DIRECTIVE 2021-003

January 19, 2021

Re: CONSIDERATION OF A REQUEST BY NORTHEAST OHIO MEDICAL UNIVERSITY TO PLEDGE FEES IN SUPPORT OF A BOND ISSUANCE NOT TO EXCEED $53,500,000 TO BE USED TO FINANCE MULTIPLE CAPITAL PROJECTS

Ohio Revised Code §3345.11 enables a state university or college to issue general receipts obligation bonds in the manner provided by and subject to the applicable provisions of Ohio Revised Code §3345.12.

§381.390 of Am. Sub. H.B. 166 of the 133rd General Assembly requires that any new pledge of fees to secure bonds or notes of a state college or university be approved by the Chancellor of the Ohio Department of Higher Education.

Pursuant to Ohio Revised Code, Northeast Ohio Medical University has demonstrated the following:

• The proposed projects are essential to fulfilling institutional goals.
• The institution’s Board of Trustees approved a resolution authorizing this bond issuance during their December 1, 2020 meeting.
• The institution’s proposal complies with §3345.11 and §3345.12.

Agency staff reviewed the request and posted its recommendations to the Department of Higher Education’s web site for purposes of providing a period of public comment before final approval by the Chancellor. The materials posted for comment and the request to pledge fees are attached to this document.

Based on my review of staff recommendations, I hereby approve the request to pledge fees by Northeast Ohio Medical University in support of general receipts obligation bonds in an aggregate amount not to exceed $53,500,000. Furthermore, any increase in fees to support this issuance shall not be exempt from any future restraint to increases in undergraduate instructional and general fees imposed by the General Assembly.

This directive will take effect immediately.

Randy Gardner
Chancellor
Northeast Ohio Medical University Fee Pledge

Northeast Ohio Medical University (NEOMED) is requesting to pledge fees to support the issuance of up to $53.5 million of debt.

$15 million in new debt will be fixed rate, long-term (20 years) debt used for portions of costs of ongoing construction, nearly completed, and completed projects. Projects consist of the build out of the fourth floor of the University’s Research & Graduate Education Building; construction of the Medical Office Building in partnership with the Ohio Facilities Construction Commission; renovation of the Regula South Corridor for academic space; and, pay a portion of the costs of issuance.

NEOMED mentions the possibility of refunding $33.9 million from NEOMED’s Series 2010 and Series 2011 bonds. Both series 2010 and 2011 refunding transactions are being undertaken solely to achieve debt service savings. NEOMED anticipates issuing the refunding bonds only if it can achieve an adequate amount of debt service savings.

NEOMED had $37.6 million of fixed rate outstanding debt at the end of FY 2020. Their SB 6 Composite Score in FY 2020 is 4.10. The FY 2020 composite score remains 4.10 with the additional $15 million in new debt. It should be noted that the SB 6 score and ratios do not include the debt of the university’s umbrella organization ERS Strategic Properties, Inc. (ERS). In FY 2020 ERS had outstanding obligations in the amount of $113 million. The combined total of the direct and indirect obligations is high for this institution and the key factor for the lower credit rating.

Analysis

1) Does the request provide an overview and project descriptions with supporting documentation?
   Provided a list of projects to be financed with new money on page 5 of the fee pledge request.

2) Does the proposal provide a projected cost break down?
   Section II Project Financing and Costs provides estimates for each component of the contemplated plan of finance.

3) Does the proposal specify that the project(s) will have no direct impact on student tuition and fees?
   NEOMED affirms in their request that: “The proposed debt issuances will have no direct impact on student tuition and fees. Although NEOMED may use unrestricted student fee revenues to support the debt service related to this request, NEOMED’s student tuition and fees will not increase as a direct result of this action.”

4) Does the proposal include a financial ratio analysis?
   Composite Scores below:

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<td>3.9</td>
<td>4.7</td>
<td>3.9</td>
<td>4.3</td>
<td>4.1</td>
<td>4.10</td>
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</table>
5) Does the proposal provide a financial outlook and bond rating? Also, does the proposal discuss change in plant debt?

- NEOMED’s current rating from Moody’s is Baa2/Stable. Standard & Poor’s (S&P) rating is BBB+. S&P only rated the University’s student Housing Bonds and did not rate the General Receipt Bonds.
- NEOMED had outstanding debt - $37.6 million at the end of FY 2020. Their Viability ratio was 153.4%; it would decline to 109.7% if the issuance of $15 million was included to actual FY 2020 calculations.
NORTHEAST OHIO MEDICAL UNIVERSITY

Fee Pledge Request

Not-to-Exceed
$53,500,000 General Receipts Bonds

Submission Date: December 4, 2020
Northeast Ohio Medical University  
Fee Pledge Request  
Submitted to the Ohio Department of Higher Education  
December 4, 2020

**Prepared and Submitted by:**

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**On Behalf of:**

Northeast Ohio Medical University (“NEOMED”), a state university of Ohio, located in Rootstown, Ohio. Since its founding in 1973, NEOMED has been committed to training the next generation of physicians, pharmacists and health researchers through its College of Medicine, College of Pharmacy, and College of Graduate Studies. NEOMED also offers six research focus areas: community-based mental health, diabetes, obesity and metabolism, hearing research, heart and blood vessel disease, musculoskeletal research, and neurodegenerative disease and aging.

NEOMED’s business model is founded in collaboration, with NEOMED partnering with 29 clinical institutions, more than 100 pharmacies, nine colleges and universities (including Kent State University, The University of Akron, Youngstown State University, Cleveland State University, Bowling Green State University, Central State University, Stark State College, Hiram College, and Baldwin Wallace University), and dozens of other public, civic, and private organizations.

NEOMED’s **Mission** is to harness diversity, innovation and collaboration to create transformative leaders and improve health through education, discovery and service. NEOMED’s **Vision** is to be the model of excellence in innovative education and impactful research to create transformational health care leaders of tomorrow. NEOMED incorporates the following **Values** in all that it does: Leadership, Excellence, Advocacy, Diversity, Equity, and Respect.

**I. Plan of Finance Overview**

NEOMED requests the authority to pledge fees in support of the following transactions (collectively, the “Series 2021 Bonds”), aggregating $53,500,000 in not-to-exceed principal amount:

(i) A fixed-rate new money bond issue for a project fund of up to $15 million. The proceeds of the proposed General Receipts Bonds will be used to (a) finance a portion of costs of ongoing construction, nearly completed and completed (i) build out of the fourth floor of the University’s Research & Graduate Education Building; (ii)
construction of the Medical Office Building in partnership with the Ohio Facilities Construction Commission; (iii) renovation of the Regula South Corridor for academic space; and, (b) pay a portion of the costs of issuance. See Section IV for further information on the project.

(ii) A fixed-rate, tax-exempt current refunding of all callable maturities of NEOMED’s currently outstanding General Receipts Bonds, Series 2010 (Federally Taxable – Recovery Zone Economic Development Bonds – Direct Payment) (the “Series 2010 Bonds”), should market conditions provide NEOMED with an opportunity to achieve savings on existing debt service. The proceeds generated from the sale will be used to (a) refinance $11.7 million par amount of existing debt on a tax-exempt basis and (b) pay costs of issuance and refinancing. This refunding transaction is being undertaken solely to achieve debt service savings. Before the issuance of the Series 2010 Bonds, on November 17, 2010, NEOMED sought and received fee pledge approval for the Series 2010 Bonds.

(iii) A fixed-rate refunding of all callable maturities of NEOMED’s currently outstanding General Receipts Bonds, Series 2011 (the “Series 2011 Bonds”) should market conditions provide NEOMED with an opportunity to achieve savings on existing debt service. The proceeds generated from the sale will be used to (a) refinance $22.0 million par amount of existing debt and (b) pay costs of issuance and refinancing. This refunding transaction is being undertaken solely to achieve debt service savings. Before the issuance of the Series 2011 Bonds, on November 9, 2011, NEOMED sought and received fee pledge approval for the Series 2011 Bonds.

Under the current plan of finance NEOMED intends to (A) combine the new money bond issue, described in (i) above, and the tax-exempt current refunding bond issue, described in (ii) above, into a single, combined tax-exempt bond issue, and (B) issue the refunding bond issue described in (iii) above, as a federally taxable bond issue. If there is a change in federal law or if the market changes, there is a possibility that the bonds issued to refund the Series 2011 Bonds would be issued as tax-exempt bonds. For purposes of this request, however, we have assumed a federally taxable bond issue for the refunding of the Series 2011 Bonds.

NEOMED’s Board of Trustees approved the Series 2021 Bonds at its meeting on December 1, 2020. The authorizing resolution is attached as Exhibit A.

II. Project Financing and Costs

Please see Exhibit B for NEOMED’s (i) current debt service schedules for its Series 2010 Bonds and Series 2011 Bonds and (ii) anticipated debt service schedules, assuming only the issuance of the new money portion of the Series 2021 Bonds, under current market conditions, to provide the most conservative scenario for purposes of this fee pledge approval request. Below, please find the current assumptions and estimates for each component of NEOMED’s currently contemplated plan of finance, in each case based on current market conditions:
New Money Assumptions and Estimates:

- Anticipated Closing Date: Week of January 25, 2021
- Issuance Type: Fixed Rate
- Estimated Principal Amount: $13,230,000
- Term: Not more than the 30-year maximum term as authorized by the Board of Trustees
- Average Life: 11.98 years (assumes a 20-year term)

Series 2010 Refunding Assumptions and Estimates:

- Anticipated Closing Date: Week of January 25, 2021
- Issuance Type: Fixed Rate
- Estimated Refunding Bonds Principal Amount: $10,510,000
- Estimated Refunded Bonds Principal Amount: $11,725,000
- Final Maturity: 12/01/2040 (consistent with Series 2010 Bonds)
- Average Life: 11.91 years (approximately equal to the remaining average life of the Refunded Bonds)

Series 2011 Refunding Assumptions and Estimates:

- Anticipated Closing Date: Week of January 25, 2021
- Issuance Type: Fixed Rate
- Estimated Refunding Bonds Principal Amount: $23,410,000
- Estimated Refunded Bonds Principal Amount: $22,025,000
- Final Maturity: 12/01/2042 (consistent with Series 2011 Bonds)
- Average Life: 13.25 years (less than the remaining average life of the Refunded Bonds)

III. Fee Impact

The proposed debt issuances will have no direct impact on student tuition and fees. Although NEOMED may use unrestricted student fee revenues to support the debt service related to this request, NEOMED’s student tuition and fees will not increase as a direct result of this action.

IV. Project Description

The following provides a description of the project to be funded by the $15 million new money bond issue, contemplated in NEOMED’s current plan of finance, and for which the fee pledge approval is sought:

[Remaining Portion of Page Intentionally Left Blank]
<table>
<thead>
<tr>
<th>Project</th>
<th>Scope</th>
<th>Purpose</th>
<th>Projected Completion</th>
<th>Projected Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and Graduate Education</td>
<td>Completion Fourth Floor 18,000 SF Research &amp; Graduate &amp; Education Building</td>
<td>Research Laboratory and Faculty Offices</td>
<td>December, 2020</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>Medical Office Building and Academic Learning Center (MOB)</td>
<td>Construction 13,000 SF Second Floor of MOB Construction 6,000 SF Second Floor of MOB</td>
<td>Relocation of Wasson Simulation Center/NEOMED Primary Care Practice</td>
<td>September, 2020</td>
<td>$7,300,000</td>
</tr>
<tr>
<td>Regula South Corridor Academic</td>
<td>Buildout 20,000 SF First Floor of the MOB</td>
<td>Long-Term Lease to Summa Hospital for Physician Offices, Urgent Care, Corporate &amp; Behavioral Health, Outpatient Lab, and Multi-Specialty Suite</td>
<td>June, 2021</td>
<td>$1,700,000</td>
</tr>
<tr>
<td></td>
<td>Conversion Great Hall &amp; South Corridor</td>
<td>Small Group Academic</td>
<td>June, 2020</td>
<td>$2,000,000</td>
</tr>
</tbody>
</table>

$15,000,000
V. Bond Rating

NEOMED maintains credit ratings on its General Receipts Bonds with Moody’s Investor Service (“Moody’s”) and on its Student Housing Revenue Bonds with Moody’s and S&P Global Ratings (“S&P”). Moody’s last reviewed its rating on NEOMED’s General Receipts Bonds and Student Housing Revenue Bonds on March 11, 2020, affirming its “Baa2” rating on the General Receipts Bonds, with a stable outlook, and its “Baa3” rating on the Student Housing Revenue Bonds, with a stable outlook. NEOMED is scheduled to discuss a rating for the Series 2021 Bonds with Moody’s on December 9, 2020. S&P last reviewed its rating on NEOMED’s Student Housing Revenue Bonds on October 12, 2020, affirming its “BBB+” rating on those bonds, maintaining the negative outlook due to uncertainty in the student housing sector as a whole, and removing the rating from its “CreditWatch Negative” category. The most recent rating reports from Moody’s and S&P are included in Exhibit C. Note that the most recent rating report from Moody’s is for a transaction that NEOMED was contemplating earlier this spring, but ultimately decided not to pursue; instead, NEOMED is undertaking the new money transaction described above in Section IV.

VI. Financial Ratio Analysis

Through the 1997 enactment of Senate Bill 6, the 122nd General Assembly established a standardized method for monitoring the financial health of Ohio’s state-assisted colleges and universities. Subsequently, the administrative rules used to guide the implementation of S.B. 6 identified three financial ratios to evaluate an institution’s fiscal health. The rules also established threshold factors for ranges of ratios, and created a weighted score of the threshold factors, termed the composite score, which provides a summary statistic to evaluate an institution’s financial stability. The ratios and composite score are described in greater detail below, including how NEOMED performed when these measures are applied to its FY2016, FY2017, FY2018, FY2019, and FY2020 audited financial statements, the most up-to-date financial data available. For the purpose of this analysis, all ratio calculations exclude the associated impacts of GASB 68 and 75. Please see Exhibit D for full detail on the calculation of NEOMED’s ratios and composite scores for FY2020.

The FY2020 data shown in italics reflect the ratios and composite score when $15 million in new debt and a pro rata amount of interest on the new bonds is added to the actual FY2020 calculations. The ratios do not take into account the impact of the new debt on the university’s future retirement of existing debt obligations or future changes in revenues and expenses. No further adjustments to the FY2020 calculations as a result of this request have been made as it is presumed the university’s total debt outstanding and related debt service will either decrease or remain the same beyond the addition of the new money. The calculations reflect only the impact of the contemplated $15 million new money bond issue and, accordingly, do not reflect the benefit of the potential current or advance refundings currently contemplated by the plan of finance discussed in Section I.
1. Viability Ratio

The viability ratio is defined as expendable net assets divided by plant debt. This ratio is a measure of an institution’s ability to retire its long-term debt using available current resources. A viability ratio in excess of 100% indicates that the institution has expendable fund balances in excess of its plant debt. Pursuant to this analysis, a viability ratio of 60% or greater is considered good, while a ratio below 30% might be a cause for concern. NEOMED’s viability ratios for FY2016, FY2017, FY2018, FY2019, and FY2020 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>115.3%</td>
<td>130.6%</td>
<td>124.4%</td>
<td>146.2%</td>
<td>153.4%</td>
<td>109.7%</td>
</tr>
</tbody>
</table>

2. Primary Reserve Ratio

The primary reserve ratio is defined as expendable net assets divided by total operating expenses. This ratio is one measure of an institution’s ability to continue operating at current levels without future revenues. Pursuant to this analysis, a ratio of 10% or greater is considered good, while a ratio below 5% would be a cause for concern. NEOMED’s primary reserve ratios for FY2016, FY2017, FY2018, FY2019, and FY2020 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>59.9%</td>
<td>61.1%</td>
<td>53.8%</td>
<td>64.4%</td>
<td>67.4%</td>
<td>66.9%</td>
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3. Net Income Ratio

The net income ratio represents the change in total net assets divided by total revenues. This ratio is an important measure of an institution’s financial status in terms of current year operations. A negative net income ratio results when an institution’s current year expenses exceed its current year revenues. A positive net income ratio indicates that the institution experienced a net increase in current year fund balances. NEOMED’s net income ratios for FY2016, FY2017, FY2018, FY2019, and FY2020 are as follows:

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<tr>
<th>Year</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>-3.8%</td>
<td>7.2%</td>
<td>-1.1%</td>
<td>2.5%</td>
<td>0.9%</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

4. Composite Score

The ratios are translated into a single composite score by assigning individual scores to ranges of ratios, weighting the individual scores, and summing the weighted scores. The primary reserve score is weighted more heavily than is the viability ratio, which in turn is weighted more heavily than the net income ratio. This scoring process effectively emphasizes the need for campuses to have strong expendable fund balances, manageable plant debt, and a positive operating balance.
The minimum acceptable composite score is any score above 1.75. Institutions with composite scores at or below this level merit special monitoring, and would be placed on fiscal watch if the ratio analysis yielded a composite score at or below this level for two consecutive years. The highest possible score is a 5.0. NEOMED’s composite scores have been above the minimum threshold:

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<td></td>
<td>3.90</td>
<td>4.70</td>
<td>3.90</td>
<td>4.30</td>
<td>4.10</td>
<td>4.10</td>
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VII. Estimated Transaction Timeline

December 1, 2020   Approval by Board of Trustees *(Completed)*
December 4, 2020   Submission of Fee Pledge Request to ODHE for Approval by the Chancellor *(Completed)*
December 9, 2020   Discussion with Moody’s rating analyst regarding rating on Series 2021 Bonds
Week of January 4, 2021  Receive Fee Pledge Approval from the Chancellor *(Requested)*
Week of January 4, 2021  Receive Ratings
Week of January 11, 2021  Pricing
Week of January 25, 2021  Closing

VIII. Transaction Participants

Issuer – Northeast Ohio Medical University
Bond Counsel – Roetzel & Andress
Underwriter – Stifel
Underwriter’s Counsel – Bricker & Eckler
Trustee – U.S. Bank
Exhibit A: Authorizing Resolution
Recommendation to Repeal Resolution Nos. 2020-36, 2020-37 and 2020-38 adopted on September 9, 2020; providing for the issuance of General Receipts Bonds of the Northeast Ohio Medical University, in one or more series, in an aggregate principal amount not exceeding $53,500,000, to pay the costs of certain capital projects and to refund General Receipts Bonds issued in 2010 and 2011; providing for the payment of the principal, interest and any premium on such General Receipts Bonds; securing such payment by a pledge of General Receipts; and authorizing the execution and delivery of a Supplemental Trust Agreement in connection with such General Receipts Bonds and one or more Escrow Agreements; and authorizing related matters.

WHEREAS, the Northeast Ohio Medical University (the “Issuer”) is a state university established pursuant to Section 3350.10, Ohio Revised Code and is authorized by the Act, enacted by the General Assembly under authority of Section 21 of Article VIII of the Constitution of Ohio, to issue obligations to pay costs of Facilities and to refund Obligations previously issued to pay costs of Facilities; and

WHEREAS, the Trust Agreement dated as of November 1, 2010 between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented and amended from time to time (the “Trust Agreement”), provides for the issuance, from time to time, of General Receipts Bonds of the Issuer, with each issue to be authorized by a resolution adopted by its Board of Trustees (the “Board”) and a Supplemental Trust Agreement (all terms used herein with initial capitalization where the rules of grammar would not otherwise so require having the meanings set forth in Section 1 hereof); and

WHEREAS, pursuant to the Act and the Trust Agreement, the Issuer is authorized and empowered, among other things, (i) to issue, as provided in this Resolution, Obligations of the Issuer to pay, or reimburse the Issuer for, the costs of certain Facilities, and to refund, defease or retire Obligations previously issued for such purposes, (ii) to pledge to the payment of Obligations all or a specified part of the General Receipts of the Issuer, (iii) to covenant that the Issuer will make, fix, adjust and collect fees, rates, rentals, charges and other items comprising General Receipts to produce General Receipts at least sufficient at all times to pay Bond Service Charges and satisfy all other requirements with respect to the Parity Obligations, and (iv) provide for a trust agreement and make further provisions for securing the payment of Bond Service Charges; and

WHEREAS, the Board desires to repeal Resolution Nos. 2020-36, 2020-37 and 2020-38 adopted by the Board on September 9, 2020 and to make new provision for the issuance of the Series 2020 Bonds, for the payment of Bond Service Charges thereon, and the securing thereof by this Resolution, the Trust Agreement and the Third Supplement authorized herein; and

WHEREAS, the Board has determined it is in the best interest of the Issuer to issue General Receipts Bonds of the Issuer, in one or more series, in an aggregate principal amount not exceeding $53,500,000 to (a) finance the costs of the Project, (b) refund all or a portion of the Outstanding Bonds and (c) pay costs of issuance in connection with the issuance of such General Receipts Bonds.
NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of Northeast Ohio Medical University, that:

Section 1. Definitions. In addition to terms elsewhere defined in this Resolution, the following terms are defined terms:

"Act" means Sections 3345.07, 3345.11 and 3345.12, Ohio Revised Code, as the same may be amended, modified, revised, supplemented or superseded from time to time, provided no further action by the General Assembly shall alter the obligation of the Issuer to pay Bond Service Charges in the amount and manner, and at the time, and from the sources provided in this Resolution and the Trust Agreement, except as otherwise provided in the Trust Agreement.

"Authorized Officer" means such term as defined in the Trust Agreement.

"Board" means the board of trustees of the Issuer.

"Bond Counsel" means Roetzel & Andress, A Legal Professional Association, or such other firm as shall be appointed by the Attorney General to serve in such capacity.

"Bondholders" means such term as defined in the Trust Agreement.

"Bond Proceedings" means this Resolution, the Certificate of Award, the Third Supplement, the Tax Regulatory Agreement, the Escrow Agreement, any Continuing Disclosure Agreement, the Purchase Agreement, the Series 2020 Bonds, and the other agreements and credit enhancement facilities authorizing, awarding, or providing for the terms, conditions, security or liquidity of the Series 2020 Bonds and amendments and supplements to those documents.

"Bond Resolution," or "this Resolution" as used in this Bond Resolution, means this Resolution.

"Bond Service Charges" means such term as defined in the Trust Agreement.

"Bond Service Fund" means the Bond Service Fund established under Section 5.01 of the Trust Agreement.

"Bond Service Reserve Account" means any Bond Service Reserve Account in the Bond Service Fund established under Section 5.01 of the Trust Agreement and a Supplemental Trust Agreement.

"Bond Service Reserve Requirement" means, the amount, if any, designated as the Bond Service Reserve Requirement in the Certificate of Award for any Series 2020 Bonds and deposited in the account in the Bond Service Reserve Account created for those Series 2020 Bonds in the Trust Agreement and the Supplemental Trust Agreement.

"Bonds" means all series of Bonds issued and secured under the Trust Agreement.

"Capitalized Interest" means "capitalized interest" as defined in Section 133.01 of the Ohio Revised Code.

"Certificate of Award" means, as to the Series 2020 Bonds, the certificate approved and signed by either the President or the Vice President for Operations and Finance described in Section 5 of this Resolution, determining the terms of the Series 2020 Bonds and the Outstanding Bonds to be refunded by the Series 2020 Bonds.


"Continuing Disclosure Agreement" means, as to the Series 2020 Bonds, any Continuing Disclosure Agreement between the Issuer and the Trustee, under which the Issuer agrees to provide information on an annual basis, and notices of material events as they occur, for the benefit of the holders or beneficial owners of the Series 2020 Bonds in accordance with the Rule.
"Costs of Facilities" means the "costs of facilities" as defined in Section 3345.12 of the Ohio Revised Code.

"Escrow Agent" means the Escrow Agent designated in the Certificate of Award.

"Escrow Agreement" means one or more escrow agreements between the Issuer and the Escrow Agent providing for the payment of Bond Service Charges on the Refunded Bonds.

"Facilities" means such term as defined in the Act.

"Financing Costs" means "financing costs" as defined in Section 3345.12 of the Ohio Revised Code.

"General Receipts" means all revenues of the Issuer derived from the operation and ownership of the Issuer, including but not limited to all gross fees, deposits, charges, receipts and income from all or any part of the students of the Issuer, whether designated as tuition, instructional fees, tuition surcharges, general fees, activity fees, health fees or other special purpose fees or otherwise designated; all gross income, revenues and receipts from the operation, ownership or control of the Issuer's Facilities; all grants, gifts, donations, and receipts from pledges; and the proceeds of the sale of Obligations, including proceeds of Obligations issued to refund or advance refund Obligations previously issued, to the extent and as allocated to the payment of Bond Service Charges under the applicable proceedings authorizing such Obligations; except, there shall be excluded from General Receipts (i) moneys raised by taxation, (ii) State appropriations, (iii) the proceeds of any grant, gift, bequest, contribution or other donation (and to the extent subject to the applicable restrictions, income derived from the investment of those proceeds) expressly restricted by the donor or grantor to a special object or purpose which precludes use for paying Bond Service Charges, (iv) any moneys received or held for the purpose of making rebate payments to the United States relating to Obligations; and (v) any special fee, and receipts from that special fee, charged under Section 154.211(D), Ohio Revised Code. Any receipts of the Issuer which it may at any time lawfully pledge to the security of Obligations may be included, or confirmed to be included, in General Receipts by a Supplemental Trust Agreement.

"Issuer" means the Northeast Ohio Medical University created pursuant to Chapter 3350, Ohio Revised Code, and every part or component thereof, and when the context permits, the Board.

"Obligations" means such term as defined in the Trust Agreement.

"Outstanding Bonds" means, collectively, the Series 2010 Bonds and the Series 2011 Bonds.

"Parity Obligations" means such term as defined in the Trust Agreement.

"President" means the President of the Issuer.

"Project" means the acquisition, construction, improvement, reconstruction, rehabilitation, remodeling, renovation and equipping of Facilities to be used by the Issuer primarily for medical research, laboratory, graduate education and related purposes.

"Project Funds" means one or more Project Funds of the Issuer established and held by the Issuer pursuant to Section 501 of the Trust Agreement and authorized by Section 5 of this Resolution.

"Purchase Agreement" means the Bond Purchase Agreement between the Issuer and the Underwriter providing for the sale of the Series 2020 Bonds.

"Refunded Bonds" means the Outstanding Bonds or portions thereof to be refunded by the Series 2020 Bonds as determined and identified in the Certificate of Award.

"Rule" means Rule 15c2-12 prescribed by the SEC pursuant to the Securities Exchange Act of 1934.

"SEC" means the Securities and Exchange Commission.

“Series 2011 Bonds” means the Issuer’s $27,000,000 General Receipts Bonds, Series 2011 issued on November 9, 2011.

“Series 2020 Bonds” means the General Receipts Bonds of the Issuer authorized in Section 5 of the Resolution issued in one or more series under the Trust Agreement and the Third Supplement.

“Special Funds” means such term as defined in the Trust Agreement.

“Supplemental Trust Agreement” means such term as defined in the Trust Agreement.

“Taxable Bonds” means each series of Series 2020 Bonds originally issued as obligations the interest of which is included in gross income for federal income tax purposes.

“Tax-Exempt Bonds” means each series of Series 2020 Bonds originally issued as obligations the interest on which is excluded from gross income under the Code and is not an item of tax preference for the purposes of the alternative minimum tax imposed under the Code.

“Tax Regulatory Agreement” means the Tax Regulatory Agreement between the Issuer and the Trustee, under which the Issuer agrees to take any necessary actions to maintain the tax-exempt status of the interest on the Series 2020 Bonds.

“Tax Status” means the status of Tax-Exempt Bonds as obligations the interest on which is excluded from gross income under the Code and is not an item of tax preference for the purposes of the alternative minimum tax imposed under the Code.

“Third Supplement” means the Third Supplemental Trust Agreement entered into between the Issuer and the Trustee in connection with the issuance of Series 2020 Bonds.

“Trust Agreement” means the Trust Agreement dated as of November 1, 2010, as amended and supplemented by the First Supplement Trust Agreement dated as of November 1, 2010 and the Second Supplemental Trust Agreement dated as of November 1, 2011, each between the Issuer and the Trustee, as further supplemented and amended from time to time.

“Trustee” means, U.S. Bank National Association, or any successor Trustee as determined or designated under the Trust Agreement.


“Vice President for Operations and Finance” means the Issuer’s Vice President for Operations and Finance or his or her successor in such position.

Section 2. Findings and Determinations. The Board finds and determines that, pursuant to Sections 3345.07, 3345.11 and 3345.12 of the Act, enacted under the authority of the Constitution of the State of Ohio, and particularly Section 2i of Article VIII, the Issuer is authorized and empowered (i) to issue its Obligations to pay, or reimburse the Issuer for, the Costs of Facilities, and to refund, defease, or retire Obligations previously issued for such purposes, (ii) to pledge to the payment of Obligations all or a specified part of the gross amount of the General Receipts of the Issuer, in priority to all other expenses, claims or payments, (iii) to covenant that the Issuer will make, fix, adjust and collect fees, rates, rentals, charges and other items comprising General Receipts to produce General Receipts at least sufficient at all times to pay Bond Service Charges and satisfy all other requirements with respect to the Parity Obligations, and (iv) provide for a trust agreement and make further provisions for securing the payment of Bond Service Charges.
Section 3. **Authorization, Pledge and Covenant.**

(a) The Series 2020 Bonds, to be designated and known as "General Receipts and Refunding Bonds, Series 2020" shall be issued in one or more series to pay, or reimburse the Issuer for, costs of Facilities, to refund all or a portion of the Outstanding Bonds, to pay the principal of and interest and any premium on Series 2020 Bonds issued for such purpose, including renewal thereof, and to refund, defease or retire Obligations issued for such purpose. The Series 2020 may be issued in amounts herein or hereafter authorized from time to time by the Board, without any limitation as to the amount except as provided in this Resolution or any applicable resolution or as may hereafter be provided by law.

(b) The General Receipts of the Issuer are hereby pledged to the Trustee for the security of the Series 2020 Bonds, including the payment of Bond Service Charges on all Parity Obligations issued and outstanding under the Trust Agreement and the payment and satisfaction of all other requirements with respect to such Parity Obligations, as provided in the Trust Agreement and the Third Supplement. In accordance with the Act and the Trust Agreement, all General Receipts are trust funds and, subject to the provisions of the Act and the Trust Agreement, shall be held, deposited, invested, reinvested, disbursed, applied, and used to such extent, in such manner, at such times, and for such purposes, as are provided in the Trust Agreement and this Resolution.

(c) The Board covenants, and confirms its covenant in the Trust Agreement, that in each fiscal year it will make, fix, adjust, collect and apply such charges, rates, fees, rentals and other items included in General Receipts, to the extent permitted by law so that General Receipts will be sufficient to pay the operation and maintenance expenses of the Issuer and to pay principal, interest and any premium on the Bonds, any reserve requirements for the Bonds and any other requirements provided for in the Bond Proceedings.

(d) The Board further covenants to include in its budget for each fiscal year the amounts from the several sources of General Receipts to be applied to make the payments to the Bond Service Fund, so that the amounts from those sources, in the aggregate, will at all times be sufficient in amount and time of collection to meet those payments.

(e) Notwithstanding the foregoing covenants and agreements of the Issuer in this Section 3, the Bondholders of the Bonds shall not be given the right and shall have no right to have excises or taxes levied by the General Assembly of Ohio for the payment of principal, interest and any premium on the Bonds, and each Series 2020 Bond shall bear on its face a statement to that effect and to the effect that the right to such payment is limited to the General Receipts and the Special Funds pledged to that purpose under the Bond Proceedings.

Section 4. **Approval of Project; Financing Project Costs; Refunding Refunded Bonds.**

(a) **Additional Findings and Determinations.** The Board finds and determines that (i) it is necessary to acquire, construct, improve, reconstruct, rehabilitate, remodel, renovate, enlarge, equip and furnish the Project; (ii) the Project constitutes Facilities and the costs of the Project constitute Costs of Facilities; and (iii) it is necessary to issue the Series 2020 Bonds for the purpose of paying, or reimbursing the Issuer for, costs of the Project and to enter into the Third Supplement to make provision for securing the payment of Bond Service Charges on the Series 2020 Bonds issued under this Resolution.

(b) **Refunding of Refunded Bonds.** This Board has determined to authorize the refunding of the Refunded Bonds upon the determination of the Vice President for Operations and Finance that any such refunding is in the best interests of the Issuer. Unless otherwise provided in the Third Supplement or Escrow Agreement, the principal of and interest and any applicable call premium on the Refunded Bonds shall be paid when due from cash and direct obligations of the United States (or either) on deposit with, or held for the credit of, the Trustee in accordance with the Trust Agreement or the Escrow Agreement. The Vice President for Operations and Finance is authorized on behalf of the Issuer to make arrangements for the purchase of any such direct obligations from the proceeds of the Series 2020 Bonds and other sources of moneys and for the delivery to the Trustee, if required under the circumstances, of a report of an independent public accounting firm of national reputation to the effect that the cash and direct obligations so held by
the Trustee are of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to pay the principal of and the interest and any premium on the Refunded Bonds on the dates set forth in the Certificate of Award and thereby discharge and satisfy the covenants, agreements and other obligations of the Issuer with respect to those Bonds under the Trust Agreement and cause those Bonds to be deemed paid and discharged pursuant to, and no longer to be outstanding under, the Trust Agreement.

The Vice President for Operations and Finance is authorized and directed to take any and all actions necessary and appropriate to effect the early call for redemption, pursuant to the Trust Agreement and applicable series resolution, of those Refunded Bonds to be redeemed prior to maturity, including publication and mailing of any notices. Any amounts released to the Issuer from the funds and accounts held by the Trustee under the Trust Agreement or the Escrow Agreement shall be applied as set forth in the Third Supplement or Escrow Agreement.

(c) **Chancellor Approval.** The Board authorizes and directs the President and the Vice President for Operations and Finance to seek the approval of the Chancellor of the Ohio Department of Higher Education of the pledge of General Receipts to secure the Series 2020 Bonds.

Section 5. **Purpose and Terms of Series 2020 Bonds.**

(a) **Purpose.** The Series 2020 Bonds will be issued for the purposes of (i) paying, or reimbursing the Issuer for, a portion of the costs of the Project and (ii) refunding all or a portion of the Refunded Bonds. The proceeds of the Series 2020 Bonds may also be used to pay Financing Costs of the Series 2020 Bonds, any Capitalized Interest on the Series 2020 Bonds, and any other Costs of Facilities. The Board authorizes and directs the President and the Vice President for Operations and Finance to determine any or all of the following with respect to the Series 2020 Bonds:

1. the amount of any Capitalized Interest to be paid from proceeds of the Series 2020 Bonds;
2. the amount of any Bond Service Reserve Requirement to be paid from the proceeds of the Series 2020 Bonds or, if determined to be in the best interest of the Issuer, funded with a credit facility;
3. the amount of Financing Costs to be paid from proceeds of the Series 2020 Bonds;
4. such portion of the Outstanding Bonds to be refunded; and
5. to issue the Series 2020 Bonds in one or more series, with appropriate changes to the series designations of those Series 2020 Bonds, if necessary or advisable.

Any proceeds of the Series 2020 Bonds in excess of amounts needed to pay costs of the Project or refund the Refunded Bonds shall be applied in accordance with the Trust Agreement, the Third Supplement, the Escrow Agreement and the Tax Regulatory Agreement.

(b) **Terms.** The Series 2020 Bonds will be issued in one or more series in the aggregate principal amount determined by the President and the Vice President for Operations and Finance. The aggregate principal amount of the Series 2020 Bonds shall not exceed $53,500,000. The Series 2020 Bonds will bear interest at the rates approved by the President and the Vice President for Operations and Finance, but the average interest rate on the Series 2020 Bonds may not exceed 6% per annum. Subject to those limits, the Board authorizes the President and the Vice President for Operations and Finance, in consultation with the Chairman of the Board's Finance Committee or the Chairman of the Board, to determine the following terms and provisions of the Series 2020 Bonds:
(1) the principal amount of each series of the Series 2020 Bonds;

(2) the interest rates to be borne by the Series 2020 Bonds;

(3) the date of the Series 2020 Bonds;

(4) the interest payment dates for the Series 2020 Bonds;

(5) the maturity amounts and dates of maturities of the Series 2020 Bonds, provided in no event shall the final maturity of the Series 2020 Bonds exceed 32 years;

(6) whether each series of Series 2020 Bonds shall be issued as Tax-Exempt Bonds or Taxable Bonds; and

(7) the redemption prior to stated maturity of the Series 2020 Bonds, including any provisions for optional, extraordinary optional and mandatory sinking fund redemption of the Series 2020 Bonds.

The President and the Vice President for Operations and Finance must deliver a Certificate of Award setting forth the terms of the Series 2020 Bonds determined in accordance with this Section 5(b) and determining the Outstanding Bonds to be refunded by the Series 2020 Bonds. In the Certificate of Award, the President and the Vice President for Operations and Finance are hereby further authorized to make or effect any election, selection, designation, choice, consent, approval or waiver on behalf of the Issuer with respect to the Series 2020 Bonds as the Issuer is permitted or required to make or give under the federal income tax laws. The Series 2020 Bonds may have such other terms as are provided in the Trust Agreement, the Third Supplement and approved by the President and the Vice President for Operations and Finance and Bond Counsel.

(c) Security and Source of Payments. The Series 2020 Bonds authorized by this Resolution will be payable from the General Receipts and will be secured by a pledge of and lien on those General Receipts and by the covenants made in Section 3 hereof and in the Trust Agreement. The pledge of and lien on the General Receipts will be on a parity with the pledge of and lien on the General Receipts securing any additional Parity Obligations issued or incurred in the future under the terms of the Trust Agreement. That pledge will be prior to the payment of all other expenses, claims or payments to be made from the General Receipts. The Series 2020 Bonds also will be secured by a pledge of and a lien on the Special Funds. The pledge of and lien on the General Receipts and Special Funds will be created in the Trust Agreement. Without limiting the foregoing, the Board authorizes the Vice President for Operations and Finance to establish one or more Project Funds. The portion of the proceeds of the Series 2020 Bonds to pay costs of the Project must be paid into a separate Project Fund established for those Series 2020 Bonds and used to pay costs of the Project in accordance with the Trust Agreement and the Third Supplement. The Board pledges the money in each such Project Fund, pending its use to pay costs of the Project, to the payment of the Series 2020 Bonds for which such Project Fund was established.

(d) Sale of Series 2020 Bonds. The Series 2020 Bonds authorized under this Resolution shall be sold to the Underwriter in accordance with a Purchase Agreement for the Series 2020 Bonds. The Board authorizes the President and the Vice President for Operations and Finance, in consultation with the Chairman of the Board’s Finance Committee or the Chairman of the Board, to sell the Series 2020 Bonds at such time on such terms and at such prices as they shall determine are in the best interest of the Issuer.

(e) Third Supplemental Trust Agreement. The Board hereby authorizes the Issuer to enter into and perform the Third Supplement in substantially the form on file with the Secretary of the Board, with such additions and changes as shall be approved by the Chair or the Vice Chair of the Board and the Vice President for Operations and Finance, with the advice of the General Counsel of the Issuer, which they shall determine not to be substantially adverse to the Issuer and not inconsistent with this Resolution. The Chair or the Vice Chair of the Board and the Vice President for Operations and Finance are authorized, for and on behalf of the Issuer, to execute and deliver to the Trustee the Third Supplement, and their execution and delivery of the Third
Supplement shall be conclusive evidence that any such additions and changes are not substantially adverse to the Issuer.

(f) **Authorization of Officers.** The Board authorizes and directs the chair or the Vice Chair of the Board, the President, the Vice President for Operations and Finance, the Chief Financial Officer, the Secretary and any other appropriate officer, acting alone or together, to do any or all of the following if, in their judgment, with the advice of Bond Counsel and the Underwriter, they are necessary, appropriate or useful and in the best interests of the Issuer:

(1) Prepare, or cause to be prepared, and negotiate the terms of any or all of the following for the Series 2020 Bonds, consistent with the terms of the Trust Agreement and the Third Supplement:

(A) the Series 2020 Bonds;

(B) the Tax Regulatory Agreement;

(C) the Purchase Agreement;

(D) the Escrow Agreement;

(E) any Continuing Disclosure Agreement; and

(F) such other documents, agreements, instruments and certificates required in connection with the Series 2020 Bonds.

(2) Apply for a rating on the Series 2020 Bonds from one or more rating agencies that either the President or the Vice President for Operations and Finance, in consultation with the Underwriter, determine appropriate (each a “Rating Agency”), and to provide each Rating Agency with information about the Issuer.

(3) Prepare or cause to be prepared on behalf of the Issuer a preliminary and final official statement (together, the “Official Statement”) for the Series 2020 Bonds and any necessary supplements, and

(4) use and distribute or authorize the use and distribution of the Official Statement and any supplements in connection with the original issuance of the Series 2020 Bonds;

(5) sign on behalf of the Issuer the Official Statement and any supplements;

(6) advise the Underwriter in writing regarding limitations on the use of the Official Statement and any supplements for purposes of marketing or reoffering the Series 2020 Bonds;

(7) sign and deliver on behalf of the Issuer certificates in connection with the accuracy of the Official Statement and any supplements; and

(8) contract with the Underwriter to provide such numbers of the Official Statement as necessary to enable the Underwriter to comply with the requirements of the Rule.

(g) **Continuing Disclosure.** If required by the Rule, take actions to comply with the obligations of the Issuer under the Continuing Disclosure Agreement for the Series 2020 Bonds, including preparing and filing annual information, annual financial statements, and event notices. The costs of that compliance may be paid from the proceeds of the Series 2020 Bonds or from the General Receipts.
(h) Bond Insurance. Apply for a policy insuring the obligation to make payments of principal and interest on the Series 2020 Bonds from one or more bond insurance companies, accept a commitment for such policy of insurance and provide each such bond insurance company with information about the Issuer.

(i) Credit Facility. Apply for a credit facility to fund any Bond Service Reserve Requirement for the Series 2020 Bonds from one or more credit facility providers, accept a commitment for a credit facility, enter into such agreements as may be deemed necessary to obtain the credit facility, and provide each such credit facility issuer with information about the Issuer.

(j) Other Enhancements. Obtain other credit enhancement facilities for or in connection with the Series 2020 Bonds.

(k) Execution of Documents: Other Acts. Sign and deliver, on behalf of the Issuer, the Series 2020 Bonds, the Purchase Agreement, the Tax Regulatory Agreement, any Continuing Disclosure Agreement, and such other documents, instruments and certificates as required by those documents; and do all other acts (including signing and delivering documents, instruments and certificates and retaining the services of attorneys, accountants, printers and consultants) necessary or appropriate to consummate the bond transaction.

Section 6. Federal Tax Matters. The Issuer covenants that it will take or cause to be taken those actions required to maintain or preserve the Tax Status of the Tax-Exempt Bonds. The Issuer covenants that it will not take or permit to be taken any action that would adversely affect the tax Status of the Tax-Exempt Bonds. In accordance with these covenants, the Board authorizes and directs the President, the Vice President for Operations and Finance or any other officer having responsibility for issuing the Tax-Exempt Bonds, to do the following:

(a) Sign and deliver a certificate of the Issuer, for inclusion in the transcript of proceedings for the Tax-Exempt Bonds, setting forth the reasonable expectations of the Issuer regarding the amount and use of the proceeds of the Tax-Exempt Bonds and of the Project financed with the Tax-Exempt Bonds.

(b) Limit the yield on any “investment property” (as defined in Section 148(b)(2) of the Code) acquired with the proceeds of the Tax-Exempt Bonds.

(c) Maintain such books and records and to make such calculations and reports as are required to comply with the arbitrage rebate requirements of the Code.

(d) Retain accountants or other consultants to assist in the calculation of any rebate amounts required to be paid if retaining such accountants or consultants is necessary in the judgment of the President or the Vice President for Operations and Finance. The fees of such accountants or consultants may be paid from the proceeds of the Tax-Exempt Bonds or from other sources lawfully available and appropriated for that purpose.

(e) Execute and file one or more Form 8038-G for the Tax-Exempt Bonds with the Internal Revenue Service and any other federal tax form required by the Internal Revenue Service.

Section 7. Retention of the Underwriter. The Board authorizes and directs either the President or the Vice President for Operations and Finance to retain the services of the Underwriter or such other underwriter for the Series 2020 Bonds as may be designated in the Certificate of Award. The underwriter will be compensated in accordance with the Purchase Agreement for the Series 2020 Bonds.

Section 8. Retention of Bond Counsel. The legal services of the law firm of Roetzel & Andress, A Professional Legal Association are hereby retained in accordance with its appointment from the Attorney General and shall continue through the term of that appointment. Legal services as Bond Counsel shall be in the nature of legal advice and recommendations as to the Bond Proceedings in connection with the security, issuance and sale of the Series 2020 Bonds, preparation of certain documents, assistance in preparation of the Official Statement for the Series 2020 Bonds, and rendering an approving legal opinion with respect to the Series 2020 Bonds. In rendering those legal services, as an independent contractor and in an attorney-client relationship, Bond Counsel shall not exercise any administrative discretion on
behalf of the Issuer or the Board in the formulation of public policy, the expenditure of public funds, the enforcement of laws, rules and regulations of this state, any political subdivision of this state or the execution of public trusts. The Issuer shall pay Bond Counsel for those legal services reasonable fees in accordance with Bond Counsel’s letter of appointment from the Attorney General and shall reimburse Bond Counsel for its out-of-pocket expenses incurred in rendering those legal services.

Section 9. **Authorized Officer.** The Board authorizes and directs the President of the Issuer to designate an Authorized Officer and one or more alternates under the Trust Agreement. The Authorized Officer or alternates must take all action required of the Issuer under the Bond Proceedings. The Authorized Officer may be changed and additional alternates may be added by action of the President or of the Board. The alternates may act in the absence or at the direction of the Authorized Officer.

Section 10. **Open Meetings.** The Board finds and determines that all formal actions of the Board relating to the enactment of this Resolution were taken in an open meeting of the Board. All deliberations of the Board and of any of its committees that resulted in those formal actions were in meetings open to the public in compliance with all legal requirements, including Section 121.22, Revised Code.

Adopted: Dec. 1, 2020

Signed: [Signature]

Chair, Board of Trustees
Northeast Ohio Medical University

Attest: [Signature]
Secretary, Board of Trustees
Northeast Ohio Medical University

Action ________________________ Approved

Date of Action December 1, 2020

For the Board of Trustees [Signature] Michelle M. Mulhern, Secretary
Exhibit B: Debt Service Schedules
The table below shows the existing debt service for NEOMED’s two outstanding series of General Receipts Bonds: Series 2010 and Series 2011.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Series 2010</th>
<th>General Receipts Bonds</th>
<th>Total</th>
<th>Debt Service</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal</td>
<td>Interest</td>
<td>Principal</td>
<td>Interest</td>
</tr>
<tr>
<td>2020</td>
<td>$385,000</td>
<td>$822,736</td>
<td>$590,000</td>
<td>$1,101,881</td>
</tr>
<tr>
<td>2021</td>
<td>395,000</td>
<td>803,135</td>
<td>610,000</td>
<td>1,082,369</td>
</tr>
<tr>
<td>2022</td>
<td>410,000</td>
<td>781,172</td>
<td>630,000</td>
<td>1,061,050</td>
</tr>
<tr>
<td>2023</td>
<td>425,000</td>
<td>756,957</td>
<td>655,000</td>
<td>1,038,153</td>
</tr>
<tr>
<td>2024</td>
<td>435,000</td>
<td>732,017</td>
<td>675,000</td>
<td>1,012,781</td>
</tr>
<tr>
<td>2025</td>
<td>450,000</td>
<td>706,352</td>
<td>705,000</td>
<td>985,181</td>
</tr>
<tr>
<td>2026</td>
<td>465,000</td>
<td>679,817</td>
<td>730,000</td>
<td>956,025</td>
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<tr>
<td>2027</td>
<td>480,000</td>
<td>650,180</td>
<td>760,000</td>
<td>924,819</td>
</tr>
<tr>
<td>2028</td>
<td>500,000</td>
<td>617,203</td>
<td>795,000</td>
<td>890,284</td>
</tr>
<tr>
<td>2029</td>
<td>520,000</td>
<td>582,880</td>
<td>830,000</td>
<td>852,706</td>
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<tr>
<td>2030</td>
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<td>870,000</td>
<td>813,394</td>
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<td>2031</td>
<td>560,000</td>
<td>510,196</td>
<td>910,000</td>
<td>772,231</td>
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<tr>
<td>2032</td>
<td>580,000</td>
<td>470,820</td>
<td>950,000</td>
<td>729,219</td>
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<td>2033</td>
<td>600,000</td>
<td>429,048</td>
<td>995,000</td>
<td>682,375</td>
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<td>2034</td>
<td>625,000</td>
<td>385,683</td>
<td>1,045,000</td>
<td>631,375</td>
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<tr>
<td>2035</td>
<td>650,000</td>
<td>340,548</td>
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<td>577,750</td>
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<td>2036</td>
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<td>1,335,000</td>
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<td>2040</td>
<td>790,000</td>
<td>86,376</td>
<td>1,400,000</td>
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<tr>
<td>2042</td>
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<td>119,625</td>
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<td>2043</td>
<td>1,620,000</td>
<td>40,500</td>
<td>1,620,000</td>
<td>40,500</td>
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<td>Total</td>
<td>$12,505,000</td>
<td>$10,805,207</td>
<td>$23,855,000</td>
<td>$16,452,469</td>
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</table>

*Amounts shown for interest on the Series 2010 Bonds do not reflect any reduction attributable to any payments from the U.S. Treasury to be made as a result of the designation of the Series 2010 Bonds as “Recovery Zone Economic Development Bonds.”*
The table below shows the existing debt service for NEOMED’s two outstanding series of General Receipts Bonds (Series 2010 and Series 2011), plus the addition of the new money portion of the upcoming financing (project fund of $15 million and an estimated par value of $13,230,000). Annual debt service for the new money portion is approximately $1,050,000 each year from fiscal year 2022 through 2041 (20-year amortization). Please note that this table does not reflect the results of NEOMED’s contemplated refundings, which are subject to market conditions. NEOMED anticipates issuing the refunding bonds only if it can achieve an adequate amount of debt service savings. The refundings, which would potentially include both the Series 2010 and Series 2011 General Receipts Bonds, will be structured as matched-maturity refundings (i.e., no extension of the final maturity on the existing bonds) with either level or proportional annual savings. The table below does not include the impact of any refunding results to provide conservative figures for the Fee Pledge Request.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Series 2010</th>
<th>Series 2011</th>
<th>Series 2021 (New Money)</th>
<th>Total</th>
<th>Debt Service</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal</td>
<td>Interest</td>
<td>Principal</td>
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<td>547,211</td>
<td>870,000</td>
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<td>2032</td>
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<td>2042</td>
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<td>2043</td>
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<td>40,500</td>
<td>1,620,000</td>
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Total: $12,505,000 $10,805,207 $23,855,000 $16,452,469 $13,230,000 $7,925,190 $49,590,000 $35,182,866 $84,772,866

*Amounts shown for interest on the Series 2010 Bonds do not reflect any reduction attributable to any payments from the U.S. Treasury to be made as a result of the designation of the Series 2010 Bonds as “Recovery Zone Economic Development Bonds.”*
Exhibit C: Most Recent Rating Reports
The following pages show the most recent rating reports from Moody’s and Standard & Poor’s. The Moody’s report is from March 2020 and the S&P report is from October 2020. Please note that S&P only rates the University’s Student Housing Bonds and does not rate the General Receipts Bonds.

[Please continue to the next page]
Northeast Ohio Medical University, OH

Update to credit analysis

Summary

Northeast Ohio Medical University’s (NEOMED; General Receipts Bonds of Baa2 stable) good credit quality reflects its regionally important role in Ohio as a provider of healthcare focused professionals. Its strong liquidity and operating reserve provide for a good ability to respond to any unanticipated operating volatility, which is important given a very high debt burden. Student demand is favorable, particularly in the doctor of medicine program which accounts for about 60% of total enrollment. Along with careful expense management, the university’s very good revenue diversity will support ongoing steady operating cash flow margins in the low-double digits. In addition, solid housing performance is reflected by 95% occupancy and positive cash flow without a university subsidy. Credit challenges include a very high debt burden, which constrains debt affordability despite favorable financial operations. The university’s high cost business model and limited scope of operations limit adds exposure to operating performance volatility, particularly if the university were to miss enrollment goals.

Exhibit 1

Strong liquidity partly mitigates risks of a very high debt burden

Source: Moody's Investors Service

Credit strengths

» Favorable student demand and important social role as a provider of healthcare focused professionals with terminal degrees

» Strong liquidity and operating reserve, providing for good ability to respond to unanticipated operating volatility

» Very good revenue diversity, providing some insulation against a downturn within any one revenue source

» Close relationship with the Aa1-rated state, which provides steady financial support and oversight through the governor appointed board of trustees
Credit challenges

» Outsized pro forma adjusted debt to operating revenue at 3.7x, highlighting both the high direct debt burden and elevated exposure to post-retirement benefits

» High cost business model and modest scope of operations limits prospects for reducing its elevated 17.4x pro forma debt to cash flow

» Limited enrollment diversity and constraints to program expansion, limiting prospects for material growth in operating revenue

» Significant exposure to potential shifts in Ohio business conditions, given heavy reliance on state funding and resident students

Rating outlook

The stable outlook on the General Receipts and Limited Available Receipts bonds reflects our expectations of continued operating stability, with operating cash flow margins in the low double-digits.

The stable outlook on the Student Housing Revenue bonds reflects our expectations of continued favorable performance of the housing enterprise and ability to cover debt service without a university subsidy. It also acknowledges the strategic importance of the housing to the university.

Factors that could lead to an upgrade

» Sustained strengthening in operating performance providing for significant improvement in debt affordability

» Substantial increase in financial reserves providing for better coverage of debt and operations

» Significant improvement in housing demand and debt service coverage (for Student Housing Revenue Bonds)

Factors that could lead to a downgrade

» Inability to gradually lower debt to cash flow

» Failure to sustainably increase operating revenue above 2% annually

» Material decline in monthly days cash on hand

» Substantial weakening in housing performance (for Student Housing Revenue Bonds)

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.
Key indicators

Exhibit 2
NORTHEAST OHIO MEDICAL UNIVERSITY, OH

<table>
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<tr>
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<tbody>
<tr>
<td>Total FTE Enrollment</td>
<td>923</td>
<td>979</td>
<td>932</td>
<td>944</td>
<td>963</td>
<td>963</td>
<td>2,800</td>
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<td>Operating Revenue ($Million)</td>
<td>71.4</td>
<td>78.1</td>
<td>86.7</td>
<td>85.0</td>
<td>85.9</td>
<td>85.9</td>
<td>57.9</td>
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<td>Annual Change in Operating Revenue (%)</td>
<td>9.6</td>
<td>9.3</td>
<td>11.1</td>
<td>-2.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.2</td>
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<tr>
<td>Total Cash &amp; Investments ($Million)</td>
<td>70.0</td>
<td>67.6</td>
<td>76.6</td>
<td>81.3</td>
<td>82.9</td>
<td>82.9</td>
<td>41.6</td>
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<tr>
<td>Total Debt ($Million)</td>
<td>162.7</td>
<td>159.3</td>
<td>155.7</td>
<td>151.9</td>
<td>150.1</td>
<td>169.3</td>
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<td>0.4</td>
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<td>0.4</td>
<td>0.4</td>
<td>0.5</td>
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<tr>
<td>Spendable Cash &amp; Investments to Operating Expenses (x)</td>
<td>0.7</td>
<td>0.6</td>
<td>0.7</td>
<td>0.7</td>
<td>0.7</td>
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<td>0.4</td>
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<tr>
<td>Monthly Days Cash on Hand (x)</td>
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<td>243</td>
<td>225</td>
<td>220</td>
<td>224</td>
<td>224</td>
<td>122</td>
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<tr>
<td>Operating Cash Flow Margin (%)</td>
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<td>10.6</td>
<td>13.9</td>
<td>6.4</td>
<td>11.3</td>
<td>11.3</td>
<td>7.8</td>
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<tr>
<td>Total Debt to Cash Flow (x)</td>
<td>49.0</td>
<td>19.3</td>
<td>12.9</td>
<td>28.0</td>
<td>15.4</td>
<td>17.4</td>
<td>8.6</td>
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<tr>
<td>Annual Debt Service Coverage (x)</td>
<td>1.1</td>
<td>2.0</td>
<td>3.0</td>
<td>1.3</td>
<td>2.4</td>
<td>2.4</td>
<td>1.6</td>
</tr>
</tbody>
</table>

Source: Moody's Investors Service

Profile

Founded in 1973, Northeast Ohio Medical University is a public, health sciences focused university situated in Rootstown, Ohio, about 10 miles from Akron. In fall 2019, NEOMED enrolled 963 students across three colleges: Medicine, Pharmacy and Graduate Studies. The university benefits from numerous strategic partnerships with universities, hospitals and pharmacy partners.

Detailed credit considerations

Market profile: healthcare focused programming supports very good student demand and additional pricing flexibility

NEOMED’s healthcare focused curriculum will support ongoing favorable student demand and additional pricing flexibility. The university’s doctor of medicine program, which accounts for about 60% of total enrollment, is highly selective, admitting just 3%-4% of applicants. The other primary academic offering, a doctor of pharmacy program, has experienced more volatility in recent years, which is consistent with national trends. To combat these industry trends, the university has implemented adjustments to its admissions practices and marketing and partnership efforts. For fall 2020, the university projects that it will meet its targets for 150-160 incoming medical students and 85-90 new pharmacy students, providing for general enrollment stability.

Achieving enrollment objectives is critical to the university's business model given its modest enrollment of 963 students in fall 2019. Any downturn in student demand would harm net student revenue, which accounts for about 46% of total operating revenue. Unlike other Ohio public universities, NEOMED is not subject to state imposed pricing limitations and has regularly increased tuition and fees. For fiscal 2020, the university projects net tuition revenue growth to be 4%, partly driven by a tuition and fee increase of 1.75%.

A key constraint to enrollment expansion plans in existing programs is a shortage of clinical opportunities and elevated competition for these slots. The university does not own a hospital. Instead, it maintains clinical agreements with a number of healthcare institutions in northeast Ohio. In addition, the university has partnerships with nine area colleges and universities, bolstering its regional competitiveness.

Operating performance: steady financial operations to remain given careful expense management

Careful expense management will contribute to sustained low double-digit operating cash flow margins. Very good revenue diversity will continue to support operating stability. Risks associated with the university’s high cost business model, as demonstrated by educational expenses per student of $66,424, are mitigated by strong pricing power and favorable state operating support. These strengths, along with a growing research enterprise, will support steady revenue growth above 2% annually. Based on university financial projections, its fiscal 2020 operating performance will be comparable to the 11.3% operating cash flow margin in fiscal 2019.
Exhibit 3

Very good revenue diversity contributes to operational stability

![Pie chart showing revenue sources: Tuition and auxiliary 46%, State funding 29%, Grants and contracts 21%, Other 4%]

Source: Moody’s Investors Service

Wealth and liquidity: strong operating reserve and liquidity provide good ability to respond to operating volatility

The university has a strong operating reserve, as illustrated by coverage of spendable cash and investments to expenses of 0.7x. Total cash and investments of the university and affiliated support foundation equated to $83 million in fiscal 2019, which is solid compared to peers of similar credit quality. Financial reserve growth will be incremental, driven by a combination of fundraising, investment returns and retained cash flow. The university recently completed a capital campaign that raised over $40 million.

Liquidity

Strong liquidity provides very good coverage of expenses. In fiscal 2019, unrestricted monthly liquidity of $48 million equating to 224 days cash on hand, significantly higher than the Baa-rated public university median of 122 days. With the university’s explicit support for debt obligations of its component unit, liquidity risks would materialize if associated projects were to underperform.

Leverage: outsized debt burden compared to scale and cash flow

The university’s very high debt burden will continue to be a key credit challenge. Debt is very high compared to the university’s operating scale, with pro forma debt to revenue of about 2x. Similarly, even with surplus financial operations, debt affordability is weak. Pro forma debt to cash flow is over 17x, nearly double the Baa-rated public university median of 8.6x. Beyond the current bond issuance, the university reports no additional near-term borrowing plans. Capital support from the state, averaging about $2 million annually over the past five years, will help cover future infrastructure needs.

Debt structure

All outstanding debt is fixed rate with level annual debt service, providing for predictable costs. Outstanding debt includes about $36 million of direct obligations of the university, as well as $113 million of obligations of ERS Strategic Properties, Inc. (ERS), a discretely presented component unit of the university. ERS was formed in 2012 to support the university’s related commercial business activities. ERS Strategic Properties, Inc. is an umbrella organization for ERS Housing LLC and ERS HWMEC LLC.

The proposed Series 2020 notes are structured as interest only payments until the December 1, 2022 final maturity. The university will evaluate its options as the final maturity date approaches including a potential long-term bond issuance.

Debt-related derivatives

There are no debt-related derivatives.

Legal security

The proposed Series 2020 bond anticipation notes (Ba3 stable) are secured by a gross pledge of Limited Available Receipts, which include all monies derived from university operations but excludes student tuition/fees and state appropriations. The bonds are subordinate to outstanding General Receipts bonds. In fiscal 2019, Limited Available Receipts amounted to $7 million.

The Series 2010 bonds and Series 2011 bonds (both Ba2 stable) are secured by a gross pledge and first lien on NEOMED’s General Receipts, which include all campus receipts excluding state appropriations and receipts previously pledged or otherwise restricted.
federal tax subsidy, around 45% of the actual interest expense, is also pledged to the Series 2010 bondholders. In fiscal 2019, General Receipts amounted to $42 million.

For both General Receipts and Limited Available Receipts Bonds, there is a sum sufficient rate covenant whereby the university guarantees to budget accordingly to ensure that sufficient resources are available to cover debt service payments when due.

The Series 2012 Student Housing Revenue Bonds (Baa3 stable) are secured by general project revenue as well as a mortgage lien. The bonds are joint obligations of Portage County Improvement Corp. and ERS Housing LLC. ERS Housing LLC is the sole member of ERS Strategic Properties, Inc., a component unit of NEOMED. The Portage County Improvement Corp. is a special purpose entity formed to construct, own, and operate the housing. Under a Cooperative Agreement, the university agrees to provide support to the project as needed to ensure that it generates above 1x debt service coverage through the final maturity of the bonds in 2044. The housing continues to perform well, currently occupied at 95% and cash flow positive. In recent years, the housing performance has been sufficient to provide greater than 1x debt service coverage without university support.

The senior note (unrated), issued in 2012, is privately placed with a counterparty until the final maturity in 2044. The notes are legal obligations of ERS HWMEC LLC and secured by first mortgage lien on the land, buildings and structures associated with the facility. The University agreed to lease the entire New Center footprint from ERS HWMEC LLC. The note contains a debt service coverage covenant that may not be less than 1x in any year. If violated, it is not an event of default if cured within 30 days or up to 90 days if diligently pursuing a cure, but the bank may choose to accelerate the debt if in violation of the covenant beyond the 90 day cure period.

Pensions and OPEB
Similar to other public universities in Ohio, NEOMED has very high exposure to post-retirement benefit obligations through its participation in two statewide, multiple employer, defined benefit pension plans. The plans carry an outsized liability, as measured by its Moody's three-year average adjusted net pension liability of $148 million. As of June 30, 2019, these plans were just 54% funded on a Moody's adjusted basis.

While NEOMED’s contributions into the defined benefit pension plans are currently capped at 14% of covered payroll, increases to this contribution amount would add stress to its budget. The Ohio state legislature exerts significant control over pensions, setting contribution rates for the plans. Favorably, there is a demonstrated history of enacting changes to these plans to provide some relief toward the long term liability. For example, the state recently eliminated the 2% annual cost of living adjustment, resulting in a material reduction in the plan’s long term liability.

In fiscal 2019, the university recorded an other post-employment benefit (OPEB) liability of $19 million. OPEB benefits are provided through employee participation in the defined benefit pension plans.

ESG considerations
Environmental
According to Moody's affiliate Four Twenty Seven, the university's location in Portage County provides for medium to high exposure to climate risk factors. Specifically, the data suggests “high risk” exposure to extreme rainfall, indicating that incidences of extreme rainfall and floods are projected to increase in the region adding potential for operational disruption.

Favorably, NEOMED has dedicated policies geared toward reducing carbon emissions by increasing conservation and energy efficiency efforts. Plans to evaluate progress against ongoing sustainability initiatives are regularly reported to the board of trustees. This sustainability focus provides for budget savings and aligns with priorities of numerous stakeholders including the state.

Social
The university plays an important social role as a producer of healthcare professionals including primary care physicians. Many graduates practice in historically underserved areas in Ohio. This mission is important because Ohio has a shortage of primary care physicians that is projected to worsen, leaving residents with fewer options to meet healthcare needs.

While in-state demographics are unfavorable, including further projected population loss, NEOMED is largely insulated against this challenge. The university offers only a few select academic degree and certificate programs that have high student demand and align with regional labor market needs.
**Governance**

The university is led by a capable management team and effective governance structure. A recently installed president brings a long track record in higher education as well as senior leadership experience in diverse capacities. The president will be tasked by the board with undertaking a number of new initiatives for the university, including program expansion and implementation of a faculty practice plan, which would be an entirely new business line. While introduction of these new strategic priorities provides opportunities to further bolster the university's regional importance, they also carry considerable operational and financial risks.

University finances are well managed, which is important given the moderate operating scale and high cost business model. Budgets include reasonable assumptions and are adjusted as conditions shift. A plan is in place to provide seamless transition with the upcoming retirement of the vice president for finance and administration. Effective financial management is essential to sustaining favorable operating performance as the university adds new business lines.

Similar to other state supported public universities in Ohio, NEOMED is governed by a board of trustees. The board is comprised of eleven members that are appointed by the governor of Ohio. Responsibilities of the board consist of general financial oversight, program approvals, tuition rate-setting and selection/approval of key leadership.
Rating methodology and scorecard factors
The Higher Education Methodology includes a scorecard that summarizes the factors that are generally most important to higher education credit profiles. Because the scorecard is a summary and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not match an assigned rating. We assess strategic positioning on a qualitative basis, as described in the methodology.

The three notch differential between the scorecard indicated output and reflects the university’s very high debt burden, as measured by pro forma debt to operating revenue of 2x. Its limited enrollment diversity, modest scale and high cost business model add exposure to potential operating volatility.

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<th>Scorecard Factors and Sub-factors</th>
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<tr>
<td>Scope of Operations (Operating Revenue) ($000)</td>
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<td>Reputation and Pricing Power (Annual Change in Operating Revenue) (%)</td>
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<td>Strategic Positioning</td>
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<td>Baa</td>
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<td><strong>Factor 2: Operating Performance (25%)</strong></td>
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</tr>
<tr>
<td>Operating Results (Operating Cash Flow Margin) (%)</td>
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<td>Aa3</td>
</tr>
<tr>
<td>Revenue Diversity (Maximum Single Contribution) (%)</td>
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<td>Aa3</td>
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<tr>
<td><strong>Factor 3: Wealth &amp; Liquidity (25%)</strong></td>
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<td>Operating Reserve (Spendable Cash &amp; Investments to Operating Expenses) (x)</td>
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<td>Liquidity (Monthly Days Cash on Hand)</td>
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<td><strong>Factor 4: Leverage (20%)</strong></td>
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<td>Financial Leverage (Spendable Cash &amp; Investments to Total Debt) (x)</td>
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<td>Debt Affordability (Total Debt to Cash Flow) (x)</td>
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<td><strong>Scorecard-Indicated Outcome</strong></td>
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<td><strong>Assigned Rating</strong></td>
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Data is based on most recent fiscal year available. Debt may include pro forma data for new debt issued or proposed to be issued after the close of the fiscal year.
For non-US issuers, nominal figures are in US dollars consistent with the Higher Education Methodology.
Scorecard based on fiscal 2019 financials, inclusive of Series 2020 notes
Source: Moody’s Investors Service
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S&P Global Ratings affirmed its 'BBB+' long-term rating on Portage County Port Authority, Ohio's $34.85 million series 2012 revenue bonds, issued for the Northeast Ohio Medical University (NEOMED), and removed the rating from CreditWatch, where it had been placed with negative implications Aug. 5, 2020. The outlook remains negative.

On Aug. 5, we placed our rating on NEOMED on CreditWatch with negative implications, along with many other U.S. higher education privatized (off balance sheet) student housing projects, in the wake of the COVID-19 pandemic and the uncertainties surrounding the economic fallout (see "Certain U.S. Higher Education Privatized Student Project Rating Placed on CreditWatch Negative," published Aug. 5, 2020, on RatingsDirect).

The negative outlook is based on the COVID-19 outbreak and the uncertainties surrounding the ultimate economic fallout and reflects our belief that all projects in the sector are facing negative economic or fundamental business conditions that could result in lower ratings over the next two years. Despite healthy occupancy in fall 2020 and a lease agreement with NEOMED, the project's slim projected coverage and lack of debt service reserve funds limit the project's financial flexibility to mitigate current market pressure due to the pandemic, in our view.

The affirmation of the 'BBB+' rating reflects our view of the historical financial support provided by the university to the project under certain conditions through the project's cooperative agreement with NEOMED, which we view as being akin to a lease-vacancy agreement. This agreement provides an adequate level of project support to meet the required 1.0x debt service coverage (DSC) rate covenant. In our opinion, the university's proven history of financial support (during fiscal years 2013-2016) of the project is a credit strength. In addition, the project continues to experience a trend of solid occupancy that increased to 96% in fall 2020 from 94% in 2019. In spring 2020, NEOMED did not close its campus as classes moved to remote learning, and as such, The Village student housing facility did not close and no refunds were paid out to students. Management reports that DSC equaled 1.05x in fiscal 2020, and it expects that the covenant will again be met in fiscal 2021, with improved coverage due to the increase of occupancy.

The Village student housing project was built on the NEOMED campus in Rootstown, Ohio, approximately 20 minutes from Akron and 50 minutes from Cleveland. It was completed on time and within budget in summer 2013. Under the cooperative agreement, NEOMED becomes subject to a contingent lease agreement if on the commencement of any semester, projections for the coming year indicate the project would not achieve its sufficiency rate covenant (i.e., a fixed-charge coverage [FCC] ratio of 1-to-1) based on anticipated lease up of available units. If the contingent-lease-agreement trigger becomes effective, then NEOMED becomes obligated to deliver residence agreements for the number of additional units necessary to achieve an FCC ratio of 1-to-1 or reduce project-related expenses incurred by directly providing utilities or services on such terms necessary to achieve the required FCC ratio.
The approximately $36 million series 2012 bonds are nonrecourse obligations of the authority, the borrower, and NEOMED, secured by the net revenue (assignment of rents and leases) of the housing project funded by the bonds, a first-priority leasehold mortgage on the housing facility, and the NEOMED cooperative agreement, which we consider equivalent to a lease vacancy agreement. The authority issued the bonds as fixed-rate bonds with a 28-year maturity; the bonds mature in 2044.

Due to the COVID-19 outbreak, NEOMED converted its classes to a hybrid of in-person and remote learning. It did not close its campus in spring 2020 in response to COVID-19. The campus remained open to students (e.g., for Wi-Fi, studying, and residency at The Village) throughout the spring semester, even as classes moved to remote learning. NEOMED did not refund any tuition. The only fee that NEOMED refunded was a pro-rated portion of the Health and Wellness fee due to the closure of that facility as a result of COVID-19 in spring 2020. NEOMED did not close The Village student housing facility. Any students who moved out of The Village in spring 2020 did so based on their own decision and did not receive a refund of rent paid or a proration of remaining rent due under their leases. NEOMED received from the Coronavirus Aid, Relief, and Economic Security (CARES) Act funding of $272,934, half of which was for students and the remainder was used to support the university. NEOMED received an additional $446,503 from the CARES Act Coronavirus Relief Fund (CRF).

Credit overview
The rating reflects our view that occupancy at The Village has continued to improve, and in fall 2020 was 96%, up from 94% for fiscal 2019. As a result, the project did not require subsidization by NEOMED in fiscal 2020. The rating also reflects our view that the university's ability to support the project when needed, may be constrained by its other indirect business interests including a health, wellness, and medical education facility financed with a $79 million direct placement loan with an underlying lease. However, this is somewhat offset by improved financial operations of the university with close to flat operations in fiscal 2019 and, according to management, the anticipation of similar results expected in fiscal 2020. In our opinion, NEOMED continues to implement conservative budgeting practices that we view positively.

NEOMED's obligation to deliver residence agreements as just described is payable from general receipts of the university. To the extent the university agrees to provide utilities or other services to lower expenses and support the project such obligations are subject to appropriation. We understand NEOMED was required to subsidize the project only in its first three full years of operation, due to lower-than-anticipated occupancy. The university did not need to provide additional subsidies in fiscal 2020 nor is it budgeting to provide subsidies in fiscal 2021 given the high occupancy (96%) of the project for fall 2020.

The long-term rating further reflects our assessment of:

- NEOMED’s cooperative agreement, which we view as being akin to a lease-vacancy agreement, providing an adequate level of project support to meet the required 1.0x (sufficiency) rate covenant. We understand the coverage was 1.05x in fiscal 2020, and management expects that the covenant will also be met in fiscal 2021 with improved coverage;
- Demand for the university's sole on-campus 339-bed housing facility, which, appears to be stabilized at 96% in fall 2020 and 94% for fall 2019;
- Solid fall 2020 enrollment levels at NEOMED, with 952 professional students, and 34 students enrolled in its college of graduate studies (founded in 2010), we note a continued positive growth trend in enrollment year over year; and
- NEOMED's improving financial operations on a generally accepted accounting principles (GAAP) basis and management's expectation of close to flat operations in fiscal 2020 on a GAAP basis.

We continue to believe other credit factors that could pressure the rating on the project include state appropriation risk (the university receives less than 30% of its revenue from this source), the small size of the school compared with other larger statewide competitors, and the university's support for its health, wellness, and medical education facility and other business expansion activities, if underlying assumptions fall short of expectations.
NEOMED is one of 14 public universities in Ohio, and it serves students who largely come from northeastern Ohio, a region with an estimated 4.2 million residents. It is one of six medical universities in the state. NEOMED’s unique business model is founded in collaboration, with the university partnering with 29 clinical institutions, more than 100 pharmacies, nine colleges and universities, and dozens of other public, civic and private organizations.

Late in 2012, the housing project was transferred from Portage County Improvement Corp. to its permanent owner, ERS Housing LLC (final borrower and a subsidiary of ERS Strategic Properties), a nonprofit (in support of) entity established by NEOMED. This transfer was envisioned at the time we assigned the initial rating in June 2012. The authority lent the bond proceeds to the Portage County Improvement Corp. (initial borrower), pursuant to a loan agreement, for the purpose of constructing the first student housing project to be built on the NEOMED campus.

Environmental, social, and governance factors
In our view, privatized student housing projects face elevated social risk due to the uncertainty on the duration of the COVID-19 pandemic, and unknown effect on future enrollment and occupancy levels. We view the risks posed by COVID-19 to public health and safety as a social risk under our environmental, social, and governance factors. Despite the elevated social risk, we believe NEOMED's environment and governance risk are in line with our view of the sector as a whole.

Negative Outlook
Downside scenario
We could lower the rating if NEOMED's occupancy declines and pressures the project demand such that it would not likely meet its bond covenants or if other events occur leading to a bond covenant violation of less than 1.0x.

Return to stable scenario
We could revise the outlook to stable should the project continue to demonstrate its ability to mitigate current pressure on net operating revenue caused by COVID-19. The strength of the project's reserves and its ability to continue making on-time and in-full debt-service payments may also be considered.

Credit Opinion
Enterprise Profile
Organizational overview and enrollment
The Northeast Ohio Medical University-College of Medicine was founded in 1973, its College of Pharmacy was founded in 2005, and its College of Graduate Studies was founded in 2009. NEOMED was formerly known as the Northeastern Ohio Universities College of Medicine. We believe NEOMED's somewhat unique niche is that its medical school's Early Assurance Baccalaureate/M.D. admissions pathway enables undergraduate students attending one of the nine universities and colleges within the NEOMED partnership program, including Kent State University, The University of Akron, Youngstown State University, Cleveland State University, Bowling Green State University, Hiram College, and Baldwin Wallace University, to reserve a seat in NEOMED's medical school during their sophomore year of college. Early Assurance is a reserved seat in NEOMED's medical school, provided candidates achieve certain milestones to claim that reserved seat. NEOMED also offers six research focus areas: community-based mental health, diabetes, obesity and metabolism, hearing research, heart and blood vessel disease, musculoskeletal research, and neurodegenerative disease and aging.

NEOMED also offers direct entry into its medical school through the traditional admissions pathway for those qualifying and possessing an undergraduate degree and accepts transfers from other medical schools. There are 605 students currently enrolled in the College of Medicine.

As of fall 2020, NEOMED had a full-time equivalent enrollment of 991 students, up 2.8% from 964 in fall 2019. The majority of students are enrolled in the medical school, with about a third enrolled in the college of pharmacy. In 2020-2021, the tuition rates were $52,620 for the school of medicine and $28,280 for the pharmacy school. The newer graduate studies program charges students on a per-credit hour basis.

Governance and management
Governance and management strength, in our view, is largely due to multiple levels of oversight. Because NEOMED is a state university, its nine-member board of trustees is appointed by the governor of Ohio with advice and consent of the state senate for staggered nine-year terms. In addition, there are two nonvoting student members of the board. This board provides policy oversight, approves the budget, and selects the president of the administrative team that runs the university.

We view the administrative team as adequate, although there had been some turnover the past couple years. We also note a new president and finance team are in place, and according to management, the transition has gone smoothly. For the project, the administration chose Signet Real Estate Group (formerly known as Portage Management LLC), a local company and affiliate of the developer Signet NEOM Development LLC. This management company appears to possess the requisite skill set consistent with managing a student-housing facility successfully.

Financial Profile

Housing facility: Solid security and support from NEOMED

When the housing project first opened in fall 2013 with an occupancy of 37%, the university was required to lease some housing units pursuant to the provisions of the cooperative agreement (without this subsidy, the 1.0x rate covenant wouldn't have been met). The university continued to contribute rent subsidies toward the project until fiscal 2016. There were no subsidies made in fiscal 2020, and none are anticipated for fiscal 2021.

DSC for fiscal 2019 was 1.08x, and the project did not require a subsidy from the university to meet the 1.0x rate covenant. Management expects its DSC for fiscal 2020 to be about 1.05x based on a draft calculation. It anticipates higher DSC in 2021 due to the increase in occupancy to 96% for fall 2020 from 94% fall 2019.

We understand the annual budget forecast for fiscal 2021 is designed such that total project revenue is no less than 1.0x debt service payments (the rate covenant is 1.0x), assuming an annual average occupancy rate of 93%, maintains a repair and replacement fund, and insures all operating expenses of The Village are covered. We understand that management expects occupancy will remain consistent and enrollment will continue to increase in the near term.

We believe other operational practices pertaining to The Village are sound and include a requirement that Signet Real Estate Group notify NEOMED of any student who presents a nonpayment issue and provisions for placing holds on registration for nonpayment, marketing the facility as college housing, the option for the university to pay most utilities, and provide security and grounds maintenance.

The Village is NEOMED's sole on-campus student housing facility. NEOMED initiated this project in response to a perceived need to offer on-campus student housing to reduce the burden on existing students and further aid recruitment of new students to the Rootstown campus. With a history of strong student enrollment growth, management continues to believe that the need for on campus student housing is increasing. Enrollment over the past several years has increased steadily the past few years. Fall 2021 enrollment increased slightly due to the university's growing market penetration.

The Village student housing project consists of three four-story buildings that contain a total of 339 student-housing beds in the following configuration: 29 one-bedroom, one bathroom units; 154 two-bedroom, two-bathroom units; and two studio, one-bathroom units. The manager, Signet Real Estate Group (formerly known as Portage Management LLC) in consultation with the university, establishes rental rates. All student and faculty, if any, residents sign 12-month leases. The management contract currently runs through June 30, 2021, with the contract renewing for one-year terms thereafter, unless terminated by either party.

NEOMED finances support the rating adequately

We continue to believe NEOMED has an adequate financial profile to support the rating and its financial obligations including the project, due in part to the university's improved financial operations. The rating also incorporates risks associated with the specialty nature of the university and its smaller size compared with larger universities.
NEOMED's total adjusted operating revenue increased to $88.2 million in fiscal 2019 from $86.9 million in the fiscal year ended June 30, 2018. In addition, total adjusted operating expenses also decreased 5.4% during the same period. In fiscal 2019, NEOMED posted negative financial operating performance with a slight deficit of $395,000, which was significantly less compared with the $6.6 million deficit on a full-accrual basis in fiscal 2018. Management anticipates close to flat operations in fiscal 2020. Furthermore, management has implemented a conservative budgeting plan by making various expense cuts including a hiring freeze for fiscal 2021, to offset potential budget cuts from state funding, which NEOMED conservatively estimated in budgeted revenues.

**Appropriation**

Less than 30% of NEOMED's total revenue comes from state appropriations. Over the five-year period ended in fiscal 2019, NEOMED realized a 24% increase in its appropriation to $24.9 million from $20 million, in large part reflecting state support for expansion of its program and degree offerings. In fiscal 2020, state appropriations increase slightly. However, due to the COVID-19 pandemic we are expecting state budget cuts for fiscal 2021, which NEOMED has taken into account in its fiscal 2021 budget.

**Balance sheet: Available resources**

In fiscal 2019, NEOMED's adjusted unrestricted net assets increased 11% to $58.7 million, compared with $52.8 million at the end of fiscal 2018. Adjusted unrestricted net assets are sufficient to support the rating and the risks inherent in the project, in our opinion, providing 66.2% of adjusted operating expenses and 44.3% of debt outstanding (including the component unit debt). We understand the university is considering issuing additional debt to finance various capital projects. We will assess additional debt at the time of issuance.

**Related Research**

*Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors*, April 28, 2020

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Exhibit D: FY2020 Ratios and Composite Score
### NEOMED

#### Senate Bill 6 Ratios & Composite Score

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