KPMG

THE ESTATE OF STEPHEN GIRARD, DECEASED

Financial Statements

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

THE ESTATE OF STEPHEN GIRARD, DECEASED

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KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

The Board of Directors of City Trusts:

We have audited the accompanying statements of net assets – FASB basis of The Estate of Stephen Girard, Deceased (the Estate) as of June 30, 2012 and 2011, and the related statements of changes in net assets – FASB basis and of cash flows – FASB basis for the years then ended. These financial statements are the responsibility of the Estate's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Estate's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared in accordance with the standards promulgated by the Financial Accounting Standards Board (FASB), which collectively represent a comprehensive basis of accounting other than generally accepted accounting principles for governmental entities, which are promulgated by the Governmental Accounting Standards Board.

In our opinion, such financial statements present fairly, in all material respects, the financial position – FASB basis of the Estate of Stephen Girard, Deceased, as of June 30, 2012 and 2011, and the changes in its financial position – FASB basis and its cash flows – FASB basis for the years then ended, on the basis of accounting described in note 1.

KPMG LLP

October 26, 2012

THE ESTATE OF STEPHEN GIRARD, DECEASED

Statements of Net Assets – FASB Basis

June 30, 2012 and 2011

(In thousands)

Assets		**2012**	**2011**
Cash	$	2,392	3,146
Receivables, net		3,044	3,956
Prepaid and other assets		9,776	10,218
Investments		217,312	311,277
Assets held under indenture agreements		31,693	27,913
Property, plant, and equipment, net		152,664	158,945
Total	$	416,881	515,455
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	1,182	1,238
Accrued expenses		2,770	3,606
Interest rate swap liability		30,807	22,279
Advance rents and other liabilities		97,753	91,936
Long-term debt less unamortized discount		79,200	151,134
Total liabilities		211,712	270,193
Net assets – unrestricted		205,169	245,262
Total	$	416,881	515,455

See accompanying notes to financial statements – FASB basis.

THE ESTATE OF STEPHEN GIRARD, DECEASED

Statements of Changes in Net Assets – FASB Basis

Years ended June 30, 2012 and 2011

(In thousands)

		2012	2011
Revenues:			
Realized and unrealized investment (losses) gains	$	(4,522)	61,420
Income from investments		6,989	5,947
Real estate		27,777	28,535
Girardville area		2,684	2,164
Reimbursements under government programs and other income		1,739	1,931
Contributions to Girard College		1,282	870
Other		—	268
Total revenues		35,949	101,135
Expenses:			
Girard College		22,952	24,766
Management of Girard Estate:			
Real estate		18,161	19,213
Girardville area		603	638
Administration		1,625	1,731
Interest expense		8,414	9,086
Other		186	—
Total expenses		51,941	55,434
Loss on early extinguishment of debt		1,095	—
Asset impairment		—	10,668
Unrealized loss (gain) on interest rate swaps		15,354	(2,173)
Increase (decrease) to pension benefit obligation		7,652	(4,125)
(Decrease) increase in net assets		(40,093)	41,331
Net assets, beginning of year		245,262	203,931
Net assets, end of year	$	205,169	245,262

See accompanying notes to financial statements – FASB basis.

THE ESTATE OF STEPHEN GIRARD, DECEASED

Statements of Cash Flows – FASB Basis

Years ended June 30, 2012 and 2011

(In thousands)

		2012	2011
Cash flows from operating activities:			
Change in net assets	$	(40,093)	41,331
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation and amortization		7,832	10,080
Asset impairment		—	10,668
Loss (gain) on asset sales		101	(308)
Realized and unrealized investment losses (gains)		4,522	(61,420)
Change in operating assets and liabilities:			
Rent and other receivables		912	(557)
Prepaids and other assets		373	(426)
Accounts payable		(56)	426
Accrued expenses and swap liability		7,692	(3,592)
Advance rents and other liabilities		5,817	(6,037)
Net cash used in operating activities		(12,900)	(9,835)
Cash flows from financing activities:			
Assets held under indenture agreements		4,748	452
Proceeds from new debt		20,000	—
Payments on long-term debt		(91,934)	(3,529)
Net cash used in financing activities		(67,186)	(3,077)
Cash flows from investing activities:			
Property additions		(3,400)	(2,747)
Proceeds from asset sales		1,818	330
Proceeds from sales of investments		91,888	20,101
Purchases of investments		(19,432)	(15,005)
Investments in joint ventures		(16,255)	(4,080)
Proceeds from joint ventures		527	40,910
Purchases of short-term investments		(15,514)	(36,072)
Sales of short-term investments		39,700	11,000
Net cash provided by investing activities		79,332	14,437
Net (decrease) increase in cash		(754)	1,525
Cash, beginning of year		3,146	1,621
Cash, end of year	$	2,392	3,146
Supplemental disclosures of cash flow information:			
Interest paid	$	8,095	8,686

See accompanying notes to financial statements – FASB basis.

(1) The Estate and Summary of Significant Accounting Policies

(a) The Estate

Upon his death in 1831, Stephen Girard bequeathed cash and real estate to the City of Philadelphia for the primary purpose of establishing a boarding school for orphans (Girard College). Girard College, in continuous operation since 1848, is now a full scholarship boarding school for grades 1 through 12 situated on a 43 acre campus in Philadelphia for academically capable students from qualified families of limited financial resources. The City of Philadelphia serves as Trustee under the will of Stephen Girard, deceased, acting by the Board of Directors of City Trusts (hereinafter referred to as the Girard Estate or the Estate) and retains ownership of the assets and obligations of the Estate which it administers for the benefit of the Estate. The Estate is comprised of personal property and real estate, principally acquired properties and improvements thereto in Philadelphia and throughout the Commonwealth of Pennsylvania (the Commonwealth) and anthracite coal lands in Schuylkill, Columbia and Northumberland counties in the Commonwealth in the general vicinity of Girardville, PA. The primary operations of the Estate include the funding and operation of Girard College. The funding is derived primarily from the Estate's investment portfolio, real estate assets and anthracite coal assets.

(b) Basis of Accounting

As described in note 8, the Board of Directors of City Trusts is an instrumentality of the Commonwealth of Pennsylvania and, as such, the Estate is subject to the accounting standards promulgated by the Governmental Accounting Standards Board (GASB). However, to prepare the financial statements and notes thereto, the Estate has chosen to follow accounting standards promulgated by the Financial Accounting Standards Board (FASB) applicable to not-for-profit organizations to reflect a presentation that is consistent with historical practices and that followed by other trusts. Estate management believes that the FASB format presents the results of its diversified educational, investment and real estate activities in a manner that is more meaningful to third parties and to the Board.

If the Estate's financial statements were prepared in accordance with GASB standards rather than FASB standards, the following significant differences would exist:

- Management's discussion and analysis would be required supplementary information.
- The Estate's recorded obligations for retirement plans would be based on the cumulative differences between annual required contributions and amounts funded rather than on the overall cumulative funded status of the plans, calculated as the difference between the actuarially determined annual projected benefit obligation and the fair value of plan assets. Additionally, information on funding progress for the plans would be required supplementary information.
- Gains and losses related to debt defeasance would be deferred and amortized over the life of the debt rather than recorded as gain or loss at the time of the defeasance.
- Additional disclosures would be provided regarding:

- interest rate risk, credit risk, custodial credit risk and concentrations of credit risk related to the Estate's investments and the Estate's policies for managing such risks;
- a description of the risks of loss to which the entity is exposed and the ways in which the risks of loss are managed;
- pledged revenues under the Estate's debt agreements;
- additions to and deductions from the Estate's capital assets and long-term debt and maturities of interest payments on long-term debt.

• Information about the classification of the Estate's assets and liabilities measured at fair value on a recurring basis in a hierarchy based on the nature of the inputs to fair value would not be provided.

(c) Net Assets

In accordance with accounting standards promulgated by the FASB applicable to not-for-profit organizations, net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Temporarily and permanently restricted net assets are not significant, and therefore all net assets and changes therein are classified and reported as unrestricted net assets in the accompanying financial statements.

(d) Receivables

Receivables include investment income receivable and accounts receivable. Accounts receivable are net of an allowance for bad debts which is estimated based upon the Estate's assessment of factors related to the collectability of such receivables. Actual losses may vary from current estimates. These estimates are reviewed periodically and if changes to such estimates are deemed necessary, they are recorded in the period in which they become reasonably estimable.

(e) Investments

At June 30, 2012 and 2011, the Estate's investments were primarily invested in the Collective Legal Investment Fund (the CLIF), which is a pooled investment fund of the assets of all the trusts administered by the Board of Directors of City Trusts. Such investments are stated at fair value (see note 2). Units of the CLIF are normally purchased and sold based on the available cash and cash requirements of the Estate. Gains and losses from the sales of such units, determined on the last-in, first-out (LIFO) method, are included in the statements of changes in net assets. The change in the difference between aggregate market value and the cost of investments from the beginning to the end of the year is reflected in the statements of changes in net assets. Earnings from the CLIF are allocated based on units held.

The CLIF participates in a securities lending program as a means to generate incremental income. Through this program, the CLIF may lend its securities to qualified borrowers, through its lending agent, that meet certain guidelines as established by the Board. All borrowings are initially secured by collateral in an amount equal to at least 102% of the fair value of the securities loaned and are marked to market daily. Each business day, the amount of collateral is adjusted based on the prior day's closing fair value. The collateral is invested in cash and cash equivalents. Income from lending activity is determined by the amount of interest earned on the invested collateral, a portion of which is allocated to the lending agent. The CLIF also is entitled to receive interest and dividends from securities on loan.

As of June 30, 2012 and 2011, the CLIF had loaned out certain securities, returnable on demand, with a market value of $33,614,000 and $76,391,000, respectively, to several financial institutions that have deposited collateral with respect to such securities of $34,342,000 and $78,753,000, respectively.

In 2012 the Estate liquidated its investments in several Real Estate Investment Trusts which were carried at fair value. The Estate is the minority partner in several joint ventures which are accounted for on the equity method.

(f) Assets Held Under Indenture Agreements

The Series 2001 and 2002 bond indentures require funds to be deposited with a trustee as security for outstanding debt obligations related to the Estate's debt agreements, outstanding letters of credit and interest rate swap agreements. The 2012 mortgage requires funds to be deposited into escrow for future tax payments. Assets held under indenture agreements consist of cash equivalents and securities segregated for this purpose within the CLIF.

(g) Interest Rate Swaps

The Estate's interest rate swaps related to its debt are measured at fair value and are recognized as assets or liabilities in the statements of net assets. See note 6.

(h) Property, Plant and Equipment

Property, plant and equipment are comprised of land, equipment and real estate improved and acquired for investment purposes, Girard College real property and facilities and construction-in-progress.

Expenditures for property, plant and equipment are recorded at cost. Improvements to buildings and Girard College capital assets are stated at cost less accumulated depreciation calculated on a straight-line basis over the estimated useful lives, ranging primarily from 5 to 35 years. Alterations for tenants are stated at cost less accumulated depreciation calculated on a straight-line basis over the terms of the respective leases. Equipment is stated at cost less accumulated depreciation calculated on a straight-line basis over the estimated useful lives, ranging primarily from 5 to 20 years.

Investments in real estate would be reduced to net realizable value if such amounts were determined to be less than depreciated cost.

(i) Fair Value

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

There are three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market and U.S. Treasury securities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate-debt securities and alternative investments which can be liquidated at net asset value at the statement of net assets date.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes illiquid alternative investments such as private equity funds.

The Estate measures its investments and interest rate swaps related to its debt at fair value in accordance with other accounting pronouncements. Additionally, the Estate discloses the fair value of the Estate's outstanding debt. The Estate's valuation methodology for each of these items is described below. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Investments

Collective Legal Investment Fund

At June 30, 2012 and 2011, the Estate's investments were invested in the Collective Legal Investment Fund (the CLIF), which is a pooled investment fund of the assets of all the trusts administered by the Board of Directors of City Trusts. Such investments are stated at fair value (see note 2). Within the CLIF the Estate owns shares which invest in the following types of securities:

Equity Securities

Securities traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded, they are categorized in Level 1 of the fair value hierarchy.

Debt Securities

U.S. government securities are generally valued at the closing price reported in the active market in which the individual security is traded.

Listed asset-backed securities are valued based on quoted market prices from the active market in which the instrument is principally traded and are categorized in Level 1 of the fair value hierarchy. If such quoted prices are not available, the fair value of the security is estimated based on models considering the estimated cash flows and expected yield. Such investments are categorized as Level 2 or Level 3 based on the extent inputs are observable and timely.

Other debt securities are valued at the closing price reported in the active market in which the security is traded, if available. If such information is not available, debt is valued based on yields currently available on comparable securities for issuers with similar credit ratings.

Private Equity Funds

Net asset values provided by limited partnership investees are based on estimates, appraisals, assumptions and methods that are reviewed by management. Management estimates the fair value of its limited partnership investments using the net asset value per share as reported by the investee as a practical expedient. Net asset value may differ from fair value as otherwise calculated.

Real Estate Investment Trusts

The Estate's real estate investment trusts (REITs) were marketable securities that were valued based on quoted market prices from the active market in which the instrument was publicly traded and were categorized in Level 1 of the fair value hierarchy.

Debt and Related Interest Rate Swaps

The fair value of the Estate's interest rate swaps related to its debt obligations as further discussed in note 5 is based on a discounted cash flow model with Level 2 inputs including the value of the relevant market index upon which the swap is based.

The fair value of the Estate's variable rate long-term debt approximates its carrying value because these financial instruments bear interest rates which approximate current market rates for loans with similar maturities and credit quality.

(j) Use of Estimates

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

(k) Asset Retirement Obligation

Substantially all of the Estate's asset retirement obligations represent estimated costs to remove asbestos within the Estate properties. The following is a reconciliation of the Estate's remaining asset retirement obligation for the years ended June 30, 2012 and 2011 (in thousands):

Balance, June 30, 2010	$	662
Accretion expense		40
Balance, June 30, 2011		702
Accretion expense		42
Balance, June 30, 2012	$	744

The liability is recorded as a component of advance rents and other liabilities in the statements of net assets.

(l) Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

(2) Investments and Assets Held Under Indenture Agreements

The following summarizes the Estate's investments at fair value as of June 30, 2012 and June 30, 2011 (in thousands):

		2012	2011
3,164,640 and 3,925,719 Collective Legal Investment Fund units, respectively	$	190,553*	257,798*
Assets held by the Estate:			
Real estate investment trusts		—	17,416
Joint ventures		25,847	10,965
Money market funds		912	25,098
	$	217,312	311,277

* Amounts exclude $30,807,000 at June 30, 2012 and $22,279,000 at June 30, 2011 that are segregated within the CLIF to comply with the requirements of certain debt, letter of credit and swap agreements. Such amounts have been included in assets held under indenture agreements to reflect the restriction on their use (see note 2(d)).

The composition of the Estate’s investment returns for the years ended June 30, 2012 and 2011 are as follows (in thousands):

		2012	2011
Net realized gain on sales of investments	$	8,059	18,700
Net unrealized (depreciation)/appreciation in fair value of investments		(12,581)	42,720
Income from investments, net		6,989	5,947
Total investment income	$	2,467	67,367

(a) Collective Legal Investment Fund

The CLIF is a balanced portfolio composed primarily of equity, fixed income and short-term investment securities. It is intended to be more aggressive than income-oriented portfolios and less aggressive than equity-oriented portfolios. All asset classes, other than alternative investments, must have a readily ascertainable market value and must be readily marketable. The Board’s investment policy does allow private investment funds on a limited basis. As of June 30, 2012, 2.4% of the CLIF assets have been invested in this asset class.

The equity portfolio is well diversified to avoid undue exposure to any single economic sector, industry group or individual security.

Risk, volatility and the possibility of loss in purchasing power are present to some degree in all types of investment vehicles. While high levels of risk are normally avoided, the assumption of risk is warranted and encouraged in order to allow the opportunity to achieve satisfactory long-term results consistent with objectives and fiduciary character of the CLIF. The volatility of returns are monitored and evaluated on a continuing basis.

At June 30, 2012 and 2011, the Estate owned approximately 57.07% and 61.71%, respectively, of the total units in the CLIF. The total investments of the CLIF at fair value as of June 30, 2012 and 2011 are as follows (in thousands):

		2012	2011
Bonds and notes payable:			
U.S. government and agency obligations	$	35,170	44,500
Corporate and other bonds		73,520	89,676
Asset-backed securities		1,800	3,221
International bonds		630	1,317
Common stock		185,990	194,178
Exchange-traded funds		33,410	60,133
International stock		14,751	18,536
Private equity		9,340	7,168
Mutual funds		18,991	20,305
Short-term investments		14,269	14,799
	$	387,871	453,833

The Estate's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1, Level 2, or Level 3 for the year ended June 30, 2012.

The following table presents the CLIF's fair value hierarchy for assets held in the Collective Legal Investment Fund measured at fair value on a recurring basis as of June 30, 2012 (in thousands):

	2012	Fair value measurements at June 30, 2012 using		
	Fair value	**Level 1**	**Level 2**	**Level 3**
Short-Term Investments	$ 14,269	14,269	—	—
Marketable Equity Securities:				
U.S. common stocks:				
Industrials	23,013	23,013	—	—
Consumer discretionary	24,297	24,297	—	—
Consumer staples	20,677	20,677	—	—
Energy	14,028	14,028	—	—
Financial	24,163	24,163	—	—
Materials	11,031	11,031	—	—
Information technology	33,460	33,460	—	—
Utilities	4,460	4,460	—	—
Healthcare	23,971	23,971	—	—
Telecommunications and other	6,890	6,890	—	—
Total U.S. common stocks	185,990	185,990	—	—
Mutual Funds:				
Global allocation fund	6,238	6,238	—	—
Asset strategy fund	6,251	6,251	—	—
All asset fund	6,502	6,502	—	—
Total mutual funds	18,991	18,991	—	—
International Stocks:				
European Union	4,698	4,698	—	—
Great Britain	3,724	3,724	—	—
Japan	2,349	2,349	—	—
Other	3,980	3,980	—	—
Total international stocks	14,751	14,751	—	—

(Continued)

	2012 Fair value	Fair value measurements at June 30, 2012 using Level 1	Level 2	Level 3
Exchange Traded Funds:				
S&P 500 Index	$ 29,630	29,630	—	—
Midcap index	3,780	3,780	—	—
Total exchange traded funds	33,410	33,410	—	—
Total marketable equity securities	253,142	253,142	—	—
Fixed Income:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	32,820	28,754	4,066	—
Debt securities issued by states of the United States and political sub-divisions of the states	2,350	—	2,350	—
Debt securities issued by foreign governments	630	—	630	—
Corporate debt securities	73,520	—	73,520	—
Residential mortgage-backed securities	756	—	756	—
Commercial mortgage-backed securities	1,044	—	1,044	—
Total fixed income	111,120	28,754	82,366	—
Private Equity Funds	9,340	—	—	9,340
Total investments in the CLIF	$ 387,871	296,165	82,366	9,340

(Continued)

The following table presents the CLIF's fair value hierarchy for assets held in the Collective Legal Investment Fund measured at fair value on a recurring basis as of June 30, 2011 (in thousands):

	2011 Fair value	Fair value measurements at June 30, 2011 using Level 1	Level 2	Level 3
Short-Term Investments	$ 14,799	14,799	—	—
Marketable Equity Securities:				
U.S. common stocks:				
Industrials	26,619	26,619	—	—
Consumer discretionary	21,690	21,690	—	—
Consumer staples	18,099	18,099	—	—
Energy	20,514	20,514	—	—
Financial	22,070	22,070	—	—
Materials	11,546	11,546	—	—
Information technology	37,002	37,002	—	—
Utilities	4,546	4,546	—	—
Healthcare	25,479	25,479	—	—
Telecommunications and other	6,613	6,613	—	—
Total U.S. common stocks	194,178	194,178	—	—
Mutual Funds:				
Global Allocation Fund	6,667	6,667	—	—
Asset Strategy Fund	6,887	6,887	—	—
All Asset Fund	6,751	6,751	—	—
Total mutual funds	20,305	20,305	—	—
International Stocks:				
European Union	6,792	6,792	—	—
Great Britain	4,001	4,001	—	—
Japan	2,845	2,845	—	—
Other	4,898	4,898	—	—
Total international stocks	18,536	18,536	—	—

		2011 Fair value	Fair value measurements at June 30, 2011 using Level 1	Level 2	Level 3
Exchange Traded Funds:					
MCSI International Index	$	261	261	—	—
S&P 500 Index		28,730	28,730	—	—
Midcap Index		31,142	31,142	—	—
Total exchange traded funds		60,133	60,133	—	—
Total marketable equity securities		293,152	293,152	—	—
Fixed Income:					
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies		42,704	27,649	15,055	—
Debt securities issued by states of the United States and political sub-divisions of the states		1,796	—	1,796	—
Debt securities issued by foreign governments		1,317	—	1,317	—
Corporate debt securities		89,676	—	89,676	—
Residential mortgage-backed securities		1,287	—	1,287	—
Commercial mortgage-backed securities		1,263	—	1,263	—
Other asset-backed securities		671	—	671	—
Total fixed income		138,714	27,649	111,065	—
Private Equity Funds		7,168	—	—	7,168
Total investments in the CLIF	$	453,833	335,600	111,065	7,168

(b) Investments Held by the Estate Measured at Fair Value

The following table presents the Estate's fair value hierarchy for assets held by the Estate measured at fair value on a recurring basis as of June 30, 2012 (in thousands):

	Fair value 2012	Fair value measurements at June 30, 2012 using Level 1	Level 2	Level 3
Money market funds	$ 912	912	—	—
	$ 912	912	—	—

The following table presents the Estate's fair value hierarchy for assets held by the Estate measured at fair value on a recurring basis as of June 30, 2011 (in thousands):

	Fair value 2011	Fair value measurements at June 30, 2011 using Level 1	Level 2	Level 3
Money market funds	$ 25,098	25,098	—	—
Real estate investment trusts	17,416	17,416	—	—
	$ 42,514	42,514	—	—

(c) Joint Ventures

In fiscal year 2012, the Estate invested $16,255,000 in joint ventures which own an office building leased as an automotive research facilty, student housing, an apartment complex and a strip mall in various states. The Estate is entitled to preferred cumulative dividends and/or operational cash flow from net operating income. These investments are accounted for on the equity method and are valued at $15,263,000 as of June 2012. The remaining joint ventures are accounted for on the equity method and are valued at $10,584,000.

The following table summarizes the Estate's investments in joint ventures as of June 30, 2012 and 2011. All joint venture agreements are accounted for by the equity method of accounting (in thousands):

		2012	2011
Joint venture beginning balance	$	10,965	35,765
Additional investments		16,255	4,080
Dividends/cash receipts		(527)	(40,384)
Equity participation (loss) gain		(846)	11,504
Joint venture ending balance	$	25,847	10,965

(d) Assets Held Under Indenture Agreements

Assets held under indenture agreements were $31,693,000 and $27,913,000 at June 30, 2012 and 2011, respectively. Of these amounts, $30,807,000 and $22,279,000, respectively, were segregated within the CLIF while the remainder is held in cash and cash equivalents in separate accounts with trustees.

(3) Property, Plant and Equipment

Property, plant and equipment of the Estate as of June 30, 2012 and 2011 is as follows (in thousands):

		2012	2011
Real estate operations:			
Land	$	30,491	31,038
Buildings and improvements		130,959	131,936
Tenant alterations		12,241	12,228
Equipment		204	202
		173,895	175,404
Accumulated depreciation		(54,169)	(51,137)
		119,726	124,267
Coal operations:			
Equipment		317	317
		317	317
Accumulated depreciation		(176)	(155)
		141	162
Girard College operations:			
Capital assets		64,672	63,534
Equipment		1,298	1,202
		65,970	64,736
Accumulated depreciation		(33,173)	(30,220)
		32,797	34,516
Total property, plant, and equipment, net	$	152,664	158,945

Land and other real estate received under the will of Stephen Girard after his death in 1831 have been assigned no value in the accounts of the Estate and represent various properties in Philadelphia, Schuylkill and Columbia counties in Pennsylvania. Subsequent improvements to buildings and real estate have been capitalized and depreciated.

The Estate recorded depreciation expense of $7,763,000 and $9,984,000 in 2012 and 2011, respectively.

In fiscal year 2011 certain long-lived real estate assets, which are classified as being held and used, were identified as being impaired. An impairment loss was recognized when the future undiscounted cash flows of income producing office buildings multiplied by appropriate market capitalization rates were estimated to be less than the carrying values of such assets. As a result, the carrying values of the assets were reduced by $10,668,000 to arrive at their fair values at June 30, 2011. This expense is shown as a separate line item in the Statements of Changes in Net Assets. Management determined that there was no impairment to any assets in fiscal 2012.

(4) Retirement Plans

Eligible employees of the Estate and Girard College are covered by either the Board of Directors of City Trusts Contributory Retirement Plan or the Board of Directors of City Trusts Non-Contributory Retirement Plan (the Plans). The financial statements of the Plans are reported upon separately. Contributions to the Plans provide for the payment of estimated normal cost and amortization of the unfunded prior service liability over a 25-year period.

The Estate recorded a liability of $12,253,000 and $5,290,000 at June 30, 2012 and 2011, respectively, for the Estate's unfunded status, which is included as a component of advance rents and other liabilities in the statements of net assets. The impact of recognizing the Estate's portion of the change in funded status of the Plans in fiscal 2012 and 2011 totaled $7,652,000 and $(4,125,000), respectively.

The following presents the projected funded status and accrued cost of the Estate's portion of the Plans for the year ended June 30, 2012 (in thousands):

		Contributory Plan	Non-Contributory Plan
Projected benefit obligations – June 30	$	(5,549)	(31,429)
Fair value of plan assets – June 30		3,787	20,938
Funded status	$	(1,762)	(10,491)
Accrued cost recognized in the Estate's statement of net assets	$	(1,762)	(10,491)
Accumulated benefit obligation		5,228	30,246
Benefit expense		200	899
Employer contribution		411	1,901
Plan participants' contribution		57	—
Benefits paid		271	1,082
Weighted average assumptions used to determine benefit obligation and net periodic benefit cost:			
Discount rate		4.00%	4.11%
Expected long-term return on plan assets		8.00	8.00
Rate of compensation increase		3.00	3.00

The following presents the projected funded status and accrued cost of the Estate's portion of the Plans for the year ended June 30, 2011 (in thousands):

		Contributory Plan	Non-Contributory Plan
Projected benefit obligations – June 30	$	(4,480)	(24,932)
Fair value of plan assets – June 30		3,674	20,448
Funded status	$	(806)	(4,484)
Accrued cost recognized in the Estate's statement of net assets	$	(806)	(4,484)
Accumulated benefit obligation		4,245	24,043
Benefit expense		322	1,372
Employer contribution		320	1,277
Plan participants' contribution		70	—
Benefits paid		295	969
Weighted average assumptions used to determine benefit obligation and net periodic benefit cost:			
Discount rate		5.41%	5.59%
Expected long-term return on plan assets		8.00	8.00
Rate of compensation increase		3.00	3.00

The 8.0% expected rate of return on Plan assets has been employed for both Plans based on their investment in the CLIF for many years. It is a reasonable estimate based on (a) the CLIF's actual annual rates of return in the past and (b) reasonable expectations with regard to the future annual returns.

The components of net periodic benefit cost for the years ended June 30, 2012 and 2011 are as follows (in thousands):

		2012	2011
Amounts recognized in net assets but not yet recognized in net periodic benefit cost:			
Prior service costs	$	445	558
Net loss		12,977	5,215
Total amount recognized in net assets	$	13,422	5,773
Components of net periodic benefit cost:			
Service cost	$	1,134	1,091
Interest cost		1,598	1,562
Expected return on plan assets		(1,935)	(1,591)
Amortization of prior service cost		113	113
Recognized actuarial cost		189	518
Net periodic benefit cost	$	1,099	1,693

The Estate expects to contribute $411,000 and $1,901,000 to the Contributory and Non-Contributory Retirement Plans, respectively, in fiscal year 2013.

The expected benefit payments from the Plans for the next 10 years are as follows (in thousands):

		Contributory Plan	Non-Contributory Plan
2013	$	284	1,174
2014		272	1,386
2015		315	1,413
2016		304	1,460
2017		340	1,498
Years 2018 – 2022		2,010	8,155
	$	3,525	15,086

The Plans' investments were held in the CLIF at June 30, 2012 and 2011. See note 2(a) for the allocation of assets within the CLIF.

	2012		2011	
	CLIF units held	**Percentage of CLIF held**	**CLIF units held**	**Percentage of CLIF held**
Contributory Plan	52,317	0.94%	49,825	0.78%
Non-Contributory Plan	294,385	5.31	282,540	4.44

(5) Long-Term Debt

(a) Coal Mining and Facilities Leasing Projects

On May 24, 1999, the Washington County (Pennsylvania) Authority (the Authority) issued $43,500,000 of Variable Rate Demand Revenue Bonds (Girard Estate Refunding Project), Series of 1999 (the 1999 Bonds). The proceeds were used to defease and advance refund the Industrial and Commercial Revenue Bonds (Girard Estate Coal Mining Project), Series of 1996 (the 1996 Bonds) and the Industrial and Commercial Revenue Bonds (Girard Estate Facilities Leasing Project), Series of 1997 (the 1997 Bonds) issued by the Philadelphia Authority for Industrial Development; to fund a debt service reserve fund; and for payment of costs and expenses of issuance of the 1999 Bonds. The 1999 Bonds were limited obligations of the Authority payable solely from revenues and payments to the Authority from the Estate under the loan agreement, certain funds pledged to and held by the trustee and from funds drawn on a letter of credit. The loan agreement was a limited obligation of the Estate. The obligations of the Estate under the loan agreement were secured by a pledge and assignment by the Estate to the Authority of the net project revenues. The project facilities included commercial office buildings, airplane hangars and related real estate and the Estate's coal reserves and related assets. The Estate originally entered into an irrevocable direct pay letter of credit (the credit facility) agreement with a bank for an initial amount of $46,500,000 which after several extensions, the most recent occurring in May 2012, had an expiration date of July 10, 2012. The credit facility allowed the tender and paying agents of the 1999 Bonds to draw funds necessary to cover the debt service.

In April 2012, the Estate directed the Authority to exercise its right under the Trust Indenture to cause the optional redemption prior to maturity of all the outstanding 1999 Bonds on June 1, 2012 at a redemption price of 100% of the principal amount of the redeemed bonds plus accrued interest on the redeemed bonds to the redemption date. In accordance with the Trust Indenture, the Estate deposited sufficient funds prior to June 1, 2012 with the Trustee for the purpose of effecting the redemption. Bonds with an aggregate par value of $26,040,000 were redeemed on June 1, 2012.

In connection with the issuance of the 1999 Bonds, the Estate entered into a swap contract in order to convert the variable interest rate on the 1999 Bonds to a synthetic fixed rate. The agreement commenced with a notional amount of $43,500,000 and declined semi-annually until the termination of the agreement on June 1, 2027. In May 2009 the swap agreement was amended and restated at the current notional value and the same fixed rate. The new swap agreement allowed, among other things, for an optional termination by the Estate upon ten days notice to the bank as the swap counterparty. At June 30, 2011, the fair value of the rate swap was $(5,101,000) and was recorded as a liability in accrued expenses. Amounts payable under this agreement were recognized as interest expense.

In May 2012, the Estate exercised its optional right under the May 2009 amended and restated swap agreement to terminate the swap associated with the 1999 Bonds on June 1, 2012 by notifying the bank in its capacity as swap counterparty. The swap termination was to occur simultaneously with the optional redemption of all the outstanding 1999 Bonds. By agreement with the bank, the Estate funded the $(6,826,000) fair value of the swap as the required swap termination payment as of June 1, 2012 and the net accrued interest as of June 1, 2012, both payable to the bank as the swap counterparty, on June 5, 2012.

(b) Girard College Project

On November 25, 1998, the Washington County Authority (the Authority) issued Revenue Bonds (the Girard College Project), Series of 1998 (the 1998 Bonds). The par value of the 1998 Bonds was $30,000,000 and the proceeds were used to fund the construction and renovation of dormitory buildings and other facilities on the campus of Girard College; to fund a debt service reserve fund and capitalized interest; and for payment of costs and expenses of issuance of the 1998 Bonds. The loan agreement was an unsecured obligation of the Estate payable from the unrestricted assets and unrestricted revenues of the Estate.

Pursuant to the 1998 indenture between the Authority and the Trustee, the bond issuer, MBIA Insurance Corporation, provided notice on November 25, 2008 that its rating had been downgraded to Baa1 by Moody’s and to Aa by Standard & Poor’s. The indenture provided that, upon such event, the Estate must deliver to the Trustee for deposit into the Debt Service Reserve Fund cash or a replacement Debt Service Reserve Fund Surety in the approximate amount of $1,965,000 within 31 days of such notification. The Estate complied with this requirement and the funds were included in assets held under indenture agreements in the statement of net assets.

In March 2012, the Estate directed the Authority to exercise its right under the Trust Indenture to cause the optional redemption prior to maturity of all the outstanding 1998 Bonds on May 15, 2012 at a redemption price of 100% of the principal amount of the redeemed bonds plus accrued interest on the redeemed bonds to the redemption date. In accordance with the Trust Indenture, the Estate deposited sufficient funds prior to May 15, 2012 with the Trustee for the purpose of effecting the redemption. Bonds with an aggregate par value of $22,900,000 were redeemed on May 15, 2012.

(c) Series of 2001 Variable Rate Demand Revenue Bonds

On October 30, 2001, the Philadelphia Authority for Industrial Development (PAID) issued $23,200,000 of Variable Rate Demand Revenue Bonds (Girard Estate Facilities Leasing Project), Series of 2001 (the 2001 Bonds), under a Trust Indenture dated October 15, 2001. The proceeds were used to fund the purchase of certain real estate assets, most of which are being leased to the Commonwealth of Pennsylvania, acting through its Department of General Services, to fund a debt service reserve fund and for payment of costs and expenses of issuance of the 2001 Bonds. The 2001 Bonds are limited obligations of PAID, payable solely from the gross revenues of and payments to PAID by the Estate under the loan agreement, certain funds pledged to and held by the trustee and from funds drawn on a letter of credit. The loan agreement is a limited obligation of the Estate. The obligations of the Estate under the loan agreement are secured by a pledge and assignment by the Estate to PAID of the gross project revenues. The Estate entered into an irrevocable direct pay letter of credit (the credit facility) agreement with a bank for a total amount of $23,459,000 which after several extensions, the most recent occurring in May 2011, has an expiration date of October 2012. The credit facility allows the paying agent and tender agent for the 2001 Bonds to draw funds necessary to cover the debt service and purchase of bonds subject to tender or redemption.

In connection with the issuance of the 2001 Bonds, the Estate entered into a swap contract in order to convert the variable interest rate on the 2001 Bonds to a synthetic fixed rate. In May 2009 the swap agreement was amended and restated at the current notional value and the same fixed rate. The new swap agreement allows, among other things, for an optional termination by the Estate upon ten days notice to the bank. The expiration date of the swap remains October 2031. The fair value of the rate swap at June 30, 2012 and 2011 was $(11,182,000) and $(6,015,000), respectively, and is recorded as a liability in accrued expenses.

(d) Aramark Tower Financing

On April 9, 2002, the Philadelphia Authority for Industrial Development (PAID) issued $36,000,000 of Variable Rate Demand Revenue Bonds (Girard Estate Aramark Tower Acquisition Project), Series of 2002 (the 2002 Bonds), under a Trustee Indenture dated April 1, 2002. The proceeds were used to fund a portion of the purchase of the fee and leasehold interest in the Aramark Tower; to fund a debt service reserve fund; and for payment of costs and expenses of issuance of the 2002 Bonds. The 2002 Bonds are limited obligations of PAID payable solely from the revenues of and payments to PAID by the Estate under the loan agreement, certain monies pledged to and held by the trustee and from funds drawn on a letter of credit. The loan agreement is a general obligation of the Estate payable from the unrestricted revenues of the Estate. The Estate entered into an irrevocable direct pay letter of credit (the credit facility) agreement with a bank for a total amount of $36,402,000 which after several extensions, the most recent occurring in December 2009, has an expiration date of April 2013. The credit facility allows the paying agent and tender agent for the 2002 Bonds to draw funds as necessary to cover the debt service and purchase price of bonds subject to tender or redemption.

In connection with the issuance of the 2002 Bonds, the Estate entered into a swap contract in order to convert the variable interest rate in the 2002 Bonds to a synthetic fixed rate. In May 2009 the swap agreement was amended and restated at the current notional value and the same fixed rate. The new swap agreement allows, among other things, for an optional termination by the Estate upon ten days notice to the bank. The swap contract expires in 2032. The fair value of the rate swap at June 30, 2012 and 2011 was $(19,625,000) and $(11,163,000), respectively, and is recorded as a liability in accrued expenses.

In April 2, 2002, a bank issued a $47,500,000, 6.86% fixed rate, 10-year term, 30-year amortization mortgage note. The proceeds were used to fund a portion of the purchase of the fee and leasehold interest of the Aramark Tower. Repayments of principal and interest began in June 2002 and were due monthly thereafter up to and including April 2012. Additionally, monthly escrow deposits were due for real estate taxes, insurance premiums and capital repairs and replacements. In April 2012, the

Estate satisfied the mortgage by making the final required balloon principal payment of approximately $41,435,000, net of amounts already held by the escrow agent.

In May 2012, an insurance company issued a $20,000,000, 3.95% fixed rate, 10-year term, 25-year amortization note as a partial refinancing of the fee and leasehold interest of the Aramark Tower. Repayments of principal and interest began in July 2012 and are due monthly for 10 years up to and including June 2022. At that time, a significant portion of the principal will remain outstanding and will require refinancing or satisfaction. Additionally, an escrow deposit is due monthly for real estate taxes.

(e) Debt Covenants

The Estate has covenanted that it will not lease, sell or otherwise dispose of all or a part of the project facilities of the facilities leasing projects to a person other than a governmental unit. In the event that the Commonwealth or any other lessee of all or a portion of the 2001 and 2002 project facilities assigns its rights as lessee to an assignee that is not a governmental unit, the Estate is required to take remedial action (if any) in order to maintain the exclusion of interest on the 2001 and 2002 Bonds from gross income for federal income tax purposes.

The debt covenants under the letter of credit agreements require that the Estate maintain a ratio of market value of unrestricted unencumbered marketable securities to total secured liabilities of 1.75 and/or a ratio of adjusted market value of unrestricted unencumbered marketable securities to total secured liabilities of 1.25 as those terms are defined in the agreement. Also, the Estate may not issue or incur any additional general obligation indebtedness without the prior written consent of the swap counterparty, which consent will not be unreasonably withheld.

Under the Credit Support Annex to the 2001 swap master agreement as amended as part of the 2002 master swap agreement, the Estate is required to pledge as collateral certain marketable securities with an adjusted (as defined) market value equal to the monthly combined net fair value loss of the Estate's two rate swaps (2001 and 2002). Such collateral is held in the CLIF and presented as assets held under indenture agreements in the statement of net assets. In addition the counterparty has a priority secured position, in the event of default, against the Estate's marketable securities.

The Estate was in compliance with all covenants under all Bonds, letter of credit agreements, swap agreements and mortgage note as of June 30, 2012 and 2011.

Long-term debt consists of the following at June 30, 2012 (in thousands):

		Principal
2001 Bonds, interest paid monthly, rate swapped to a fixed rate of 4.975% at June 30, 2012. No principal payments until maturity in 2031. The loan agreement is secured by a pledge and assignment of gross project revenues	$	23,200
2002 Bonds, interest paid monthly, swapped to a fixed rate of 5.305% at June 30, 2012. No principal payments until maturity in 2032. The loan agreement is a general obligation of the Estate		36,000
Mortgage payable, 3.95% fixed rate note, 10-year term to June 2022, 25-year amortization		20,000
	$	79,200

Long-term debt consists of the following at June 30, 2011 (in thousands):

		Principal	Unamortized discount
1998 Bonds, interest payable semiannually, ranging from 4.55% to 5.00%, annual principal payments ranging from $890,000 in fiscal 2011 to $1,945,000 in fiscal 2028. The loan agreement is an unsecured general obligation of the Estate	$	22,900	320
1999 Bonds, interest payable semiannually, rate swapped to a fixed rate of 5.25% at June 30, 2011. Annual principal payments ranging from $2,005,000 in fiscal 2011 to $1,670,000 in fiscal 2027. The loan agreement is secured by a pledge and assignment of net project revenues		27,305	—
2001 Bonds, interest paid monthly, rate swapped to a fixed rate of 4.975% at June 30, 2011. No principal payments until maturity in 2031. The loan agreement is secured by a pledge and assignment of gross project revenues		23,200	—
2002 Bonds, interest paid monthly, swapped to a fixed rate of 5.305% at June 30, 2011. No principal payments until maturity in 2032. The loan agreement is a general obligation of the Estate		36,000	—
Mortgage payable, 6.86% fixed rate note, 10-year term to April 2012, 30-year amortization		42,049	—
	$	151,454	320

Maturities of the long-term debt outstanding are as follows (in thousands):

Years ended June 30:		
2013	$	479
2014		498
2015		518
2016		539
2017		561
Thereafter		76,605
	$	79,200

The 2001 Bonds and 2002 Bonds had remarketing terms and irrevocable direct pay letters of credit which could change the maturity dates of each of the Bonds to fiscal 2013. However, as described in note 10, the irrevocable direct pay letters of credit were extended to December 2014 subsequent to year-end.

Based on borrowing rates currently available to the Estate for debt with similar terms and remaining maturities, the fair values of long-term debt are estimated to approximate their carrying values. The variable rate of the 2001 and 2002 Bonds is a market rate based on the SIFMA Municipal Swap Index.

(6) Interest Rate Swaps

The following is a summary of the Estate's interest rate swap agreements (in thousands):

Series	Effective date		Notional amount	Estate pays	Estate receives	Expiration date
2001 Bonds	10/30/2001	$	23,200	4.975%	SIFMA less 10bp	11/01/2031
2002 Bonds	4/9/2002		36,000	5.305	SIFMA less 10bp	6/01/2032

The fair value of the interest rates swap is recorded in the financial statements as follows (in thousands):

	Balance sheet location	Location of gain/loss		Fair value 2012	Fair value 2011	Gain/(loss) 2012	Gain/(loss) 2011
Interest rate swap agreements	Interest rate swap liability	Unrealized gain (loss) on interest rate swaps	$	30,807	22,279	(15,354)	2,173

The following table presents the fair value hierarchy classification of the Estate's swap obligations as of June 30, 2012 with a comparative total for 2011 (in thousands):

	Fair value 2012	Fair value measurements at June 30, 2012 using: Level 1	Level 2	Level 3	Fair value 2011
Financial liabilities:					
Interest rate swap obligations	$ 30,807	—	—	30,807	22,279
	$ 30,807	—	—	30,807	22,279

(7) Real Estate Leases

Tenant leases have various expiration dates ranging through fiscal year 2021. Minimum rentals on noncancelable operating leases at June 30, 2012, which represent future income to the Estate, are as follows (in thousands):

2013	$ 19,787
2014	19,745
2015	18,283
2016	15,877
2017	13,683
Thereafter	94,302
	$ 181,677

In 2007, the Estate entered into a long term ground lease with a lessee, in the form of two leases, for the land and existing buildings located in the City of Philadelphia, between Market and Chestnut Streets and between 11th and 12th Streets and received an up-front payment of $90,000,000. In addition, the Estate will receive basic net rent, for each lease, of $1 per year.

The leases are triple net leases with all income, expenses, taxes and liabilities transferring to the lessee for a term of 75 years. At the lessee's option the lease term can be extended for an additional term of 75 years for the then current market rate to be determined by binding arbitration. Title to the property remains with the Estate and, as a result, the lease is accounted for as an operating lease. The $90,000,000 up-front payment at June 30, 2007 was recorded as unearned rental income and is included in advance rents and other liabilities in the statements of net assets. The unamortized balances at June 30, 2012 and 2011 were $83,937,000 and $85,137,000, respectively. The lessee has been granted the right to perform property improvements up to and including the demolishing of current structures and the development of new properties. Title to new properties and improvements passes to the Estate at the end of the lease term. The leases do not contain bargain purchase options. In July 2008 the leases were assigned by the lessee, with the Estate's consent, to a third party.

(8) Tax Status

The City of Philadelphia, Trustee, Under the Will of Stephen Girard, Deceased, Acting by the Board of Directors of City Trusts, statutory agent for the City of Philadelphia, has been determined to be an agency of the Commonwealth of Pennsylvania and, as such, is exempt from federal income taxes.

U.S. generally accepted accounting principles require management to evaluate tax positions taken by the Estate and recognize a tax liability (or asset) if the Estate has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Estate and has concluded that, as of June 30, 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Estate is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

(9) Commitments and Contingencies

The Commonwealth Court of Pennsylvania, on April 4, 2011, issued an opinion in City of Philadelphia, Trustee Under the Will of Stephen Girard, Deceased, Acting by the Board of Directors of City Trusts v. Cumberland County Board of Assessment Appeals, No. 1725, C.D. 2010 (the Decision), reversing a decision by the Court of Common Pleas of Cumberland County that certain investment property owned by the City of Philadelphia, Trustee under the Will of Stephen Girard, Deceased, Acting by the Board of Directors of City Trusts, was immune and exempt from taxation by the County and related taxing entities.

In reversing the trial court determination, the Commonwealth Court held that the Estate and Board of Directors of City Trust are not governmental agencies.

In light of the enabling statute and prior case law, the Board of Directors of City Trusts has filed an application for allowance of appeal of the Decision with the Commonwealth of Pennsylvania Supreme Court. If the Decision is not reversed on appeal, all or some portion of the Estate’s income may be declared taxable. Additionally, the Estate’s outstanding tax-exempt bonds could be declared taxable and a tax liability could be assessed against the holders of all or some portion of the bonds, which would trigger a mandatory redemption obligation with respect to the bonds.

While the Board of Directors of City Trusts is actively pursuing its appeal of the Decision, it is not possible to predict the outcome of the appeal. The financial impact of an unsuccessful appeal on the Estate is not reasonably estimable at this time. Oral arguments before the Pennsylvania Supreme Court were held on May 9, 2012. However, the Estate has not received any notices as to when a decision on its appeal will be rendered.

The Estate is party to various claims and legal proceedings which arise in the normal course of business. Management, after consultation with legal counsel, does not believe that the resolution of these matters will have a material adverse effect on the Estate’s financial condition or results of operations.

(10) Subsequent Events

In connection with the preparation of the financial statements and in accordance with the recently issued FASB ASC 855-10, *Subsequent Events*, the Estate evaluated subsequent events after the balance sheet date of June 30, 2012 through October 26, 2012 which was the date the financial statements were issued.

In September 2012, the Estate extended the irrevocable direct pay letter of credit associated with the Series 2001 Bonds which had an expiration date of October 2012 to December 2014. Also in September 2012, the Estate extended the bank irrevocable direct pay letter of credit associated with the Series 2002 Bonds which had an expiration date of April 2013 to December 2014.