath LLP, Bond Counsel. The issuance of the Bonds is subject to the receipt of the approving opinion of Bond Counsel, which approving opinion, in substantially the form included in APPENDIX D hereto, will be delivered with the Bonds. Certain legal matters will be passed upon for the School by its counsel, Drinker Biddle & Reath LLP, Philadelphia, Pennsylvania; for the Authority by its counsel, Douglas B. Breidenbach, Jr., Esquire, Pottstown, Pennsylvania; and for the Underwriter by its counsel, Butler Snow LLP, Boston, Massachusetts.

NEGOTIABLE INSTRUMENTS

The Act provides that bonds of authorities created thereunder shall have all the qualities of negotiable instruments under the law merchant, and the negotiable instruments law of the Commonwealth.

LITIGATION

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

The School, like other similar institutions, is subject to a variety of suits and proceedings arising in the ordinary course of business. In the opinion of the School, there is no litigation, individually or in the aggregate, currently pending, or to the knowledge of the School threatened against it, which will have a material adverse effect on its financial condition, or will affect the validity or enforceability of the Loan Agreement or which in any way contests the corporate existence or powers of the School.

FINANCIAL STATEMENTS

The financial statements of the School at June 30, 2017 and June 30, 2016 and for the Fiscal Years then ended included in APPENDIX B to this Official Statement have been audited by Tait, Weller & Baker, LLP, independent accountants, as stated in their reports appearing herein in APPENDIX B hereto.

UNDERWRITING

George K. Baum & Company, as underwriter (the "Underwriter") has agreed, subject to certain conditions, to purchase the Bonds from the Authority at a purchase price of $_______ (representing the principal amount of the Bonds less an Underwriter's discount of $_______ plus [net] original issue premium/discount of $_________). The Underwriter intends to offer the Bonds to the public initially at the offering prices set forth on the inside cover page of this Official Statement, which may be changed by the Underwriter without any requirement of prior notice. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than the public offering prices.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Authority and/or the School, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority and/or the School.

The Underwriter and its affiliates also may communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

RATING

Moody's Investors Service ("Moody's") has assigned a rating to the Bonds of "A1" (stable outlook). Any explanation of the significance of this rating may only be obtained from Moody's. There is no assurance that such rating will remain for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in its judgment circumstances so warrant. Any such downward change or withdrawal of the rating assigned to the Bonds by Moody's may have an adverse effect on the market price of the Bonds. The rating outlook for the Bonds from Moody's is stable. Such credit rating reflects only the view of Moody's. An explanation of the significance of such credit rating may be obtained from Moody's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency.

Neither the School nor the Underwriter has assumed any responsibility to maintain any rating on the Bonds.

FINANCIAL ADVISOR

Fairmount Capital Advisors, Inc. ("Fairmount") has served as financial advisor to the School with respect to the sale of the Bonds. Fairmount is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness or fairness of the information contained in this Official Statement. The financial advisor assisted in matters relating to the planning, structuring and issuance of the Bonds, and provided other financial advice.

Fairmount is a financial advisory and consulting organization and is not engaged in the underwriting, marketing or trading of municipal securities or other negotiable instruments.

SECONDARY MARKET DISCLOSURE

Continuing Disclosure Undertaking

In order to enable the Underwriter to comply with the requirements of Rule 15c2-12, promulgated by the United States Securities and Exchange Commission (as amended, the "Rule"), the School will enter into a Continuing Disclosure Agreement with Digital Assurance Certification, L.L.C., as dissemination agent (the "Continuing Disclosure Agreement"), to provide annually, through the dissemination agent, certain financial information and operating data to the Municipal Securities Rulemaking Board (the "MSRB"), and to provide notice to the MSRB of certain events pursuant to the requirements of the Rule. The MSRB has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and other defined "obligated persons") with respect to municipal securities issues) are made available through the MSRB's Electronic Municipal Market Access (EMMA) System, which may be accessed on the internet at http://www.emma.msrb.org. The Continuing Disclosure Agreement will constitute a written undertaking for the benefit of the owners from time to time of the Bonds, including owners of book-entry credits evidencing ownership interests in the Bonds. Breach of the undertaking will not be a default under the Bonds, the Loan Agreement or the Indenture. The undertaking may be enforced as provided in the Continuing Disclosure Agreement exclusively by seeking specific performance by court order to cause the School to comply with its obligations under the Continuing Disclosure Agreement.

The School entered into similar undertakings in connection with its 2005 Bonds (which are no longer outstanding), (the "2005 Undertaking") and its 2015 Bonds (the "2015 Undertaking"). As of the date of this Official Statement, the School has made all of the filings required under the 2005 Undertaking, the 2015 Undertaking and under the Rule. However, during the last five years, the annual operating data of the School for its fiscal years ended June 30, 2012, and June 30, 2013, required to be filed in accordance with the 2005 Undertaking were not delivered to the MSRB on a timely basis, nor was any notice filed with respect to such failure.

The School intends to comply fully and on a timely basis with all current and future continuing disclosure undertakings.

The proposed form of the Continuing Disclosure Agreement is attached to this Official Statement as APPENDIX E.

OTHER MATTERS

The School has furnished information herein relating to the School (including APPENDICES A and B hereto) and the Project. The Authority has furnished only the information included herein under the section entitled "THE AUTHORITY" and in the sections entitled "INTRODUCTORY STATEMENT," and "LITIGATION" insofar as it relates to the Authority. However, said summaries, and all other summaries and references to such other materials not purporting to be quoted in full, are only brief outlines of certain provisions thereof and are made subject to all the detailed provisions thereof, to which reference is hereby made for further information, and do not purport to be complete statements of any or all such provisions of such documents.

All estimates 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 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. The information hereinabove set forth, and that which follows in the Appendices, should not be construed as representing all of the conditions affecting the Authority, the School or the Bonds.

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This Official Statement is issued by the Authority and approved by the School.

MONTGOMERY COUNTY HIGHER EDUCATION AND HEALTH AUTHORITY

By: ______________________________
(Vice) Chairman

Approved:

THE HILL SCHOOL

By: ______________________________
Richard T. Wood
Chief Financial Operating Officer

EXHIBIT A

INFORMATION CONCERNING THE HILL SCHOOL

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this APPENDIX A constitute projections or estimates of future events, generally known as forward-looking statements. These statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations in these forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The School will not issue any updates or revisions to any forward-looking statements if or when changes in its expectations, or events, conditions or circumstances on which these statements are based occur.

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INTRODUCTION

The Hill School (the "School" or "The Hill"), one of the nation's oldest independent preparatory schools, founded in 1851, offers a comprehensive co-educational program for approximately 520 boarding and day students from grades nine (third form) through 12 (sixth form) as well as a limited number of postgraduate students. The School is a nonprofit corporation, incorporated under the laws of the Commonwealth of Pennsylvania, and an organization described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), exempt from tax under Section 501(a) of the Code.

The School is located on approximately 200 acres in the Borough of Pottstown, Montgomery County, Pennsylvania, 40 miles west of Philadelphia and approximately 100 miles southwest of New York, NY. Students come from approximately 28 states and 23 countries. A majority of the School's students come from Pennsylvania, New Jersey, New York, Florida, and California.

The School's Board and administration believe that the following characteristics define The Hill School:

> <u>Student Demand and Market Position</u>. Demand for admission to the School has become increasingly competitive over the last five years, as evidenced by an increasing number of boarding applications and a decline in the School's acceptance rate to a five-year low of 27% for the current academic year. Additionally, over half (52% for 2017-18) of the School's accepted boarding applicants have opted to enroll. The School has strategically moved to improve its market position in the competitive boarding school environment, and has hired a full-time off-site Admissions staff member to recruit domestic boarding students from new geographic markets for the School. This initiative has led to greater visibility for the School and a broadened applicant pool, as well as a more diverse domestic boarding student population.
>
> The School's market position is also supported by its longstanding reputation and the strength of the School's academic program. For the 2015-16 academic year, the average SAT scores for Hill students totaled 127% of the national average. Additionally, 84% of the 2,289 Advanced Placement exams taken by Hill students over the past five academic years received a score of "3" or higher. Further, the School's students are frequently admitted to some of the top colleges and universities in the country. Members of the Class of 2017 enrolled at University of Pennsylvania, University of Chicago, Harvard University, Stanford University, Columbia University, Cornell University, Dartmouth College, Princeton University, and Yale University.
>
> <u>Balance Sheet Strength</u>. The School is supported by a significant balance sheet, with total net assets of $206.6 million as of June 30, 2017. Through disciplined budgetary management, donor support, and strong investment performance, the School has been able to grow both its total net asset position and endowment fund balance. As of June 30, 2017, the School reported total endowment assets of $162.2 million, an increase of 26% from the School's June 30, 2013 endowment value of $128.3 million. Over the course of the past five years, the School has strategically reduced its endowment spend rate in support of operations to 4.75%, in an effort to further grow its balance sheet assets. Significant endowment fundraising and the growth of the School's annual fund in support of operations have facilitated the School's spend rate reductions. Guided by the Investment Committee of the Board of Trustees, the School's endowment assets have achieved an average annualized rate of return of 8.3% since 2013.

Fundraising and the Importance of the Project. The School has a long history of robust and successful fundraising. Over the past five years, the School has raised an average of $12.0 million per year in total philanthropic support. The School is currently in the Leadership Phase of its *The Strength of All* comprehensive fundraising campaign, having raised $60.7 million in cash, pledges, and revocable and irrevocable estate gifts. The School has set a tentative goal of raising $100 million by the campaign's end, currently scheduled for the 2021-22 academic year. The purpose of the campaign is to further the School's strategic plan, which calls for increased support for financial aid and faculty compensation via endowment gifts, increased support for the School's annual fund, and capital gifts to fund campus facility improvements.

In 2018, the School expects to break ground on a new Dining Hall, which will modernize the existing dining hall, while providing new kitchen facilities, improved food preparation and service areas, air conditioning, and an expanded student dining area. The $15.1 million project is currently supported by $12.5 million in fundraising gifts and pledges, and the School expects to open the new facility in December 2018. A portion of the Series 2017 Bonds will be used to partially fund the Dining Hall, as well as other campus infrastructure projects. See "CAPITAL PROJECTS" for additional detail.

PHILOSOPHY AND OBJECTIVES

The School is a purposefully small and close learning community – a place where academic excellence is based upon a challenging liberal arts curriculum and innovative teaching; a faculty of highly qualified, dedicated teachers; a noteworthy breadth of advanced and honors course offerings as well as electives ranging from engineering to a variety of arts classes; and a structured atmosphere that blends high expectations with meaningful support. Its faculty members and college counseling staff work closely with students to prepare them for post-secondary education at highly competitive universities and colleges. Courses and teaching methods stress independence, critical thinking, problem analysis, oral communication, and writing. Through programs and organizations such as its Honor Code and Honor Council, nondenominational Christian chapel services (and chapel talks given by students and faculty of all faiths), a Student Philanthropy Council, and a comprehensive range of health and wellness programming, the School seeks to develop the moral character of its students, with the understanding that strong values remain the foundation for a successful life. The School's co-curricular arts, athletics, community service, and other programs complete the School's well-rounded student experience.

GOVERNANCE

The Board of Trustees

The Board of Trustees of the School (the "Board") is a continuous body comprised of up to 28 members. Approximately one-fifth of its members are elected in each year. There are four classes of trustees: 10 alumni trustees, who are elected for five-year terms by the alumni; 14 corporate trustees, who are elected for five-year terms by the Board; one local Pottstown-area trustee, who is elected for a five-year term by Pottstown-area alumni; and three term trustees, who are alumni who have graduated within the last 15 years and are elected for three-year terms by the Board.

The Board is responsible for overseeing the entire operation of the School and for maintaining the security of its future. The Board meets in formal sessions three times a year. Each trustee serves on one or more of the following standing committees: Admissions and College Counseling, Audit, Campus Planning, Governance, Advancement, Education, Executive, Finance (including Budget and Investment), Hobart's Run, Legal, Student Life, and Health and Wellness.

The Board, in conjunction with the administration, developed and adopted a five-year Strategic Plan for the operation of the School that currently runs until December 2018. Each Strategic Plan sets forth goals in numerous categories of the School's operations and contemplates regular measurement of progress towards such goals. The School administration, faculty, and Board regularly review the School's progress against the current Strategic Plan. As the School approaches the completion of the current Strategic Plan, preparation is underway for the development of the School's next Strategic Plan designed to outline a course of action to continue the School's success into the next decade and beyond. See "STRATEGIC PLAN" below.

The following are the members of the Board as of December 1, 2017.

Board of Trustees

Name	Location	Year Appointed	Affiliation
Peter G. Humphrey	Scottsville, NY	2002	Chairman, Genesee Regional State Parks Commission, NY; Vice Chairman, New York State Council of Parks, NY; Past President and CEO, Financial Institutions Inc., and Five Star Bank, Warsaw, NY
Jason W. Ingle	Malvern, PA	2013	Co-Founder and Managing Partner, Closed Loop Capital, Philadelphia, PA; Co-Founder, Greener Partners, Radnor, PA
John L. Keffer	London, United Kingdom	2017	Executive Counsel of General Electric Company. Previously Senior Partner of the law firm of King & Spalding
Hans S. Maentz	Cornell, CA	2011	Senior Vice President, Morgan Stanley Private Wealth Management, Los Angeles, CA
John P. Millar, Jr.	New York, NY	2015	Owner, Avalon Flooring USA, Avalon, NJ, Formerly Partner, Hall & Partners Brand Communication consultancy
Robert W. Oberrender	Minneapolis, MN	2016	Chief Investment Officer and Treasurer of UnitedHealth Group (UNH)
Geoffrey A. Richards	Palm Beach, FL	2009	Managing Director – Investment Banking Division, Raymond James – Private Capital Solutions Group and Recapitalization & Restructuring Group
Lauren S. Saltzburg	Philadelphia, PA	2015	Family medicine Resident Physician at Suburban Community Hospital in Norristown, Pa
James J. Sheward	Villanova, PA	2017	Founder and Principal at Shelamandiam LLC, Villanova, PA
Richard J. Tabarrini, Jr.	Rhinebeck, NY	2017	President of Covex LLC, Wayne, PA
Andrew D. Soussloff *Vice Chairman*	New York, NY	2011	Director and Senior Adviser, Enfoca Asset Management, Ltd., Lima, Peru; Retired Partner, Sullivan & Cromwell LLP, New York, NY
Scott C. Wilson	New York, NY	2013	Managing Director for Morgan Stanley Private Wealth Management.
Judy Wong	New York, NY	2014	Parent of former student, Former Vice President and Equity Analyst at Deutsche Bank investment banking in Hong Kong
Olivia M. Zitkus	Pottstown, PA	2017	Recent Hill graduate – Class of ‘16, Morehead-Cain Scholar, North Carolina at Chapel Hill

Officers of the School

The officers of the School are appointed annually by the Board. These persons have signatory power for important matters of School business.

Name	Office
Zachary G. Lehman	Headmaster
Richard T. Wood	Treasurer and Chief Financial Operating Officer
Scott D. Faulkingham	Assistant Treasurer and Controller
Shonda M. Kraemer	Assistant Secretary

ADMINISTRATION

Zachary G. Lehman, Headmaster. Mr. Lehman is in his sixth year as headmaster at the School and oversees all aspects of the institution. He previously served as Assistant Headmaster for Advancement at Gould Academy (Bethel, ME), Executive Director of MetroLacrosse (Boston, MA), and a litigation associate at Ropes & Gray, LLP (Boston, MA). Mr. Lehman earned a Bachelor of Arts degree from Dartmouth College and a Juris Doctor degree from Harvard Law School.

Len Miller, Associate Headmaster. Mr. Miller is in his fourth year at the School. As the Associate Headmaster, he directs all aspects of curriculum development and teaching, faculty recruitment and retention, and professional development. Mr. Miller came to the School from the Lawrenceville School (Lawrenceville, NJ), where he held numerous leadership positions over 14 years. Mr. Miller was Lawrenceville's Director of Strategic Projects, for which he collaborated with the school's leadership team in designing the strategic plan, analyzed admission and financial data, developed initiatives related to the school's "public purpose," and conducted hiring-related studies. Mr. Miller earned his Bachelor of Arts degree from Williams College and a Master of Arts degree from Columbia University.

Richard T. Wood, Treasurer and Chief Financial Operating Officer. Mr. Wood is in his first year at the School as Treasurer and Chief Financial Operating Officer. He is responsible for all aspects of financial administration, including budgeting, accounting and audit, and investment management. He also oversees physical plant operations, capital improvements, and campus security, and is the staff liaison to Board committees on audit, finance, campus planning, and legal matters. Mr. Wood came to the School from Northfield Mount Hermon (Mount Hermon, MA) where he was CFO for 15 years. He also served at The Taft School (Watertown, CT) as business manager from 1995-2000; Choate Rosemary Hall (Wallingford, CT) as assistant business manager from 1992-1995; and Indian Mountain School (Salisbury, CT) as business manager from 1988-1992. He has over 30 years of experience in industry, financial services, and independent school administration. Mr. Wood earned his Bachelor of Arts degree from St. Lawrence University and a Masters of Business Administration from Southern Methodist University.

Jennifer E. Lagor, Assistant Headmaster for Student Life. Ms. Lagor is in her 20th year at the School. As Assistant Headmaster for Student Life, her primary responsibilities are to oversee the residential and student life programs at the School, including supervising the dormitory heads and dorm parents, advising students and faculty, overseeing disciplinary cases, and coordinating student activities (student government, clubs, social activities, and student travel). Ms. Lagor has a Bachelor of Arts degree from Lake Forest College.

Christian P. Sockel, Assistant Headmaster of Advancement. Mr. Sockel is in his 11th year at the School, with primary responsibility for the planning, execution, and adaptation of the School's current *The Strength of All* comprehensive fundraising campaign launched by the School on July 1, 2014. He is responsible for the overall management, growth, operation, and strategic direction of the School's capital, parent and planned giving, advancement services, alumni relations, and The Hill Fund departments, and serves as staff liaison to Board Committees on Governance and Advancement. Prior to coming to the School, Mr. Sockel held senior advancement positions at Albright College (Reading, PA), Ursinus College (Collegeville, PA), and Penn State-Berks (Reading, PA), and practiced law. Mr. Sockel earned a Bachelor of Arts degree from Ursinus College and a Juris Doctor degree from John Marshall Law School.

Thomas Eccleston IV, Assistant Headmaster for Enrollment Management. Mr. Eccleston is in his 12th year as the Assistant Headmaster of Enrollment Management. Prior to coming to the School, he served as the Associate Director of Admission at Wilbraham and Monson Academy (Wilbraham, MA) and Director of Admission at Saint Edward's School (Vero Beach, FL). Mr. Eccleston earned his Bachelor of Arts degree from Bowdoin College and a Master of Arts degree from Villanova University.

John Dollhopf, Academic Dean. Mr. Dollhopf joined the School as an Instructor of Mathematics in 1997, and currently serves as the Academic Dean. As the Academic Dean, he is responsible for the entire academic program, including curriculum oversight and development, student and teacher class assignments, and monitoring student progress. Prior to serving as Academic Dean, Mr. Dollhopf served as Mathematics Department Chair for eight years and as Honor Council Chair for eight years. He has also coached numerous sports and spent 16 years living in a dormitory. Mr. Dollhopf earned his Bachelor of Arts degree from Haverford College and a Master of Education degree from Columbia University.

Seth Eilberg, Director of Athletics (on sabbatical-2018). Mr. Eilberg serves as Director of Athletics and Co-Curricular Activities. In that capacity, he oversees the entire afternoon program. He started at The Hill in 2001 and, in 2011-2012, became the Director of Athletics. He is the Head Boys' Basketball Coach. At The Hill he has taught math, been a college adviser, dorm head, postgraduate coordinator, and coached lacrosse. Prior to The Hill he was an Assistant Mens' Basketball Coach at Tufts University (Medford, MA). Mr. Eilberg earned a Bachelor of Arts degree from Haverford College and a Master of Arts degree from Tufts University.

Cathy Skitko, Director of Communications. Ms. Skitko is in her 21st year as Director of Communications. As the public relations and communications strategist and spokesperson for the School, Ms. Skitko is responsible for the implementation of integrated, consistent core messages on the website and primary social media and video production; for all flagship print and e-publications; and for media relations and crisis communications. Prior to joining the School's administration, Ms. Skitko was the Associate Director of Communications for Publications at Albright College (Reading, PA); a freelance reporter, marketing copywriter, and editor; and a journalist. Ms. Skitko earned a Bachelor of Arts degree from Dickinson College.

ACADEMIC PROGRAM

Academic Format

The academic year is divided into trimesters lasting approximately 10 weeks each. The fall and spring trimesters end in a final exam or other assessment.

A student's Grade Point Average (GPA) is calculated using a weighted system. Using a modified 4.0 GPA scale, regular courses are unweighted, honors courses have a 12.5% adjusted weight in GPA, and AP and Post-Advanced Placement classes have a 25.0% adjusted weight. Students who are in the top 20% of their grade earn Dean's List recognition at the end of each term.

The normal course load is five or six classes per trimester. For the 2017-18 academic year, the School offers approximately 328 sections of 173 courses. Depending on the age of the student, an additional 12 or more hours of homework is expected per week. Another 12 to 16 hours per week are devoted to required afternoon activities including athletics, arts, debate, etc. Placement test results are used, if necessary, to assign a schedule of courses that will be challenging but not overwhelming to the incoming student.

Twice each trimester, parents receive reports of a student's academic standing, and three times during the academic year they receive written comments from teachers and advisers as to a student's personal accomplishments and goals for improvement. Parents also receive comments from afternoon activity leaders and dormitory parents.

Graduation Requirements

English/Humanities. Each student is required to take four years of English or two years of English and two years of Humanities. English must be taken during third through sixth forms; Humanities may be taken by qualified students as an alternative to English during the fifth and sixth forms.

Mathematics. Each student is required to complete courses in Algebra, Geometry, and Algebra II or through Integrated Mathematics 31 or higher.

Arts. Students entering in the third form are required to take three terms of Arts courses. For students entering after the third form, the number of terms of Arts courses required will correspond to the number of years the student attends the School (i.e., a new fourth form student, who will be at the School for three years, needs three terms of art).

History. **S**tudents entering in the third form are required to take 20th Century History in the third form and United States History taken in either the fifth or sixth form. Students entering in the fourth form must take two years of History and Social Sciences, one of which must be U.S. History taken in the fifth or sixth form. Students entering in the fifth or sixth form must take one year of U.S. History.

Religious Studies. One year of Religious Studies that must be taken in the fourth, fifth, or sixth form.

Foreign Languages. Each student is required to complete the third year level of one language or the second year level of two different languages.

Lab Sciences. Each student is required to take two lab science classes.

The following describes the typical course load for each grade level of the School.

Course Load by Grade Level

Third Form (Ninth Grade)	Fourth Form (Tenth Grade)	Fifth Form (Eleventh Grade)	Sixth Form or Postgraduate (Twelfth Grade)
English 1	English 2	English 3	English 4
First-year or higher language	Second-year or higher language	Third-year or higher language	U.S. History or Religious Studies
20th Century History	World History	Religious Studies or U.S. History	Language or elective
Integrated Math 11, 21, 31, or 41	Integrated Math 22, 32, 42, or a higher-level course	Integrated Math 33 or 43 or higher-level math	Integrated Math 44 or Advanced math
Biology	Chemistry	Physics	Advanced science, arts or elective
Arts (one per term)			

Honors or Advanced Placement Courses

The School offers honors divisions and sequences of study that enable many capable students to take Advanced Placement Examinations and to receive recognition from colleges for the advanced work they have done at the School. These sequences include preparation for advanced college placement in mathematics, English, the sciences, history, foreign languages, computer science, and art.

Advanced Placement Examinations normally are taken by approximately 40% of students, with about 66% being awarded grades that qualify them for college standing and/or credit.

The School offers Advanced Placement courses in Art History; Biology; Calculus (AB); Calculus (BC); Chemistry; Chinese Language and Culture; Computer Science A; Computer Science Principles; English Language and Composition; English Literature and Composition; Environmental Science; European History; French Language and Culture; Latin; Macroeconomics; Microeconomics; Physics 1; Physics C: Mechanics; Physics C: Electricity and Magnetism; Psychology; Spanish Language and Culture; Spanish Literature and Culture; Statistics; Studio Art 2-D Design; Studio Art 3-D Design; Studio Art Drawing; U.S. Government and Politics and Comparative Government; and U.S. History.

The table below depicts the number of exams taken by students over the past five academic years, along with the percentage of students who scored "3" or higher:

Advanced Placement Exam Scores

	2011-12	2012-13	2013-14	2014-15	2015-16
Number of AP Students	191	199	200	222	217
Number of Exams Taken	411	427	416	503	532
Number of Scores 3 or Higher	358	357	358	417	435
% Scores 3 or Higher	87%	84%	86%	83%	82%
Number of Scores 5	105	128	113	146	135
% Scores 5	26%	30%	27%	29%	25%

Source: The Hill School internal records

Postgraduates

Postgraduates who want a year to improve their academic record and skills before entering college are accepted at the School under certain conditions. The candidate must show academic promise based on previous grades and test scores, maturity, and character; he/she must have been significantly involved in extracurricular activities; and he/she should be willing and able to excel in some non-academic activity while at the School. Given these characteristics and goals, accepted students are expected to enroll in the most demanding courses for which they are qualified. The School has approximately 18 postgraduates per year and includes these students in the sixth form.

The U.S. Naval Academy Foundation annually sends approximately six students each year to the School for a post-graduate year. Part of their tuition is paid for by the U.S. Naval Academy Foundation. These students have been pre-admitted to the U.S. Naval Academy, which accounts for the large number of Hill graduates who attend the U.S. Naval Academy.

Athletics

Active participation is required in interscholastic sports at some point during all students' time at the School, and is encouraged at all times. There is a role for less competitive athletics or training programs during a student's career, but not to the exclusion of participation in interscholastic sport. The School has made interscholastic competition the center of its program in order to promote the values of hard work, teamwork, character, and competition; focus the resources of a student body of roughly 520 students; and provide opportunities for school spirit to be derived from interaction between spectator and team. The School fields 31 varsity sports programs. Third and fourth formers must participate in a minimum of one season of interscholastic play. Fifth and sixth formers must participate in a minimum of one season of interscholastic athletics through playing, managing, or student training, unless approved by the Arts Department to be active in the Afternoon Arts program for all three trimesters. Students who choose any non-athletic activity, such as being a team manager or student trainer, are required to also participate in a fitness program during that trimester.

Technology

The School is committed to ensuring students have access to and support for the information and technology resources that they need to be successful in an ever-evolving world. At The Hill, library and technology staff and services are integrated under Information and Technology Services.

The School maintains a "Bring Your Own Device" program, with School staff providing technical services and support. The School's campus-wide high speed network; technologies like Apple TVs, high definition projectors, and tablets in the classroom; and a highly qualified Information and Technology Services team strive to ensure a seamless technological experience for students and staff. In the library, the School provides students with access to the latest information through college-level online databases, books, and periodicals. The Hill works with faculty members to find effective ways to integrate information and technology resources in classroom activities, facilitating a greater degree of collaboration and inter-disciplinary study.

Accreditation and Memberships

The School is accredited by The Middle States Association of Colleges and Secondary Schools. The School is a member of the National Association of Independent Schools and complies with the NAIS statement of "Principles of Good Practice."

STUDENT ENROLLMENT

The School's target enrollment level is approximately 515 students, of which 75-80% generally are boarding students and 20-25% are day students. The student body is 56% male and 44% female, with 30% domestic students of color and 19% international students.

Total Enrollment. The following table shows the School's total enrollment over the past five academic years.

Total Enrollment

Academic Year	Boarding	Day	Total
2013-14	394	110	504
2014-15	396	119	515
2015-16	375	127	502
2016-17	391	131	522
2017-18	396	126	522

Source: The Hill School internal records

Current Student Body Composition. The following table shows the composition of the student body by grade level for the current academic year.

Student Enrollment by Grade

	Boarding	Day	Total
Third Form (9th Grade)	60	46	106
Fourth Form (10th Grade)	83	43	126
Fifth Form (11th Grade)	103	37	140
Sixth Form (12th Grade)	150	0	150
TOTAL	396	126	522

Note: The current Sixth Form class is unusually large as a consequence of unusually high enrollment yield (matriculation rate) in admission years 2013 and 2014.
Source: The Hill School internal records

Admission Statistics

The following table shows the student applications, acceptances and enrollments for each of the past five academic years:

Student Demand Statistics

	2013-14		2014-15		2015-16		2016-17		2017-18	
	Boarding	Day	Boarding	Day	Boarding	Day	Boarding	Day	Boarding	Day
Applications	720	102	737	117	779	123	794	105	822	123
Acceptances	222	52	264	64	252	65	252	60	221	65
Acceptance Rate	31%	51%	36%	55%	32%	53%	32%	57%	27%	53%
Enrollments	110	36	125	53	119	48	128	49	115	51
Matriculation Rate	50%	69%	47%	83%	47%	73%	51%	82%	52%	78%

Source: The Hill School internal records

Applications for admission from prospective boarding students reached a five-year high for the 2017-18 academic year, resulting in the School's lowest acceptance rate over the same time period. The Hill has experienced significant and growing student demand, a product of the School's longstanding reputation in the independent boarding school community and concerted efforts to recruit domestic boarding students from a more geographically diverse pool of applicants.

To further its student recruitment efforts, the School hired a full-time Associate Director of Admission, bringing the full-time Admissions Office staff to seven. The School's newest Associate Director of Admission principally works remotely, and is tasked with travel responsibilities designed to specifically target domestic boarding students in new markets for The Hill. The Admissions Office has strategically focused on new geographic markets based on "heat maps" identifying strong demographics, significant alumni presence, strategic School connections, and boarding school culture and competition. The School attributes a portion of its strong boarding school student demand to the preliminary success of this admissions strategy.

While members of the Admissions staff participate in international travel and recruitment, the School also partners with educational consultants to specifically identify and recruit international students. Currently, the School maintains relationships with consultants in Vietnam, Brazil, and Mexico.

The School draws its student body from approximately 28 states and 23 countries. Most frequently, domestic boarding students hail from Pennsylvania, New Jersey, New York, Florida, and California. The table below depicts the geographic distribution of the School's boarding student population for the 2017-18 academic year.

Geographic Distribution of Boarding Students

Domestic Students	**Enrollment**	**International Students**	**Enrollment**
Pennsylvania	142	China	38
New Jersey	42	South Korea	11
New York	39	Vietnam	11
Florida	11	Canada	5
California	9	Brazil	3
Illinois	7	Hong Kong	3
Maryland	7	Mexico	3
Virginia	6	Spain	3
Texas	4	Finland	2
Connecticut	3	Saudi Arabia	2
Delaware	3	Turkey	2
Utah	3	Twelve Other Countries	12
Sixteen Other States	25		

Source: The Hill School internal records

Competition

The School believes that its enrollment and tuition rates compare favorably with comparative schools.

The following chart provides enrollment and tuition information with respect to the School and its peer schools.

Comparative Enrollment and Tuition

		2016-17 Enrollment			2017-18 Tuition	
School	Location	Boarding	Day	Total	Boarding	Day
Lawrenceville School	Lawrenceville, NJ	560	256	816	$62,190	$51,440
Blair Academy	Blairstown, NJ	362	100	462	60,000	42,000
Loomis Chaffee	Windsor, CT	462	217	679	59,640	45,360
Taft School	Watertown, CT	488	104	592	59,000	44,000
Mercersburg Academy	Mercersburg, PA	373	67	440	58,325	39,250
Peddie School	Hightstown, NJ	356	208	564	58,100	48,800
George School	Newtown, PA	286	243	529	57,550	39,000
Westtown School	West Chester, PA	257	95	352	57,400	35,820
The Hill School	**Pottstown, PA**	**391**	**131**	**522**	**56,775**	**39,170**
Choate Rosemary Hall	Wallingford, CT	642	220	862	56,600	43,580
The Hotchkiss School	Lakeville, CT	582	48	630	56,560	48,150
Phillips Exeter Academy	Exeter, NH	866	213	1,079	49,880	38,740
Average		469	159	627	$57,668	$42,943

Source: The Hill School internal records

College Testing

The School's students have consistently maintained Scholastic Aptitude Test ("SAT") scores well above the national average. The following table shows the average SAT scores of The Hill students and the national average over the past five years for which College Board national average data is available.

Average SAT Scores

	2011-12	2012-13	2013-14	2014-15	2015-16
The Hill Average SAT*	1250	1286	1286	1255	1272
National Average	1010	1010	1010	1006	1002
% of National Average	124%	127%	127%	125%	127%

** Includes scores for Critical Reading and Mathematics. Writing scores not reported.*
Source: College Board 2016 College-Bound Seniors Total Group Profile Report

College Placement

Intellectual and ethical engagement are emphasized throughout a student's career and during the college admissions process. Colleges are provided with a thorough profile of the School and individual student reports indicate the degree of rigor in the student's courses relative to that of the class. The College Counselling office has four full-time counselors dedicated to supporting students and families through the college selection process. Twenty-three members of the Class of 2017 were recruited Division I athletes and 20 of them will go on to play at that level, with the remaining three choosing to pursue alternative academic and/or athletic pursuits. Twenty offers of admission were received by 16 students to Ivy League institutions. Four students will attend the U.S. Naval Academy and two will attend the U.S. Air Force Academy.

The colleges and universities at which two or more graduates of the Class of 2017 matriculated is presented below:

College Matriculation of The Hill School Class of 2017 Graduates

College/University	Number Matriculated	College/University	Number Matriculated
Pennsylvania State University	7	University of Colorado at Boulder	2
New York University	6	Connecticut College	2
University of Chicago	4	Cornell University	2
Elon University	4	Dickinson College	2
Georgetown University	4	Drew University	2
University of Pennsylvania	4	Hobart and William Smith Colleges	2
United States Naval Academy	4	University of Illinois	2
Bucknell University	3	Mercyhurst University	2
Columbia University	3	Miami University, Oxford	2
Harvard University	3	Northeastern University	2
Lehigh University	3	Princeton University	2
University of Richmond	3	Stanford University	2
Barnard College	2	United States Air Force Academy	2
Bentley University	2	Wesleyan University	2
Claremont McKenna College	2		

Source: The Hill School internal records

FINANCIAL MATTERS

Historical Financial Results

The following table provides a summary of the School's annual operations and unrestricted net asset position over the past five fiscal years. Such information is derived from the audited annual financial statements of the School for such fiscal years.

The Hill School
Statement of Unrestricted Activities
For the Fiscal Years Ended June 30,

	2013	2014	2015	2016	2017
Revenues, Gains and Other Support:					
Tuition and student fees	$ 23,411,538	$ 24,368,222	$ 25,695,750	$ 25,160,075	$ 26,831,050
Less: financial aid	(5,874,170)	(6,353,014)	(6,751,931)	(6,970,530)	(7,340,630)
Net tuition and fees	17,537,368	18,015,208	18,943,819	18,189,545	19,490,420
Contributions	3,503,912	3,943,723	4,228,207	3,779,358	3,892,555
Investment return designated for current operations	5,302,083	5,036,405	5,217,493	5,520,090	5,637,433
Other investment income	76,423	158,463	38,525	35,906	190,536
Store operations	156,825	130,521	144,683	146,851	165,695
Other sources	908,784	851,413	1,016,497	1,160,991	898,607
Net assets released from restrictions	8,211,529	3,583,725	4,194,200	2,385,226	2,591,270
Total revenue, gains, and other support:	35,696,924	31,719,458	33,783,424	31,217,967	32,866,516
Expenses:					
Program services:					
Instructional	17,003,638	18,210,086	18,901,353	19,593,728	20,392,250
Store operations	215,617	201,540	221,613	199,634	219,964
Food service	1,989,650	2,091,511	2,370,282	2,241,930	2,147,670
Total program services	19,208,905	20,503,137	21,493,248	22,035,292	22,759,884
Supporting services:					
General and administration	5,807,560	5,959,617	6,364,927	6,538,438	6,884,808
Fund raising	2,572,747	2,814,244	3,142,655	3,587,180	3,579,856
Total supporting services	8,380,307	8,773,861	9,507,582	10,125,618	10,464,664
Total expenses	27,589,212	29,276,998	31,000,830	32,160,910	33,224,548
Excess of revenue over expenses	8,107,712	2,442,460	2,782,594	(942,943)	(358,032)
Other changes					
Investment return in excess (deficit) of amounts designated for current operations	3,574,613	6,195,648	(1,414,226)	(3,195,245)	6,078,085
Actuarial gain (loss) on annuity obligations and life income funds	(56,163)	(45,030)	(103,806)	(86,301)	(84,148)
Gain on extinguishment of debt	-	-	-	447,824	-
Transfer of funds (to)/from restricted endowment funds	-	-	137,816	(468,149)	(709)
Change in net assets	11,626,162	8,593,078	1,402,378	(4,244,814)	5,635,196
Net assets at beginning of year	47,552,931	59,179,093	67,772,171	69,174,549	64,929,735
Net assets at end of year	$ 59,179,093	$ 67,772,171	$ 69,174,549	$ 64,929,735	$ 70,564,931

Net Assets

The following table shows the net assets of the School, together with a calculation of the School's "expendable net assets,"* as of the end of each of the last five fiscal years.

	Fiscal Year Ended June 30,				
	2013	**2014**	**2015**	**2016**	**2017**
Unrestricted Net Assets	$ 59,179,093	$ 67,772,171	$ 69,174,549	$ 64,929,735	$ 70,564,931
Temporarily Restricted Net Assets	56,151,267	68,255,590	68,858,181	66,152,602	77,655,891
Permanently Restricted Net Assets	41,532,732	52,776,354	54,045,968	57,676,269	58,417,006
Total Net Assets	$156,863,092	$188,804,115	$192,078,698	$188,758,606	$206,637,828
Less: Permanently Restricted Net Assets	41,532,732	52,776,354	54,045,968	57,676,269	58,417,006
Less: Net Investment in Plant	20,172,027	24,705,801	26,256,313	27,619,417	28,180,604
Expendable Net Assets*	$ 95,158,333	$111,321,960	$111,776,417	$103,462,920	$120,040,218

* *The calculation of "expendable net assets" is included to provide additional information that the School believes is frequently used by securities analysts, investors and others to assess the performance of nonprofit educational and other borrowers. It is not a measure of financial resources under generally accepted accounting principles ("GAAP"), and should not be considered a substitute for other GAAP financial information. Other institutions may calculate "expendable net assets" differently.*

Management's Discussion of Financial Matters

The finances of the School have demonstrated consistent improvement over the last five years. Net assets have grown by over 32% from $156.9 million in 2013 to $206.6 million in 2017. Much of this growth is attributed to the increase in the market value of investments by $34 million during this time period. The five-year average annual endowment return is 8.3%. Over the past five years, the School has decreased its liabilities by $1.5 million and made significant improvements to its physical plant, including the addition of 11 new units of faculty housing, construction of a $5.5 million athletic complex, and substantial upgrades to its infrastructure.

Operating results have been consistently strong, resulting in $5.8 million in cumulative operating surpluses over the five-year term. As noted above, enrollment remains stable. There has been a steady increase in applications, selectivity has improved, and matriculation rates remain favorable. Financial aid continues to range between 25-27% of gross tuition revenue. Net tuition revenue has grown, on average, by 4.0% per year. Annual giving and auxiliary revenue have also shown consistent growth. Unrestricted contributions to operations have grown by 19% over the five-year period. The School has continued to invest in advancement and alumni relations, and has maintained a favorable ratio of advancement expenditures to cash gifts of 7-12%. Auxiliary income from summer programs and facilities rentals has remained steady.

The School has exercised effective control over spending through a transparent budget and financial management process. Total operating expenses have grown on average by 3.2% annually over the past five years. Yet the School has maintained competitive compensation and improved and expanded its information technology systems while maintaining a highly rigorous and diverse academic program.

Student Tuition and Fees

Tuition levels are approved annually by the Board. The following table shows the tuition for boarding and day students for the most recent five academic years.

Tuition Rates

Academic Year	Boarding	% Increase	Day	% Increase
2013-14	$51,400	4.0%	$35,500	4.1%
2014-15	53,500	4.1%	36,900	3.9%
2015-16	54,570	2.0%	37,640	2.0%
2016-17	55,660	2.0%	38,400	2.0%
2017-18	56,775	2.0%	39,170	2.0%

Source: The Hill School internal records

Financial Aid

The School provides financial aid to approximately 38 percent of its students based upon demonstrated financial need. Approximately 40% of the student aid awarded is supported by restricted endowment. Student aid awarded to students in the last five years is shown in the table below.

Financial Aid

Academic	Total Aid	Percentage of	Total Grants		Average Grant	
Year	Awarded	Gross Tuition	Boarding	Day	Boarding	Day
2013-14	$6,353,014	26.1%	150	52	$35,875	$18,688
2014-15	6,751,931	26.3%	152	51	36,050	21,800
2015-16	6,970,530	27.7%	143	59	38,050	23,600
2016-17	7,340,630	27.4%	152	61	38,900	23,350
2017-18	7,575,540	27.6%	152	56	41,900	21,900

Source: The Hill School internal records

Endowment

Value. The market value of the School's endowment net assets (exclusive of life income funds) at June 30 in each of the last five fiscal years is set forth in the table below.

Endowment Market Value

Fiscal Year End (June 30)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2013	$38,089,681	$49,347,631	$40,816,811	$128,254,123
2014	44,550,707	61,808,380	52,294,642	158,653,729
2015	43,685,722	58,647,980	53,167,382	155,501,084
2016	38,658,201	51,818,836	57,177,477	147,654,514
2017	43,498,786	60,738,930	57,968,011	162,205,727

* *Temporarily restricted investments consist of realized and unrealized gains on restricted endowment investments. Under Pennsylvania law, the maximum spending rate per year for this category is 7%.*
Source: The Hill School audited financial statements

Since 2013, the School's endowment has grown by $34.0 million, an increase of over 26%. This significant growth is primarily attributable to positive investment returns, a conservative endowment spending policy, and significant endowment fundraising. During FY 2014, the School received an endowment gift in excess of $10 million – the largest single gift in the School's history. Additionally, the School has bolstered its endowment over the past five years with the receipt of several bequests and estate gifts.

Investment Guidelines. The Board, following guidance from its Investment Committee, establishes the parameters for the investment of the School's endowment. The Investment Committee utilizes an outside financial advisor, Prime Buchholz (Portsmouth, NH). On a composite basis, the following investment goals are expected to be achieved over a full market cycle while incurring acceptable levels of risk, as defined by various metrics including, but not limited to, return volatility, liquidity, transparency, and the likelihood of permanent impairment. Annualized results over a period of years are the performance criteria for the endowment rather than the results achieved in any one year.

Spending Rate. To facilitate a predictable and sustainable annual spending rate of 4% to 5% of the average market value of the assets of the Fund over a trailing period to be determined from time to time by the Board, while preserving the purchasing power of such assets by achieving annual growth in their value at a rate at least equal to the sum of the annual spending rate and the annual rate of inflation (CPI), thus attempting to achieve inter-generational equity.

Risks. To diversify the endowment fund so as to limit its risk of permanent impairment or disproportionate impact by a single investment or manager, and to maintain adequate liquidity to meet spending needs, capital calls, and debt obligations.

Policy Benchmarks. To meet or exceed the return of a Policy Index that reflects the overall asset allocation targets, i.e. to meet or exceed, for each major segment within the Fund, an appropriate market index or benchmark, such as: for U.S. domestic equities, the Russell 3000 Index: for non-U.S. equities, the MSCI All Country World Index ex U.S.: and, for fixed income, the Barclays Capital Aggregate Bond Index. The performance of asset classes other than traditional equities and bonds will be measured by the most relevant indices as determined and selected by the Investment Committee for each asset class and may include internal rate of return calculations, peer group comparisons, or absolute return benchmarks.

Endowment Asset Allocation. The market value of the School's endowment by asset class, including the School's asset allocation targets, as of June 30, 2017, is set forth in the table below.

Endowment Allocation

	Total Market Value	Asset Allocation	Lower Range	Target	Upper Range
Global Equity	$ 97,479,895	60.1%	40.0%	50.0%	60.0%
Private Capital	20,937,294	12.9%	5.0%	15.0%	20.0%
Total Flexible Capital	13,417,367	8.3%	0.0%	10.0%	15.0%
Total Real Assets	11,693,431	7.2%	6.0%	10.0%	14.0%
Fixed Income / Liquid Capital	18,677,740	11.5%	10.0%	15.0%	20.0%
Total Endowment	$162,205,727	100.0%		100.0%	

Source: The Hill School audited financial statements

Historical Endowment Returns. The following table indicates the annual return on the School's endowment, for each of the past five fiscal years.

Endowment Return

Fiscal Year	Investment Return
2013	11.66%
2014	16.98%
2015	1.06%
2016	(2.00%)
2017	14.11%

Source: The Hill School internal records

Endowment Spending. Over the last five fiscal years, spending from the School's endowment to supplement operating revenues, as a percentage of the 60-month trailing market value of endowment determined annually by the Board, is presented in the table below.

Endowment Spending

Fiscal Year Ended (June 30)	Spending Rate*	Spending Amount
2013	4.90%	$5,721,000
2014	4.90%	5,553,500
2015	4.88%	5,743,000
2016	4.80%	6,198,000
2017	4.75%	6,499,000

* *Calculated as a percentage of the 60-month trailing market value as of December 31 of the prior fiscal year.*

Source: The Hill School internal records

Budget

The annual budget process begins in November of each year after the completion of the annual audit. The Treasurer and Controller conduct a review of the financial results from the previous year, including enrollment and net tuition, cash gifts received, endowment performance, operating expenses, and select benchmarking data. With this data the School utilizes a proprietary financial model to develop multi-year financial forecasts using various financial assumptions. Budget scenarios are presented to the Finance-Budget Committee for review and discussion in the November-December time frame. Once consensus is reached on a preferred budget scenario, the Treasurer presents the budget to the Board at the January meeting. The Board approves the following budget parameters at the January meeting: enrollment goal, tuition rate increases, annual fund goal, endowment spending rate, salary and wage increases, and cost adjustments in various line items. The budget is reviewed again at the June Board meeting, factoring in an up-to-date enrollment forecast, turnover in personnel, capital and equipment needs, and current year spending. The approved budget is then carried forward for the start of the new fiscal year on July 1st.

Indebtedness of the School

Line of Credit. The School has a $2,000,000, unsecured, revolving line of credit which is payable on demand at the bank's discretion and expires on January 31, 2018. The School expects to renew and extend the line of credit beyond the current January 31, 2018 expiration date. There were no outstanding borrowings at June 30, 2017 or 2016.

Long Term Debt. As of June 30, 2017, the School had outstanding long-term indebtedness aggregating $32,298,580, all of which financed or refinanced various capital projects. This indebtedness, all of which constitutes unsecured, general obligations of the School, is comprised of the following:

- $7,000,000 Pottstown Borough Authority Educational Facility Variable Rate Demand Bonds Series 2002 (the "2002 Bonds"). The 2002 Bonds are private placement variable rate bonds with a final maturity of August 2032. The 2002 Bonds bear interest at a fixed rate of 1.64% through April 30, 2018, and thereafter may be converted to either new fixed or variable rate at the School's option. The 2002 Bonds are currently owned by a commercial bank which has the right to tender the 2002 Bonds for full payment on May 1, 2018, and on May 1 of each fifth year thereafter. The 2002 Bonds are expected to be refunded on a current basis with proceeds from the Bonds. See "PLAN OF FINANCING" in the front part of this Official Statement.

- $4,933,580 Montgomery County Higher Education and Health Authority Project Revenue Note, Series 2008 (the "2008 Bonds"). The 2008 Bonds bear interest at a variable rate based upon LIBOR with a final maturity of December 1, 2038. The 2008 Bonds are currently owned by a commercial bank which has the right to tender the 2008 Bonds for full payment on October 1, 2024, and on October 1 of each tenth year thereafter. The 2008 Bonds are expected to be refunded on a current basis with proceeds from the Bonds. See "PLAN OF FINANCING" in the front part of this Official Statement.

- $20,365,000 Montgomery County Higher Education and Health Authority Series of 2015 (the "2015 Bonds"). The 2015 Bonds outstanding bear interest at fixed rates ranging from 3.00% to 5.00%. Principal on the 2015 Bonds is paid each August 15 through the final maturity date of August 15, 2045. See "DEBT SERVICE REQUIREMENTS" in the forepart of this Official Statement.

Bridge Loan. In July 2013, the School obtained a $2,000,000 variable rate loan from a commercial bank to provide interim financing for the construction of athletics field improvements and additions. Pledges of philanthropic contributions have been raised to fund these projects and are expected to be collected over the next three years. The loan was paid in full by the School on July 16, 2016.

The School also is considering the possibility of securing a bridge loan in an amount not to exceed $5,000,000, exclusively for the purpose of bridging the receipt of fundraising pledges designated toward the Dining Hall project. The School currently expects any such bridge loan would be established in the spring of 2018.

FACILITIES

The following describes the School's principal educational facilities.

The John P. Ryan Library

The John P. Ryan Library is located near the middle of the campus on the east end of the Quadrangle. In addition to the more than 30,000-volume book collection, Ryan Library resources include access to thousands of curated eBooks, videos, periodicals, and digital magazines that can be located using the Library's website and online catalog. The Ryan Library also provides access to a superior collection of digital research databases including hundreds of thousands of books, academic journals, historical documents, primary sources, encyclopedia entries, news articles, essays, and images available to students 24 hours a day, seven days a week. The Library offers ample space for collaborative work and quiet study, including the newly refurbished McNally Family Room which has a working fireplace and can accommodate over 60 students quietly working at one of four study tables, 16 carrels, or a multitude of soft seating options. Students can take advantage of the Library's makerspace when creating class projects or relaxing during free time. The Library staff actively supports learning by working with faculty to provide tailored, in-class information literacy presentations and offering opportunities for students to sign up for individual research interviews. Located on the third floor of the Library in a beautifully renovated room with a view of the campus, the Humphrey Family Writing Center provides The Hill's student writers with a place of their own to develop their skills in the company of other writers. This multipurpose space is used for classes and the student-run publications including *The Hill News*, *The Dial* (yearbook), and *The Record* (literary journal).

The Academic Center and Other Academic Buildings

The centerpiece of classroom instruction at the School is the approximately 47,300-square-foot building that stands at the middle of the campus on the south side of the Quadrangle. The Academic Center contains 28 classrooms, a student center, a small lecture hall, the bookstore, and administrative offices. The Academic Center was completed in 1999 at a cost of approximately $11.9 million. The Widener Science Building and what was historically called the Widener Arts and Crafts Building complete the primary classroom facilities at the School. The School plans construction of a new Science, Technology, Engineering, and Mathematics (STEM) facility that will connect the two existing Widener Buildings, with construction to begin in the summer of 2019 and occupancy in the fall of 2020. Additional details are provided below under "CAPITAL PROJECTS – Future Capital Projects."

Center for the Arts

The School's Center for the Arts (CFTA) contains classrooms and studios for the performing and visual arts. In addition, the facility contains a 720-seat performance theater and a workshop for set design and construction. The Boyer Art Gallery displays works of The Hill students and also hosts a series of regional artists each year, complementing the learning experience. Guest artists are invited to participate in residencies to expand student visual arts experiences.

Dormitory Facilities – Student Life

The student life program includes dormitory parents from 12 residence halls and the Residence Council; faculty advisers; student prefects; and individuals from the Deans' Office, the Health Center, the Student Activities office, and the Honor Council. The School's mission is to create a campus atmosphere that contributes not only to The Hill's high standards of academic achievement, but also to the spiritual, moral, and social development of its students. Twice weekly nondenominational Christian chapel gatherings are a key part of Hill's student life.

Approximately 80% of the student body is made up of boarding students who occupy rooms in any one of the School's 12 dormitories. While the School operates one central dining hall, it operates 12 separate dormitories, ranging from Dutch Village, a small cluster of four house-like structures built in the late 1960s which house approximately 12-14 students and one faculty family in each building, to Upper School, a large multi-story structure built in 1910 and refurbished since then, housing approximately 150 students and eight faculty families. All dormitories feature faculty residential supervision. The most recent dormitory is the four-unit, approximately 38,500-aggregate-square-foot dormitory cluster known as the Dell Dorms which was completed in 1999. Other dormitories include Wendell, built in 1949 and housing approximately 53 students and three faculty members; Rolfe, built in 1959 and housing approximately 44 students and four faculty families; and Foster, built in 1965 and housing approximately 46 students and five faculty families.

Principal Athletics Facilities

The David H. Mercer Field House. Completed in 2002, the Field House is a 34,000-square-foot practice, training, and recreational facility containing the following venues:

- A 160-meter track;
- A 55-meter straightaway for sprinting;
- Practice and competition areas for pole vault, high jump and long jump;
- Three regulation-sized basketball courts equipped with controlled, motorized backboards (these courts also are lined for tennis);
- Operable divider curtains that allow multiple teams to conduct more productive and efficient practices simultaneously; and
- A fitness and training center.

The Jerry Day, Jr. '37 Squash Center. Located in the upper level of the Field House is the Jerry Day, Jr. '37 Squash Center. The Center houses seven glass-backed, international squash courts, including the George P. Bissell, Jr. '36 Stadium Court, a three-glass wall exhibition court. The Center also includes a 50-person spectator seating structure.

The Briggs S. Cunningham '26 Swimming Pool. The Briggs S. Cunningham '26 Swimming Pool provides a training facility for water polo and swimming. The six-lane pool is equipped with Kiefer lane lines, Colorado timing, two pace clocks and two maxi-duraflex diving boards. Underwater viewing completes the water sport training facility.

Outdoor Athletics Complex. The Complex consists of 10 playing fields including soccer, lacrosse, field hockey, football, baseball, and softball. The complex also contains nine hard surface tennis courts. In 2014 the School completed an upgrade and expansion of the complex with the installation of two artificial turf, multi-purpose fields, a new outdoor synthetic running track, and amenities such as bleachers, sports lighting for night events, electronic scoreboards, paved parking for 96 cars, and an indoor sports pavilion with a concession stand, restrooms, and training and team rooms.

There are also two regulation natural grass playing fields on the main campus for football, lacrosse, and soccer competition.

Edward Tuck Hall Arena and Eccleston Hockey Rink. In 2006, the School constructed an indoor hockey rink with bleachers, locker rooms, and offices. The facility is operated five months each year for The Hill's hockey teams and other community hockey and skating clubs.

The Michael F. Sweeney Gymnasium. The facility was constructed in 1931 and contains two basketball courts, including the Gillison varsity basketball court with seating for approximately 400 spectators. The Sweeney complex also contains boys' and girls' locker rooms, trainer and equipment rooms, and offices for the Athletics Department.

Other Property

The School also owns approximately 45 acres of land adjacent to the School's campus which it has leased since the 1950s, for nominal consideration, to a neighboring country club and which forms a part of the club's golf course. The current lease term continues until 2035. The School makes an annual payment to the club in consideration for which the School and its students and employees are afforded certain privileges to use the club's facilities, including use of the club's course by the School's golf team as its home course.

STRATEGIC PLAN

The Hill School Board adopted its current Strategic Plan (2012-2018) in June of 2012; the Plan's end date was extended by one year beyond the original five-year horizon due to the fact that Headmaster Lehman began his tenure after adoption of the plan. The Plan has six major initiatives:

- For Our Students: Address the affordability of a Hill School education with the aim of increasing financial aid to achieve a long-term objective of need-blind admissions.

  To address affordability, The Hill has limited annual tuition increases to 2% in recent years and as a result is now features a lower boarding tuition than a majority of its peer schools. Furthermore, The Hill has expanded its financial aid budget and added a number of funded scholarship programs via endowment gifts, including the Newton Scholarships, the Walter Price Scholarship, the Wallach Family Military Scholarship, the Senter Scholarship, and the Steiner Family Scholarship for Pottstown Students.

- For Our Educational Program: Undertake an examination of the School's educational program with the aim of creating a curriculum that uses the best practices of 21st century pedagogy.

  The Educational Program Review Task Force was formed shortly after the adoption of the 2012 Strategic Plan. Changes include a new daily schedule with longer classes, a new experiential arts requirement, a new third form history course, collaboration between third form history and English teachers, integrated service learning in various courses, a four-year engineering program, a comprehensive integrated mathematics program for all courses leading up to calculus that include coding and statistics, and an honors two-year integrated science sequence for third and fourth formers.

- For Our Faculty: Demonstrate our commitment to recruiting, retaining, and enhancing the professional and personal lives of our faculty and their families through increased compensation, first-class housing and the implementation of a comprehensive faculty development program.

In the last five years, The Hill has established and instituted the Aspire system, a four-tiered promotion and compensation system for its teaching faculty that acknowledges and rewards excellence in teaching. In conjunction with Aspire, The Hill has increased its average faculty salary from the third quartile to the second quartile among the 40 premier boarding schools against which the School benchmarks; has constructed 11 new campus residences and updated approximately 20 additional residences for faculty; has partnered with FolioCollaborative to document professional growth; and has expanded its professional development funding and opportunities. In doing so, The Hill has substantially reduced annual faculty attrition and improved the caliber of its overall teaching faculty.

- For Our Campus: Enhance our world-class campus, by proposing to erect a premier Science, Technology, Engineering, and Mathematics (STEM) Center and new classrooms for humanities subjects; expand our athletics facilities; and infuse all our programs with cutting-edge technology.

  In response to the Strategic Plan, and in accordance with the master campus plan, The Hill has invested more than $25 million in campus facility improvements. The Hill has constructed or renovated academic spaces including the Levis-Alexandre Center for Humanities, the McNally Family Room (a learning and research commons), the Silverstein Electronic Media Studio, and a state-of-the-art engineering lab. New athletics facilities include the Lehrman Pavilion, Cunningham Field, Price Field, Wells-Davidson Varsity Pitch, and the Hauser Track & Field Complex, in addition to upgrades to team locker rooms, strength and conditioning facilities, indoor track, indoor and outdoor tennis courts, softball field, and indoor and outdoor golf facilities. As referenced above, The Hill has also made a significant investment in enhanced faculty housing and has addressed critical infrastructure issues including heating/cooling, electrical, and deferred maintenance. In the next 3-5 years, The Hill will renovate and expand its Dining Hall and construct the Quadrivium Center, a proposed $15.8 million STEM facility.

- For Our Town: Seek to invest in, and partner with, Pottstown to pursue mutually beneficial ends in the arts, economic development, neighborhood revitalization, and the environment.

  To this end, The Hill has established and funded Hobart's Run, a professionally-staffed 501(c)(3) organization specifically committed to economic and neighborhood development. Among its many impactful initiatives, Hobart's Run organizes investment conferences, monthly leadership breakfasts, block cleanups, neighborhood ambassador programs, and other grassroots initiatives for the betterment of our community. For more details, see "COMMUNITY ENGAGEMENT" below.

- For Our Future: Undertake a multi-year comprehensive campaign to achieve these objectives and to secure the future of our School.

  As referenced more specifically under "ADVANCEMENT," The Hill School launched *The Strength of All* Campaign in July 2014 and has raised over $60 million to date towards improving faculty compensation, student aid, campus facilities, the economic revitalization of Pottstown, and general educational programming.

As the School approaches the end of the current Strategic Plan, it has engaged Basecamp School Educational Consulting to do a market position analysis of The Hill through a review of institutional data, interviews with Hill faculty, and an analysis of over 30 peer/competitor schools across the country. The Board expects to launch a new year-long strategic design process during their bi-annual January retreat (2018).

Greenwich Leadership Partners (GLP) will work extensively with the faculty and the School's broader constituency within high-level strategic parameters to establish a new, dynamic institutional strategy for the School and, more importantly, a continuous strategic mindset to replace the historical five-year strategic planning cycle.

CAPITAL PROJECTS

The Hill School plans to use the proceeds of the Series 2017 Bonds to (i) refinance its existing Series 2002 and Series 2008 Bonds; (ii) fund a portion of the construction and renovation cost of a campus dining hall; (iii) fund various campus infrastructure improvements, including the replacement of a major retaining wall; and (iv) fund costs of issuance.

In 2012, the Board adopted a campus master plan encompassing the major capital projects for the following five-year term. The undertaking of each capital project is subject to final approval by the Board and is dependent upon successful fundraising toward the School's capital campaign and/or the receipt of specific pledges to fund each project.

The current policy of the Board with respect to major capital projects is to require committed pledges equal to 100% of the expected cost of a project, and 50% of such amount to be received in cash, prior to the Board's final project approval. The Board made an exception to this policy related to the Dining Hall, but expects to continue with the policy for future capital projects. In addition, the School expects to continue its fundraising efforts related to the Dining Hall along with the other capital initiatives included in *The Strength of All* campaign.

Series 2017 Capital Projects

The major capital projects identified by the plan for which proceeds of the Series 2017 Bonds will be spent include:

Dining Hall Renovation. The School originally conducted a feasibility study to modernize and expand the existing dining hall. The study analyzed the cost and design of new kitchen facilities, improved food preparation and service areas, upgrade in mechanical systems, air conditioning, and an expansion of the dining area.

In September 2017, the Board voted to proceed with construction of a \$15.1 million design plan, with construction scheduled to begin in June 2018. Completion of the project is slated for December 2018. The architect for the Dining Hall renovation is Richard McElhiney Architects LLC (New York, NY) and the School has negoitated a guaranteed maximum price contract with the general contractor, Wohlsen Construction (Lancaster, PA). Of the \$15.1 million construction cost, \$12.5 million is to be funded from gifts and \$2.6 million from bond proceeds.

Campus Infrastructure Improvements. The School has identified approximately \$6.5 million of campus infrastructure improvements, which will be completed beginning in the summer of 2018 and extend through the summer of 2020. These improvements primarily include the rehabilitation of an existing retaining wall and the replacement and improvement of the School's electrical infrastructure.

Future Capital Projects

In addition to the capital projects to be funded with the proceeds of the Series 2017 Bonds, the School has identified future facility needs as part of the campus master plan, as described below.

Science Technology Engineering Mathematics (STEM) Center. The School has developed plans to construct a new facility will include teaching and laboratory space designed to facilitate a multi-disciplinary curricular approach that combines science, technology, engineering, design, and mathematics. Known at the School as the Quadrivium Center, the new facility will also feature an expanded electronic media studio, a tiered lecture hall, a spacious faculty office/commons, and a woodshop. The proposed location for the Quadrivium Center, between the existing Widener Arts Building and Widener Science Buildings, will also address certain deferred maintenance projects for the existing Widener structures.

The current goal is to begin construction in the summer of 2019 and open the new facility in the fall of 2020. Included in the School's campus master plan, funds for the Quadrivium Center are expected to come exclusively from philanthropic gifts. Currently the School has raised $8.6 million in cash and pledges towards the Quadrivium Center, and expects a total project cost of $15.8 million.

ADVANCEMENT

The Hill School Advancement Office is staffed by 25 full-time professionals, led by Christian P. Sockel, the Assistant Headmaster for Advancement. The Advancement Office oversees a wide variety of engagement opportunities with the School, and is divided among teams focused on capital giving, constituent relations and special events, and advancement operations and The Hill Fund.

The goal of the Advancement Office is to further the mission of The Hill School through the efforts and philanthropy of alumni, parents, friends, and other School constituents. To this end, the Advancement Office focuses on alumni engagement by hosting a wide variety of special events and communicating regularly via a wide variety of media with alumni. The Advancement Office also researches, cultivates, and solicits gifts to both The Hill Fund, the School's annual fund in support of the operating budget, and capital gifts, including planned giving, capital campaigns, and endowment fundraising.

In recent years, the success of the Advancement Office is evidenced by receipt of the two largest gifts in the School's history – a $10 million and $5 million gift, respectively – and the consistent growth of the School's annual fund.

Gifts Received

The following table shows the amount of total giving to the School in each of the School's last five fiscal years.

Total Philanthropic Support

Fiscal Year Ended (June 30)	The Hill Fund	Current Restricted Giving*	Endowment Fund	Pooled and Annuities Fund	Total
2013	$3,067,160	$4,954,525	$ 836,356	$131,787	$ 8,989,828
2014	3,557,278	4,018,474	11,370,863	120,196	19,066,811
2015	3,518,922	4,508,795	1,598,426	160,044	9,786,187
2016	3,592,399	4,642,788	3,590,821	119,251	11,945,259
2017	3,653,933	5,593,210	824,245	80,293	10,151,681

** Current Restricted Giving includes gifts restricted for specific capital projects as part of the current campaign*
Source: The Hill School internal records

Comprehensive Fundraising Campaign

The School is in the midst of a comprehensive campaign, to which it has raised \$60.7 million in cash, pledges and revocable and irrevocable estate commitments as of November 17, 2017. Approved by the Board in June of 2014, *The Strength of All* campaign is designed to support faculty compensation, financial aid, capital projects, neighborhood initiatives, and increased operating budget support for the School.

Still in the Leadership Phase of the campaign, the School expects to reach \$100 million during the 2021-22 academic year. This would be the single most successful comprehensive fundraising effort in the School's history. The campaign may be extended beyond 2022 to achieve a higher goal, which will be reviewed and evaluated by the Board as the campaign progresses.

In June of 2018, the School will break ground on renovations to its Dining Hall, a major priority of the campaign from its inception. To date, the School has raised \$12.5 million toward this \$15.1 million project, and will utilize proceeds of the Series 2017 Bonds to provide funds for project completion. Additionally, the School has raised substantial campaign gifts towards the future construction of a new STEM facility. Currently, the School does not plan to utilize debt to complete the STEM Center.

While engaged in the capital campaign, the School also focused on increasing annual fund giving as a means to provide ongoing operating budget support. To this end, the School has substantially increased annual giving to over \$3.7 million for FY 2017, an increase of 19% over the \$3.1 million in annual giving received in FY 2013.

COMMUNITY ENGAGEMENT

The School has long been committed to being a positive part of its surrounding community, cultivating a strong relationship with local community members, and contributing to the overall health of Pottstown. The School maintains a robust community service program, where students, faculty, and staff partner with various local organizations. Students engage in a wide variety of service programs, including tutoring at local elementary schools, volunteering at Pottstown community centers, working in the School's community garden, raising funds for a variety of causes ranging from cancer research to world hunger, and assisting at the local community theatre. Students may also engage in form-wide community projects. Most recently, one form of students opted to serve a community meal each Tuesday night at a local soup kitchen, and another volunteered over 1,000 hours at a local organic farm in partnership with Operation Backpack.

Additionally, The Hill partners with the Borough of Pottstown, the Pottstown School District, Montgomery County Community College, and the Tri-County Chamber of Commerce in an effort known as Pottstown CARES. Pottstown CARES, established in the fall of 2013, organizes two annual clean-up days (one in tandem with Habitat for Humanity) and, with collaborative student leadership, engages in other annual projects such as providing safe trick-or-treating for Pottstown children, fundraising for a Pottstown ministry for the homeless, and promoting a "shop local" campaign to support downtown Pottstown business.

Hobart's Run

As part of the School's current Strategic Plan, it identified an opportunity to "invest in, and partner with, Pottstown to pursue mutually beneficial end in the arts, economic development, neighborhood revitalization, and the environment."

Dating back to July 2014, members of The Hill School began meeting with local Pottstown community members; elected officials; and religious, educational, and business leaders to discuss neighborhood concerns and revitalization opportunities. The group evolved to focus on the immediate, shared Pottstown neighborhood of Hobart's Run – named after a stream that runs through the neighborhood to the east of downtown Pottstown. "Hobart's Run," as the group became known, set out to establish a collaborative neighborhood initiative to create a clean, safe, and inclusive community; strengthen residential development; and generate positive, sustainable commercial and retail development.

In January 2016 the School hired Twila Fisher, its first Manager of Community and Economic Development. Under the leadership of Ms. Fisher, Hobart's Run has established a Mobile Bike Ambassador Program launched in conjunction with the Pottstown Downtown Improvement District Authority and funded in part by the Pottstown Area Health and Wellness Foundation; the Pottstown Housing Coalition, Pottstown's first coalition for one-stop housing needs; the Mid-day Café; a Block Captain Program, including monthly neighborhood meetings, regular block clean-ups, and other beautification efforts; a network of area investors who will engage in real estate acquisition as "friends of the School and Hobart's Run" with a goal of creating a homeownership incentive program; and a 12-month crime study of Hobart's Run led by Hill students to ascertain areas of most frequent crime in preparation for camera installation in cooperation with Pottstown police and residents.

As the interest in, and the impact of, Hobart's Run continued to grow, the School's Board of Trustees decided to establish Hobart's Run as a separate 501(c)(3) entity from the School. The Board established a Hobart's Run Committee, who recommended separate 501(c)(3) status after consultation with community and economic development consultants. As its own 501(c)(3) entity, Hobart's Run will be governed by an independent board of trustees, which will include overlap with the School's Board as well as membership from Pottstown community representatives.

Initially, Hobart's Run was funded entirely by the School through proceeds of specific fundraising gifts designated toward programs that would benefit the local community while providing opportunities for real world engagement for Hill students. In addition, the School is endeavoring to raise $5.0 million to endow Hobart's Run as part of its current *The Strength of All* fundraising campaign.

In the start-up years, The Hill School is committed to providing funding support to Hobart's Run for neighborhood initiatives and community engagement outreaches, as well as a salary for the Manager of Community and Economic Development. However, as a separate entity, Hobart's Run increasingly seeks to become a financially independent organization through access to federal and state grants, real estate development opportunities, philanthropic support, and foundation funding for specific projects.

In the future, Hobart's Run will strive to expand its boundaries to impact a greater population of Pottstown residents, establish a community office that is easily accessible to residents, and encouraging economic development and investment in the Hobart's Run community.

EMPLOYMENT

The School has 92 faculty members, 64 of whom are members of the teaching faculty. The student to faculty ratio is approximately 7:1. In addition, the School has non-teaching faculty members staffing its administrative offices, including Academic Life, Admission, Advancement/Alumni Relations, Athletics, Business, College Guidance, Communications, Residential Life, Technology, and the Hobart's Run neighborhood initiative. As part of its commitment to a residential curriculum, the School provides 86 residential units in its dormitories and houses on campus for its faculty and administration.

The School employs 110 staff members in various administrative and operating departments, including a fully staffed buildings and grounds department, utility operations, and full-time security. The

School also contracts out its food service and the majority of housekeeping services. There is no union representation of employees at the School.

EMPLOYEE BENEFITS

The School provides a competitive benefits package to its employees that are fully compliant with ERISA, the Affordable Care Act, and all other regulations governing employee benefits.

Medical Benefits. All administrative faculty, teaching faculty, and staff members who regularly work thirty (30) hours per week are eligible to participate in the School's Medical Benefits plans. The School offers an HMO, POS and High Deductible Health Plan and pays 90% of the cost of the individual HMO monthly premium. Dental and Vision insurance is also offered to employees at affordable group rates.

Life Insurance. The School provides life insurances of 1.5 times the salary of each full-time (30+ hours) employee. The School pays the full cost of the premium. Employees are able to purchase additional life insurance at group rates through a highly rated life insurance company.

Disability Insurance. The School provides short and long-term disability to full-time employees. The School is self-insured for short-term disability. A highly rated life insurance company is the carrier for the School's long-term disability plan.

Retirement Plan. The School offers TIAA-CREF's "Retirement Choice" plan to all full-time and part-time employees who work at least 1,000 hours per year. Employees can contribute to the plan up to the annual IRS limits. The School matches the first 3% of the employees' contributions. In addition to the School match, the School contributes an additional discretionary amount based on tenure. The tenure contribution for administrators and teaching faculty ranges from 2-10%. The tenure contribution for staff personnel ranges from 2-6%.

INSURANCE

The School has adopted a comprehensive risk management program, which includes comprehensive insurance coverage for property and liability, and believes that the risks associated with the operation of the School are adequately covered by insurance. The School's insurance coverage includes general liability, auto liability, workers compensation, umbrella, fine arts and directors (trustees) and officers' coverage. In addition, the School also carries a $10 million excess liability policy as well as a $50 million group excess umbrella liability policy. The School carries $187 million property damage coverage for buildings and contents.

LITIGATION

In the ordinary course of business, the School is from time to time subject to various legal actions. At the current time, the School is not aware of any litigation pending or threatened against the School, wherein an unfavorable decision would adversely affect the ability of the School to meet its obligations under the Bonds and the documents pursuant to which they will be issued or which may result in any material adverse effect on the School's operations or financial position.

Risk Management

The Audit Committee of the Board oversees institutional risk management, with the goal of evaluating, understanding, and mitigating the various risks face by the School. In this role, the Audit Committee regularly reviews the School's various risk management policies and insurance coverages.

In the spring of 2016, news of historical incidences of abuse, misconduct, and/or harassment arose at various independent boarding schools. No instances of such activity were brought to light at The Hill School, and the School was not mentioned in the May 7, 2016 "Private Schools, Painful Secrets" article published by Spotlight team reporters at the *Boston Globe*.

Despite no knowledge or allegations of any such activity at The Hill, the School decided to form an ad hoc committee comprised of Board members and the Headmaster to engage in a thorough investigation of any potential historical instances of abuse, misconduct, or harassment faced by any current or former students. As part of this investigation, with the assistance of an outside legal consultant, the School sent a letter to all alumnae/i informing them of the School's efforts to identify historical instances of misconduct and encouraging them to contact the School with any concerns.

As part of this investigation, the School was contacted by a small number of former students. With legal counsel, the School worked closely with each individual to gather facts and understand each former student's situation and concerns. The School has focused on providing resources and open lines of communication between itself, its legal consultants, and these former students.

The School received a strong positive response from many community members, who praised the School's transparent and proactive approach to uncovering and addressing any inappropriate activity or harm done to or against former Hill students.

Currently, no litigation is pending or threatened against the School related to its investigation or any other current or historical instances of abuse, misconduct, and/or harassment.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF
THE HILL SCHOOL
AS OF AND FOR THE YEARS ENDED
JUNE 30, 2017 AND JUNE 30, 2016

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THE HILL SCHOOL

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2017

THE HILL SCHOOL

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CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Trustees
The Hill School
Pottstown, Pennsylvania

We have audited the accompanying financial statements of The Hill School which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, and of cash flows for the year then ended and the related notes to the financial statements.

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

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Hill School as of June 30, 2017, and the changes in its net assets, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information
We have previously audited The Hill School's 2016 financial statements and our report dated September 23, 2016 expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tait, Weller & Baker LLP

TAIT, WELLER & BAKER LLP

Philadelphia, Pennsylvania
September 25, 2017

THE HILL SCHOOL

STATEMENTS OF FINANCIAL POSITION

June 30, 2017 And 2016

	2017	2016
ASSETS		
ASSETS		
Cash and cash equivalents	$ 9,724,975	$ 8,675,730
Accounts receivable	111,371	115,593
Contributions receivable	8,823,359	9,104,522
Inventories	93,349	104,893
Prepaid expenses and income receivable	235,930	286,204
Investments	166,099,198	149,905,784
Property, furniture and equipment	60,549,189	60,927,274
Other assets	437,276	485,053
Total assets	$ 246,074,647	$ 229,605,053

	2017	2016
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 949,802	$ 684,297
Accrued salaries, benefits and other expenses	1,482,900	1,953,273
Deposits and advance tuition	3,247,417	3,579,336
Bonds and other notes payable - current	375,000	870,000
Annuity and trust obligations	1,167,021	1,090,326
Deferred revenue on pooled income funds	221,094	231,358
Capital lease obligation	67,969	143,613
Bonds and other notes payable	31,925,616	32,294,244
Total liabilities	39,436,819	40,846,447
NET ASSETS		
Unrestricted		
Functioning as endowment and other	42,384,327	37,314,654
Invested in property	28,180,604	27,615,081
Total unrestricted	70,564,931	64,929,735
Temporarily restricted	77,655,891	66,152,602
Permanently restricted	58,417,006	57,676,269
Total net assets	206,637,828	188,758,606
Total liabilities and net assets	$ 246,074,647	$ 229,605,053

THE HILL SCHOOL

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017 With Summarized Information For 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTALS 2017	2016
Revenues, gains and other support					
Tuition and student fees	$ 26,831,050	$ -	$ -	$ 26,831,050	$ 25,160,075
Less: Financial Aid	(7,340,630)	-	-	(7,340,630)	(6,970,530)
	19,490,420	-	-	19,490,420	18,189,545
Contributions	3,892,555	4,381,740	729,898	9,004,193	12,818,354
Investment return designated for current operations	5,637,433	861,567	-	6,499,000	6,198,000
Other investment income	190,536	-	-	190,536	35,906
Store operations	165,695	-	-	165,695	146,851
Other sources	898,607	-	-	898,607	1,160,991
Net assets released from restrictions	2,591,270	(2,591,270)	-	-	-
Total revenues, gains and other support	32,866,516	2,652,037	729,898	36,248,451	38,549,647
Expenses					
Program services					
Instructional	20,392,250	-	-	20,392,250	19,593,728
Store operations	219,964	-	-	219,964	199,634
Food service	2,147,670	-	-	2,147,670	2,241,930
Total program services	22,759,884	-	-	22,759,884	22,035,292
Supporting services					
General and administration	6,884,808	-	-	6,884,808	6,538,438
Fund raising	3,579,856	-	-	3,579,856	3,587,180
Total supporting services	10,464,664	-	-	10,464,664	10,125,618
Total expenses	33,224,548	-	-	33,224,548	32,160,910
Excess (deficit) of revenue over expenses	(358,032)	2,652,037	729,898	3,023,903	6,388,737
Other changes					
Investment return in excess (deficit) of amounts designated for current operations	6,078,085	8,907,335	-	14,985,420	(10,078,906)
Actuarial loss on annuity obligations and life income funds	(84,148)	(45,953)	-	(130,101)	(77,747)
Gain on extinguishment of debt	-	-	-	-	447,824
Transfer of restricted endowment funds, net	(709)	(10,130)	10,839	-	-
Change in net assets	5,635,196	11,503,289	740,737	17,879,222	(3,320,092)
Net assets					
Beginning of year	64,929,735	66,152,602	57,676,269	188,758,606	192,078,698
End of year	$ 70,564,931	$ 77,655,891	$ 58,417,006	$ 206,637,828	$ 188,758,606

THE HILL SCHOOL

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2017 And 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 17,879,222	$ (3,320,092)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	3,568,584	3,512,075
Net unrealized and realized (gains) losses on investments	(20,933,696)	4,522,309
Contributions restricted for long-term investments	(729,898)	(3,157,127)
Gain on early extinguishment of debt	-	(447,824)
Changes in assets and liabilities		
Accounts receivable	4,222	100,711
Contributions receivable	281,163	(1,576,270)
Inventories	11,544	8,215
Prepaid expenses and income receivable	50,274	(2,458)
Other assets	47,777	21,012
Accounts payable	265,505	(4,482)
Accrued expenses and other liabilities	(470,373)	(300,700)
Deposits and advance tuition	(331,919)	478,730
Deferred revenue	(10,264)	(10,169)
Net cash flows used in operating activities	(367,859)	(176,070)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, furniture and equipment	(3,183,447)	(4,004,149)
Change in money market funds	(6,621,748)	848,270
Proceeds from sale of investments	26,100,549	11,408,683
Purchase of investments	(14,661,824)	(8,007,918)
Net cash flows provided by investing activities	1,633,530	244,886
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term investment	729,898	3,157,127
Cash restricted	-	21,366,125
Bond issuance costs	(680)	(3,292)
Repayment of long term debt	(870,000)	(21,595,000)
Repayments of capital lease obligation	(75,644)	(109,643)
Net cash flows provided by (used in) financing activities	(216,426)	2,815,317
Increase in cash and cash equivalents	1,049,245	2,884,133
CASH AND CASH EQUIVALENTS		
Beginning of year	8,675,730	5,791,597
End of year	$ 9,724,975	$ 8,675,730
SUPPLEMENTAL DISCLOSURE		
Interest paid	$ 1,001,342	$ 1,287,551

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The Hill School is an independent college preparatory school located in Pottstown, Pennsylvania for boarding and day students in grades nine through twelve.

ACCOUNTING ESTIMATES

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

The School's estimates primarily relate to allowances for uncollectibles, depreciation and the legal contingencies.

CASH AND CASH EQUIVALENTS

The School considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

CONCENTRATION OF CREDIT RISK

The School's principal financial instruments subject to credit risk are its cash, investments, and receivables. The School maintains deposits in excess of federally insured limits. Such deposits are identified as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

The investments are managed by professional investment managers subject to the School's investment policy or are invested in major mutual funds. The degree and concentration of credit risk varies by the type of investment.

Receivables result primarily from tuition and fees, student loans, and unconditional promises to give excluding annual fund contributions, which are from individuals.

ACCOUNTS RECEIVABLE

The School's accounts receivable are primarily for tuition and fees from individuals less management's estimate of an allowance for uncollectible accounts.

CONTRIBUTIONS RECEIVABLE

These amounts, less an appropriate allowance for uncollectible accounts and a present value discount, are recorded at their estimated fair value.

INVESTMENTS

Investments in marketable securities are carried at market value in the accompanying financial statements. Gains and losses are computed based upon the average costs.

The School's investments also include limited partnership interests in private equity and real estate partnerships and certain other funds whose underlying investments are comprised of other funds, partnerships and trusts. These funds invest in both funds and/or securities that include both publicly traded investments as well other investments that do not have readily ascertainable market values. Certain of the School's interests may also be subject to withdrawal restrictions. The underlying investments within the funds primarily include arbitrage, distressed companies, and real estate.

The general partners of the funds that hold certain nonmarketable investments initially value these investments held by the funds at cost. They require that changes in value be established by meaningful third-party transactions or a significant development in the financial condition or operating performance of the issuer. To the extent that the funds hold marketable securities in the underlying partnerships or funds, the general partners of the funds value the investments in these funds based upon the quoted market values as provided by the general partners or fund managers of the underlying funds. The School values its investment in such funds in accordance with valuations provided by the general partners of the funds. The School's management may, in addition, consider other factors in assessing the fair value of these investments.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect the investment balances and activity reflected in the financial statements.

INVENTORIES

Inventories are stated at lower of cost or market which is determined by the first-in, first-out method and consists primarily of books, athletic supplies, laptop computers for student rental, food and printed materials.

PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment are recorded at cost, or at fair market value at the date of donation in the case of gifts.

The School capitalizes all major purchases of property, furniture and equipment. Individual and group acquisitions of property, furniture, and equipment in excess of $5,000 are capitalized. Assets are depreciated over the estimated useful life of the asset using the straight-line method. Asset lives used by the School are: 50 years for buildings, 20 and 10 years for major building improvements, 10 years for land improvements and minor building improvements and either 3, 5 or 10 years for furnishings and fixtures. The School capitalizes all major purchases or donated works of art. These works of art are held for public exhibition and are not depreciated.

DEFERRED FINANCING COSTS

Deferred financing costs include original issue discount, bond issue insurance, underwriters commission and other direct costs associated with the issuance of the 2002 and 2015 bonds and 2008 bank debt. The deferred financing costs are being amortized over the term of the bond issue using the interest method.

NET ASSETS

The School's net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the School and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the School and/or the passage of time and market gains from invested permanently restricted net assets which have not been expended. Use of realized gains is limited annually under state law.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the School. Generally, the donors of these assets permit the School to use all or part of the income earned on related investments for general or specific purposes.

LIFE INCOME AGREEMENTS

The funds held subject to life income provisions include amounts held subject to the payment to life beneficiaries of stated amounts in the case of annuities and income distributions for charitable remainder trust and pooled income participants. On maturity, the remainder interests revert to the School.

The actuarial valuations of the annuities are recorded as annuity obligations. The present value of the annuities was determined using a discount rate of 5%.

CONTRIBUTIONS

The School records unconditional promises to give (pledges), excluding annual fund contributions, as a receivable and revenue in the year pledged, net of the discount to present value of the future cash flows. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are then classified to unrestricted net assets and reported in the statement of activities as ***"net assets released from restrictions."***

FUNCTIONAL ALLOCATION OF EXPENSES

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

INCOME TAXES

The School is a non-profit organization which has been determined by the Internal Revenue Service to be exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code.

Management has reviewed the tax positions for each of the open tax years (June 30, 2014 – June 30, 2016) or expected to be taken in the School's tax return for the year ending June 30, 2017 and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

NEW ACCOUNTING STANDARDS

In April 2015, the FASB issued ASU 2015-03, *Interest – Imputation of Interest (Topic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This ASU was issued as a result of feedback received relating to the different balance sheet presentation requirements for debt issuance costs and debt discounts and premiums. To simplify presentation of debt issuance costs, the amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. ASU 2015-03 is effective for the School's fiscal year beginning July 1, 2016; early adoption was permitted for financial statements that have not been previously issued. The School elected to adopt the guidance for the fiscal year beginning July 1, 2016. The guidance is retrospective and the adoption of ASU 2015-03 did not have a significant impact on the School's financial position or results of operations. The adoption of ASU 2015-03 caused the deferred debt issuance costs previously reported in the June 30, 2016 statement of financial position to decrease by $535,946 and the long-term debt to decrease by $535,946.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*. This ASU was issued to address the diversity in practice relating to how certain investments measured at net asset value are categorized in the fair value hierarchy. The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. ASU 2015-07 also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. ASU 2015-07 is effective for the School's fiscal year beginning July 1, 2017; early adoption is permitted. The School elected to adopt the guidance for the fiscal year beginning July 1, 2016. The guidance is retrospective, and the adoption of this ASU impacted disclosures related to investments.

PRIOR YEAR INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2016 from which the summarized financial information was derived.

RECLASSIFICATIONS

Certain reclassifications were made to the 2016 financial statements to conform to the 2017 presentation.

(2) ACCOUNTS RECEIVABLE

Accounts receivable at June 30 are as follows:

	2017	2016
Receivable for tuition and fees	$ 211,370	$ 215,593
Allowance for uncollectible accounts	(100,000)	(100,000)
	$ 111,370	$ 115,593

(3) CONTRIBUTIONS RECEIVABLE

As of June 30, 2017 and 2016, contributors to the School have made unconditional promises to give as follows:

	2017	**2016**
Within one year	$ 3,987,126	$ 3,587,052
One to five years	5,574,266	6,613,509
Greater than five years *	345,848	330,647
Gross contributions receivable	9,907,240	10,531,208
Less: Present value discount	(649,656)	(871,110)
Less: Allowance for doubtful accounts	(434,225)	(555,576)
Total contributions receivable *	$ 8,823,359	$ 9,104,522

Contributions receivable as of June 30, consist of the following:

	2017	**2016**
Unrestricted	$ 257,838	$ 246,351
Temporarily restricted *	8,116,526	8,359,379
Permanently restricted	448,995	498,792
	$ 8,823,359	$ 9,104,522

**** Includes $345,333 and $329,647 in 2017 and 2016, respectively, of charitable remainder trusts.***

(4) INVESTMENTS

Investments at June 30 are comprised of the following:

	2017		**2016**	
	Market	**Cost**	**Market**	**Cost**
Money Market Funds	$ 11,076,945	$ 11,076,945	$ 4,447,758	$ 4,447,758
Bonds	4,436,857	3,863,147	4,510,629	3,863,147
Mutual Funds				
Equity	11,109,435	11,199,535	10,720,008	12,209,339
Bond	4,617,382	4,522,936	5,357,671	5,550,088
Pooled Fixed Income Funds	9,102,031	7,732,173	8,159,411	6,791,970
Pooled Equity Funds	63,896,975	34,888,441	61,180,056	38,534,087
Private Equity and Real Estate Partnerships	61,859,573	57,190,881	55,530,251	55,359,074
	$ 166,099,198	$ 130,474,058	$ 149,905,784	$ 126,755,463

The relationship between cost and market value of investments in as follows as of June 30, 2017:

	Cost	Market Value	Excess Of Market Over Cost
Balance at end of year	$ 130,474,058	$ 166,099,198	$ 35,625,140
Balance at beginning of year	$ 126,755,463	$ 149,905,784	23,150,321
Change in unrealized depreciation			12,474,819
Realized net gain for year			8,458,877
Total net gain for year			$ 20,933,696

The average annual yields exclusive of net gains and losses were .86% and .87% and the annual total returns were 14.11% and (2.06%) based on market value for the years ended June 30, 2017 and 2016, respectively.

The School has pooled its investments, including unrestricted net assets designated for investment and permanently restricted net assets. The School uses the total return concept in accounting for its pooled investment funds. Under the total return method, investments are recorded at market value and the Board of Trustees annually determines a spending percentage based on a five-year rolling average of the total market value of the pooled investment funds by which the School can expend not only income but a prudent portion of the appreciation of the principal. The determination of the endowment draw is based on several factors including past performance and future expected performance of the investments and the School's financial needs. If the endowment draw amount exceeds the actual earnings of the pooled Investment Funds in any one year, then the amount needed to fund such excess will first be taken from the accumulated excess earnings from prior years, and, conversely, any undistributed income after the allocation of the spending rate amount is added back to the accumulated excess earnings in the appropriate net asset category.

Commonwealth of Pennsylvania law stipulates that realized and unrealized gains on endowment assets may be expended for the purposes stipulated by the donors only to the extent that the total of such expenditures, including dividends and interest and less fees, do not exceed 7% of the average of the three most recent fiscal years' fair values of the permanently restricted endowment assets. The School has authorized the release of 4.75% and 4.80% from temporary restricted net assets to unrestricted net assets for each of the years ended June 30, 2017 and 2016, respectively. Realized and unrealized gains in excess of the annual limitation would be included in the statements of activities as increases in the temporarily restricted net assets. Such temporarily restricted amounts may be released to unrestricted net assets in future years based on authorization by the School only to the extent of the 7% limitation applicable to the year in which they are to be released.

The following schedule summarizes the investment return on the endowment investments and its classification in the statement of activities:

	Unrestricted	Temporarily Restricted	June 30, 2017 Total	June 30, 2016 Total
Interest and dividends (net of expenses of $470,005 and $590,563, respectively)	$ 218,503	$ 579,949	$ 798,452	$ 670,215
Net realized gains	2,079,987	5,994,401	8,074,388	1,065,564
Net unrealized gains (losses)	3,583,186	9,028,394	12,611,580	(5,616,685)
Return on long-term investments	5,881,676	15,602,744	21,484,420	(3,880,906)
Investment performance on accumulated deficit balances	1,039,691	(1,039,691)	-	-
Investment return designated for current operations*	(843,282)	(5,655,718)	(6,499,000)	(6,198,000)
Investment return in excess of amounts designated for current operations	$ 6,078,085	$ 8,907,335	$ 14,985,420	$ (10,078,906)

* Reconciliation to Statement of Activities	Unrestricted	Temporarily Restricted	June 30, 2017 Total
Investment return designated for current operations per above	$ 843,282	$ 5,655,718	$ 6,499,000
Investment return – permanent endowment income restricted as to use	4,794,151	(4,794,151)	-
Per Statement of Activities – investment return	$ 5,637,433	$ 861,567	$ 6,499,000

The School utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritize inputs to valuation methods. The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the School has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment schedules, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the School's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

INVESTMENTS MEASURED USING THE NET ASSET VALUE PRACTICAL EXPEDIENT

For those investments for which fair value is measured using the net asset value practical expedient, the School uses the reported capital account or net asset value (NAV) per share to determine the fair value of investments that (a) do not have a readily determinable fair value due to a lack of market activity or transparency into the underlying investments of the fund and (b) either have the attributes of an investment company or prepare their audited financial statements consistent with the measurement principals of an investment company. Valuations of underlying assets which comprise the capital account or NAV per share are provided by the general partner or fund manager and consider variables such as comparable sales, income streams discounted for risk levels and other pertinent information.

The summary of inputs used to value the School's investments as of June 30, 2017 and 2016 is as follows:

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Money Market Funds	$ 11,076,945	$ -	$ -	$ 11,076,945
Bonds	4,436,857	-	-	4,436,857
Mutual Funds				
Equity	11,109,435	-	-	11,109,435
Bond	4,617,382	-	-	4,617,382
	$ 31,240,619	$ -	$ -	31,240,619
Alternative Investments reported at net asset value				134,858,579
Total Investments				$ 166,099,198

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Money Market Funds	$ 4,447,758	$ -	$ -	$ 4,447,758
Bonds	4,510,629	-	-	4,510,629
Mutual Funds				
Equity	10,720,008	-	-	10,720,008
Bond	5,357,671	-	-	5,357,671
	$ 25,036,066	$ -	$ -	25,036,066
Alternative Investments reported at net asset value				124,869,718
Total Investments				$ 149,905,784

Investments and unfunded commitments, by class, that do not have a readily determinable fair value, and the investment objective of each holding are as follows:

Class	Fair Value	# of Funds	Unfunded Commitment	Redemption Notice Period	Redemption Restriction
Private Equity **(a)**	$ 15,344,452	18	$11,221,977	Redemptions do not apply because they are closed-end limited partnerships	N/A
Real Estate **(b)**	4,681,551	8	4,080,218	Redemptions do not apply because they are closed-end limited partnerships.	N/A
Distressed Debt **(c)**	3,676,156	7	5,255,002	Redemptions do not apply because they are closed-end limited partnerships	N/A
Other **(d)**	111,156,420	15	1,153,812	Redemptions require 5 to 120 days of written notice except for two funds where redemptions do not apply	All or a part of the investment may be withdrawn
	$134,858,579		$21,711,009		

(a) Includes funds that invest in international private companies, early stage private companies and various private equity transactions through growth equity financing and leveraged buyouts.

(b) Includes funds that invest in income producing properties, publicly owned and privately owned real estate investments and a broad range of real estate related assets.

(c) Includes funds that invest in entities undergoing reorganization inside and outside federal bankruptcy law, companies undergoing debt restructurings, financially distressed companies, newly issued securities resulting from reorganizations and restructuring, and invests in the equity and debt obligations of middle market companies with the goal of obtaining control.

(d) Consists of 15 funds which invest in various private equity funds, hedge funds and partnerships managed by independent investment advisors. These funds seek to pursue an investment program consisting of performing restructuring debt, stressed debt, distressed debt, "special situation" and debt investments. These funds also invest in small-mid cap growth investments, emerging markets, commodities and absolute return – event driven investments.

(5) PROPERTY, FURNITURE AND EQUIPMENT

The following is a summary of property, furniture and equipment as of June 30:

	2017	2016
Land	$ 1,181,966	$ 1,181,966
Land improvements	6,984,264	6,906,248
Buildings and improvements	74,018,707	73,330,905
Furnishings and equipment	4,610,135	4,402,048
	86,795,072	85,821,167
Less accumulated depreciation	(30,519,756)	(27,642,066)
	56,275,316	58,179,101
Works of art	549,600	549,600
Construction in progress	3,724,273	2,198,573
	$ 60,549,189	$ 60,927,274

As of June 30, 2017, the School was unable to estimate the range of settlement dates and the related probabilities for certain asbestos remediation asset retirement obligations ***("AROs")***. These conditional AROs are primarily related to the asbestos that the School would remediate only if it performed major renovations of certain existing buildings. Because these conditional obligations have indeterminate settlement dates, the School could not develop a reasonable estimate of their fair values. The School will continue to assess its ability to estimate fair values at each future reporting date. The related liability will be recognized once sufficient additional information becomes available.

(6) LINE OF CREDIT

The School has a $2,000,000, unsecured, revolving line of credit which is payable on demand at the bank's discretion and expires January 31, 2018. Interest on the line of credit is variable at the greater of one-month LIBOR plus 1.50%, or 2.00%. Additionally, the line carries a .25% fee, payable quarterly, on the unused balance. There were no outstanding borrowings at June 30, 2017 or 2016.

(7) CAPITAL LEASE OBLIGATION

The School leases computer equipment, A/V equipment and digital signage under separate capital leases expiring in 2017 and 2018. The computer equipment, A/V equipment and digital signage under the capital leases are included in furnishings and equipment at a total cost of $484,314. Accumulated depreciation as of June 30, 2017 was $401,900.

Future minimum payments under these leases at June 30, 2017 are as follows:

Year Ended June 30,	Capital Lease
2018	$ 70,196
Less amount representing interest	(2,227)
	$ 67,969

(8) BONDS/NOTES PAYABLE

MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY REVENUE REFUNDING BONDS, SERIES OF 2005

$20,845,000 bonds which bore interest at 5.00% were due from August 15, 2025 to August 15, 2027. The bonds required the maintenance of financial and nonfinancial covenants and limited future borrowing based on percentage of unrestricted revenues. The School redeemed the bonds, in whole on August 15, 2015. The bonds were administered by a trustee who received the semi-annual interest requirement from the School for disbursement to the bond holders (“debt service funds”). Interest expense for the year ended June 30 2016 was $135,635. During the year ended June 30, 2016, the school recorded a gain of $447,824 on the early extinguishment of the bonds.

POTTSTOWN BOROUGH AUTHORITY EDUCATIONAL FACILITIES VARIABLE RATE DEMAND REVENUE BONDS, SERIES 2002

$7,000,000 (Bank-Qualified) bonds, which bear interest at a fixed rate, are due in minimal principal payments of varying amounts beginning on August 1, 2019 ($395,000), and thereafter on August 1st of each year through August 1, 2032 with a final payment of $620,000. As originally issued, the Bonds were variable rate bonds under the terms of which the School may elect a short-term, weekly interest rate, a flexible rate with a term from three to 270 days, or a long-term, fixed rate of one or more years. Prior to May 1, 2013, the bonds bore interest at the weekly interest rate and were secured by a direct-pay letter of credit issued by a commercial bank. Effective May 1, 2013, the bonds were purchased by the bank, and the terms were amended to add a bank interest rate, which is an initial fixed rate of 1.64% through April 30, 2018, and thereafter either (i) a new fixed rate for an additional five-year term as elected by the School and approved by the bank, or (ii) a floating rate based upon LIBOR. The bonds may be tendered by the bank for repurchase by the School on May 1, 2018, and each fifth year thereafter, upon 90 days prior written notice. While bearing interest at the bank interest rate, the bonds may be redeemed by the school, in whole or in part, at any time, at par plus, while the bonds bear interest at a fixed interest rate, a make-whole redemption premium. Interest expense on the bonds, including the letter of credit facility fee applicable for periods prior to May 1, 2013, for the years ended June 30, 2017 and 2016 was $120,152 and $120,008, respectively.

MONTGOMERY COUNTY HIGHER EDUCATION AND HEALTH AUTHORITY PROJECT REVENUE NOTE, SERIES OF 2008

Originally a $10,000,000 tax-exempt construction loan to be used to provide construction and permanent financing for the renovation of a student dormitory and construction of new faculty residences. The note has a thirty year term with an optional call provision by the bank on each fifth year anniversary. The note carried interest at 67% of the one-month LIBOR Rate plus 2.40% during the drawdown period. At the end of the construction period, after all proceeds have been disbursed, the School has the option to fix the interest rate. As of October 1, 2014, the School entered an agreement that amended the note so that it carries interest at 67% of the one-month LIBOR Rate plus .80%. Interest only is due in monthly installments until January 1, 2019 at which time monthly payments of interest and principal of varying amounts will begin with a final payment due on December 1, 2038. The loan requires financial and non-financial covenants. As of June 30, 2017 and 2016, $4,933,580 was outstanding and no further amounts will be borrowed by the School under this facility. Interest expense for the years ended June 30, 2017 and 2016 was $64,114 and $55,658, respectively.

MONTGOMERY COUNTY HIGHER EDUCATION AND HEALTH AUTHORITY PROJECT REVENUE REFUNDING BONDS, SERIES OF 2015

$20,735,000 bonds are due in varying payments annually beginning August 15, 2016 ($370,000) to August 15, 2035 ($775,000) with two final payments due August 15, 2040 and August 15, 2045 of $4,360,000 and $5,305,000, respectively. The bonds bear interest rates that vary from 2.00% to 5.00%, increasing during the term of the bonds due each year on February 15th and August 15th. The bonds were issued to finance the costs of refunding the current Montgomery County Industrial Development Authority Revenue Refunding Bonds, Series of 2005 and the expenses of issuing the bonds. The School can redeem the bonds due August 15, 2026 or after, in whole or in part, on or after August 15, 2025. Interest expense for the year ended June 30, 2017 and 2016 was $802,773 and $998,201, respectively

BRIDGE LOAN

On July 18, 2013, the School obtained a $2,000,000 bridge loan to provide interim financing for athletic field improvements and additions. Pledges have been raised to fund these projects and are expected to be collected over the next three years. Interest on the outstanding balance is variable and equal to 1.6% plus the 30-Day London Inter-Bank offering rate. A final payment of $500,000 was made July 16, 2016. As of June 30, 2016, $500,000 was outstanding. Interest expense for the year ended June 30, 2017 and 2016 was $756 and $10,941, respectively.

Total mandatory redemption payments under the School's long-term debt are as follows:

Year Ending June 30,	
2018	$ 375,000
2019	466,964
2020	954,355
2021	996,755
2022	1,039,155
2023 and thereafter	28,466,352
Bonds/notes payable at June 30, 2017, gross	32,298,581
Unamortized bond premium / discount / financing, net	2,035
Bonds/notes payable at June 30, 2017, net	32,300,616
Less current maturities	(375,000)
	$31,925,616

Bonds/notes payable at June 30, 2016, gross	$33,168,581
Unamortized bond premium / discount / financing, net	(4,337)
Bonds/notes payable at June 30, 2016, net	33,164,244
Less current maturities	(870,000)
	$32,294,244

(9) NET ASSETS

Temporarily restricted net assets at June 30, 2017 and 2016 are available for the following purposes or periods:

	2017		
	Unexpended Gains	Unexpended Gifts And Income	Total
Faculty salaries, benefits and development	$26,404,256	$ 162,842	$ 26,567,098
Financial aid	19,575,179	421,391	19,996,570
Capital improvements	1,750,757	6,229,046	7,979,803
Instructional	1,493,793	186,075	1,679,868
General purposes	6,595,228	5,865,781	12,461,009
Pooled income and remainder trust balances	-	855,017	855,017
Use in future periods – contributions	-	8,116,526	8,116,526
	$55,819,213	$ 21,836,678	$ 77,655,891

	2016		
	Unexpended Gains	Unexpended Gifts And Income	Total
Faculty salaries, benefits and development	$22,731,528	$ 118,090	$ 22,849,618
Financial aid	16,650,960	523,104	17,174,064
Capital improvements	1,363,492	3,519,354	4,882,846
Instructional	1,117,352	90,935	1,208,287
General purposes	5,471,603	5,342,775	10,814,378
Pooled income and remainder trust balances	-	864,031	864,031
Use in future periods – contributions	-	8,359,378	8,359,378
	$47,334,935	$ 18,817,667	$ 66,152,602

Permanently restricted net assets at June 30, 2017 and 2016 are available for the following purposes:

	2017	2016
Faculty salaries and benefits	$ 25,833,015	$ 25,733,514
Financial aid	17,097,626	16,959,360
Capital improvements	3,120,189	2,895,847
Instructional	4,045,192	4,032,492
General endowments	7,871,989	7,556,264
Use in future periods – contributions	448,995	498,792
	$ 58,417,006	$ 57,676,269

Included in unrestricted net assets at June 30, 2017 and 2016 are $43,498,786 and $38,658,201, respectively, of funds functioning as endowment funds. The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the School to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported as unrestricted net assets were $227,671 and $1,267,362 as of June 30, 2017 and 2016, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments.

Endowment net asset composition by type of fund as of June 30, 2017 and 2016:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (227,671)	$ 55,819,213	$ 57,968,011	$ 113,559,553
Funds functioning as endowment funds	43,726,457	4,919,717	-	48,646,174
Total Funds	$ 43,498,786	$ 60,738,930	$ 57,968,011	$ 162,205,727

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (1,267,362)	$ 47,334,935	$ 57,177,477	$ 103,245,050
Funds functioning as endowment funds	39,925,563	4,483,901	-	44,409,464
Total Funds	$ 38,658,201	$ 51,818,836	$ 57,177,477	$ 147,654,514

The Board of Trustees of the School has interpreted the relevant state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Income earned on such gifts is classified as temporarily restricted until it is expended in accordance with State law and/or donor restrictions.

The School has adopted an Investment Policy Statement for endowment assets that provides a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. In addition to supporting a reasonable spending rate, the policy guidelines seek to control various risks, achieve performance benchmarks for the total endowment and for individual asset classes, and to ensure adequate liquidity to meet spending requirements, capital calls, and debt obligations. The portfolio is invested in public and private equities, fixed income securities, real estate, cash, and other alternative investments which provide a hedge against inflation. The Investment Committee evaluates actual endowment returns by using a policy index that reflects the overall asset allocation targets. The School seeks to sustain its spending policies and preserve purchasing power of endowment assets by achieving annual growth in value equal to the sum of the annual spending rate and the annual rate of inflation.

Changes in endowment net assets for the years ended June 30, 2017 and 2016:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 38,658,201	$ 51,818,836	$ 57,177,477	$ 147,654,514
Investment return	5,881,676	15,602,744	-	21,484,420
Contributions	32,500	12,050	779,695	824,245
Transfers, net	(1,270,000)	709	10,839	(1,258,452)
Endowment income designated for current operations	(843,282)	(5,655,718)	-	(6,499,000)
Deficit balances in accumulated earnings	1,039,691	(1,039,691)	-	-
	$ 43,498,786	$ 60,738,930	$ 57,968,011	$ 162,205,727

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 43,636,580	$ 58,697,122	$ 53,167,382	$ 155,501,084
Investment return	(1,138,328)	(2,742,578)	-	(3,880,906)
Contributions	43,500	10,400	3,536,921	3,590,821
Transfers, net	(1,826,634)	(5,025)	473,174	(1,358,485)
Endowment income designated for current operations	(1,069,083)	(5,128,917)	-	(6,198,000)
Deficit balances in accumulated earnings	(987,834)	987,834	-	-
	$ 38,658,201	$ 51,818,836	$ 57,177,477	$ 147,654,514

Net assets were released from donor restrictions for the year ended June 30, 2017 by incurring expenses satisfying the temporarily restricted purposes or by occurrence of other events specified by the donors.

Financial aid	$ 249,294
Faculty salaries, benefits & development	272,219
Capital improvements	1,312,572
Instructional	152,896
Administration and other	604,289
	$2,591,270

(10) SPLIT-INTEREST AGREEMENTS

The School administers various charitable gift annuity, charitable remainder trusts and two pooled income funds (planned giving funds). These split-interest agreements provide for the payment of distributions to the grantor or other designated beneficiaries over the split-interest agreement term (usually the designated beneficiary's lifetime). At the end of the term, the remaining assets are available for the School's use. The portion of the split-interest agreement attributable to the present value of the future benefits to be received by the School is recorded in the Statement of Activities as unrestricted, temporarily or permanently restricted contributions, based on the donor's stipulation, in the period the split-interest agreement is funded. Assets held in the charitable split-interest agreements totaled $3,944,185 and $3,554,367 at June 30, 2017 and 2016, respectively, and are reported at fair market value in the School's Statement of Financial Position. On an annual basis, the School revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments to beneficiaries of $1,388,115 and $1,321,682 at June 30, 2017 and 2016, respectively, is calculated using a discount rate of 5% and applicable mortality tables.

(11) RETIREMENT AND POST-RETIREMENT PLANS

Retirement benefits are provided for full-time employees after 1 year of service or who have reached age 26 through direct payments to the employees individual accounts with the Teachers' Insurance and Annuity Association and the College Retirement Equity Fund (TIAA-CREF), a defined contribution plan. The School's policy with respect to its contribution is to provide between 2% and 10% of an eligible faculty member's salary and between 2% and 6% of a support staff member's salary. An additional 3% may be contributed should the employee match such percentage.

The School's pension expense for fiscal years ended June 30, 2017 and 2016 amounted to $1,162,954 and $1,094,435, respectively.

(12) COMMITMENTS

CAPITAL COMMITMENTS

The School has made commitments to invest in certain limited investment partnerships. As of June 30, 2017, the School had outstanding commitments of approximately $21,711,099. Future investments are to be made as determined by the General partners which are estimated by the School to be approximately $3,854,355 in fiscal 2017 and $17,856,655 in subsequent years. Funding of these investment commitments is expected to be from operating cash flow and sale of other investments.

OTHER COMMITMENTS

The School incurred approximately $157,000 and $109,000 of expenses related to operating leases for the years ending June 30, 2017 and 2016, respectively. Approximate future minimum payments under leases in excess of one year as of June 30, 2017, were as follows:

Year Ending June 30,	
2018	$144,124
2019	94,231
2020	52,523
2021	3,339
2022	3,872
	$298,089

The School also made commitments by entering into several capital improvement contracts in fiscal year 2017. As of June 30, 2017 the school had 13 contracts with outstanding commitments of approximately $3,041,000.

(13) RELATED PARTIES

During fiscal years 2017 and 2016 payroll service fees of approximately $21,000 and $23,000, respectively, were paid each year to a payroll company in which a family member of a former trustee is an owner.

(14) CONTINGENCIES

At June 30, 2017, the School is a party to certain lawsuits in the ordinary course of business. While any litigation has an element of uncertainty, after reviewing these actions with legal counsel, management is of the opinion that the liability, if any, resulting from these actions will not have a material effect on the financial condition of the School.

(15) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, September 25, 2017, have been evaluated in the preparation of the financial statements.

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APPENDIX C

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LOAN AGREEMENT

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DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LOAN AGREEMENT

The following are definitions of certain terms used in, and summaries of certain provisions of, the Indenture and the Loan Agreement. The summaries set forth below should not be regarded as full statements of the documents themselves, or of the portions summarized. Reference is made to the documents in their entireties for the complete statements of the provisions thereof. Copies of the Indenture and Loan Agreement will be on file at the principal corporate trust office of the Trustee.

The principal terms of the Bonds, including provisions for payment and redemption are described under the description of "THE BONDS" in the front portion of the Official Statement. Certain additional terms used herein are defined in the forepart of this Official Statement.

This summary describes the terms and provisions of the Indenture and the Loan Agreement applicable to the Bonds only while bearing interest in the Initial Fixed Rate Mode, the terms of which are described herein and in the forepart of this Official Statement. The Indenture provides that the Bonds may be converted to another Interest Rate Mode, but only upon the tender of the Bonds for purchase at such time as the Bonds may otherwise be redeemed at the option of the School at a redemption price of par. See "THE BONDS - Purchase in Lieu of Redemption or Mandatory Tender for Purchase During Period When Bonds are Subject to Optional Redemption at Par" in the forepart of this Official Statement.

DEFINITIONS OF CERTAIN TERMS

"Act" means the Pennsylvania Municipality Authorities Act, 53 Pa. C.S.A. § 5601 et seq., Act 22 of 2001, effective June 19, 2001, which codifies and amends the Municipality Authorities Act of 1945, as amended and supplemented.

"Administrative Expenses" means all expenses of the Authority which are properly chargeable as administrative expenses, including, without limitation, the fees and expenses of the Authority, including the Authority's employees, if any, and any professional advisors to the Authority reasonably necessary and fairly attributable, directly or indirectly, to the Project or the Bonds, and such other expenses as may be incurred by the Authority for such items as maintenance, rent, overhead and the like or in respect of liabilities for which the School is obligated to provide indemnification under the Loan Agreement.

"Authority" means the Montgomery County Higher Education and Health Authority.

"Authority Board" means the governing body of the Authority.

"Authorized Denominations" means $5,000 or any integral multiple thereof.

"Authorized Officer of the School" means the Chair of the Board of Trustees, the Head of School or the Chief Financial Officer of the School and, with respect to any particular act or documents, any other person authorized by resolution of the Board of Trustees (or an authorized committee thereof) of the School, a certified copy of which has been delivered to the Trustee or any person designated to act on behalf of the School (or an authorized committee thereof) of the School, as evidenced by a written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the School by its Clerk. Such resolutions and certificates may designate more than one person, each of whom shall be entitled to perform all duties of the Authorized Officer of the School.

"Bond Counsel" means an attorney or firm of attorneys, selected by the School, having favorable skill and reputation and who shall be nationally recognized as having expertise in tax-exempt and governmental financings, including financings by or on behalf of nonprofit corporations.

"*Bond Registrar*" means the Trustee, which shall serve as Bond Registrar for the Bonds.

"Bond Register" means a register, to be kept by the Trustee, subject to such reasonable regulations as it may prescribe, in which the Authority shall provide for the registration and the transfer of Bonds.

"Bonds" means the Bonds as further described in this Official Statement.

"*Book-Entry Bonds*" means all Bonds for which the Securities Depository or its nominee is the Owner.

"*Business Day*" means any day other than a Saturday, Sunday or other day on which banks in New York, New York, or the Designated Office of the Trustee or Payment Office of the Trustee are required or permitted by law or executive order to close or the New York Stock Exchange is closed.

"Certificate" means a written statement signed by or on behalf of the Person charged with responsibility therefor.

"Capital Projects" means those components of the Project the Costs of which may be paid from the proceeds of the Bonds deposited in the Project Fund, consisting generally of renovations and improvements to the School's existing Dining Hall and other miscellaneous renovations, improvements and additions to the School's facilities.

"Certified Authority Resolution" means a copy of one or more resolutions certified by the Secretary or Assistant Secretary of the Authority, under its seal, to have been duly adopted by the Authority Board and to be in effect on the date of such certification.

"*Clearing Fund"* means a special fund established by the Trustee under the Indenture into which there shall be deposited the proceeds of the sale of the Bonds.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"*Cost*" or "*Costs*," means any cost in respect of the Capital Projects permitted under the Act and the Code.

"Counsel" means an attorney-at-law or law firm (which may be counsel to the Authority, the School, the Trustee or any other applicable party) admitted to practice before the highest court of any state (or the District of Columbia) and not unsatisfactory to the Authority or the Trustee.

"Debt Service Fund" means the funds established for the payment of the Bonds established pursuant to the Indenture.

"Designated Office" means, with respect to the Trustee, the office specified in the Indenture, or such other address as may be specified in writing by the Trustee, for purpose of notices to be given and actions to be taken under the Indenture.

"*DTC*" means The Depository Trust Company, a limited-purpose trust company organized under the New York Banking Law, and any successor company. References to the DTC herein may include, as the context may require, its nominee, Cede & Co.

"Eastern Time" means the time given on any given day in Eastern Standard Time or Eastern Daylight Savings Time, as applicable.

"Event of Default" means: (i) with respect to the Indenture, any of the events described under "THE BOND INDENTURE – Defaults and Remedies" herein; and (ii) with respect to the Loan Agreement, any of the events described under "THE LOAN AGREEMENT – Events of Default and Remedies" herein.

"Favorable Opinion of Bond Counsel" means a written opinion of Bond Counsel to the effect that the facts or circumstances in question (i) are authorized under the Indenture and the Act, and (ii) will not adversely affect the validity of the Bonds or the exclusion from gross income for Federal tax purposes of the interest on the Bonds.

"Fiscal Year" means the fiscal year of the School which shall be the period commencing on July 1 of any year and ending on June 30 of such next year, unless the Trustee is notified in writing by the School of a change in such period, in which case, the Fiscal Year shall be the period set forth in such notice.

"Generally Accepted Accounting Principles" means those accounting principles, not contrary to those promulgated by a nationally recognized financial standards body, applicable in the preparation of financial statements of nonprofit, independent schools.

"Government Obligations" means (a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, or (b) evidences of ownership in specified direct obligations of, or obligations the principal of and interest on which is unconditionally guaranteed by, the United States of America, which obligations are held by a bank or trust company organized under the laws of the United States of America or any state thereof as custodian.

"Indenture" means the Trust Indenture dated as of December 1, 2017, between the Authority and Trustee, pursuant to which the Bonds are issued, as may be amended or supplemented from time to time.

"Independent Accountant" means a Person who is a certified accountant or firm of certified accountants licensed under the laws of the Commonwealth, who is engaged in the accounting profession, who is in fact independent (although such Person may be regularly retained by the Authority or the School), and who is appointed by the Authority or the School, in respect of the accounts of such entity. If such Person is an individual, such Person shall not be a member of the board of, an officer of, or employee of the Authority or of the School. If such Person is a partnership or corporation or other entity, such Person shall not have a partner, director, member, officer or substantial equity holder who is a member of the board of, an officer of, or employee of the Authority or of the School.

"Interest Payment Date" means February 15 and August 15 of each year, commencing February 15, 2018.

"Investment Securities" means and include any of the following securities, if and to the extent the same are at the time legal for investment of Authority funds:

(a) Government Obligations;

(b) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies or such other like governmental or government-sponsored agencies which may be hereinafter created: Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Financing Bank; Federal Home Loan Bank System; Export Import Bank of the United States; Farmers Home Administration; Small Business Administration; Inter-American Development Bank; International Bank for Reconstruction and Development; Federal Land Banks; the Federal National Mortgage Association; the Government National Mortgage Association; Federal Home Loan Mortgage Corporation; or the Tennessee Valley Authority;

(c) Debt obligations of any state of the United States or any political subdivision of any state, or of any agency or instrumentality of any state or of any political subdivision thereof, if at the time of their purchase such obligations are rated at the time of investment in any of the two highest Rating Categories by any Rating Agency;

(d) Negotiable or non-negotiable certificates of deposit, time deposits or other similar banking arrangements, issued by any bank or trust company (including the Trustee) the deposits of which to the extent uninsured, by the Federal Deposit Insurance Corporation, are to be secured as to principal by the securities listed in paragraphs (a), (b), or (c) above;

(e) Repurchase agreements or similar arrangements: (i) with any banking institutions or other financial services company, including the Trustee if applicable, having or the parent company of which is rated in any of the three highest Rating Categories by any Rating Agency, pursuant to which there shall have been delivered to the Trustee, or its designee, Investment Securities of the types set forth in paragraphs (a) and/or (b) above having at all times a fair market value of at least 100% of the value of such agreement; or (ii) with any banking institutions or other financial services company, including the Trustee if applicable, not meeting the rating requirements of (i) above pursuant to which there shall have been delivered to the Trustee or its designee, Investment Securities of the types set forth in paragraphs (a) and/or (b) above and at all times having a fair market value of at least 102% of the value of such agreement;

(f) Shares of an open-end, diversified investment company which is registered under the Investment Company Act of 1940, which is registered under Rule 2a-7 promulgated under the Investment Company Act of 1940, as amended, the shares of which are registered under the Securities Act of 1933, as amended, and having aggregate net assets of not less than $50,000,000 on the date of purchase (including shares of any fund underwritten by the Trustee or any affiliate of the Trustee or for which the Trustee or any affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (x) the Trustee or an affiliate of the Trustee receives fees from such funds for services rendered, (y) the Trustee charges and collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (z) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or its affiliates);

(g) Redeemable securities of a "unit investment trust" as defined in the Investment Company Act of 1940, as amended, each of which represents an undivided interest in a unit of specified Investment Securities of the types set forth in paragraphs (a), (b) or (c) above;

(h) Commercial paper rated in the highest Rating Category by any Rating Agency, and having a maturity at the time of purchase not to exceed six months; and

(i) Guaranteed investment contracts with any bank or investment banking firm or other financial services company the long term debt of (or guarantor if applicable) which is rated in any of the three highest Rating Categories by any Rating Agency.

"Loan Agreement" means the Loan Agreement dated as of December 1, 2017, by and between the Authority and the School, pursuant to which the Authority will lend to the School the proceeds of the Bonds and the School will agree to make Loan Payments to the Authority at times and in amounts sufficient in the aggregate, among other things, to pay the principal or Redemption Price of, and interest on, the Bonds.

"Loan Payments" means all amounts payable by the School to the Authority (except those representing the Administrative Expenses of the Authority) or to the Trustee, as the assignee of the Authority's interests in the Loan Agreement.

"Outstanding" means, as to the Bonds, all Bonds authenticated and delivered under the Indenture except:

(a) Bonds theretofore cancelled or required to be cancelled under the Indenture;

(b) Bonds for the payment, redemption, or purchase of which cash or non-callable Government Obligations, the principal of and interest on which, when due, will provide sufficient money to fully pay such Bonds or any portion thereof in accordance with the terms thereof, shall have been or shall be concurrently deposited with the Trustee; provided that, if such Bonds are being redeemed, the required notice of redemption shall have been given or provision satisfactory to the Trustee or other appropriate party shall have been made therefor, and that if such Bonds are being purchased, there shall be a firm commitment for the purchase and sale thereof; or

(c) Bonds in exchange for which other Bonds have been authenticated and delivered pursuant to the Indenture.

"Owner" means each Registered Owner.

"*Permitted Liens*" means with respect to any School Property as of any particular time:

(a) any lien arising by reason of any deposit with or giving of security to any governmental agency as a condition to the transaction of any business or the participation by the School in any funds established to cover insurance risks or in connection with workers' compensation, unemployment compensation, pension plans or other social security;

(b) any judgment lien or liens against the School which is being diligently contested in good faith and is fully bonded or covered by insurance and execution thereof is stayed;

(c) any right reserved to any municipality or other public authority by the terms of any franchise, grant, license or provision of law affecting the School Property, and any lien on any School Property for taxes, assessments or other municipal charges, so long as the charges are not due and payable or not delinquent (or, if due or delinquent, the amount or validity of such charges is being diligently contested in good faith and is fully bonded or covered by insurance and execution thereof is stayed);

(d) mechanics and materialmens' liens so long as any amounts secured by such lien are not due and payable or delinquent (or, if alleged to be due or delinquent, the amount or validity of such amounts is being contested in good faith with due diligence and execution of any lien is stayed);

(e) any lien on School Property received by the School through a gift, grant or bequest constituting a restriction imposed by the donor, grantor or testator on such gift, grant or bequest (or the income therefrom);

(f) such easements, rights of way, servitudes, restrictions and other defects, liens and encumbrances as shall not materially impair the use of the School Property or their intended purposes or the value of such School Property;

(g) purchase money security interests in School Property securing indebtedness incurred to finance the acquisition of such property, but only to the extent such purchase money security interests secure the financed cost of acquisition;

(h) liens in existence on the date of the Loan Agreement.

"Person" means an individual, a corporation, a partnership, an association, limited liability company, a joint stock company, a trust, an unincorporated organization, a governmental body, any other political subdivision, municipality or municipal authority or any other group or entity.

"*Project Fund*" means the Project Fund established for the payment of Costs of the Capital Projects pursuant to the Indenture.

"Rating Agency" means each of the following: (a) Moody's Investor Service; (b) Standard & Poor's Ratings Group, a division of the McGraw Hill Companies, Inc.; (c) Fitch Ratings; and (d) if any of the foregoing shall not, at the particular time, provide rating services, any nationally recognized rating agency designated in writing by the School.

"Rating Category" means any of the principal rating categories assigned to investment securities or credit facilities by any Rating Agency, without regard to any gradation or distinction within any Rating Category (such as may be identified by numerical symbols or the symbols "+" or "-").

"Redemption Price", where used with respect to a Bond, means the principal amount of such Bond plus the applicable premium, if any, payable upon redemption thereof pursuant to the Indenture.

"Project" means the project for the financing of which the Bonds are being issued as more particularly described under "PLAN OF FINANCING" in the forepart of this Official Statement.

"Registered Owner" means the Person or Persons in whose name or names the Bond is registered on the Bond Register of the Authority kept for that purpose in accordance with the Indenture and the Bonds.

"Regular Record Date" means the first day (whether or not a Business Day) of the calendar month immediately preceding each Interest Payment Date (i.e., each February 1 and August 1).

"School" means The Hill School, a Pennsylvania nonprofit corporation.

"School Property" means any or all of the School's land, buildings, fixtures, equipment, furnishings and other physical assets and facilities, including any of the foregoing which is owned by the School or is otherwise operated by the School under a lease, license, operating agreement or other comparable contractual arrangement.

"*Securities Depository*" means DTC or other Person registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934, as amended, or whose business is confined to the performance of the functions of a clearing agency with respect to exempted securities, as defined in Section 2(a)(12) of such Act for purposes of Section 17A thereof.

"Sinking Fund Account" means the Sinking Fund Account established as part of the Debt Service Fund for the retirement of the Bonds as provided in the Indenture.

"*Sinking Fund Payment Date*" means each date specified for the mandatory sinking fund redemption of the Bonds as provided in the Indenture.

"Special Record Date" for the payment of any defaulted interest means a date fixed by the Trustee in accordance with the provisions of the Indenture.

"Supplemental Indenture" means any supplement to the Indenture authorized pursuant to the terms thereof.

"*Term Bonds*" means those Bonds subject to mandatory sinking fund redemption as described under "THE BONDS- Redemption Provisions- Mandatory Sinking Fund Redemption" in the front portion of this Official Statement.

"Trust Estate" means (a) the Loan Agreement, including, but not limited to, the present and continuing right to make claim for, collect and receive all sums of money payable or receivable thereunder or under the Indenture, the exclusive right to bring action and proceeding thereunder or for the enforcement thereof, the exclusive right to grant consents, approvals and waivers and enter into amendments and to do any and all other things which the Authority is or may become entitled to do thereunder; (b) the Loan Payments; (c) all moneys and investments in the funds and accounts created under the Indenture (including all income and receipts earned on the funds and accounts held by the Trustee under the Indenture except as otherwise set forth in the Indenture), other than the Rebate Fund which shall be held in accordance with the provisions of the Indenture; and (d) any and all other property rights and interests of any kind and nature from time to time subsequently granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, mortgaged or pledged to the Trustee, or otherwise subject to the Indenture, as and for additional security under the Indenture, by the School or any other Person on its behalf or with its written consent or by the Authority or any other Person on its behalf or with its written consent.

"Trustee" means Manufacturers and Traders Trust Company, as trustee under the Indenture or its successor in the trust created thereunder.

THE INDENTURE

The Bonds will be issued under and are subject to the provisions of the Indenture, to which reference is made for complete details of the terms of the Bonds. The following summarizes certain provisions of the Indenture but is not to be regarded as a full statement thereof.

Pledge and Assignment

Under the Indenture, the Authority pledges to the Trustee all right, title and interest of the Authority in and to the Trust Estate (subject to the Reserved Rights) for the equal and ratable benefit of the Owners of the Bonds Outstanding thereunder, except as expressly provided in the Indenture.

Disposition of the Proceeds of the Sale of the Bonds

Upon issuance of the Bonds, the Trustee will deposit the proceeds of the Bonds received by it in a Clearing Fund established under the Indenture. The Trustee is directed to make transfers and payments from the Clearing Fund as instructed by the School and the Authority.

Place and Manner of Payment; Persons Entitled Thereto.

Interest on the Bonds will accrue at the rates described in this Official Statement, calculated on the basis of a 360-day year consisting of twelve 30-day months. The interest payable on any Interest Payment Date will be paid by check or draft mailed on the applicable Interest Payment Date to each Owner at the address shown on the Bond Register maintained by the Bond Registrar. Interest on any Bonds that is not paid or duly provided for on any Interest Payment Date shall forthwith cease to be payable to the Owner on the Regular Record Date and will be paid instead to the Person in whose name the Bond is registered at the close of business on a Special Record Date established for the payment of such defaulted interest pursuant to the terms of such Bonds, such date to be not less than 10 days (whether or not a Business Day) prior to the date of proposed payment. The Trustee, at the expense of the Authority, shall cause notice of the proposed payment of such defaulted interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Owner as of the Business Day preceding the mailing date, at his address as it appears in the Bond Register, not less than 10 days prior to such Special Record Date (but in no event more than 30 days prior to the proposed payment date).

Interest on each Bond (or portion thereof) will cease to accrue on the maturity date thereof or date fixed for the redemption thereof, provided in the case of redemption that proper notice thereof has been given and provided in each case that there has been irrevocably deposited with the Trustee an amount sufficient to pay the principal or Redemption Price thereof, as applicable, plus all unpaid interest accrued thereon to such date.

The principal or Redemption Price of the Bonds will be payable in lawful money of the United States of America at the Payment Office of the Trustee. No payment of principal or Redemption Price will be made on any Bond, unless and until such Bond is delivered to the Trustee for cancellation (or exchanged in the case of a Bond redeemed in part). Notwithstanding the foregoing, interest on any Bonds and the Redemption Price of any Bonds redeemed by mandatory sinking fund redemption may be paid by wire transfer in immediately available funds to an account in any member bank of the Federal Reserve System designated in writing by the Owner thereof in an aggregate principal amount of $1,000,000 or more not less than 20 days prior to the applicable Interest Payment Date or redemption date; provided, however, that in the case of the payment of the Redemption Price, any Bonds to be redeemed are presented to the Trustee for cancellation (or exchange in the case of a Bond redeemed in part) and that the Trustee's records with respect to such payment of the principal of any Bond shall be conclusive and binding on the Owner of any Bond so paid and each successive Owner thereof. Any such notice provided by an Owner in accordance with the preceding sentence may provide that it shall be effective for any and all future payment dates until otherwise specified in writing.

Notwithstanding the foregoing, so long as the Bonds are issued as Book-Entry Bonds, as described under "THE BONDS – Book-Entry Only System" in the front portion of this Official Statement, the payment of the principal or Redemption Price of, and interest on, any Bonds shall be paid in accordance with the depository procedures of the Securities Depository.

Project Fund

The Trustee is required to establish a Project Fund under the Indenture for the payment of the Costs of the Capital Projects by the Bonds issued thereunder. Payment of the Costs of the Capital Projects will be made from the Project Fund only upon receipt by the Trustee of the properly completed requisitions, certifications and approvals required by the Indenture or the Loan Agreement. The Project Fund will be funded initially in the amount described under "ESTIMATED SOURCES AND USES OF PROCEEDS OF THE BONDS" in the front portion of this Official Statement.

Upon completion of the Capital Projects to be funded under the Indenture, any moneys remaining in the Project Fund not otherwise to be reserved therein as directed in writing by an Authorized Officer of the School to pay remaining Costs of the Capital Projects are required to be (a) transferred into the corresponding Debt Service Fund Account to be applied to the payment of the principal of and interest on the Bonds due within one year of the completion date of the Capital Projects (as set forth in the certificate of an Authorized Officer of the School), or (b) otherwise be retained in the Project Fund or transferred to another fund or account established under the Indenture as directed in writing by an Authorized Officer of the School, which direction are required to be accompanied by a Favorable Opinion of Bond Counsel with respect to such transfer.

Debt Service Fund; Sinking Fund

The Trustee shall establish a Debt Service Fund under the Indenture for the purpose of providing for the payment of the principal of or Redemption Price of, and interest on, such Bonds issued thereunder when the same shall be due and payable. The Trustee shall make deposits into the Debt Service Fund of all amounts with respect to such Bonds required under the Indenture or pursuant to the Loan Agreement to be deposited therein. Subject to the terms of the Indenture, moneys on deposit in the Debt Service Fund shall be applied to the payment of the principal or Redemption Price of, and interest on, the Bonds.

The Trustee will establish within the Debt Service Fund a separate Sinking Fund Account for the retirement of the Term Bonds. There shall be deposited in the Sinking Fund Account the amount required to retire such Term Bonds on each Sinking Fund Payment Date in accordance with the terms provided in the Indenture. Before the 60^{th} day prior to the Sinking Fund Payment Date, the Authority, through or at the direction of the School, may exercise either of the following: (i) deliver to the Trustee for cancellation Term Bonds of the applicable maturity and (ii) receive a credit in respect of its sinking fund redemption obligation for any such Term Bonds which prior to said date have been redeemed or purchased and cancelled by the Trustee and not theretofore applied as a credit against such sinking fund redemption obligations. The Term Bonds so delivered, redeemed, or purchased shall be credited by the Trustee at 100% of the principal amount thereof to the obligation of the Authority with respect to the Sinking Fund Account, and any excess over such amount shall be credited to future obligations with respect to such Sinking Fund Account.

Rebate Fund

The Indenture establishes a Rebate Fund to be held and applied by the Trustee in accordance with the Indenture. Pursuant to the Loan Agreement, the School has covenanted to calculate and pay directly to the United States government all amounts due for payment of "arbitrage rebate" under Section 148(f) of the Code with respect to the Bonds. Accordingly, no amounts are expected to be deposited into the Rebate Fund. The Authority may in the future deposit with the Trustee or direct the Trustee to deposit in the Rebate Fund amounts held in any fund under the Indenture if (i) required under any amendments to Section 148(f) of the Code, (ii) the School fails to make any required arbitrage rebate payments to the United States government, or (iii) the Authority and the School otherwise agree that the funding of the Rebate Fund is desirable and appropriate. All amounts in the Rebate Fund, including income earned from investment of moneys held in the Rebate Fund, shall be held by the Trustee solely for the purpose specified in the Indenture, free and clear of the lien and pledge of the Indenture, and the Trustee, at the written direction of the School, shall pay said amounts over to the United States of America.

Investment of Funds

All moneys received by the Trustee under the Indenture for deposit in any fund established thereunder shall be considered trust funds, shall not be subject to lien or attachment (except as otherwise provided in the Indenture) and shall, except as therein provided, be deposited with the Trustee, and all such deposits shall, to the extent not insured and to the extent permitted by law, be fully secured by full faith and credit obligations of the United States of America or secured as otherwise provided by law for such trust deposits. Under certain conditions the Trustee may deposit such moneys in other authorized depositories, where they shall be fully secured, to the extent not insured and to the extent permitted by law, by full faith and credit obligations of the United States of America or secured as otherwise provided by law for such trust deposits.

Moneys on deposit in the funds established pursuant to the Indenture shall be invested and reinvested by the Trustee as follows:

(a) All investments shall constitute Investment Securities and shall mature, or be subject to repurchase, withdrawal without penalty or redemption at the option of the Trustee, on or before the dates on which the amounts invested are reasonably expected to be needed for the purposes of the Indenture.

(b) All investments shall be made at the direction of the School (given in writing). In the absence of any direction from the School as to the investment of any moneys held under the Indenture, the Trustee shall cause such moneys to be invested in any Investment Securities described in clause (f) of the definition thereof and specifically identified in a written direction from the School. The Trustee shall not make any representation as to the accuracy of any quotation of market price of any security or investment (or the accrued interest thereon) in any fund or account, and the School shall further be obligated to indemnify and hold harmless the Trustee, its officers and employees, from and against any and all liabilities, claims and charges, etc. in connection with or resulting from the Trustee's valuation of the investments in any funds or accounts as provided in the Indenture.

(c) All interest, income and gains received in respect of Investment Securities in the Debt Service Fund shall be retained and credited against subsequent deposit requirements as provided in the Indenture. Whenever any other transfer or payment is required to be made from any particular fund, such transfer or payment shall be made from combination of maturing principal, redemption or repurchase prices, liquidation proceeds and withdrawals of principal as the Trustee deems appropriate for such purpose.

(d) All interest, income and gains received in respect of Investment Securities in the Project Fund shall be retained therein and applied for the purposes set forth the Indenture.

(d) Neither the Authority nor the Trustee shall be accountable for any depreciation in the value of any Investment Securities or any losses incurred upon any authorized disposition thereof.

Valuation of Funds

The Trustee shall determine the value of the assets in each of the funds established under the Indenture as of each Interest Payment Date. As soon as practicable after each such valuation date, the Trustee shall furnish to the Authority and the School a report of the status of each fund as of such date. The Trustee shall also advise the School at such time of the amount then available in the Debt Service Fund as a credit against future deposits, prior to the next valuation date in direct order of the due dates of such deposits. In computing the value of assets in any fund or account, investments shall be valued at the market value thereof (except as otherwise provided in the Indenture), and all investments (valued as aforesaid) and accrued interest thereon shall be deemed a part of such funds and accounts. The Trustee shall provide the School with monthly or other periodic statements showing amounts deposited into and withdrawn from each Fund, the investments made with amounts in each Fund, and the investment income or loss received from such investments. The Authority shall also receive copies of any such statements upon its written request.

Covenants of Authority

The Authority shall promptly pay the principal or the Redemption Price of, and the interest on, every Bond issued in the Indenture, but shall be required to make such payment only out of the Trust Estate. In addition, the Authority shall maintain its existence as a body corporate and politic and public instrumentality under the Act, and shall not sell, lease, encumber or otherwise transfer any of its interest in and to the Trust Estate other than as provided in the Indenture. The Authority shall use its best efforts to maintain the exclusion of interest on the Bonds from gross income of the owners thereof for Federal income tax purposes and not take, or authorize to be taken, any actions within its control that would adversely affect that status under the provisions of the Code.

Default and Remedies

Events of Default, as defined in the Indenture, include, among other things, the following:

(a) the failure to pay any installment of interest on any Bond when it becomes due and payable; or

(b) the failure to pay the principal or Redemption Price of any Bonds when it becomes due and payable at maturity, upon redemption or otherwise; or

(c) the failure by the School to pay when due any sum due under the Loan Agreement within any applicable grace period; or

(d) the occurrence and continuance of any Event of Default under the Loan Agreement (other than an Event of Default resulting from an occurrence described in clauses (a) through (c) above); or

(e) the default by the Authority in the due and punctual performance of any other covenant in any Bond or in the Bonds Indenture or in the Loan Agreement (other than as specified in clauses (a) or (b) above); or

(f) the failure by the Authority to comply with any provision of the Act, which renders it incapable of fulfilling its obligations under the Indenture or Loan Agreement.

Notice of Default; Opportunity to Cure

No Event of Default shall occur under (d), (e) or (f) under "Events of Default" above unless such Event of Default continues for 60 days after written notice requiring the same to be remedied shall have been given to the Authority and the School by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Owners of not less than 25% in principal amount of all of the Bonds then Outstanding; provided, however, that if such performance requires work to be done, actions to be taken or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such 60-day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, the Authority or the School shall commence such performance within such 60-day period, and the Authority or the School shall diligently and continuously prosecute the same to completion.

Acceleration and Annulment Thereof

If any Event of Default that has occurred and is continuing under a Indenture, the Trustee may and, upon written request of the Owners of 25% in principal amount of all of the Bonds then Outstanding thereunder and affected thereby, shall, by notice in writing to the Authority and the School, declare the principal of all of the Bonds then Outstanding to be immediately due and payable, and upon such declaration, such principal, together with interest accrued thereon, shall become due and payable immediately at the place of payment provided, unless the School cures such default prior to the date of the declaration.

If, after the principal of the Bonds has been so declared to be due and payable, all arrears of interest upon the Bonds and the principal of all of the Bonds then Outstanding which have matured, except the principal of any Bonds due solely because of such declaration, and the interest accrued on the Bonds since the last Interest Payment Date are paid by the Authority, and the Authority also performs all other things in respect to which it may have been in default under the Indenture and pays the fees and reasonable charges of the Trustee, the Owners of Bonds, and any trustee appointed under the Act, including reasonable attorney's fees and expenses, then, and in every such case, the Owners of a majority in principal amount of all of the Bonds then Outstanding, by written notice to the Authority and to the Trustee, may annul such declaration and its consequences and such annulment shall be binding upon the Trustee and upon all Owners of Bonds issued under the Indenture; but no such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

Remedies for Default

Upon the happening and continuance of any Event of Default, then and in every such case the Trustee may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of all of the Bonds then Outstanding under the Indenture and the provision of indemnity satisfactory to the Trustee shall proceed to protect and enforce its rights and the rights of the Owners under the laws of the Commonwealth, under the Indenture, and under the Loan Agreement, by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant, condition or agreement contained in the Indenture or in aid of execution of any power granted in the Indenture or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights. The rights and remedies which the Trustee may or shall exercise include all or any of the following:

(i) The right in its own name by mandamus or other suit, action or proceeding at law or in equity to enforce all rights of the Owners, including the right to require the Authority to carry out the covenants and agreements of the Authority contained in the Indenture and to require the Authority to carry out any agreements with or for the benefit of the Owners and to perform its duties under the Act;

(ii) The right to bring suit upon the Bonds Outstanding under the Indenture; provided, however, that any judgment obtained in any such suit against the Authority shall be payable only out of the receipts and revenues of the Authority under the Loan Agreement and the Trust Estate;

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

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

(v) The right to apply all moneys and funds held under the Indenture (except moneys and funds which shall theretofore have been set aside for the payment or purchase of particular Bonds and moneys and funds held in the Rebate Fund) to the payments as provided in the Indenture; and

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

All rights of action under the Indenture, or under any of the Bonds secured thereby, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof on the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name and as Trustee of an express trust for the equal and ratable benefit of the Owners of all Bonds, subject to the provisions of the Indenture.

No remedy conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy or remedies.

In case any proceeding taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Authority, the Trustee and the Owners shall be restored to their former positions and rights under the Indenture, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

No delay or omission in respect of exercising any right or power accruing upon any default shall impair such right or power or be a waiver of such default, and every remedy given by the Indenture may be exercised from time to time and as often as may be deemed expedient.

It is the purpose and intention of the Indenture to provide rights and remedies to the Trustee and the Owners which may be lawfully granted under the provisions of the Act, but, should any right or remedy granted under the Indenture be held to be unlawful, the Trustee and the Owners shall be entitled, as above set forth, to every other right and remedy provided in the Indenture.

The remedies conferred in the Indenture shall be in addition to all remedies provided for in the Loan Agreement.

Powers of Owners

Any Owner or Owners owning a majority in principal amount of all of the Bonds then Outstanding under the Indenture and affected thereby shall have the right to direct the method and place of conducting all remedial proceedings by the Trustee under the Indenture, provided such directions shall not be otherwise than in accordance with law or the provisions of the Indenture and further provided that the Trustee shall have been given indemnity satisfactory to it against costs, expenses and liabilities, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners not parties to such direction.

Limitations on Actions by Owners of Bonds

Owners of Bonds shall have no right to pursue any remedy under the Indenture unless (i) the Trustee shall have been given written notice of an Event of Default, (iii) the Owners of at least 25% in principal amount of all of the Bonds then Outstanding shall have requested the Trustee, in writing, to exercise the powers granted under the Indenture or to pursue such remedy, (iii) the Trustee shall have been offered indemnity satisfactory to it against costs, expenses and liabilities, and (iv) the Trustee shall have failed to comply with such request within a reasonable time. Such notification, request and offer of indemnity are declared in each case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of the Indenture or to any other remedy thereunder.

Application of Moneys in Event of Default

All moneys received by the Trustee or by any receiver under the Indenture shall, including all moneys and funds held by the Trustee in the funds and accounts established under the Indenture (except the Rebate Fund and except moneys and funds which shall theretofore have been set aside for the payment or purchase of particular Bonds) shall, after the payment of current administration, operating and management fees and expenses incurred by the Trustee or receiver be applied by the Trustee or receiver in the following order of priority:

(a) To the payment of all fees and expenses owing to the Trustee under the Indenture, including without limitation, fees, costs, expenses and liabilities reasonably incurred by the Trustee (including reasonable compensation to the Trustee, its agents, attorneys and counsel) and to the repayment of all advances made by the Trustee;

(b) To the payment of the reasonable costs of the Authority including counsel fees and expenses, any disbursements of the Authority with interest thereon and its reasonable compensation;

(c) Unless the principal of all of the Bonds Outstanding under the Indenture has become due, whether at the due dates expressed therein, by proceedings for redemption, or by declaration as provided in the Indenture or otherwise, then:

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

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

(iii) then to the payment of the principal of and the interest on the Bonds thereafter becoming due.

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

(i) To the payment of the full amount then owing and unpaid upon all Bonds Outstanding for principal and interest together with interest on such unpaid amounts (to the extent that the payment of such interest is enforceable under applicable law) at the respective rates provided in the Bonds then Outstanding, and in case such moneys shall be insufficient to pay the same in full, then to the payment of such principal and interest without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest ratably to the aggregate of such principal and interest; and

(ii) Any surplus thereof remaining after the payment of the full principal of and interest on all Outstanding Bonds together with interest thereon, to the School or to whomsoever may be lawfully entitled to receive the same.

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

Trustee May File Proofs of Claim

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding under the United States Bankruptcy Code relating to the Authority or the School, any other obligor upon the Bonds or any property of the Authority or School, the Trustee (whether or not the principal of the Bonds shall then be due and payable by acceleration or otherwise, and whether or not the Trustee shall have made any demand upon the Authority or the School for the payment of overdue principal, Redemption Price or interest) is entitled and empowered, by intervention in such proceeding or other means:

(i) to file and prove a claim for the whole amount of the principal, redemption premium, if any, and interest owing and unpaid in respect of the Bonds then Outstanding or for breach of the Indenture or the Loan Agreement and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Owners allowed in such proceeding; and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator, sequestrator or similar official in any such judicial proceeding is authorized by each Owner to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to the Owners, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under the Indenture.

No provision of the Indenture empowers the Trustee to authorize or consent to or accept or adopt on behalf of any Owners of the Bonds any plan of reorganization, arrangement, adjustment or composition affecting any of the Bonds or the rights of any Owner thereof, or authorizes the Trustee to vote in respect of the claim of any Owner in any proceeding described above.

Amendments and Supplements

The Indenture may be amended or supplemented at any time, without the consent of the Owners, by a Supplemental Indenture, for one or more of the following purposes: (a) to set forth such matters as are specifically required or permitted under the Indenture or such other matters as will not materially and adversely affect the Owners of the Bonds Outstanding; (b) to add additional covenants of the Authority or to surrender any right or power conferred upon the Authority in the Indenture; (c) to make appropriate provision for the issuance of Bonds in bearer form with coupons should such issuance be available without causing the interest on any Bonds to become taxable for Federal income tax purposes; (d) to comply with any provision of the Code affecting the exclusion from gross income of interest on any Bond for Federal income tax purposes; (e) to make conforming changes in connection with any changes to any Loan Agreement otherwise permitted under the Indenture and the Loan Agreement; (f) to obtain or maintain any credit rating or ratings on the Bonds; (g) to cure any ambiguity or to cure, correct or supplement any defective (whether because of any inconsistency with any other provisions of the Indenture or otherwise) provision of the Indenture in such manner as shall not be inconsistent with the Indenture (which cured, corrected or supplemented provision shall supersede any actions taken by the Trustee under the Indenture) and shall not impair the security of the Indenture or materially and adversely affect the Owners of Bonds. Notwithstanding the foregoing, the Indenture shall not be amended to affect the rights or liabilities of the Trustee without its written consent.

The Indenture may be amended by a Supplemental Indenture approved by the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding and affected by such amendment, except with respect to (a) interest payable on any Bonds, (b) the dates of maturity, sinking fund and redemption provisions of any Bonds, (c) the amendment provisions of the Indenture, or (d) the security provisions under the Indenture; provided, that no amendment shall be made which adversely affects the rights of some but less than all of the Bonds without the consent of the Owners of at least a majority in aggregate principal amount of all of the then Outstanding Bonds so affected, and no amendment shall be made which affects the rights of some but less than all the Outstanding Bonds without the consent of the Owners of a majority of the Bonds so affected. Amendments with respect to matters described in clauses (a), (b), (c) or (d) of the first sentence of this paragraph shall be effected only with the consent of Owners of all of the Bonds then Outstanding and affected by such amendments. The Trustee is authorized to join with the Authority in the execution and delivery of any Supplemental Indenture or amendment permitted by the above, and in so doing shall be fully protected by an opinion of Counsel that such Supplemental Indenture or amendment is permitted and has been duly authorized by the Authority, and that all things necessary to make it a valid and binding agreement have been done.

Defeasance

When interest on, and principal or Redemption Price (as the case may be) of, all Bonds issued under the Indenture have been paid, or there shall have been deposited with the Trustee an amount, evidenced by cash or non-callable Government Obligations, the principal of and interest on such cash or securities, when due, will provide sufficient moneys to fully pay all Bonds issued under the Indenture, as well as all other sums payable thereunder by the Authority, all right, title and interest of the Trustee shall thereupon cease and the Trustee, on demand of the Authority, shall release the Indenture and shall execute such documents to evidence such release as may be reasonably required by the Authority and shall turn over to the Authority or to such Person, body or authority as may be entitled to receive the same, all balances remaining in any funds thereunder.

Provision for the payment of any Bonds (or portions thereof) shall be deemed to have been made when the Trustee holds in the Debt Service Fund or other fund established for such purpose (i) cash in an amount sufficient to make all payments (including the principal or Redemption Price of and interest on the Bonds) specified in the preceding paragraph with respect to such Bonds (or portions thereof), or (ii) noncallable Government Obligations maturing on or before the date or dates when the payments specified above shall become due, the principal amount of which and the interest thereon, when due, is or will be, in the aggregate, sufficient without reinvestment to make all such payments provided that (A) the Trustee shall have received a Favorable Opinion of Bond Counsel with respect to such deposit of obligations described in clause (i) or (ii) above and (B) provision for payment of Bonds (or portions thereof) shall be deemed to be made only if the Trustee holds in the Debt Service Fund or other fund established for such purpose cash and/or such obligations for payment of such Bonds (or portions thereof) in amounts sufficient to make all payments specified above with respect to such Bonds, as verified by an accountant's or other acceptable financial consultant's certification in form and by an accountant or financial consultant acceptable to the Trustee.

Neither the moneys nor the obligations deposited with the Trustee pursuant to the above shall be withdrawn or used for any purpose other than, and such obligations and moneys shall be segregated and held in trust for, the payment of the principal or the Redemption Price of, and interest on, the Bonds (or portions thereof).

Whenever moneys or obligations shall be deposited with the Trustee for the payment or redemption of Bonds (or portions thereof) more than 60 days prior to the date that such Bonds are to mature or be redeemed, the Trustee shall mail a notice to the Registered Owners of such Bonds for the payment of which such moneys or obligations are being held at their registered addresses stating that such moneys or obligations have been deposited. Such notice shall also be sent by the Trustee to the Rating Agencies. Notwithstanding the foregoing, no delivery to the Trustee under the provisions of the Indenture shall be deemed a payment of any Bonds which are to be redeemed prior to their stated maturity until such Bonds shall have been irrevocably called or designated for redemption on a date thereafter on which such Bonds may be redeemed in accordance with the provisions of the Indenture and proper notice of such redemption shall have been given in accordance with the Indenture, or the Authority shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to give, in the manner and at the times prescribed by the Indenture, notice of redemption.

If the Authority shall cause to be paid to the Owners of all Bonds Outstanding the principal or Redemption Price of, and all of the interest due thereon, or if the Authority shall cause to be delivered to the Trustee for cancellation all Bonds Outstanding, then the Indenture and the Trust Estate, and all other title, interest and rights thereby granted shall cease, determine and be void. Thereupon, the Trustee (a) shall, upon the written request of the Authority made by the School, release, cancel and discharge the lien of the Indenture, and execute and deliver to the Authority such instruments necessary to satisfy the lien, and (b) shall discharge the Indenture and the Loan Agreement and reconvey to the Authority the Trust Estate, together with all other title, interest and rights conveyed, and assign and deliver to the School any money and other property at the time subject to the lien of the Indenture which may then be in possession of the Trustee.

The Trustee

The Trustee will undertake only those obligations and duties which are expressly set out in the Indenture. Under the terms of the Indenture, the Trustee is liable only for those damages caused by its gross negligence or willful misconduct.

The Trustee may execute any of the trusts or powers and perform the duties required either directly or by or through attorneys, agents, receivers or employees. The Trustee is entitled in good faith to rely conclusively and be free from all liability for acting or refraining from acting upon the advice of counsel. Unless otherwise provided by law or as set forth in the Indenture, the Trustee is under no obligation to take any action in respect to any default or otherwise, or toward the execution or enforcement of any of the trusts created under the Indenture, or to institute, appear in or defend any suit or other proceeding, unless requested to do so in writing by the Owners owning at least 25% in aggregate principal amount of all of the Bonds then Outstanding.

The Trustee may be provided a reasonable compensation for all services rendered and for all reasonable expenses, charges and other disbursements of the Trustee and those of its attorneys, agents, and employees, incurred in the administration and execution of the trusts created and the performance of its powers and duties. The Trustee may at any time make advances to effect performance of any covenant or agreements contained in the Indenture or Loan Agreement on behalf of the Authority or the School if they fail to perform such.

The Trustee may resign and be discharged of the trusts created by the Indenture. To resign, the Trustee must execute a written instrument resigning such trusts and specifying the date when such resignation would be in effect, by filing the same with the Secretary of the Authority, the School and the Owners of all Bonds. If no Event of Default has occurred and is continuing, the Trustee may be removed by the Authority at the direction of the School. If an Event of Default has occurred and is continuing, the Trustee may be removed only by written direction of any Owner or Owners owning, in the aggregate, a majority in principal amount of all of the Bonds then Outstanding.

THE LOAN AGREEMENT

The Loan

Upon the issuance of the Bonds, the Authority will lend the proceeds thereof to the School for application toward the Costs of the Project, including payment of the cost of issuing the Bonds. The loan will be made by depositing the proceeds of the Bonds with the Trustee for application toward the purposes set forth in the Indenture.

The Loan Agreement will remain in effect until such time as all Bonds and all other expenses payable by the School under the Loan Agreement have been paid or provisions for such payment has been made as described under the Indenture, and all other conditions of the Loan Agreement and the Indenture shall have been fully satisfied.

Undertaking and Completion of Capital Projects.

The School shall undertake to complete the Capital Projects with due diligence. In the acquisition, construction, equipping, maintenance, improvement and operation of the Capital Projects, the School shall at all times comply in all material respects with all applicable building, zoning and land use, environmental protection, sanitary and safety and other laws, rules and regulations and shall not permit a nuisance thereon; but it shall not be a breach of this Section if the School fails to comply with such laws, rules and regulations during any period in which the School shall in good faith be diligently contesting the validity thereof but only so long as such contest does not adversely affect the security for the Bonds.

Completion of the Capital Projects shall be evidenced by delivery to the Authority and the Trustee of the School's completion certificate signed by an Authorized Officer of the School stating the date of completion of the Capital Projects and that, as of such date, except for amounts retained by the Trustee at the School's written direction for any cost of the Capital Projects not then due and payable or, if due and payable, not then paid: (i) the Capital Projects have been completed; (ii) the cost of all labor, services, materials and supplies used in the Capital Projects have been paid or will be paid from amounts retained by the Trustee at the School's written direction for any cost of the Capital Projects not then due and payable or, if due and payable, not then paid; (iii) the Project Facilities constructed or installed as part of the Capital Projects have been constructed and installed to the School's satisfaction, and all costs and expenses incurred in the acquisition, construction and installation of such Project Facilities have been paid, or will be paid from amounts retained by the Trustee at the School's written direction for any cost of the Capital Projects not then due and payable or, if due and payable, not then paid; and (iv) the School has obtained and is maintaining insurance complying with the Loan Agreement. Notwithstanding the foregoing, any such School's completion certificate may state that it is given without prejudice to any rights against third parties which exist at the date of such certificate or which may subsequently come into being. Upon receipt of such certificate by the Trustee, the School shall direct the Trustee in writing to transfer any amounts remaining in the Project Fund (except for amounts described above retained by the Trustee at the School's direction) to the Debt Service Fund for application to the payment of principal of and interest on the Bonds or as otherwise provided in the Indenture.

Construction Contracts

The School shall enforce any construction contracts and purchase orders relating to the Capital Projects and will cause such Capital Projects to be completed substantially in accordance with the plans and specifications which may have been prepared therefor, provided that the School may issue change orders as the School may deem desirable for its uses and purposes in its sole reasonable discretion. In the event of any material default of any contractor or subcontractor or supplier under any contract made by the School in connection with the Capital Projects, or in the event of a breach of warranty with respect to any materials, workmanship or performance guaranty, the School will notify the Authority and the Trustee in writing and will proceed, either separately or in conjunction with others, to pursue such remedies against any surety for the performance of such contract as are necessary or take such other reasonable actions to complete the Capital Projects. The School agrees to advise the Authority and the Trustee in writing of the steps it intends to take in connection with any such default. The School will maintain such records in connection with the completion of the Capital Projects as will permit ready identification of the Project Facilities constructed or installed in connection therewith and of such Capital Projects and of the amounts expended for the various parts thereof.

The School Required to Pay if Project Fund Insufficient

In the event the moneys in the Project Fund available for payment of the costs of the Capital Projects are not sufficient to pay all costs of the Capital Projects in full, the School agrees to pay that portion of the costs, if any, in excess of the moneys available therefor in the Project Fund. The Authority and the Trustee make no warranty, either express or implied, that the moneys paid into the Project Fund and available for payment of the costs of the Capital Projects will be sufficient to pay all of such costs. The School agrees that if, after disbursement of all of the moneys in the Project Fund available for payment of costs of the Capital Projects, the School shall pay any portion of the costs of the Capital Projects, it shall not be entitled to any reimbursement therefor from the Authority or the Trustee or any decrease in the loan payments due under the Loan Agreement.

Repayment of Loan

As repayment of the loan of the proceeds of the Bonds, the School will be required to pay to the Authority or its assigns, the following aggregate sums:

(a) by two Business Days immediately preceding an Interest Payment Date for the Bonds, the School shall pay to the Trustee an amount which together with other available funds on deposit therein will be equal to the interest due on the Bonds on the immediately succeeding Interest Payment Date; and

(b) by two Business Days before each August 15, commencing August 15, 20__, the School shall pay to the Trustee an amount which together with other available funds on deposit therein will be sufficient to pay the principal of the Bonds becoming due (at stated maturity or through mandatory sinking fund redemption) on such August 15.

Further, notwithstanding anything to the contrary in the Loan Agreement, the amount payable shall be sufficient in the aggregate to pay in full, when and as the same becomes due, the principal, whether by maturity, redemption, acceleration, or otherwise, or the Redemption Price of, and all the interest accrued on, all Bonds issued under the Indenture.

Prepayments and Payment with Bonds in Lieu of Cash

The School is permitted to prepay all or any part of the amounts payable to redeem or defease all or any portion of the Bonds in accordance with the provisions of the Indenture. Additionally, in lieu of the portion of the loan payments payable with respect to principal of any Bonds becoming due, the School or the Authority may purchase on the open market Bonds of the maturity becoming due, and present such Bonds to the Trustee for cancellation. These Bonds presented to the Trustee shall be credited to the principal amount of the next payment due at 100% of the principal amount of such Bonds.

Additional Payments

The School will be required to pay to the Authority, upon requisition therefor, its initial issuance fee and all reasonable amounts required to reimburse the Authority's Administrative Expenses incurred in connection with the Authority's loan of the proceeds of the Bonds to the School and other related services in connection with the Loan Agreement and Indenture, and shall pay to the Trustee its reasonable fees and expenses incurred in connection with the Loan Agreement and the Indenture as agreed by the School and the Trustee. The School shall also pay all of the Authority's legal fees and expenses incurred in connection with the issuance of the Bonds and the loan of the proceeds thereof to the School.

School's Payment Obligations

The obligation of the School to make payments under the Loan Agreement is a general unsecured obligation of the School.

Books, Records and Financial Reports

The School will keep accurate records and books of account with respect to the revenues and expenses of the School in accordance with Generally Accepted Accounting Principles and to have its financial statements examined annually by an Independent Accountant. A copy of such financial statements and an Independent Accountant's report thereon shall be delivered to the Authority and the Trustee within 150 days of the end of each Fiscal Year.

Liens and Encumbrances

The School covenants that it shall not create, assume or suffer to exist any mortgage, lien, security interest, restriction or encumbrance with respect to any of its School Property, other than any Permitted Lien; except that the School may grant in favor of the lender or obligee with respect to any debt for borrowed money (the "Other Lender") a lien or security interest in any of its School Property which is not otherwise a Permitted Lien (a "Parity Lien") to secure the repayment of such long-term debt (the "Parity Secured Debt"); provided that: (i) concurrently therewith the School shall grant in favor of the Trustee, as assignee of the Authority's rights under the Loan Agreement, a substantially identical lien or security interest with respect to such School Property securing on an equal and ratable basis the School's obligation to pay the Loan Payments hereunder, and (ii) the School, the Other Lender, and the Trustee, upon receipt of a Favorable Opinion of Bond Counsel, shall enter into an intercreditor agreement providing for the application of the proceeds of any and all collateral subject to such Parity Lien for the equal and ratable benefit of the Trustee, with respect to the School's obligations under the Loan Agreement, and the Other Lender, with respect to such Parity Secured Debt.

Corporate Existence

Except as otherwise provided in the Loan Agreement, the School covenants that it will preserve and maintain its existence as a nonprofit corporation under or in accordance with the laws of the Commonwealth and its authority to operate the School Property. The School may consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it, or sell or otherwise transfer to another entity all or substantially all of its assets as an entirety (any and all of such actions being referred to hereinafter in this paragraph as a "transaction"), but only if, in each case: (i) the School is the surviving, resulting or transferee entity, as the case may be; or in the event the School is not the surviving, resulting or transferee entity, such entity assumes in writing in form and substance satisfactory to the Authority all of the obligations of the School under the Loan Agreement; and (ii) if the School is not the surviving, resulting or transferee entity, as the case may be, such entity has been determined by the Internal Revenue Service to be a charitable organization described in Section 501(c)(3) of the Code and not a "private foundation" as described in Section 509 of the Code; and (iii) the Authority and Trustee receive an opinion of Bond Counsel to the effect that the consummation of the transaction will not, as of the effective date thereof, adversely affect the exclusion of interest on the Bonds from the gross income of the owners of the Bonds for Federal income tax purposes; and (iv) the Authority and the Trustee shall have received a certificate from an Authorized Officer of the School stating that no Event of Default has occurred and is continuing or will have occurred by reason of the transaction, and no event has occurred which, with the passage of time or giving of notice or both, would constitute an Event of Default; and (v) prior to the consummation of the transaction the School shall deliver to the Authority and the Trustee a certificate of an Authorized Officer of the School demonstrating that all of the foregoing conditions have been satisfied. Any Person which succeeds to and assumes the obligations of the School as permitted in the Loan Agreement shall be required to execute and deliver to the Trustee and the Authority such documents and instruments as are, in the reasonable opinion of the Trustee and the Authority, necessary or appropriate for the purpose of effectuating such succession and assumption. If the School enters into a transaction permitted under the Loan Agreement as described herein, and, as a result thereof, assumes or becomes subject to any indebtedness previously incurred by the other party to such transaction, any liens, security interest or other similar rights and interests securing such indebtedness may remain in effect, provided that such security may not be extended or renewed (which terms shall not apply to the filing of continuation statements under the Pennsylvania Uniform Commercial Code) or modified to attach to any additional property or revenue, unless otherwise permitted under the Loan Agreement.

Additional Covenants

In addition to the foregoing, the Loan Agreement will contain covenants which will require the School, among other things (and subject to the further provisions of the Loan Agreement), to: (a) keep and maintain the School Property in good condition; (b) pay any taxes or other impositions when due; (c) provide and maintain insurance as required by the terms of the Loan Agreement; (d) take all necessary action to continue to be (i) organized and operated in a manner which will preserve and maintain its status as an organization described in Section 501(c)(3) of the Code and not a "private foundation" as described in Section 509 of the Code and (ii) exempt from federal income taxes under Section 501(a) of the Code, including refraining from participating in any unrelated trade or business which may cause the interest paid by the Authority on the Bonds to be includable in the gross income of the owners; (e) pay to or for the account of the Authority all amounts needed to comply with the requirements of Section 148 of the Code; (f) take or omit to take any other action which would cause the Bonds to be "arbitrage bonds" under Section 148 of the Code; and (g) prepare a written statement of the amount, if any, determined to be payable to the United States government with respect to Bonds pursuant to Section 148 of the Code not later than 45 days after each computation date.

Events of Default and Remedies

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

(a) If the School fails to make any payment when due pursuant to the Loan Agreement, as described under paragraphs (a) and (b) under "Repayment of Loan" above;

(b) If the School fails to observe or to perform any other material covenant, agreement, obligation or provision of the Loan Agreement which must be observed by the School, and such default shall continue for 30 days after the Authority or the Trustee has given the School written notice specifying such default; provided that if (i) such default is capable of being cured, but not within 30 days, (ii) the School has commenced such cure within said 30-day period, and (iii) the School diligently prosecutes such cure to completion, the same shall not constitute an Event of Default;

(c) If an Event of Default under any of the provisions of the Indenture;

(d) If the School (i) admits in writing its admit in writing its inability to pay its debts as they become due; or (ii) file a petition in bankruptcy or for reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the bankruptcy code of the United States of America as now or in the future amended or any other similar present or future federal or state statute or regulation, or file a pleading asking for such relief; or (iii) make an assignment for the benefit of creditors; or (iv) consent to the appointment of a trustee, receiver or liquidator for all or a major portion of its property or shall fail to have the appointment of any trustee, receiver or liquidator made without the School's consent or acquiescence, vacated or set aside within 90 days; or (v) be finally adjudicated as bankrupt or insolvent under any federal or state law; or (vi) be subject to any proceeding, or suffer the entry of a final and nonappealable court order, under any federal or state law appointing a receiver, trustee or liquidator for all or a major part of its property or ordering the winding-up or liquidation of its affairs, approving a petition filed against it under the United States Bankruptcy Code, as now or in the future amended, which order or proceeding, if not consented to by it, is not dismissed, vacated, denied, set aside or stayed in 90 days after the day of entry or commencement; or (vii) suffer a writ or warrant of attachment or any similar process to be issued by any court against all or any substantial portion of its property, unless such writ or warrant of attachment or any similar process is not contested, stayed, or is not released within 90 days after the final entry or levy or after any contest is finally adjudicated or any stay is vacated or set aside; or

(e) If any event of default in the payment of money shall have occurred and be continuing, or an acceleration of the entire amount due by reason of any event of default shall have occurred, under any instrument evidencing any indebtedness of the School having an outstanding principal balance in excess of $1,000,000.

Remedies on Default

If any Event of Default occurs and is continuing, the Authority (or the Trustee as its assignee) may at its option exercise any one or more of the following remedies:

(a) If the Trustee has declared the Bonds immediately due and payable pursuant to the Indenture, by written notice to the School, demand payment of all amounts due and payable under the Loan Agreement in an amount equal to the principal of the Bonds due and payable plus accrued interest and not as a penalty, whereupon the same shall become immediately due and payable; or;

(b) Take whatever action at law or in equity as may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the School under the Loan Agreement or under the Indenture.

Exculpation and Indemnity

Neither the Authority nor its members, officers, employees or agents, in the exercise of its power, shall be accountable to the School or any Owner of the Bonds or to the Trustee for any action taken or omitted or omitted by it or its members, officers, employees and agents in good faith. In addition, the School covenants to indemnify the Authority and its officers, employees or agents against any and all claims, losses, or liabilities insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of the School Property or the issuance of the Bonds or are based upon any other alleged act or omission in connection with the School Property or the issuance of the Bonds by the Authority unless the losses, damages or liabilities arise from willful misconduct, gross negligence, fraud or deceit of an officer, employee or agent of the Authority. The School will also indemnify the Trustee and each director, officer, employee and agent of the Trustee against any and all claims, fees, suits, actions, demands, penalties, costs, expenses, losses, damages, or liabilities, insofar as they arise from any direction or instruction upon which the Trustee is authorized to act under the Indenture, the Loan Agreement or are based upon any other alleged act or omission by the Trustee in connection with the School Property or the issuance of the Bonds or the performance by the Trustee of its duties under the Indenture and the Loan Agreement unless the claims, expenses, losses, damages or liabilities arise in whole or in part from gross negligence, willful misconduct or fraud of an officer or employee of the Trustee. These indemnification provisions survive the termination of the Loan Agreement and the Indenture and the resignation or removal of the Trustee for any reason.

Amendments

The Loan Agreement may be amended from time to time only for the following purposes:

(a) to cure any ambiguity or to cure, correct or supplement any defect, omission or inconsistent provision contained in the Loan Agreement; or

(b) to grant to or confer upon the Authority any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon it; or

(c) to add additional covenants of the School or to surrender any right or power conferred upon the School; or

(d) to reflect a change in applicable law; or

(e) to reflect changes in Generally Accepted Accounting Principles as the result of the issuance of financial accounting standards or audit guidelines, or revisions thereto by the Financial Accounting Standards Board or other similar organization promulgating Generally Accepted Accounting Principles or generally accepted auditing standards or in connection with the preparation of financial statements for entities such as the School, if there shall be delivered to the Trustee, together with the amendment, a certificate of the School's Independent Accountant setting forth the nature of the changed accounting or auditing standard and that the amendment to the Loan Agreement is required to conform to the new or revised standards; or

(f) to obtain or maintain a rating on the Bonds; or

(g) to maintain the exclusion from gross income of interest on the Bonds for Federal income tax purposes; or

(h) to make such changes as may be necessary to comply with the Code; or

(i) to make such changes as shall be required to accomplish any consolidation with or merger into another entity by the School, or sale or other transfer to another entity of all or substantially all of the School's assets as an entirety, as may be otherwise permitted in accordance with the Loan Agreement; or

(j) to set forth such other matters as will not materially and adversely affect the Owners of the Bonds Outstanding.

All other amendments must be approved by the Owners in the same manner and to the same extent as is required in the Indenture.

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

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PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

Montgomery County Higher Education and Health Authority
One Montgomery Plaza, Suite 1000
Norristown, Pennsylvania 19401

Re: Montgomery County Higher Education and Health Authority
$ Revenue Bonds (The Hill School Project), Series of 2017

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Montgomery County Higher Education and Health Authority (the "Authority") of the Revenue Bonds described in the caption above (the "Bonds"). The Bonds are issued pursuant to the Pennsylvania Municipality Authorities Act, 53 Pa. C.S.A. § 5601 et seq., Act 22 of 2001, effective June 19, 2001, which codifies and amends the Municipality Authorities Act of 1945, as amended and supplemented (the "Act"), a resolution of the Authority adopted on November 27, 2017 (the "Bond Resolution"), and a Trust Indenture dated as of December 1, 2017 (the "Indenture"), between the Authority and Manufacturers and Traders Trust Company, as trustee (the "Trustee").

Capitalized terms used but not otherwise defined herein have the meanings set forth in the Indenture.

The Bonds are issued by the Authority for the purpose of paying the costs of the Project more particularly described in the Indenture (and defined and generally described below) to be undertaken on behalf of The Hill School, a Pennsylvania nonprofit corporation (the "School"). In connection with the undertaking of the Project and the issuance of the Bonds, the Authority and the School have entered into a Loan Agreement dated as of December 1, 2017 (the "Loan Agreement"), pursuant to which the Authority has lent to the School the proceeds of the Bonds, and the School has agreed to make loan payments to the Authority in amounts and at times sufficient, among other things, to pay the principal or redemption price of, and interest on, the Bonds when due.

The proceeds of the sale of the Bonds are loaned to the School to pay the costs of a project (the "Project") consisting generally of (i) the current refunding of the outstanding Variable Rate Demand Revenue Bonds (The Hill School Project), Series 2002, issued by the Pottstown Borough Authority in the original principal amount of $7,000,000; (ii) the current refunding of the outstanding Project Revenue Note (The Hill School Project), Series of 2008, issued by the Authority in the original principal amount of $10,000,000; (iii) the payment of the costs of renovations and improvements to the School's existing Dining Hall and other miscellaneous renovations, improvements and additions to the School's facilities; and (iv) payment of costs and expenses incidental to issuing the Bonds.

The Authority and the School have made certain factual representations in each of the Indenture and the Loan Agreement and in a Tax Compliance Agreement delivered on the date hereof (the "Tax Agreement") that are material to the opinions expressed herein, including representations as to their reasonable expectations on the date hereof regarding the use of the proceeds of the Bonds. We have relied upon these representations of the School and the Authority without undertaking to verify the same by independent investigation.

The School has been determined by the Internal Revenue Service to be, and has further represented in the Loan Agreement that it is, an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The School has covenanted that, throughout the term of the Loan Agreement, it will not carry on or permit to be carried on in the Financed Property (as defined in the Loan Agreement) any trade or business, nor will it take any action or permit any action to be taken on its behalf or cause or permit any circumstance within its control to arise or continue if the conduct of such trade or business or such other action or circumstance would cause the interest paid by the Authority on the Bonds to be subject to federal income tax in the hands of the holders thereof. The Authority and the School have each further covenanted that it will not make or instruct the Trustee to make any investment or other use of the proceeds of the Bonds, nor take or omit to take any other action, which would cause the Bonds to be arbitrage bonds under Section 148(a) of the Code.

In our capacity as Bond Counsel, we have examined such documents, records, proceedings, statutes (including the Act) and decisions as we have deemed necessary to enable us to express our opinion set forth below, including original counterparts or certified copies of the Bond Resolution, the Indenture, the Loan Agreement and the Tax Agreement. We have also examined a specimen of a fully executed Bond and the certification of the Trustee, upon which we have relied, as to the due authentication by the Trustee of the Bonds. In rendering our opinion, we have relied upon the genuineness, authenticity, truthfulness and completeness of all documents, records, and other instruments examined. We have not undertaken to verify the factual matters set forth therein by independent investigation.

Except as set forth in paragraph 6 below, our opinion is given only with respect to the laws of the Commonwealth of Pennsylvania (the "Commonwealth") as enacted and construed on the date hereof.

Based on the foregoing, and subject to the assumptions and qualifications stated herein, it is our opinion that:

1. The Authority is a body corporate and politic, constituting a public corporation and a governmental instrumentality of the Commonwealth, with all necessary power and authority to enter into the Indenture and the Loan Agreement, to perform its obligations thereunder, and to issue the Bonds.

2. Each of the Indenture and the Loan Agreement has been duly authorized, executed, and delivered by the Authority and constitutes the valid and binding obligation of the Authority, enforceable in accordance with their terms, except as such enforcement may be limited by bankruptcy, insolvency, moratorium, and other laws and equitable principles generally affecting the rights of creditors.

3. Under the Indenture, the Authority has validly assigned to the Trustee, subject to the Reserved Rights of the Authority described therein, all of its rights and interests in the Loan Agreement and all amounts payable by the School as Loan Payments thereunder.

4. The Bonds have been duly authorized, executed, and delivered by the Authority and are valid and binding limited obligations of the Authority, enforceable in accordance with their terms and entitled to the benefit and security of the Indenture, except as enforcement may be limited by bankruptcy, insolvency, moratorium, and other laws and equitable principles generally affecting the rights of creditors.

5. The Bonds are exempt from personal property taxes in the Commonwealth, and the interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

6. Under existing law as enacted and construed on the date hereof, interest on the Bonds is excluded from the gross income of the owners thereof for Federal income tax purposes, and interest on the Bonds is not a specific item of tax preference for purposes of the individual and corporate federal alternative minimum tax; but interest on the Bonds will be included in "adjusted current earnings" in computing alternative minimum taxable income with respect to certain corporations.

The opinion expressed in paragraph 6 above is subject to continuous compliance by the Authority and the School with their covenants in the Indenture and Loan Agreement, and in the Tax Agreement, to satisfy certain provisions of the Code. Failure to comply with such covenants could cause the interest on the Bonds to be included in gross income of the owners thereof, in certain cases retroactive to the date of issue of the Bonds regardless of the date at which such non-compliance occurs or is ascertained.

Ownership of the Bonds may result in collateral Federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, S corporations receiving substantial passive income and Subchapter C earnings and profits, property and casualty insurance companies, individual recipients of social security or railroad retirement benefits, foreign corporations that may be subject to the federal foreign branch profits tax, and taxpayers who may be deemed to have incurred indebtedness to purchase or carry the Bonds. We express no opinion with respect to these or any other collateral tax consequences of ownership of the Bonds.

We express no opinion herein with respect to, and assume no responsibility for, the adequacy of the security or sources of payment for the Bonds or the accuracy or completeness of any offering materials prepared in respect of the Bonds.

We call your attention to the fact that the Bonds are limited obligations of the Authority payable only out of the property pledged by the Authority and certain other moneys available therefor as provided in the Indenture and that the Bonds do not pledge the credit or taxing power of the Commonwealth or any political subdivision thereof. The Authority has no taxing power.

Very truly yours,

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APPENDIX E

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

Between

THE HILL SCHOOL

and

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as dissemination agent

$__________
Montgomery County Higher Education and Health Authority
Revenue Bonds (The Hill School Project)
Series of 2017

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (as amended, modified or supplemented from time to time, this "Disclosure Agreement") dated December __, 2017, between **THE HILL SCHOOL** (together with its permitted successors and assigns, the "School") and **DIGITAL ASSURANCE CERTIFICATION, L.L.C.**, a Florida limited liability company, as dissemination agent ("DAC" or the "Dissemination Agent").

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the School through use of the DAC system and do not constitute "advice" within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC will not provide any advice or recommendation to the School or anyone on the School's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

WITNESSETH:

WHEREAS, Bond Purchase Agreement, dated December __, 2017, among the Montgomery County Higher Education and Health Authority (the "Authority"), the School and George K. Baum & Company, the Authority is issuing $_________ aggregate principal amount of its Revenue Bonds (The Hill School Project) Series of 2017 (the "Bonds") for the benefit of the School; and

WHEREAS, the Bonds are being issued pursuant to a Trust Indenture, dated as of December 1, 2017 (as amended, modified or supplemented from time to time, the "Indenture"), between the Authority and Manufacturers and Traders Trust Company, as trustee (in such capacity, and together with any successor trustee for the Bonds and their respective successors and assigns the "Trustee") and the proceeds of the Bonds are being loaned to the School by the Authority pursuant to a Loan Agreement, dated as of December 1, 2017 (as amended, modified or supplemented from time to time, the "Loan Agreement") between the Authority and the School; and

WHEREAS, Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"), provides that a Participating Underwriter (as defined in the Rule) shall not purchase or sell municipal securities in connection with an Offering (as defined in the Rule) unless the Participating Underwriter has reasonably determined that an issuer of municipal securities or an obligated person for whom financial or operating data is presented in the final official statement has undertaken, either individually or in combination with other issuers of such municipal securities or obligated persons, in a written agreement or contract for the benefit of holders of such securities, to provide, either directly or indirectly through an indenture trustee or a designated agent, certain specified financial information and operating data and notices of certain reportable events; and

WHEREAS, the School is the only Obligated Person (as defined in the Rule) with respect to the Bonds for purposes of the Rule; and

WHEREAS, in order to induce the Participating Underwriter to purchase the Bonds, the School desires to undertake to provide the information and notices required by the Rule.

NOW, THEREFORE, in consideration of the foregoing, of the issuance of the Bonds, and of the mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the School and the Dissemination Agent, each intending to be legally bound for itself, its successors and assigns, agree as follows:

SECTION 1. **Purpose of this Disclosure Agreement**. This Disclosure Agreement is being executed and delivered by the School for the benefit of the Bondholders and in order to assist the Participating Underwriter in complying with the Rule.

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

"Annual Filing Date" means the date, set in Section 3(a), by which the Annual Financial Information is to be filed with the MSRB.

"Annual Financial Information" shall mean the annual financial report, and other financial information provided by the School pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

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

"Bondholder" shall mean any Person who is the registered owner of any Bond and any Beneficial Owner, irrespective of whether such Person is the Registered Owner.

"Business Day" shall mean any day other than a Saturday, Sunday or other day on which banks in New York, New York or the Designated Office (as defined in the Indenture) of the Trustee or Payment Office (as defined in the Indenture) of the Trustee are required or permitted by law or executive order to close or the New York Stock Exchange is closed.

"Commonwealth" shall mean the Commonwealth of Pennsylvania.

"Disclosure Representative" shall mean the Treasurer of the School, or his or her designee, or such other person as the School shall designate in writing to the Dissemination Agent.

"EMMA" is the Electronic Municipal Market Access System maintained by the MSRB at http://emma.msrb.org/ or such other address as may be designated by the MSRB, which serves as the sole nationally recognized municipal securities information repository under the Rule.

"Failure to File Event" means the School's failure to file Annual Financial Information on or before the Annual Filing Date.

"Indemnitees" shall have the meaning set forth in Section 11(c) of this Disclosure Agreement.

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

"Losses" shall have the meaning set forth in Section 11(c) of this Disclosure Agreement.

"Material Event" shall mean any of the events listed in Section 5(b) of this Disclosure Agreement, if material within the meaning of the Rule.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Financial Information.

(a) The School shall, or shall cause the Dissemination Agent to, not later than the December 31 next following the end of the School's fiscal year, commencing with the report for the fiscal year ending June 30, 2018, provide to the MSRB via EMMA the Annual Financial Information which is consistent with the requirements of Section 4 of this Disclosure Agreement. Such date and each anniversary thereof is the Annual Filing Date. The Annual Financial Information may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided, that the audited financial statements of the School may be submitted separately from the balance of the Annual Financial Information and later than the date required above for the filing of the Annual Financial Information if they are not available by that date. If the School's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than five days prior to the Annual Filing Date, the School shall provide the Annual Financial Information to the Dissemination Agent. If by such date the Dissemination Agent has not received a copy of the Annual Financial Information, the Dissemination Agent shall contact the School to determine if the School is in compliance with the first sentence of subsection (a).

(c) If the Dissemination Agent has not received Annual Financial Information by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the School irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB.

(d) The Dissemination Agent shall provide the School evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Dissemination Agent under this Disclosure Agreement.

SECTION 4. Content of Annual Financial Information. The School's Annual Financial Information shall contain or include by reference the following:

(a) The audited financial statements of the School for the prior fiscal year, prepared in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS). If the School's audited financial statements are not available by the time the Annual Financial Information is required to be filed pursuant to Section 3(a), the School may submit its unaudited financial statements as part of the Annual Financial Information, and the audited financial statements shall be filed in the same manner as the Annual Financial Information when they become available.

(b) Financial and operating data, generally consistent with certain information contained in Appendix A of the Official Statement dated December _, 2017 prepared in connection with the initial offering of the Bonds in APPENDIX A - "STUDENT ENROLLMENT" under the captions: "Total Enrollment," "Student Enrollment By Grade" and "Admission Statistics – Student Demand Statistics" and in APPENDIX A – "FINANCIAL MATTERS" under the captions "Student Tuition and Fees – Tuition Rates," "Financial Aid," "Endowment – Endowment Market Value" and "Endowment - Historical Endowment Returns" and "Endowment – Endowment Spending" and in APPENDIX A – ADVANCEMENT – "Gifts Received – Total Philanthropic Support."

SECTION 5. Reportable Events.

(a) The School agrees that it shall provide, or cause the Dissemination Agent to provide, in a timely manner, not in excess of 10 Business Days after the occurrence of the event, to the MSRB via EMMA, notice of any of the following Listed Events with respect to the Bonds:

(i) principal and interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) substitution of credit or liquidity providers, or their failure to perform;

(v) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701 TEB);

(vi) tender offers;

(vii) defeasances;

(viii) ratings changes; and

(ix) bankruptcy, insolvency, receivership or similar proceeding of the School[1].

The nine (9) Listed Events listed in this Section 5(a) are quoted directly from the Rule.

(b) The School agrees that it shall provide, or cause the Dissemination Agent to provide, in a timely manner, not in excess of ten (10) Business Days after the occurrence of the event, to the MSRB via EMMA, and upon determining the materiality thereof within the meaning of the Rule, notice of any of the following Material Events with respect to the Bonds:

(i) non-payment related defaults;

(ii) the issuance by the Internal Revenue Service of material notices or determinations with respect to the tax status of the Bonds, or material events affecting the tax status of the Bonds;

(iii) modifications to rights of the holders of the Bonds;

(iv) Bond calls;

(v) release, substitution or sale of property securing repayment of the Bonds;

(vi) appointment of a successor or additional trustee, or the change of name of a trustee; and

[1] This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officers for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(vii) the consummation of a merger, consolidation, or acquisition involving the School or the sale of all or substantially all of the assets of the School, 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.

The seven (7) Material Events listed in this Section 5(b) are quoted directly from the Rule.

(c) Whenever the School concludes that a Listed Event or Material Event has occurred, the Disclosure Representative shall promptly: (i) notify the Dissemination Agent in writing of such occurrence, specifying the Listed Event or Material Event; (ii) provide the Dissemination Agent with a copy of a Listed Event or Material Event notice meeting the requirements of the Rule; and (iii) instruct the Dissemination Agent to file such Listed Event or Material Event notice with the MSRB via EMMA. Upon receipt, the Dissemination Agent shall promptly file the Listed Event or Material Event notice provided by the School with the MSRB via EMMA.

(d) Notwithstanding the foregoing, the Dissemination Agent is under no obligation to notify the School or the Disclosure Representative of an event that may constitute a Listed Event or a Material Event. In the event the Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Listed Event or Material Event, if the School determines that a Listed Event or Material Event has occurred), instruct the Dissemination Agent that (i) a Listed Event or Material Event has not occurred and no filing is to be made or (ii) a Listed Event or Material Event has occurred and the Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with the text of the disclosure that the School desires to make and the date the School desires for the Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Listed Event or Material Event).

(e) The Dissemination Agent shall provide the School evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Dissemination Agent under this Disclosure Agreement.

(f) The obligations of the School or the Dissemination Agent under this Disclosure Agreement to provide notice of Listed Events or Material Events are in addition to, and not in substitution of, any obligations of the Trustee to provide notices of Events of Default to Bondholders under the terms of the Indenture. Nothing in this Disclosure Agreement, however, is intended to modify or limit the rights of the Trustee under the Indenture to provide notices or other information as it deems necessary in the performance of its duties thereunder.

SECTION 6. Termination of Reporting Obligation. The School's obligations under this Disclosure Agreement shall terminate: (i) upon payment or provision for payment in full of the Bonds; or (ii) upon repeal or rescission of Section (b)(5) of the Rule; or (iii) upon a final determination that Section (b)(5) of the Rule is invalid or unenforceable.

SECTION 7. Dissemination Agent.

(a) The School may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. In the event the Dissemination Agent is replaced or discharged, the School shall provide written notice of such event to the Participating Underwriter. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the School pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be Digital Assurance Certification, L.L.C.

(b) The Dissemination Agent may resign and be discharged from its duties or obligations hereunder at any time by providing thirty (30) days' written notice. Any corporation or association into which the Dissemination Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Dissemination Agent in its individual capacity shall be a party, or any corporation or association to which all or substantially all the corporate trust business of the Dissemination Agent in its individual capacity may be sold or otherwise transferred, shall be the Dissemination Agent under this Disclosure Agreement without further act.

(c) The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party.

SECTION 8. Amendment; Waiver.

(a) Notwithstanding any other provision of this Disclosure Agreement, the School and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the School if it does not adversely effect the Dissemination Agent's duties, rights and indemnifications hereunder), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(i) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an Obligated Person with respect to the Bonds, or the type of business conducted;

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

(iii) The amendment or waiver either: (i) is approved by the Bondholders in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Registered Owners; or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders.

(b) The Dissemination Agent shall be entitled to receive a favorable opinion of nationally recognized bond counsel before being required to execute any proposed amendment or to accept any waiver.

(c) In the event of any amendment or waiver of a provision of this Disclosure Agreement, the School shall describe such amendment or waiver in the next Annual Financial Information, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information presented by the School.

SECTION 9. Additional Information; Format of Filings.

(a) Nothing in this Disclosure Agreement shall be deemed to prevent the School from disseminating any other information with respect to the School or the Bonds, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of a Listed Event or Material Event, in addition to that which is required by this Disclosure Agreement. If the School provides additional information that is not specifically required by this Disclosure Agreement, the School shall have no obligation under this Disclosure Agreement to update such additional information or include it in any future Annual Financial Information or notice of occurrence of a Listed Event or Material Event.

(b) All documents provided to the MSRB pursuant to the terms of this Disclosure Agreement shall be accompanied by identifying information as prescribed by the MSRB, and shall be made in electronic format or in any other format which meets any applicable requirements or guidelines of the Securities and Exchange Commission and of the MSRB. Unless otherwise prescribed by the MSRB, such submission to the MSRB shall be made via EMMA.

SECTION 10. Default. In the event of a failure of the School or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Beneficial Owners' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture or the Loan Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the School to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Dissemination Agent undertakes to perform only such duties as are expressly set forth herein. The duties and responsibilities of the Dissemination Agent hereunder shall be determined solely by the express provisions of this Disclosure Agreement, and no further duties or responsibilities shall be implied. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. The Dissemination Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document.

(b) The School shall pay the Dissemination Agent reasonable compensation for its services hereunder, and also all its reasonable expenses and disbursements, including reasonable fees and expenses of its counsel or other experts, as shall be agreed upon by the Dissemination Agent and the School.

(c) The Dissemination Agent shall not be liable for any action taken or omitted by it in good faith unless a court of competent jurisdiction determines that the Dissemination Agent's negligent or willful misconduct was the primary cause of any loss to the School. The Dissemination Agent shall not incur any liability for following the instructions herein contained or expressly provided for, or written instructions given by the parties hereto. In the administration of the Disclosure Agreement, the Dissemination Agent may execute any of its powers and perform its duties hereunder directly or through agents or attorneys and may consult with counsel to be selected and retained by it.

(d) The Dissemination Agent shall indemnify and reimburse the School for the amount of any direct liabilities, costs and expenses which the School may incur in connection with or relating to the negligence or willful misconduct of the Dissemination Agent under this Disclosure Agreement; provided that such indemnification shall be limited to the amount of compensation paid to the Dissemination Agent during the year in which such negligence or willful misconduct is alleged to have occurred.

(e) The School agrees to indemnify and hold the Dissemination Agent, its officers, directors, employees and agents (collectively, the "Indemnitees") harmless from and against any and all claims, liabilities, losses, damages, fines, penalties, and expenses, including out-of-pocket, incidental expenses, legal fees and expenses, the allocated costs and expenses of in-house counsel and legal staff and the costs and expenses of defending or preparing to defend against any claim ("Losses") that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction or other direction upon which the Dissemination Agent is authorized to rely pursuant to the terms of this Disclosure Agreement. In addition to and not in limitation of the immediately preceding sentence, the School covenants and agrees to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of: (i) the Dissemination Agent's performance under this Agreement, provided the Dissemination Agent has not acted with gross negligence or engaged in willful misconduct; (ii) any breach by the School of this Disclosure Agreement; or (iii) the Annual Financial Information or any notice given under Section 5 hereof. The provisions of this Section 11 shall survive the termination of this Disclosure Agreement and the resignation or removal of the Dissemination Agent for any reason. Anything in this Disclosure Agreement to the contrary notwithstanding, in no event shall the Dissemination Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Dissemination Agent has been advised of such loss or damage and regardless of the form of action.

SECTION 12. Notices. Any notices or communications to or between any of the parties to this Disclosure Agreement may be given as follows:

To the School:	The Hill School 717 East High Street Pottstown, Pennsylvania 19464 Attention: Chief Financial Officer/Treasurer Telecopy No.: (610) 705-1761
To the Dissemination Agent:	Digital Assurance Certification, L.L.C. 390 North Orange Avenue, Suite 1750 Orlando, Florida 32801 Telecopy No.: (407) 515-6513
To the MSRB:	http://emma.msrb.org

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the School, the Dissemination Agent, the Participating Underwriter and the Holders from time to time of the Bonds, and shall create no rights in any other Person or entity.

SECTION 14. No Personal Recourse. No personal recourse shall be had for any claim based on this Disclosure Agreement against any member, officer, or employee, past, present or future, of the School (including without limitation, the Disclosure Representative) or the Dissemination Agent, or of any successor body as such, either directly or through the School, the Dissemination Agent or any such successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise.

SECTION 15. Counterparts; Electronic Signatures. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. To the fullest extent permitted by applicable law, facsimile or electronically transmitted signatures shall constitute original signatures for all purposes under this Disclosure Agreement.

SECTION 16. Severability. If any provision in this Disclosure Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 17. Governing Law. This Disclosure Agreement and all matters arising out of this Disclosure Agreement shall be governed by and construed in accordance with the laws of the Commonwealth, without regard to conflict of laws principles.

SECTION 18. Successors and Assigns. All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the School or by or on behalf of the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 19. Headings for Convenience Only. The descriptive headings in this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

SECTION 20. Entire Agreement. This Disclosure Agreement sets forth the entire understanding and agreement of the School and the Dissemination Agent with respect to the matters herein contemplated and no modification or amendment of or supplement to this Disclosure Agreement shall be valid or effective unless the same is in writing and executed by the parties hereto.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this Disclosure Agreement as of the date first above written.

THE HILL SCHOOL

By: ______________________________
Name: ______________________________
Title: ______________________________

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Dissemination Agent

By: ______________________________
Authorized Officer

THE HILL SCHOOL

THE FAMILY BOARDING SCHOOL™