

# **APPENDIX 6**

## **Financial Statements**

# **University of Northwestern Ohio**

**Accountants' Report and Consolidated Financial Statements**

**June 30, 2012 and 2011**



**University of Northwestern Ohio**  
**June 30, 2012 and 2011**

**Contents**

<b>Independent Accountants' Report .....</b>	<b>1</b>
<b>Consolidated Financial Statements</b>	
Statements of Financial Position .....	2
Statements of Activities .....	3
Statements of Cash Flows .....	4
Notes to Financial Statements .....	5

## Independent Accountants' Report

Board of Trustees  
University of Northwestern Ohio  
Lima, Ohio

We have audited the accompanying consolidated statements of financial position of University of Northwestern Ohio (University) as of June 30, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of University of Northwestern Ohio as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*BKD, LLP*

November 20, 2012

**University of Northwestern Ohio**  
**Consolidated Statements of Financial Position**  
**June 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 15,747,599	\$ 16,152,253
Accounts receivable, net of allowance of \$253,000 and \$232,000	4,333,898	4,552,144
Contributions receivable	52,120	59,170
Prepaid expenses and other assets	338,807	363,578
Investments	1,536,464	1,424,273
Property and equipment	73,743,281	56,435,255
Goodwill	3,389,963	3,389,963
Bond issuance costs	<u>75,268</u>	<u>80,913</u>
Total assets	<u>\$ 99,217,400</u>	<u>\$ 82,457,549</u>
<b>Liabilities</b>		
Accounts payable	\$ 1,038,070	\$ 616,026
Accrued liabilities	2,576,268	2,231,216
Deferred revenue	3,266,952	3,408,355
Debt	30,780,980	24,620,412
Capital lease obligations	8,781,668	5,226,186
Interest rate swap agreements	<u>4,537,888</u>	<u>3,165,956</u>
Total liabilities	<u>50,981,826</u>	<u>39,268,151</u>
<b>Net Assets</b>		
Unrestricted		
Undesignated	47,503,714	42,479,371
Scholarship fund	<u>593,820</u>	<u>574,937</u>
Total unrestricted	48,097,534	43,054,308
Permanently restricted	<u>138,040</u>	<u>135,090</u>
Total net assets	<u>48,235,574</u>	<u>43,189,398</u>
Total liabilities and net assets	<u>\$ 99,217,400</u>	<u>\$ 82,457,549</u>

**University of Northwestern Ohio**  
**Consolidated Statements of Activities**  
**Years Ended June 30, 2012 and 2011**

	2012		
	Unrestricted	Permanently Restricted	Total
<b>Revenue, Income and Other Support</b>			
Tuition and fees	\$ 43,016,816	\$ —	\$ 43,016,816
Less: Student aid	<u>(1,086,378)</u>	<u>—</u>	<u>(1,086,378)</u>
	41,930,438	—	41,930,438
Government grants	130,603	—	130,603
Private gifts and grants	592,800	2,950	595,750
Investment return	52,474	—	52,474
Rental income	576,192	—	576,192
Auxiliary enterprises	<u>6,808,205</u>	<u>—</u>	<u>6,808,205</u>
Total revenue, income and other support	<u>50,090,712</u>	<u>2,950</u>	<u>50,093,662</u>
<b>Expenses</b>			
Instruction	13,197,930	—	13,197,930
Academic support	1,092,886	—	1,092,886
Student services	4,929,014	—	4,929,014
Admissions	5,137,839	—	5,137,839
Development expense	409,921	—	409,921
Institutional support	7,638,529	—	7,638,529
Physical plant	1,061,623	—	1,061,623
Auxiliary enterprises	5,200,805	—	5,200,805
Depreciation	3,558,878	—	3,558,878
Interest	1,448,130	—	1,448,130
Change in fair value of interest rate swap agreements	<u>1,371,931</u>	<u>—</u>	<u>1,371,931</u>
Total expenses	<u>45,047,486</u>	<u>—</u>	<u>45,047,486</u>
<b>Change in Net Assets</b>	5,043,226	2,950	5,046,176
<b>Net Assets, Beginning of Year</b>	<u>43,054,308</u>	<u>135,090</u>	<u>43,189,398</u>
<b>Net Assets, End of Year</b>	<u>\$ 48,097,534</u>	<u>\$ 138,040</u>	<u>\$ 48,235,574</u>

2011		
Unrestricted	Permanently Restricted	Total
\$ 43,823,694	\$ —	\$ 43,823,694
<u>(1,634,504)</u>	<u>—</u>	<u>(1,634,504)</u>
42,189,190	—	42,189,190
138,291	—	138,291
383,111	3,350	386,461
30,936	—	30,936
426,015	—	426,015
<u>5,995,510</u>	<u>—</u>	<u>5,995,510</u>
<u>49,163,053</u>	<u>3,350</u>	<u>49,166,403</u>
12,826,819	—	12,826,819
932,665	—	932,665
4,345,914	—	4,345,914
4,633,326	—	4,633,326
320,115	—	320,115
7,341,098	—	7,341,098
929,199	—	929,199
5,240,593	—	5,240,593
3,043,557	—	3,043,557
1,603,427	—	1,603,427
<u>40,927</u>	<u>—</u>	<u>40,927</u>
<u>41,257,640</u>	<u>—</u>	<u>41,257,640</u>
7,905,413	3,350	7,908,763
<u>35,148,895</u>	<u>131,740</u>	<u>35,280,635</u>
<u>\$ 43,054,308</u>	<u>\$ 135,090</u>	<u>\$ 43,189,398</u>

**University of Northwestern Ohio**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Operating Activities</b>		
Change in net assets	\$ 5,046,176	\$ 7,908,763
Items not requiring (providing) operating activities cash flows		
Depreciation	3,558,878	3,043,557
Bad debt provision	21,149	164,657
Bond issuance costs expensed	5,646	115,626
Noncash contributions of property and equipment	(143,770)	(99,500)
Loss on sale of property and equipment	(31,500)	—
Net realized and unrealized (gain) loss on investments	(33,367)	15,675
Change in fair value of interest rate swap agreements	1,371,931	40,927
Changes in		
Accounts receivable	197,097	(512,391)
Contributions receivable	7,050	6,650
Prepaid expenses and other assets	24,771	(91,150)
Accounts payable	40,846	16,745
Accrued liabilities	345,052	(330,384)
Deferred revenue	(141,403)	(109,176)
	<u>10,268,556</u>	<u>10,169,999</u>
Net cash provided by operating activities		
<b>Investing Activities</b>		
Purchase of property and equipment	(16,389,693)	(5,242,653)
Purchase of investments	(628,824)	(730,347)
Proceeds from sale of investments	550,000	725,000
	<u>(16,468,517)</u>	<u>(5,248,000)</u>
Net cash used in investing activities		
<b>Financing Activities</b>		
Proceeds from issuance of debt	7,497,531	21,760,000
Principal payments on debt	(1,336,963)	(24,296,501)
Payments on capital lease obligations	(365,261)	(199,869)
	<u>5,795,307</u>	<u>(2,736,370)</u>
Net cash provided by (used in) financing activities		
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(404,654)	2,185,629
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>16,152,253</u>	<u>13,966,624</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 15,747,599</u>	<u>\$ 16,152,253</u>
<b>Supplemental Cash Flows Information</b>		
Interest paid (net of amount capitalized)	\$ 1,436,604	\$ 1,587,214
Property and equipment acquired by capital lease	3,920,743	5,223,904
Purchase of property and equipment included in accounts payable	381,198	—

**University of Northwestern Ohio**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

The University of Northwestern Ohio (University) was incorporated as a not-for-profit organization in 1992, under the laws of the state of Ohio. Prior to that time, the University operated as a proprietary operation. The University offers associate and diploma degree programs in automotive, diesel, high performance motorsports and HVAC technologies. Courses are offered in six-week sessions. The business division offers associate and diploma programs as well as bachelorette in accounting and business administration with concentrations in agribusiness management, marketing, automotive management and health care administration. Courses in the business division are on the quarter system. The University offers, through its distance learning division, bachelor of science degrees, and an associate degree in applied business for working adults. The University also offers a masters in business administration. All divisions offer classes year round. The University's revenue is derived principally from tuition, fees and auxiliary enterprises.

***Use of Estimates***

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

***Principles of Consolidation***

The financial statements include the accounts of the University of Northwestern Ohio and its wholly owned subsidiaries, Northwestern Travel Services, Inc. (C Corp.), Limaland Motorsports Park, Inc. (S Corp.), UNOH Development Corporation (S Corp.) and Ohio State Beauty Academy (C Corp.) (Subsidiaries). All material interorganizational accounts and transactions have been eliminated in consolidation.

***Net Asset Classifications***

The following classes of net assets are maintained:

***Unrestricted Net Assets***

The unrestricted net asset class includes general and board-designated assets and liabilities of the University. The unrestricted net assets of the University may be used at the discretion of management to support the University's purposes and operations.

***Permanently Restricted Net Assets***

The permanently restricted net asset class includes assets of the University for which the donor has stipulated that the contribution be maintained in perpetuity. Donor-imposed restrictions limiting the use of the assets or their economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose.

**University of Northwestern Ohio**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

***Cash and Cash Equivalents***

The University considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2011, cash equivalents consisted primarily of certificates of deposit and an overnight repurchase account which had an approximate value of \$6,600,000. There was no balance as of June 30, 2012 for the overnight repurchase account.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000. At June 30, 2012, the University's interest-bearing cash accounts do not exceed federally insured limits.

Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts through December 31, 2012, at all FDIC insured institutions.

***Investments and Investment Return***

Investments in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

***Income Taxes***

The University is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income. The subsidiaries are for-profit corporations. The University files tax returns in the U.S. federal jurisdiction. With a few exceptions, the University is no longer subject to U.S. federal examinations by tax authorities for years before 2009.

***Property and Equipment***

Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. The University provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

	<u>Years</u>
Buildings and improvements	30 – 40
Furniture and equipment	3 – 10

**University of Northwestern Ohio**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

The University capitalizes interest costs as a component of construction in progress, based on weighted-average rates paid for long-term borrowing. Total interest incurred each year was:

	<b>2012</b>	<b>2011</b>
Interest costs capitalized	\$ 348,654	\$ 161,146
Interest costs charged to expense	<u>1,448,130</u>	<u>1,603,427</u>
Total interest incurred	<u>\$ 1,796,784</u>	<u>\$ 1,764,573</u>

***Goodwill***

Goodwill is tested annually for impairment. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements.

***Student Accounts Receivable***

Student accounts receivable are stated at the amount billed to the students less applied scholarships and loan proceeds. The University provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Tuition is generally due at the beginning of the semester unless the student has signed a payment plan. Charges that are past due without payments for three consecutive months, have had no response to the due diligence process and are assigned to third-party collection agencies are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the student. There were no receivables delinquent greater than 90 days and still accruing interest at June 30, 2012 and 2011.

***Deferred Revenue***

Income from tuition and auxiliary enterprises is deferred and recognized over the periods to which the tuition and auxiliary enterprises relate.

***Support and Revenue***

The University reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the University reports the support as unrestricted.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

**University of Northwestern Ohio**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

***Donated Property and Equipment***

The University reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service, as instructed by the donor. The University reclassifies temporarily restricted net assets to unrestricted net assets at that time. For the years ended June 30, 2012 and 2011, the total donated property and equipment amounted to approximately \$144,000 and \$100,000, respectively.

***Government Grants***

Support funded by grants is recognized as the University performs the contracted services under grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

***Functional Allocation of Expenses***

Expenses have been summarized on a functional basis in the notes to the consolidated financial statements as educational, institutional support and fund raising based on the actual direct expenditures and cost allocations based upon estimates of time spent by University personnel.

***Bond Issuance Costs***

Bond issuance costs are amortized over the term of the related debt agreement.

**Note 2: Investments**

Investments at June 30, 2012 and 2011, consisted of the following:

	<u>2012</u>	<u>2011</u>
Corporate debt securities	\$ 53,141	\$ 104,140
Federal agency mortgage-backed securities	1,423,323	1,237,800
Certificates of deposit	<u>60,000</u>	<u>82,333</u>
Total	<u>\$ 1,536,464</u>	<u>\$ 1,424,273</u>

**University of Northwestern Ohio**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

Total investment return is comprised of the following:

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 19,107	\$ 46,611
Net realized and unrealized gains (losses) on investments	<u>33,367</u>	<u>(15,675)</u>
	<u>\$ 52,474</u>	<u>\$ 30,936</u>

**Note 3: Contributions Receivable**

Contributions receivable consisted of the following:

	<u>2012</u>	<u>2011</u>
	<u>Permanently Restricted</u>	<u>Permanently Restricted</u>
Due within one year	\$ 10,000	\$ 10,000
Due in one to five years	40,000	40,000
Due in more than five years	<u>10,000</u>	<u>20,000</u>
	60,000	70,000
Discount (6%)	<u>(7,880)</u>	<u>(10,830)</u>
	<u>\$ 52,120</u>	<u>\$ 59,170</u>

**Note 4: Property and Equipment**

The University's property and equipment are as follows:

	<u>2012</u>	<u>2011</u>
Buildings and improvements	\$ 63,292,663	\$ 51,242,864
Furnishings and equipment	<u>12,736,909</u>	<u>11,174,272</u>
	76,029,572	62,417,136
Accumulated depreciation and amortization	<u>(19,613,991)</u>	<u>(16,391,884)</u>
	56,415,581	46,025,252
Land	8,468,175	7,176,526
Construction in progress	<u>8,859,525</u>	<u>3,233,477</u>
	<u>\$ 73,743,281</u>	<u>\$ 56,435,255</u>

**University of Northwestern Ohio**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

**Note 5: Debt**

Debt consists of the following:

	<b>2012</b>	<b>2011</b>
Note payable, 2.75% above the LIBOR rate (2.99% at June 30, 2012), payable in monthly payments of \$8,333 plus interest, final payment due February 2015, collateralized by accounts receivable, inventory, equipment and the equity of the University	\$ 558,033	\$ 749,394
Port Authority of Allen County Economic Development Revenue Refunding Bonds – 2010 issued by the state of Ohio and guaranteed by the University, maturing serially at varying amounts through June 2026, annual sinking fund payments vary, annual interest paid at a variable rate (2.36% at June 30, 2012), secured by substantially all of the assets of the University and a letter of credit issued by the Huntington National Bank which expires in January 2016	20,415,039	21,279,301
Note payable, 1.90% above the LIBOR rate (2.14% at June 30, 2012), payable in monthly payments including interest of \$27,919 through May 2019, final payment of \$1,444,462 due June 2019, secured by the Administration and Book Store facility	2,310,377	2,591,717
Note payable, issued by Huntington National Bank and guaranteed by the University, maturing at varying amounts through January 2016, annual payments vary, annual interest paid at a variable rate (2.36% at June 30, 2012), secured by substantially all of the assets of the University.	<u>7,497,531</u>	<u>—</u>
	<u>\$ 30,780,980</u>	<u>\$ 24,620,412</u>

In connection with the issuance of the 2010 bonds, the trustee as lessor, and the University as lessee, entered into a lease for various facilities. Under the terms of the lease, the University is required to make rental payments in amounts sufficient to pay the principal, interest and any premium on the bonds whether at stated maturity, upon accelerations or upon redemption. In order to secure the University's commitment to pay the trustee the lease payments, the trustee has a security interest in various facilities. Upon the termination of the lease, ownership of the respective facilities will be transferred to the University.

The 2010 bonds are subject to a remarketing agreement. In the event that the remarketing of the bonds fails, the letter of credit will be drawn on to redeem all or a portion of the outstanding bonds from the holder(s). If such draw occurs, payment for the amount drawn on the letter of credit must take place on or before the termination date as determined by the letter of credit agreement with periodic interest payments required at the bank's prime rate (up to 10%). Currently, the letter of credit will expire in January 2016.

In addition, the bond agreements contain provisions for mandatory and optional tender of the bonds by the holders under certain conditions and/or by following prescribed measures as outlined in the

**University of Northwestern Ohio**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

agreements. Whenever the bonds are tendered, whether by mandatory or optional tender, the remarketing agent will use its best efforts to remarket the bonds to other investors. If the bonds are tendered and are not remarketed by the remarketing agent, the letter of credit will be drawn on as described previously. In the event that the bonds are not remarketed to other investors and then are not purchased with a draw on the letter of credit, the bonds will be purchased by the University, and at the direction of the University, be held by the Trustee or cancelled.

The bond agreements also provide for various interest rate options. The agreements set forth a weekly rate and other rate periods and options. The University additionally has the ability to change interest rate options as dictated in the agreements. At June 30, 2012, the interest rates on the bonds were in the weekly rate mode.

The future maturities and required principal payments of debt at June 30, 2012, are as follows:

2013	\$ 1,656,395
2014	1,752,778
2015	1,755,870
2016	8,102,488
2017	1,480,194
Thereafter	<u>16,033,255</u>
	<u>\$ 30,780,980</u>

The bond and certain notes payable contain covenants that require the University, among other things, to maintain certain levels of unrestricted cash and meet a predetermined debt-service ratio.

**Note 6: Derivative Financial Instruments**

***Variable-to-Fixed Interest Rate Swaps***

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, on September 1, 2010, the University entered into an 11-year interest rate swap agreement (with a related party) for its variable rate debt related to the 2010 bond issuance. The agreement provided for the University to receive interest from the counterparty at BMA Municipal Swap Index and to pay interest to the counterparty at a fixed rate of 6.02% on a notional amount of \$20,415,039 and \$21,279,301 at June 30, 2012 and 2011, respectively. The difference between the variable interest rate and the fixed interest rate is settled monthly and is included in interest expense.

On December 17, 2010, the University entered into another interest rate swap agreement (with a related party) that has a term of 5 years. It relates to variable rate debt that was issued and drawn down in 2012 and will be issued and drawn down in 2013. The agreement provided for the University to receive interest from the counterparty at BMA Municipal Swap Index and pay interest to the counterparty at a fixed rate of 4.4% on a notional amount to be \$8,240,000. The difference between the variable interest rate and the fixed interest rate is settled monthly and is included in interest expense.

The fair value of the interest rate swap agreements and the change in their fair value are separately identified on the statements of financial position and statements of activities, respectively.

**University of Northwestern Ohio**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

The table below presents certain information regarding the University's interest swap agreements.

	<b>2012</b>	<b>2011</b>
Fair value of liability for interest rate swap agreements		
2010 bond	\$ 4,034,199	\$ 2,946,655
2010 note	<u>503,689</u>	<u>219,301</u>
	<u>\$ 4,537,888</u>	<u>\$ 3,165,956</u>
	<b>2012</b>	<b>2011</b>
Gain (loss) recognized in change in net assets		
2010 bond	\$ (1,087,544)	\$ 178,374
2010 note	<u>(284,387)</u>	<u>(219,301)</u>
	<u>\$ (1,371,931)</u>	<u>\$ (40,927)</u>

**Note 7: Leases**

The University is obligated under various capital leases for buildings (primarily dormitories) and office equipment that expire at various dates over the next twenty years. The gross amounts of property and equipment and related accumulated amortization recorded under capital leases are as follows:

	<b>2012</b>	<b>2011</b>
Buildings and improvements	\$ 9,023,107	\$ 5,223,904
Furnishings and equipment	566,135	394,163
Accumulated amortization	<u>(807,574)</u>	<u>(400,912)</u>
	<u>\$ 8,781,668</u>	<u>\$ 5,217,155</u>

Amortization of assets held under capital leases is included with depreciation expense.

The present value of future minimum capital lease payments at June 30, 2012, are as follows:

2013	\$ 736,066
2014	679,073
2015	671,940
2016	644,936
2017	638,400
Thereafter	<u>8,732,202</u>
Total minimum lease payments	12,102,617
Amounts representing interest	<u>(3,320,949)</u>
Present value of net minimum capital lease payments	<u>\$ 8,781,668</u>

**University of Northwestern Ohio**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

**Note 8: Net Assets**

***Permanently Restricted Net Assets***

Permanently restricted net assets at June 30 are restricted to:

	<b>2012</b>	<b>2011</b>
Investment in perpetuity, the income of which is expendable for scholarships	\$ 88,040	\$ 85,090
Investment in perpetuity, the income of which is expendable for diesel technology scholarships	50,000	50,000
	\$ 138,040	\$ 135,090

**Note 9: Employee Benefits**

The University has two defined-contribution pension plans administered by the Teachers' Insurance and Annuity Association University Retirement Equities Fund (TIAA-CREF). The plans cover substantially all full-time administrative officers, faculty and certain staff with at least two years of service. Vesting provisions are full and immediate. The University contribution consists of a matching contribution of 100% of employee contributions, up to 6% of eligible employee compensation. The University's contribution to these plans were \$578,038 and \$536,201 for 2012 and 2011, respectively.

The University has a post-employment deferred compensation plan which accrues benefits to individuals with 15 years of service and who are at least the age of 59.5 years old or have 30 years of service. The University's present value of the liability for benefits at June 30, 2012 and 2011, was approximately \$1,493,000 and \$1,381,000, respectively. The present value of the liability for benefits was discounted at a rate of 5.00%.

**Note 10: Related Party Activity**

Transactions with related parties are as follows:

	<b>2012</b>	<b>2011</b>
Cash deposit, Huntington National Bank	\$ 14,584,482	\$ 14,589,870
Investments, Huntington National Bank	1,476,464	1,341,940
Bond payable, Huntington National Bank	20,415,039	21,279,301
Notes payable, Huntington National Bank	10,365,941	3,341,111
Construction in process	139,555	58,882
Interest incurred (including capitalized interest)	1,796,784	1,764,573
Insurance expense	419,837	427,670
Interest rate swap agreements, Huntington National Bank	4,537,888	3,165,956

**University of Northwestern Ohio**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

**Note 11: Commitments**

The University has entered into contracts for the construction of various new facilities. Remaining contract payments total approximately \$1,860,000 and \$9,517,000 as of June 30, 2012 and 2011, respectively.

**Note 12: Functional Expenses**

The University's expenses on a functional basis are as follows:

	<u>2012</u>	<u>2011</u>
Educational		
Instruction	\$ 15,972,589	\$ 15,137,945
Academic support	1,221,378	1,023,042
Student services	5,791,056	5,059,350
Admissions	5,735,668	5,023,893
Auxiliary enterprises	<u>6,894,018</u>	<u>6,336,823</u>
Total educational	35,614,709	32,581,053
Institutional support	8,982,530	8,333,824
Fund raising	<u>450,247</u>	<u>342,763</u>
Total expenses	<u>\$ 45,047,486</u>	<u>\$ 41,257,640</u>

**Note 13: Disclosures About Fair Value of Assets and Liabilities**

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

**University of Northwestern Ohio**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

**Investments**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. The University has no Level 1 securities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. The inputs used by the pricing services to determine fair value may include one, or a combination of, observable inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data market research publications. Level 2 securities include corporate debt securities and federal agency mortgage-backed securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The University has no Level 3 securities.

**Interest Rate Swap Agreements**

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2012 and 2011:

	<b>2012</b>			
	<b>Fair Value</b>	<b>Fair Value Measurements Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Assets, investments</b>				
Corporate debt securities	\$ 53,141	\$ —	\$ 53,141	\$ —
Federal agency mortgage-backed securities	1,423,323	—	1,423,323	—
<b>Liabilities</b>				
Interest rate swap agreements	4,537,888	—	4,537,888	—

**University of Northwestern Ohio**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

	2011			
	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets, investments</b>				
Corporate debt securities	\$ 104,140	\$ —	\$ 104,140	\$ —
Federal agency mortgage-backed securities	1,237,800	—	1,237,800	—
<b>Liabilities</b>				
Interest rate swap agreements	3,165,956	—	3,165,956	—

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated statements of financial position at amounts other than fair value. Further evaluation of the fair value of these financial assets and liabilities utilizing the methods described below did not result in a significant difference from the carrying amount, thus the carrying amount is a reasonable estimate of the fair value for all financial assets and liabilities.

***Cash and Cash Equivalents***

The carrying amount approximates fair value.

***Contributions Receivable***

Fair value is estimated at the present value of the future payments expected to be received.

***Debt and Capital Lease Obligations***

Fair value is estimated based on the borrowing rates currently available to the University for debt arrangements with similar terms and maturities.

**Note 14: Subsequent Events**

Subsequent events have been evaluated through the date of the Independent Accountants' Report which is the date the financial statements were available to be issued.

Subsequent to the end of the year, the University entered into capital lease arrangements for student dorms. The leases are for a period of 20 years commencing on September 1, 2012. The capital asset and long-term liability recorded by the University were approximately \$2,000,000.



# **APPENDIX 7**

## **School Commitment Statement**



STATEMENT OF COMMITMENT

The University of Northwestern Ohio is committed to offering on-line and on-campus (in Lima, Ohio) courses to students in/from Iowa. If we discontinue offering the courses or programs, we agree to provide alternatives for students to complete programs at other institutions if UNOH closes the program before students have completed their courses of study.

Signed:

A handwritten signature in black ink, appearing to read "Jeffrey A. Jarvis", is written over a horizontal line. The signature is stylized and cursive.

Jeffrey A. Jarvis, President

Dated:

10/21/13

# **APPENDIX 8**

## **Certificate of Authority**

**Ohio**

**Iowa**



DATE: 7/18/2013	DOCUMENT ID 201319801101	DESCRIPTION CERTIFICATE OF CONTINUED EXISTENCE (CCE)	FILING 25.00	EXPED .00	PENALTY .00	CERT .00	COPY .00
--------------------	-----------------------------	--	-----------------	--------------	----------------	-------------	-------------

**Receipt**

This is not a bill. Please do not remit payment.

UNIVERSITY OF NORTHWESTERN OHIO  
1441 N. CABLE ROAD  
LIMA, OH 45805

**STATE OF OHIO  
CERTIFICATE**

**Ohio Secretary of State, Jon Husted  
806466**

It is hereby certified that the Secretary of State of Ohio has custody of the business records for  
**UNIVERSITY OF NORTHWESTERN OHIO**  
and, that said business records show the filing and recording of:

Document(s)  
**CERTIFICATE OF CONTINUED EXISTENCE**

Document No(s):  
**201319801101**

**Effective Date: 07/17/2013**



United States of America  
State of Ohio  
Office of the Secretary of State

Witness my hand and the seal of  
the Secretary of State at Columbus,  
Ohio this 18th day of July, A.D.  
2013.

Ohio Secretary of State

# IOWA

No: W00883440  
Date: 11/21/2013

## SECRETARY OF STATE

504RFN-467852  
UNIVERSITY OF NORTHWESTERN OHIO

### ACKNOWLEDGEMENT OF DOCUMENT FILED

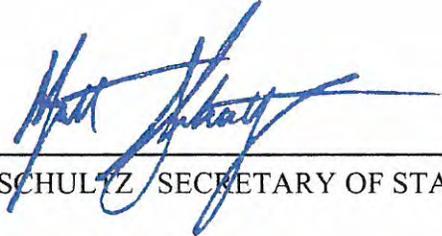
The Secretary of State acknowledges receipt of the following document:

Certificate of Authority

The document was filed on Nov 18 2013 10:10AM, to be effective as of Nov 18 2013 10:10AM.

The amount of \$25.00 was received in full payment of the filing fee.



  
MATT SCHULTZ, SECRETARY OF STATE



# **APPENDIX 9**

## **Cohort Default Letters**

UNITED STATES DEPARTMENT OF EDUCATION  
WASHINGTON, D.C. 20202  
September 2013

University of Northwestern Ohio  
1441 North Cable Road  
Lima, OH 45805-1498  
NL01

OPE ID: 004861  
FY 2011 Cohort Default Rate: 9.5

**RE: FY 2011 Official Cohort Default Rate Notification Letter**

Dear President:

This letter officially notifies you of your school's fiscal year (FY) 2011 cohort default rate based on Federal Family Education Loan (FFEL) Program and/or William D. Ford Federal Direct Loan (Direct Loan) Program loans made to students for attendance at your school. Your school's FY 2011 cohort default rate is shown above. Please note that even if your school is no longer participating in the student loan program(s), federal law requires the U.S. Department of Education (Department) to notify your school of its cohort default rate.

Note: The FY 2011 2 year cohort default rate will be the last two year cohort default rate released. Next year, in 2014 the FY 2011 three year cohort default rate will be the only cohort default rate released. Since the Department is no longer mailing hardcopies of the cohort default rate notification letters to any schools, please refer to <http://www.ed.gov/offices/OSFAP/defaultmanagement/ecdr.html> for a description of the other files that the Department transmitted to you along with this letter.

**WHAT FORMULA DID THE DEPARTMENT USE TO CALCULATE MY SCHOOL'S RATE?**

The Department uses one of three methods for calculation of cohort default rates:

1. Official non-average rate for schools with 30 or more borrowers entering repayment,
2. Official average rate for schools with 29 or fewer borrowers entering repayment, and
3. Unofficial rate for schools with 29 or fewer borrowers entering repayment with less than three years of data.

For a complete explanation of the three types of rates, please see Chapter 2.1 of the Cohort Default Rate Guide, How the Rates are Calculated, available at:

<http://ifap.ed.gov/DefaultManagement/guide/CDRGuidePart2.html>.

**WHAT TYPES OF LOANS DID THE DEPARTMENT INCLUDE IN MY SCHOOL'S RATE CALCULATION?**

The Department included three types of loans in your school's cohort default rate calculation:

1. Federal Stafford Subsidized and Federal Stafford Unsubsidized Loans
2. Federal Direct Subsidized and Federal Direct Unsubsidized Loans
3. Federal Supplemental Loans for Students (Federal SLS Loans). Although rare, it is possible for Federal SLS loans to be included in your school's cohort default rate calculation.

## **WHAT LOAN RECORD DETAIL REPORT (LRDR) ACCOMPANIES THIS NOTIFICATION LETTER?**

If your school's FY 2011 official cohort default rate is a non-averaged rate, the LRDR that accompanies this letter reflects all loans that went into repayment during FY 2011. If your school's FY 2011 official cohort default rate is an averaged rate, the LRDR that accompanies this letter reflects all loans that went into repayment during FY 2011, FY 2010 and FY2009.

Please note that if a technical problem caused by the Department results in an inability to access the data, schools have five business days from the receipt of the eCDR notification package to notify Operations Performance Division at the email address given below. All schools must meet the established submission timeframes for cohort default rate adjustments and appeals. The Department will not review adjustments and appeals that any school submits outside of the established timeframes. For more information on how to read the loan record detail report, please refer to Chapter 2.3 of the Cohort Default Rate Guide, Reviewing the Loan Record Detail Report, available at: <http://ifap.ed.gov/DefaultManagement/guide/CDRGuidePart2.html>.

## **WHAT SANCTIONS AND BENEFITS APPLY TO MY SCHOOL BASED ON THIS RATE?**

According to the Higher Education Act of 1965 (HEA), as amended, the Higher Education Reconciliation Act of 2005 (HERA), Pub.L.109-71 and the Department's regulations, your school is not subject to any sanctions based on your school's FY 2011 cohort default rate. However, if your school's official FY 2011 cohort default rate is 25.0 percent or greater, the Department may provisionally certify your school when your school applies for recertification to participate in the Federal Student Aid Programs. For more information about provisional certification, please refer to 34 C.F.R. Section 668.16(m)(1) and (2)(i) or contact the School Participation Management Division at 202-377-3173.

If your school's most recent official cohort default rate is less than 5.0 percent and your school is an eligible home institution that certifies/originates a loan to cover the cost of attendance in a study abroad program, your school is eligible for this benefit. Your school may disburse/deliver loan proceeds in a single installment and may choose to release loan proceeds to first-year, first-time borrowers prior to 30 calendar days after the first day of the borrower's program of study. Once your school receives notice from the Department that your school's official cohort default rate is 5.0 percent or greater, this benefit will end within 30 calendar days of the notification.

Institutions with a cohort default rate of less than 15.0 percent for each of the three most recent fiscal years for which data are available, including eligible foreign institutions, may disburse, in a single installment, loans that are made for one semester, one trimester, one quarter, or a four-month period. Such an institution is also no longer required to delay the delivery or disbursement of the first disbursement of a loan for 30 days for first-time, first-year undergraduate borrowers.

Once your school receives notice from the Department that your school's official cohort default rate is 15.0 percent or greater, this benefit will end within 30 calendar days of the notification.

For more information on the sanctions and the benefits associated with official cohort default rates, please refer to Chapter 2.4 of the Cohort Default Rate Guide, Cohort Default Rate Effects, available at <http://ifap.ed.gov/DefaultManagement/guide/CDRGuidePart2.html>.

**WHY DOES THIS LETTER SAY THAT MY SCHOOL IS NOT SUBJECT TO SANCTIONS BUT MY RATES EXCEED THE SANCTION THRESHOLD?**

If your school has official FY 2011, FY 2010, and FY 2009 cohort default rates that are 25.0 percent or greater or your school has an official FY 2011 cohort default rate that is greater than 40.0 percent, your school is NOT subject to the loss of FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program eligibility because your school met one or more of the following criteria:

FY 2011, FY 2010, FY 2009 Cohort  
Default Rates  $\geq$  25.0%

FY 2011 Cohort Default  
Rate  $>$  40.0%

At least two of your schools three most recent cohort default rates are official average cohort default rates and would be less than 25.0 percent if the Department had calculated the rate using the data for that cohort fiscal year alone.

Your schools FY 2011 cohort default rate is an official averaged cohort default rate.

Thirty or fewer borrowers entered into repayment during your schools three most recent official cohort default rates.

Your school submitted a successful participation rate index challenge/appeal based on your schools draft FY 2011 cohort default rate, official FY 2010 cohort default rate, or official FY 2009 cohort default rate.

Your school entered into a settlement agreement with the U.S. Department of Education that supersedes any sanctions the Department would apply based on cohort default rate calculations.

**WHAT RIGHTS DOES MY SCHOOL HAVE TO APPEAL THIS RATE INFORMATION?**

Based on your school's FY 2011 cohort default rate, your school may be eligible to submit the following adjustments/appeals:

Uncorrected Data Adjustment

<http://ifap.ed.gov/DefaultManagement/guide/CDRGuidePart4.html>

Loan Servicing Appeal

<http://ifap.ed.gov/DefaultManagement/guide/CDRGuidePart4.html>

New Data Adjustment

<http://ifap.ed.gov/DefaultManagement/guide/CDRGuidePart4.html>

Averaged Rates Appeal

<http://ifap.ed.gov/DefaultManagement/guide/CDRGuidePart4.html>

Thirty-or-fewer Borrowers Appeal

<http://ifap.ed.gov/DefaultManagement/guide/CDRGuidePart4.html>

All Uncorrected Data Adjustments and New Data Adjustments must be made through the eCDR Appeals application. Unless other instructions have been provided via an IFAP announcement, the Loan Servicing Appeal will continue to be submitted via hard copy. The Averaged Rates Appeal and Thirty-or-fewer Borrowers Appeal will continue to be submitted via hard copy. The eCDR Appeals application, as it is

known, allows schools to electronically submit certain challenge/ adjustment requests during the specified timeframes and allows data managers (guaranty agency or Federal Loan Servicer) and Federal Student Aid (FSA) personnel to electronically view and respond to these challenge/adjustment requests. The application tracks the entire life cycle of each request from the time the case is submitted until the time a decision is made and the case is closed.

School users will now have access to a table listing all adjustments for which a data manager has requested additional information. This table will be included in the school's Current Status Report, available by selecting the Report tab.

It has come to FSA's attention that a number of schools are challenging data in the school's cohort default rate based on an incorrect understanding of the cohort default rate calculation. This results in an unnecessary increase in the workload for the schools, data managers, and FSA. The following are some scenarios that have been noted, along with an explanation of why these allegations are considered invalid based on the current logic for the cohort default rate calculation.

1. School requests that borrower be removed from numerator as borrower defaulted, then paid the loan in full (either through consolidation or another method). Borrower will continue to be counted as a defaulted borrower for cohort default rate purposes. Current regulations only allow for a defaulted loan to be removed from default for cohort default rate purposes if the borrower successfully rehabilitated the loan within the cohort period, or, for FFELs held by a guaranty agency, if the lender repurchased the loan due to the claim being submitted or paid in error. See 34 CFR Sections 668.183(c)(2) and 668.202(c)(2).
2. School alleges that borrower be removed from numerator due to an incorrect date entered repayment that is resulting in the default date for the borrower being less than 360 days from the corrected date entered repayment. This allegation type applies to Direct Loans or loans that were PUT to the Department only, since FFELs held by a guaranty agency use the claim paid date as the default date, not the 360th day of delinquency. If a data manager agrees to correct the date entered repayment, they will update the default date to the 360th day of delinquency based on the new date entered repayment. However, if the updated date entered repayment and default date still fall within the cohort period, the borrower will continue to be counted in both the numerator/denominator. If the updated date entered repayment causes the updated default date to fall outside of the cohort period, borrower will be removed from the numerator only. If the updated date entered repayment falls outside of the cohort period, borrower will be removed from both the numerator/denominator.
3. Borrower is included in more than one cohort year. This may be correct, based upon the situation. If the borrower had a break in enrollment of greater than six months, then the borrower will enter repayment on the loans from the first period of enrollment six months and one day after the borrower's last date of attendance (LDA) or less than half-time date (LTHT), then will receive another six month grace period based on the LDA or LTHT date of the second period of enrollment. This may result in the borrower being included in more than one cohort year. If the borrower's break in enrollment was less than six months, this is considered continuous enrollment and the borrower should be in only one cohort year.
4. School was involved in a change of affiliation/merger and has borrowers counted more than once in the cohort default rate. A borrower may be counted more than once in the school's cohort default rate if the borrower had loans certified under two or more of the OPE-IDs that were involved in the change of affiliation/merger. Please see page 2.5-2 of the CDR Guide.

If a school has any questions regarding the cohort default rate calculation, Chapter 2.1 of the CDR Guide includes a thorough explanation of how the rates are calculated. Additionally, a school involved in a change of affiliation/merger should read Chapter 2.5 of the CDR Guide for an explanation of how the change of affiliation/merger will affect the cohort default rates of all of the schools involved.

**WHAT TOOLS AND INFORMATION ARE AVAILABLE TO HELP MONITOR AND MANAGE MY SCHOOL'S COHORT DEFAULT RATE?**

Tools Information	Description	Contact Information
Cohort Default Rate Guide	<a href="http://www.ifap.ed.gov/DefaultManagement/finalcdrg.html">http://www.ifap.ed.gov/DefaultManagement/finalcdrg.html</a> . Reference tool designed by U.S. Dept of Education to help schools understand cohort default rates and various challenge/appeal/adjustment processes. The electronic version was revised September 2013 and may be found online.	May be printed from CDR Guide Link
Default Prevention and Mgmt Website	<a href="http://ifap.ed.gov/DefaultManagement/DefaultManagement.html">http://ifap.ed.gov/DefaultManagement/DefaultManagement.html</a> . Contains valuable information for schools, guaranty agencies and borrowers. Contains link for eCDR process, including enrollment procedures and downloading instructions.	Operations Performance Division 202-377-4259
eCDR Appeals	Electronic Cohort Default Rate Appeals Process eCDR Appeals facilitates the exchange of information between parties for three of the challenge/adjustment processes: Incorrect Data Challenge (IDC), Uncorrected Data Adjustments (UDA), and New Data Adjustments (NDA). The application allows schools to electronically submit these challenges and adjustment requests during a cohort default rate cycle, and allows data managers (guaranty agency or Direct Loan Servicer) and Federal Student Aid (FSA) personnel to electronically view and respond to challenges and adjustment requests. The application tracks the entire life cycle of each challenge/adjustment request from the time the case is submitted until the time a decision is made and the case is closed.	Operations Performance Division 202-377-4259
	All users must complete the registration process to gain access to eCDR Appeals. The eCDR Appeals homepage contains a link to the Registration and User Account Guide, which	

gives step-by-step instructions for registration. Links to the User Guides for the three processes can also be found here, as well as a link to the Cohort Default Rate Guide.

Late Stage Delinquency Assistance (LSDA)

Process whereby schools work in collaboration with servicers or guarantors to identify and provide counseling to borrowers more than 240 days late on loan repayment. For Direct Loan schools, the website <https://www.myedaccount.com/> identifies borrowers whose impending default will impact the school's cohort default rate.

Direct Loan Servicer  
888-877-7658  
(can guide You through the process)

National Student Loan Data System (NLSDS)

<https://www.nlsdsfap.ed.gov>. Offers schools the opportunity to request reports in extract or preformatted formats that can be retrieved through the Students Aid Internet Gateway (SAIG) account associated with the NLSDS User Id that requested the report. Listed below are some reports NLSDS offers.

NLSDS Customer Service at (800) 999-8219

**Report Name**

**Brief Description of the NLSDS Reports**

---

DRC035	School CDR Rate History Report provides school with a copy of the Loan Record Detail Report that lists students in default/repayment during the cohort period indicated.
SCHER1	Enrollment Reporting Summary Report provides school users with the chronology of enrollment reporting events.
DER001	Date Entered Repayment Report provides school users with a list of student borrowers with loan history who are scheduled to go into repayment during a specified date range.
DRC015 DRC016	School Repayment Information Loan Detail provides school users with the current repayment status of certain borrowers in FFEL/DL loan programs who attended a school during a specific period.
SCH01B	Exit Counseling Report provides school users with exit counseling information on students who attended the requesting school and whose anticipated completion dates fall within a specified date range.

- DELQ01                    The Delinquent Borrower Report (DELQ01) provides School users a report of borrowers who have been reported as delinquent in making loan payments to one of the federal loan servicers.
- SCHPR1                    The School Portfolio Report (SCHPR1) provides ED users with information about all Direct Loan and/or FFEL program loans for a specified school.

Additional tools and information may be found in Chapter 3.2 of the Cohort Default Rate Guide, Monitoring Loan Repayment Status Year-Round, available at:  
<http://ifap.ed.gov/DefaultManagement/guide/CDRGuidePart3.html>.

If you have any questions about this letter that are not answered in the Cohort Default Rate Guide, please contact Operations Performance Division via email at [FSA.Schools.Default.Management@ed.gov](mailto:FSA.Schools.Default.Management@ed.gov) or via phone at (202) 377-4259. Please be sure to include your Office of Postsecondary Education Identification Number (OPE ID) on all correspondence, as shown on page one of this letter.

Sincerely,

Katrina Turner  
Director  
Operations Performance Management Services  
Business Operations

OPEID: 004861  
School Name: University of Northwestern Ohio  
City and State: Lima, OH 45805-1498

The Department's records indicate the following with regard to your school's loan program participation:

**CERTIFIED FFEL                      CERTIFIED DIRECT LOAN**

Based on borrower participation in the FFEL Program and/or Direct Loan Program at your school, here are the FY 2011, FY 2010 and FY 2009 official cohort default rates on record for your school:

**Fiscal Year 2011**

- (1) Number of borrowers entering repayment: 1893
- (2) Number of borrowers who entered repayment and defaulted: 181
- (3) Official Cohort Default Rate: 9.5%
- (4) Rate Type: DU

**Fiscal Year 2010**

- (1) Number of borrowers entering repayment: 1613
- (2) Number of borrowers who entered repayment and defaulted: 115
- (3) Official Cohort Default Rate: 7.1%
- (4) Rate Type: DU

**Fiscal Year 2009**

- (1) Number of borrowers entering repayment: 1345
- (2) Number of borrowers who entered repayment and defaulted: 139
- (3) Official Cohort Default Rate: 10.3%
- (4) Rate Type: FL

The rate type indicates the category of loans that the Department included in your school's cohort default rate:

- FL-FFEL Program loans only
- DL-Direct Loan Program loans only
- DU- both FFEL Program and Direct Loan Program loans

For additional information on the methodology that the Department uses to calculate cohort default rates, please refer to the Chapter 2.1 of the Cohort Default Rate Guide, How the Rates are Calculated, available at <http://ifap.ed.gov/DefaultManagement/guide/CDRGuidePart2.html>.

UNITED STATES DEPARTMENT OF EDUCATION  
WASHINGTON, D.C. 20202  
September 2013

University of Northwestern Ohio  
1441 North Cable Road  
Lima, OH 45805-1498

OPE ID:	004861
FY 2010 3-Year Cohort	16.5
Default Rate:	NL01

**RE: FY 2010 3-Year Official Cohort Default Rate Notification Letter**

Dear President:

On October 28, 2009, the U.S. Department of Education (Department) published in the Federal Register the regulations enacted by the Higher Education Opportunity Act of 2009 that will govern the calculation of cohort default rates. Under the new provisions, an institution's Cohort Default Rate is calculated as the percentage of borrowers in the cohort who default before the end of the second fiscal year following the fiscal year in which the borrowers entered repayment. This extends the length of time in which a student can default from two to three years.

Beginning with the fiscal year (FY) 2009 cohort year, schools received both a two and three year cohort default rate. Schools will also receive a two and three year cohort default rate this year. It is important to note that this year is the last year that two year cohort default rates will be released. Next year in 2014, the FY 2011 3-Year cohort default rate will be the only cohort default rate released.

This letter officially notifies you of your school's fiscal year (FY) 2010 3-Year cohort default rate based on Federal Family Education Loan (FFEL) Program and/or William D. Ford Federal Direct Loan (Direct Loan) Program loans made to students for attendance at your school. Your school's FY 2010 3-Year cohort default rate is shown above. Please note that even if your school is no longer participating in the student loan program(s), federal law requires the Department to notify your school of its cohort default rate.

Since the Department is no longer mailing hardcopies of the cohort default rate notification letters to any schools, please refer to <http://www.ed.gov/offices/OSFAP/defaultmanagement/ecdr.html> for a description of the other files that the Department transmitted to you along with this letter.

**WHAT FORMULA DID THE DEPARTMENT USE TO CALCULATE MY SCHOOL'S RATE?**

The Department uses one of two methods for calculation of cohort default rates:

1. Official non-average rate for schools with 30 or more borrowers entering repayment,
2. Unofficial rate for schools with 29 or fewer borrowers entering repayment with less than three years of data.

For a complete explanation of the types of rates, please see Chapter 2.1 of the Cohort Default Rate Guide, How the Rates are Calculated, available at:

<http://www.ifap.ed.gov/DefaultManagement/guide/CDRGuidePart2.html>.

## **WHAT TYPES OF LOANS DID THE DEPARTMENT INCLUDE IN MY SCHOOL'S RATE CALCULATION?**

The Department included three types of loans in your school's cohort default rate calculation:

- 1) Federal Stafford Subsidized and Federal Stafford Unsubsidized Loans
- 2) Federal Direct Subsidized and Federal Direct Unsubsidized Loans
- 3) Federal Supplemental Loans for Students (Federal SLS Loans). Although rare, it is possible for Federal SLS loans to be included in your school's cohort default rate calculation.

## **WHAT LOAN RECORD DETAIL REPORT (LRDR) ACCOMPANIES THIS NOTIFICATION LETTER?**

Your school's FY 2010 3-Year official cohort default rate may be a non-averaged rate, or an Unofficial rate (less than 30 borrowers entering repayment). Accordingly, the LRDR that accompanies this letter reflects all loans that went into repayment during FY 2010 and defaulted by September 30, 2012.

Please note that if a technical problem caused by the Department results in an inability to access the data, schools have five business days from the receipt of the eCDR notification package to notify Operations Performance Division at the email address given below. All schools must meet the established submission timeframes for cohort default rate adjustments and appeals. The Department will not review adjustments and appeals that any school submits outside of the established timeframes.

For more information on how to read the loan record detail report, please refer to Chapter 2.3 of the Cohort Default Rate Guide, Reviewing the Loan Record Detail Report, available at <http://www.ifap.ed.gov/DefaultManagement/guide/CDRGuidePart2.html>

## **ARE THERE ANY SANCTIONS OR BENEFITS ASSOCIATED WITH MY RATE?**

There will be no sanctions associated with your school's 3-year cohort default rate until three years of 3-Year cohort default rates have been collected. This means that the first year that a school will be subject to loss of eligibility is fiscal year 2011 which will be released in 2014.

However, if your school's FY 2010 3-Year cohort default rate is equal to or greater than 30 percent you must establish a default prevention task force that prepares a plan to identify the factors causing your cohort default rate to exceed 30 percent and submit to the Department for review.

## **WILL MY RATE BE CALCULATED THE SAME IF MY SCHOOL HAS MERGED WITH ANOTHER?**

The FY 2010 3-Year cohort default rate for institutions involved in a merger or change of affiliation will be based on all borrowers from the parent and the underlying institutions which have borrowers that entered repayment in FY 2010 (October 1, 2009 – September 30, 2010).

## **WHAT RIGHTS DOES MY SCHOOL HAVE TO APPEAL THIS RATE INFORMATION?**

Based on your school's FY 2010 three year cohort default rate, your school may be eligible to submit the following adjustments/appeals:

Uncorrected Data Adjustment

<http://www.ifap.ed.gov/DefaultManagement/guide/CDRGuidePart4.html>

Loan Servicing Appeal

<http://www.ifap.ed.gov/DefaultManagement/guide/CDRGuidePart4.html>

## New Data Adjustment

<http://www.ifap.ed.gov/DefaultManagement/guide/CDRGuidePart4.html>

All Uncorrected Data Adjustments and New Data Adjustments must be made through the eCDR Appeals application. Unless other instructions have been provided via an IFAP announcement, the Loan Servicing Appeal will continue to be submitted via hard copy. The eCDR Appeals application, as it is known, allows schools to electronically submit certain challenge/adjustment requests during the specified timeframes and allows data managers (guaranty agency or Federal Loan Servicer) and Federal Student Aid (FSA) personnel to electronically view and respond to these challenge/adjustment requests. The application tracks the entire life cycle of each request from the time the case is submitted until the time a decision is made and the case is closed.

It has come to FSA's attention that a number of schools are challenging data in the school's cohort default rate based on an incorrect understanding of the cohort default rate calculation. This results in an unnecessary increase in the workload for the schools, data managers, and FSA. The following are some scenarios that have been noted, along with an explanation of why these allegations are considered invalid based on the current logic for the cohort default rate calculation.

1. School requests that borrower be removed from numerator as borrower defaulted, then paid the loan in full (either through consolidation or another method). Borrower will continue to be counted as a defaulted borrower for cohort default rate purposes. Current regulations only allow for a defaulted loan to be removed from default for cohort default rate purposes if the borrower successfully rehabilitated the loan within the cohort period, or, for FFELs held by a guaranty agency, if the lender repurchased the loan due to the claim being submitted or paid in error. See 34 CFR Sections 668.183(c)(2) and 668.202(c)(2).
2. School alleges that borrower be removed from numerator due to an incorrect date entered repayment that is resulting in the default date for the borrower being less than 360 days from the corrected date entered repayment. This allegation type applies to Direct Loans or loans that were PUT to the Department only, since FFELs held by a guaranty agency use the claim paid date as the default date, not the 360th day of delinquency. If a data manager agrees to correct the date entered repayment, they will update the default date to the 360th day of delinquency based on the new date entered repayment. However, if the updated date entered repayment and default date still fall within the cohort period, the borrower will continue to be counted in both the numerator/denominator. If the updated date entered repayment causes the updated default date to fall outside of the cohort period, borrower will be removed from the numerator only. If the updated date entered repayment falls outside of the cohort period, borrower will be removed from both the numerator/denominator.
3. Borrower is included in more than one cohort year. This may be correct, based upon the situation. If the borrower had a break in enrollment of greater than six months, then the borrower will enter repayment on the loans from the first period of enrollment six months and one day after the borrower's last date of attendance (LDA) or less than half-time date (LTHT), then will receive another six month grace period based on the LDA or LTHT date of the second period of enrollment. This may result in the borrower being included in more than one cohort year. If the borrower's break in enrollment was less than six months, this is considered continuous enrollment and the borrower should be in only one cohort year.
4. School was involved in a change of affiliation/merger and has borrowers counted more than once in the cohort default rate. A borrower may be counted more than once in the school's cohort default rate if the borrower had loans certified under two or more of the OPE-IDs that were involved in the change of affiliation/merger. Please see page 2.5-2 of the CDR Guide.

If a school has any questions regarding the cohort default rate calculation, Chapter 2.1 of the CDR Guide includes a thorough explanation of how the rates are calculated. Additionally, a school involved in a change of affiliation/merger should read Chapter 2.5 of the CDR Guide for an explanation of how the change of affiliation/merger will affect the cohort default rates of all of the schools involved.

**WHAT TOOLS AND INFORMATION ARE AVAILABLE TO HELP MONITOR AND MANAGE MY SCHOOL'S COHORT DEFAULT RATE?**

<b>Tools Information</b>	<b>Description</b>	<b>Contact Information</b>
Cohort Default Rate Guide	<a href="http://www.ifap.ed.gov/DefaultManagement/finalcdrg.html">http://www.ifap.ed.gov/DefaultManagement/finalcdrg.html</a> . Reference tool designed by U.S. Dept of Education to help schools understand cohort default rates and various challenge/appeal/adjustment processes. The electronic version was revised September 2013 and may be found online.	May be printed from CDR Guide Link
Default Prevention and Mgmt Website	<a href="http://ifap.ed.gov/DefaultManagement/DefaultManagement.html">http://ifap.ed.gov/DefaultManagement/DefaultManagement.html</a> . Contains valuable information for schools, guaranty agencies and borrowers. Contains link for eCDR process, including enrollment procedures and downloading instructions.	Operations Performance Division 202-377-4259
eCDR Appeals	Electronic Cohort Default Rate Appeals Process - eCDR Appeals facilitates the exchange of Information between parties for three of the challenge/adjustment process: Incorrect Data Challenge (IDC), Uncorrected Data Adjustments (UDA), and New Data Adjustments (NDA). The application allows schools to electronically submit these challenges and adjustment requests during a cohort default rate cycle, and allows data managers (guaranty agency or Direct Loan Servicer) and Federal Student Aid (FSA) personnel to electronically view and respond to challenges and adjustment requests. The application tracks the entire life cycle of each challenge/adjustment request from the time the case is submitted until the time a decision is made and the case is closed.	Operations Performance Division 202-377-4259
	All users must complete the registration process to gain access to eCDR Appeals. The eCDR Appeals homepage contains a link to the Registration and User Account Guide, which gives step-by-step instructions for	

registration. Links to the User Guides for the three processes can also be found here, as well as a link to the Cohort Default Rate Guide.

Late Stage Delinquency Assistance (LSDA)	Process whereby schools work in collaboration with servicers or guarantors to identify and provide counseling to borrowers more than 240 days late on loan repayment. For Direct Loan schools, the website <a href="https://www.myedaccount.com/">https://www.myedaccount.com/</a> identifies borrowers whose impending default will impact the school's cohort default rate.	Direct Loan Servicer 888-877-7658 (can guide You through the process)
National Student Loan Data System (NLSDS)	<a href="https://www.nlsdsfap.ed.gov">https://www.nlsdsfap.ed.gov</a> . Offers schools the opportunity to request reports in extract or preformatted formats that can be retrieved through the Students Aid Internet Gateway (SAIG) account associated with the NLSDS User Id that requested the report. Listed below are some reports NLSDS offers.	NLSDS Customer Service at (800) 999-8219

Report Name	Brief Description of the NLSDS Reports
DRC035	School CDR Rate History Report provides school with a copy of the Loan Record Detail Report that lists students in default/repayment during the cohort period indicated.
SCHER1	Enrollment Reporting Summary Report provides school users with the chronology of enrollment reporting events.
DER001	Date Entered Repayment Report provides school users with a list of student borrowers with loan history who are scheduled to go into repayment during a specified date range.
DRC015 DRC016	School Repayment Information Loan Detail provides school users with the current repayment status of certain borrowers in FFEL/DL loan programs who attended a school during a specific period.
SCH01B	Exit Counseling Report provides school users with exit counseling information on students who attended the requesting school and whose anticipated completion dates fall within a specified date range.
DELQ01	The Delinquent Borrower Report (DELQ01) provides School users a report of borrowers who have been reported as delinquent in making loan payments to one of the federal loan servicers.

SCHPR1

The School Portfolio Report (SCHPR1) provides ED users with information about all Direct Loan and/or FFEL program loans for a specified school.

Additional tools and information may be found in Chapter 3.2 of the Cohort Default Rate Guide, Monitoring Loan Repayment Status Year-Round, available at <http://ifap.ed.gov/DefaultManagement/guide/CDRGuidePart3.html>.

If you have any questions about this letter that are not answered in the Cohort Default Rate Guide, please contact Operations Performance Division via email at [FSA.Schools.Default.Management@ed.gov](mailto:FSA.Schools.Default.Management@ed.gov) or via phone at (202) 377-4259.

Please be sure to include your Office of Postsecondary Education Identification Number (OPE ID) on all correspondence, as shown on page one of this letter.

Sincerely,

Katrina Turner  
Director  
Operations Performance Management Services  
Business Operations

# **APPENDIX 10**

## **Publications**

Please see the enclosed envelopes marked as this appendix.

# **APPENDIX 11**

## **Corporate Security Bond**

Western Surety Company INSURANCE COMPANY

**INSTRUCTIONAL SCHOOL BOND**

**Bond No. 71461434**

KNOW ALL PERSONS BY THESE PRESENTS, That we, University Of Northwestern Ohio, as Principal, and Western Surety Company as Surety, are held and firmly bound unto the State of Iowa in the sum of \$50,000 lawful money of the United States, for which payment we bind ourselves, our successors and assigns, jointly and severally, firmly by these presents.

WHEREAS the Principal proposes to maintain, advertise, or conduct in Iowa a course of instruction for profit, or for tuition charge, by classroom instruction or by correspondence and to enter into contracts and agreements with students for such courses of instruction; this Bond is conditioned on the faithful performance of all contracts and agreements made by it or its salespersons with students. If the Principal shall faithfully perform all such contracts and agreements, then this obligation is to be void and of no effect.

PROVIDED, The liability of the Surety upon this Bond shall be continuous, except that the Surety shall have the right to terminate its liability under this Bond by serving notice of its election to do so upon the State of Iowa. The Surety's liability under the Bond shall be terminated and canceled effective thirty (30) days after receipt by the State of a written notice signed by the Surety or its authorized agent, stating that the liability of the Surety is thereby terminated and canceled. Thereafter the Surety shall be discharged from any liability under this Bond for any default or violation of the terms of any contract or agreement made by the Principal or violation of the laws of the State of Iowa affecting such contract or agreement occurring after the effective date of the cancellation of this Bond.

Signed and dated this 23 day of September, 2013.

University Of Northwestern Ohio

, Principal

By: \_\_\_\_\_

Western Surety Company

Ins. Co., Surety

By: \_\_\_\_\_



# Western Surety Company

## POWER OF ATTORNEY APPOINTING INDIVIDUAL ATTORNEY-IN-FACT

Know All Men By These Presents, That WESTERN SURETY COMPANY, a South Dakota corporation, is a duly organized and existing corporation having its principal office in the City of Sioux Falls, and State of South Dakota, and that it does by virtue of the signature and seal herein affixed hereby make, constitute and appoint

**Mark E Stolly, William R Stolly, Timothy J Stolly, Nancy M Balbaugh, Mylinda Hesseling, Individually**

of Lima, OH, its true and lawful Attorney(s)-in-Fact with full power and authority hereby conferred to sign, seal and execute for and on its behalf bonds, undertakings and other obligatory instruments of similar nature

**- In Unlimited Amounts -**

and to bind it thereby as fully and to the same extent as if such instruments were signed by a duly authorized officer of the corporation and all the acts of said Attorney, pursuant to the authority hereby given, are hereby ratified and confirmed.

This Power of Attorney is made and executed pursuant to and by authority of the By-Law printed on the reverse hereof, duly adopted, as indicated, by the shareholders of the corporation.

In Witness Whereof, WESTERN SURETY COMPANY has caused these presents to be signed by its Vice President and its corporate seal to be hereto affixed on this 4th day of October, 2012.



WESTERN SURETY COMPANY

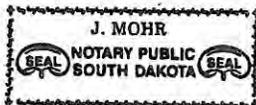
*Paul T. Bruflat*

Paul T. Bruflat, Vice President

State of South Dakota }  
County of Minnehaha } ss

On this 4th day of October, 2012, before me personally came Paul T. Bruflat, to me known, who, being by me duly sworn, did depose and say: that he resides in the City of Sioux Falls, State of South Dakota; that he is the Vice President of WESTERN SURETY COMPANY described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed pursuant to authority given by the Board of Directors of said corporation and that he signed his name thereto pursuant to like authority, and acknowledges same to be the act and deed of said corporation.

My commission expires  
June 23, 2015



*J. Mohr*

J. Mohr, Notary Public

CERTIFICATE

I, L. Nelson, Assistant Secretary of WESTERN SURETY COMPANY do hereby certify that the Power of Attorney hereinabove set forth is still in force, and further certify that the By-Law of the corporation printed on the reverse hereof is still in force. In testimony whereof I have hereunto subscribed my name and affixed the seal of the said corporation this 23 day of September, 2013.



WESTERN SURETY COMPANY

*L. Nelson*

L. Nelson, Assistant Secretary

**Authorizing By-Law**

**ADOPTED BY THE SHAREHOLDERS OF WESTERN SURETY COMPANY**

This Power of Attorney is made and executed pursuant to and by authority of the following By-Law duly adopted by the shareholders of the Company.

Section 7. All bonds, policies, undertakings, Powers of Attorney, or other obligations of the corporation shall be executed in the corporate name of the Company by the President, Secretary, and Assistant Secretary, Treasurer, or any Vice President, or by such other officers as the Board of Directors may authorize. The President, any Vice President, Secretary, any Assistant Secretary, or the Treasurer may appoint Attorneys in Fact or agents who shall have authority to issue bonds, policies, or undertakings in the name of the Company. The corporate seal is not necessary for the validity of any bonds, policies, undertakings, Powers of Attorney or other obligations of the corporation. The signature of any such officer and the corporate seal may be printed by facsimile.

SF ME



PO Box 5077 Sioux Falls SD 57117-5077

October 10, 2013

1-800-331-6053

Fax 1-605-335-0357

www.cnasurety.com

UNIVERSITY OF NORTHWESTERN OHIO  
1441 North Cable Rd.  
Lima, OH 45805

File # 71461434

UNIVERSITY OF NORTHWESTERN OHIO

\$50,000.00

Company Code: 0601

Written By: WESTERN SURETY COMPANY  
INSTRUCTIONAL SCHOOL

Enclosed is your bond. To continue your bond coverage and keep it in force, you must file this document with the state of Iowa.

If you are no longer required to post this bond, please write the word "Cancel" directly on the document, and return it to CNA Surety.

If you have any questions, please contact your local agent.

Enclosure

WESTERN SURETY COMPANY • ONE OF AMERICA'S OLDEST BONDING COMPANIES



# Western Surety Company

## INSTRUCTIONAL SCHOOL BOND - IOWA

Bond No. 71461434

KNOW ALL PERSONS BY THESE PRESENTS, That we, University of Northwestern Ohio

as Principal, and WESTERN SURETY COMPANY, a corporation authorized to do surety business in the State of Iowa, as Surety, are held and firmly bound unto the State of Iowa in the penal sum of

Fifty Thousand and 00/100

DOLLARS (\$ 50,000.00),

lawful money of the United States, for payment of which, well and truly to be made, we bind ourselves, our successors and assigns, firmly by these presents.

WHEREAS the Principal proposes to maintain, advertise or conduct in Iowa a course of instruction for profit, or for tuition charge, by classroom instruction or by correspondence and to enter into contracts and agreements with students for such courses of instruction.

NOW THEREFORE, if the Principal shall faithfully perform all contracts and agreements made by it or its salespersons with students, then this obligation is to be void and of no effect.

PROVIDED, this bond shall be continuous and may be cancelled and terminated as to future liability by the Surety upon thirty (30) days notice in writing sent by First Class U.S. Mail to the Iowa College Student Aid Commission and the Principal. PROVIDED, FURTHER, that regardless of the number of years this bond remains in force, the number of claims made against this bond, and the number premiums which shall be paid or payable, the Surety's total limit of liability on this bond shall not be cumulative from year to year or period to period, and in no event shall the total liability of the Surety for all breaches of the conditions of this bond exceed the amount set forth above. Any revision of the bond amount shall not be cumulative.

IN WITNESS WHEREOF, the said Principal and Surety have caused this bond to be executed this 14th day of October, 2013.

University of Northwestern Ohio, Principal

By [Signature]

WESTERN SURETY COMPANY, Surety

By [Signature] **R. Miller, Ass't Sec.**

# Western Surety Company

## POWER OF ATTORNEY

### KNOW ALL MEN BY THESE PRESENTS:

That WESTERN SURETY COMPANY, a corporation organized and existing under the laws of the State of South Dakota, and authorized and licensed to do business in the States of Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming, and the United States of America, does hereby make, constitute and appoint

R. Miller of Sioux Falls,  
State of South Dakota, with limited authority, its true and lawful Attorney-in-Fact, with full power and authority hereby conferred to sign, execute, acknowledge and deliver for and on its behalf as Surety and as its act and deed, the following bond:

One INSTRUCTIONAL SCHOOL

bond with bond number 71461434

for UNIVERSITY OF NORTHWESTERN OHIO  
as Principal in the penalty amount not to exceed: \$50,000.00.

Western Surety Company further certifies that the following is a true and exact copy of Section 7 of the by-laws of Western Surety Company duly adopted and now in force, to-wit:

Section 7. All bonds, policies, undertakings, Powers of Attorney, or other obligations of the corporation shall be executed in the corporate name of the Company by the President, Secretary, any Assistant Secretary, Treasurer, or any Vice President, or by such other officers as the Board of Directors may authorize. The President, any Vice President, Secretary, any Assistant Secretary, or the Treasurer may appoint Attorneys-in-Fact or agents who shall have authority to issue bonds, policies, or undertakings in the name of the Company. The corporate seal is not necessary for the validity of any bonds, policies, undertakings, Powers of Attorney or other obligations of the corporation. The signature of any such officer and the corporate seal may be printed by facsimile.

In Witness Whereof, the said WESTERN SURETY COMPANY has caused these presents to be executed by its  
Vice President with the corporate seal affixed this 14th day of October,  
2013.

ATTEST

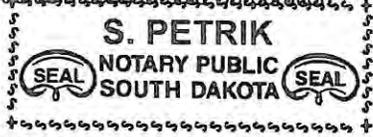
A. Vietor  
A. Vietor, Assistant Secretary

WESTERN SURETY COMPANY  
By Paul T. Bruflat  
Paul T. Bruflat, Vice President

STATE OF SOUTH DAKOTA }  
COUNTY OF MINNEHAHA } ss



On this 14th day of October, 2013, before me, a Notary Public, personally appeared  
Paul T. Bruflat and A. Vietor  
who, being by me duly sworn, acknowledged that they signed the above Power of Attorney as Vice President  
and Assistant Secretary, respectively, of the said WESTERN SURETY COMPANY, and acknowledged said instrument to be the  
voluntary act and deed of said Corporation.



S. Petrik  
Notary Public