

NEW ISSUE
Book Entry Only

RATINGS: Moody's: "Aa1/VMIG-1"
S&P: "AA/A-1+"
Fitch: "AA/F1+"
See RATINGS herein.

*In the opinion of Bricker & Eckler LLP, Bond Counsel, under existing law and assuming compliance with certain covenants, interest on the Series 2014 B Bonds is excluded from gross income for federal income tax purposes, is not treated as an item of tax preference for purposes of the alternative minimum income tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended, and is exempt from certain taxes imposed by the State of Ohio. The Series 2014 B Bonds are not "private activity bonds" within the meaning of the Code. The University has not designated the Bonds as "qualified tax exempt obligations" within the meaning of Section 265(b)(3) of the Code. Interest on the Series 2014 B Bonds may be subject to certain federal income taxes imposed on certain corporations, and certain taxpayers may have certain other adverse federal income tax consequences as a result of owning the Series 2014 B Bonds. See **TAX MATTERS** herein.*



\$150,000,000
THE OHIO STATE UNIVERSITY
(A State University of Ohio)
Variable Rate Demand General Receipts Bonds
Series 2014 B
(Tax Exempt)
consisting of
\$75,000,000 Series 2014 B-1 Bonds
\$75,000,000 Series 2014 B-2 Bonds

Dated: Date of Delivery

Price: 100%

The Variable Rate Demand General Receipts Bonds, Series 2014 B (Tax Exempt), consisting of the Variable Rate Demand General Receipts Bonds, Series 2014 B-1 (the "Series 2014 B-1 Bonds") and the Variable Rate Demand General Receipts Bonds, Series 2014 B-2 (the "Series 2014 B-2 Bonds", and together with the Series 2014 B-1 Bonds, the "Series 2014 B Bonds" or the "Bonds") are special obligations of The Ohio State University (the "University") issued to pay costs of capital facilities and to pay costs of issuance of the Series 2014 B Bonds. See **THE PROJECT AND PLAN OF FINANCING**.

The Series 2014 B Bonds are issued pursuant to an Amended and Restated Trust Indenture dated as of December 1, 1999 between the University and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), as amended and supplemented to date, including by a Series 2014 Supplement to Amended and Restated Trust Indenture dated as of October 1, 2014. Principal of, and interest and any premium on, the Series 2014 B Bonds, and any other parity obligations, are payable solely from the General Receipts of the University and the Debt Service Fund. See **SECURITY AND SOURCES OF PAYMENTS**.

Principal of the Series 2014 B Bonds will be payable at the designated corporate trust office of the Trustee. The Series 2014 B Bonds will be initially issued only as fully registered bonds, issuable under a book entry system and registered initially in the name of The Depository Trust Company or its nominee ("DTC"). There will be no distribution of the Series 2014 B Bonds to the owners of book entry interests. So long as DTC or its nominee is the registered owner of the Series 2014 B Bonds, references herein to the Bondholders or registered owners (other than under the caption "**TAX MATTERS**") shall mean DTC or its nominee, and not the owners of book entry interests in the Series 2014 B Bonds. See **APPENDIX E – BOOK-ENTRY-ONLY SYSTEM**.

The Series 2014 B Bonds will initially bear interest in the Weekly Mode. While the Series 2014 B Bonds bear interest in the Weekly Mode, interest thereon is payable on the first Business Day of each month, commencing November 3, 2014. The inside front cover of this Official Statement contains information concerning the maturity schedule and principal amounts of the Series 2014 B Bonds.

The Series 2014 B Bonds are subject to optional tender, mandatory purchase and optional redemption prior to maturity, as described herein. J.P. Morgan Securities LLC and RBC Capital Markets, LLC have been appointed to serve as the Remarketing Agents for the Series 2014 B-1 Bonds and the Series 2014 B-2 Bonds, respectively. The Series 2014 B Bonds are being issued without any external source of liquidity or credit support. See **SECURITY AND SOURCES OF PAYMENTS - Self Liquidity And Notice of Liquidity Substitution**.

The Series 2014 B Bonds are not obligations of the State of Ohio and are not general obligations of the University, and the full faith and credit of the University is not pledged to their payment. The owners of the Series 2014 B Bonds have no right to have any excises or taxes levied by the Ohio General Assembly for the payment of the principal, interest and any redemption premium.

The Series 2014 B Bonds are offered when, as and if issued by the University and received by the Underwriters, subject to receipt of an opinion on certain legal matters relating to their issuance by Bricker & Eckler LLP, Bond Counsel. Certain legal matters will be passed upon for the University by its statutory counsel, the Attorney General of the State of Ohio, through Christopher Culley, Assistant Attorney General and Senior Vice President and General Counsel for the University, and by Tucker Ellis LLP. Certain legal matters in connection with the Series 2014 B Bonds will be passed upon for the Underwriters by Thompson Hine LLP, counsel to the Underwriters. It is expected that the Series 2014 B Bonds will be available in definitive form for delivery through the facilities of DTC in New York, New York on or about October 9, 2014.

J.P. Morgan^(1,2)
Barclays⁽¹⁾
Morgan Stanley
US Bancorp

RBC Capital Markets^(1,3)
KeyBanc Capital Markets⁽¹⁾
Loop Capital Markets
Wells Fargo Securities

This Official Statement is dated October 1, 2014.

⁽¹⁾ Joint Lead Senior Managers

⁽²⁾ Lead Underwriter and Remarketing Agent for Series 2014 B-1 Bonds

⁽³⁾ Lead Underwriter and Remarketing Agent for Series 2014 B-2 Bonds

\$75,000,000
THE OHIO STATE UNIVERSITY
(A State University of Ohio)
Variable Rate Demand General Receipts Bonds
Series 2014 B-1 Bonds
(Tax Exempt)

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>CUSIP[†]</u>
December 1, 2034	\$25,000,000	677632 E64
December 1, 2039	\$25,000,000	677632 E72
December 1, 2044	\$25,000,000	677632 E80

\$75,000,000
THE OHIO STATE UNIVERSITY
(A State University of Ohio)
Variable Rate Demand General Receipts Bonds
Series 2014 B-2 Bonds
(Tax Exempt)

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>CUSIP[†]</u>
December 1, 2034	\$25,000,000	677632 E31
December 1, 2039	\$25,000,000	677632 E49
December 1, 2044	\$25,000,000	677632 E56

[†] Copyright American Bankers Association. CUSIP data is assigned by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by S&P Capital IQ and is an independent company not affiliated with the University. The University is not responsible for the selection or use of the CUSIP number referenced herein and no representation is made by the University as to its correctness. A CUSIP number is included solely for the convenience of the readers of this Official Statement. The CUSIP number is subject to change after the issuance of the Bonds.

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New Albany, Ohio

BOND COUNSEL
Bricker & Eckler LLP
Columbus, Ohio

ISSUER COUNSEL
Tucker Ellis LLP
Cleveland, Ohio

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REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement, including the Appendices attached hereto, does not constitute an offering of any security other than the original offering by the University of the Bonds identified on the cover hereof. No dealer, broker, salesman or other person has been authorized by the University to give any information or to make any representation with respect to the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations not so authorized must not be relied upon as having been given or authorized by the University. This Official Statement, which includes the cover page and the Appendices attached hereto, does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information and descriptions in this Official Statement do not purport to be comprehensive or definitive. Statements regarding specific documents, including the Bonds, are summaries of and subject to the detailed provisions of such documents and are qualified in their entirety by reference to each such document, copies of which will be made available, upon request, for examination in the offices of the Underwriters during the initial offer of the Bonds and thereafter at the designated corporate trust office of the Trustee.

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds shall under any circumstances create any implication that there has been no change in the affairs of the University since the date of this Official Statement.

Upon issuance, the Bonds will not be registered by the University under the Securities Act of 1933, as amended (the "Securities Act"), or any state securities law. The Bonds will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, or other governmental entity or agency, except the University, will have passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale. Any representation to the contrary is a criminal offense.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "intend," "projection" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information in APPENDIX A – THE OHIO STATE UNIVERSITY. A number of important factors, including factors affecting the University's financial condition and factors which are otherwise unrelated thereto, could cause actual results to differ materially from those stated in such forward-looking statements. THE UNIVERSITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

The projections and preliminary financial data set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information and preliminary financial data, but, in the view of the University's management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the University. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information and preliminary financial data. Neither the University's independent accountants, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information and preliminary financial data contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information and preliminary financial data.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

\$150,000,000
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\$75,000,000 Series 2014 B-2 Bonds

INTRODUCTORY STATEMENT

General

This Official Statement has been prepared by The Ohio State University (the “University”), a state university of the State of Ohio, in connection with the issuance and sale by the University of \$150,000,000 in aggregate principal amount of its Variable Rate Demand General Receipts Bonds, Series 2014 B (Tax Exempt), consisting of Series 2014 B-1 and Series 2014 B-2 (the “Series 2014 B Bonds”). The Series 2014 B Bonds are being issued for the purpose of paying costs of capital facilities and paying costs of the issuance of the Series 2014 B Bonds, all as described under **THE PROJECT AND PLAN OF FINANCING** herein.

The Series 2014 B Bonds are being issued pursuant to Sections 3345.11 and 3345.12 of the Ohio Revised Code (the “Act”), the General Bond Resolution adopted by the Board on November 5, 1999 (the “1999 Bond Resolution”) and the Series 2014 Bond Resolution (the “Series 2014 Bond Resolution”), adopted by the Board of Trustees of the University (the “Board”) on June 6, 2014, an Amended and Restated Trust Indenture (the “Amended and Restated Trust Indenture”) dated as of December 1, 1999, as amended and supplemented to date, including by a Series 2014 Supplement to Amended and Restated Trust Indenture (the “Series 2014 Supplement”), dated as of October 1, 2014, both between the University and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “Trustee”). The Series 2014 Bond Resolution, the Amended and Restated Trust Indenture and the Series 2014 Supplement are collectively referred to in this Official Statement as the “Indenture.” See **APPENDIX B** for definitions of certain capitalized words and terms used herein.

Pursuant to the Act, the University is authorized to acquire, construct, improve and furnish certain “facilities” as defined in the Act, to pay costs of those facilities, and to refund, fund or retire prior obligations issued for that purpose, by the issuance of obligations payable from the General Receipts of the University. The Indenture authorizes the issuance of obligations (as defined in the Indenture, the “Obligations”) of the University to finance the costs of those authorized facilities (as defined in the Indenture, the “University Facilities”) and to refund outstanding Obligations of the University. The Series 2014 Supplement specifically authorizes the issuance of the Series 2014 B Bonds.

The University has previously authorized and issued Obligations secured by the Indenture. The University expects to issue \$135,985,000 of its General Receipts Bonds, Series 2014 A (Tax Exempt) (the “Series 2014 A Bonds”) simultaneously with the Bonds. Upon issuance of the Series 2014 A Bonds and the Series 2014 B Bonds, there will be 18 series of General Receipts Bonds secured by the Indenture outstanding of which \$2,442,560,000 in

aggregate principal amount will be Senior Lien Obligations and \$337,955,000 in aggregate principal amount will be subordinated Special Purpose General Receipts Obligations. Senior Lien Obligations, including the Bonds, are secured by General Receipts of the University. Special Purpose General Receipts Bonds are subordinated obligations of the University payable solely from Special Purpose Pledged Revenues, as described herein (Senior Lien Obligations and Special Purpose General Receipts Obligations are collectively referred to herein as “Obligations”). See **GENERAL RECEIPTS OBLIGATIONS** and **OUTSTANDING GENERAL RECEIPTS BONDS** herein.

References to provisions of Ohio law, whether codified in the Ohio Revised Code or uncodified, or the Ohio Constitution are references to those current provisions. Those provisions may be amended, repealed or supplemented.

As used in this Official Statement, “Debt Service Charges” mean principal (including any mandatory sinking fund requirements), interest and any redemption premium required to be paid by the University on Obligations, and “Fiscal Year” means the University’s fiscal year, currently the 12-month period from July 1 to June 30. Reference to a particular fiscal year (such as “Fiscal Year 2014”) means the Fiscal Year that ends on June 30 in the indicated year. This Official Statement includes all Appendices attached hereto, which are incorporated herein.

THIS OFFICIAL STATEMENT IS NOT INTENDED TO PROVIDE ANY INFORMATION REGARDING ANY SERIES 2014 B BONDS AFTER THE DATE, IF ANY, ON WHICH SUCH SERIES 2014 B BONDS CONVERT TO BEAR INTEREST AT AN INTEREST RATE OTHER THAN THE WEEKLY RATE DESCRIBED HEREIN.

GENERAL RECEIPTS OBLIGATIONS

General

The 1999 Bond Resolution and the Amended and Restated Trust Indenture are the basic documents pertaining to all Obligations and prescribe the conditions for the issuance of additional Obligations. For each issue of Obligations a Series Resolution, setting forth detailed provisions for that issue, is usually adopted. On June 6, 2014, the Board of Trustees of the University authorized by resolution (the “Series 2014 Resolution”) the issuance of not to exceed \$500 million in General Receipts Bonds for the purpose of paying the costs of certain University Facilities and the costs of issuance. The Bonds are specifically authorized by the Series 2014 Bond Resolution and the Series 2014 Supplement.

The proceeds of all Obligations are to be applied solely to pay costs of University Facilities, to refund, fund or retire obligations issued for that purpose, as specifically provided and allocated in the applicable Series Resolution, and to pay issuance costs associated with the issuance of such Obligations.

University Facilities are defined in the Indenture as buildings, structures and other improvements, and equipment, real estate and interests in real estate therefor, all or any part of the costs of which are at any time authorized by the Act to be financed by the issuance of obligations. The Act authorizes the financing of “facilities,” defined in the Act to include “auxiliary facilities” (student activity or student service facilities, housing and dining facilities, dining halls or other food service and preparation facilities, vehicular parking facilities, bookstores, athletic and recreational facilities, faculty centers, auditoriums, assembly and exhibition halls, hospitals, infirmaries and other medical and health facilities, research and

continuing education facilities); “educational facilities” (classrooms, or other instructional facilities, libraries, administrative and office facilities, and other facilities, other than auxiliary facilities, to be used directly or indirectly for or in connection with the conduct of the institution of higher education); “housing and dining facilities” (dormitories or other living quarters and accommodations, or related dining halls or other food service and preparation facilities, for students, members of the faculty, officers, or employees of the institution of higher education, and their spouses and families); and any one, part of or any combination of those facilities.

The Series 2014 B Bonds are not obligations of the State of Ohio and are not general obligations of the University, and the full faith and credit of the University is not pledged to their payment. The owners of the Series 2014 B Bonds have no right to have any excises or taxes levied by the Ohio General Assembly for the payment of the principal, interest and any redemption premium.

Senior Lien Obligations

The Bonds are being issued as Senior Lien Obligations. The University has previously issued Senior Lien Obligations and may at any time incur additional Senior Lien Obligations secured by a pledge and lien on all General Receipts of the University (which includes all Special Purpose Pledged Revenues, described below) and such pledge is senior in priority to the pledge and lien securing the Special Purpose General Receipts Obligations described below. At the time of issuance of the Series 2014 A Bonds and the Series 2014 B Bonds, Senior Lien Obligations will consist of approximately \$2,442,560,000 in principal amount of General Receipts Bonds issued pursuant to the Indenture.

Senior Lien Obligations secured by General Receipts of the University represent a type of financing of facilities by state universities of Ohio authorized by an amendment to the Ohio Constitution as implemented by the Act. Significant elements of this financing are the broad scope and gross pledge character of the security afforded to the Senior Lien Obligations, and the simplicity and flexibility provided by permitting all authorized types of facilities to be financed under one open end trust indenture.

Security provisions include the pledge to secure the Senior Lien Obligations, on a gross pledge and first lien basis, of all General Receipts of the University. The General Receipts are defined in the Indenture and consist of all moneys received by the University including but not limited to all gross fees, deposits, charges, receipts and income from all or any part of the students of the University, 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 University Facilities; all grants, gifts, donations and pledges and receipts therefrom; and the proceeds of the sale of obligations, including proceeds of obligations issued to refund obligations previously issued, to the extent and as allocated to the payment of Debt Service Charges under the proceedings authorizing those obligations.

The exclusions from the General Receipts consist of moneys raised by taxation and State appropriations until and unless their pledge to Debt Service Charges is authorized by law and is made by a supplemental trust agreement approved by the Board; any grants, gifts, donations and pledges, and receipts therefrom, which under restrictions imposed in the grant or promise or as a condition of the receipt are not available for payment of Debt Service Charges; moneys received in connection with branch campus operations; any special fee charged pursuant to Section 154.21(D) of the Ohio Revised Code and receipts therefrom (that fee, relating to bonds of the

State issued by the Ohio Public Facilities Commission, has never been required to be imposed and is not anticipated to be required to be imposed).

Pursuant to the Act, upon their receipt by the University, the General Receipts are immediately subject to the lien of the pledge made by the Indenture, and the lien of that pledge is valid against all parties having claims of any kind, regardless of notice, and creates a perfected security interest without necessity for prior separation, physical delivery, filing or recording or further act by the University.

Special Purpose General Receipts Obligations

In 2013, the University issued its Special Purpose General Receipts Bonds, Series 2013 A (the “Series 2013 A Bonds”) as subordinated obligations of the University, payable solely from the Special Purpose Pledged Revenues, as hereinafter described. Under the Indenture, the pledge and lien on Special Purpose Pledged Revenues is junior to the pledge and lien of Senior Lien Obligations issued by the University (currently consisting of 18 series of General Receipts Bonds, including the Bonds, as described above), and the Indenture permits the University to issue additional obligations secured by a pledge and lien on Special Purpose Pledged Revenues, on a parity with, or subordinate in priority to, the pledge and lien securing the Series 2013 A Bonds. See **SECURITY AND SOURCES OF PAYMENTS – Annual Debt Service Charges and Coverage on Both Senior Lien Obligations and Special Purpose General Receipts Obligations** herein.

Subject to the terms and conditions of the Indenture, no payment on account of Debt Service Charges on any Special Purpose General Receipts Obligations shall be made, nor shall any property or assets be applied to the purchase or other acquisition or retirement of the Special Purpose General Receipts Obligations, unless full payment of amounts then due and payable for principal, purchase price, premium, if any, and interest on Senior Lien Obligations and for funding of sinking funds and reserve funds relating to Senior Lien Obligations has been made or duly provided for in accordance with the terms of the Indenture and such Senior Lien Obligations. No payment on account of Debt Service Charges on the Special Purpose General Receipts Obligations shall be made, nor shall any property or assets be applied to the purchase or other acquisition or retirement of the Special Purpose General Receipts Obligations, if, at the time of such payment or application or immediately after giving effect thereto, (i) there shall exist a default in the payment of principal, purchase price, premium, if any, with respect to any Senior Lien Obligations and for funding of sinking funds and reserve funds relating to Senior Lien Obligations, or (ii) there shall have occurred and be continuing an Event of Default (other than a default in the payment of principal, premium, if any, sinking funds or interest) with respect to any Senior Lien Obligations or in the Indenture, permitting the holders thereof to accelerate the maturity thereof.

The proceeds of the Series 2013 A Bonds and any additional obligations issued by the University as Special Purpose General Receipts Obligations, are required to be applied solely to pay costs of acquisition, construction, improvement and renovation of certain student housing, dining and student recreation facilities of the University, including capitalized interest, as specifically provided and allocated in the applicable Series Resolution, and to pay issuance costs associated with the issuance of such Obligations.

Special Purpose Revenue Facilities are defined in the Series 2013 Supplement as all Housing and Dining Facilities and such Auxiliary Facilities as shall constitute recreation facilities owned by the University.

Special Purpose Pledged Revenues include all revenues, fees, rentals, rates, charges, insurance proceeds and other moneys derived by the University from the ownership or operation of Special Purpose Revenue Facilities, subject and subordinate to the lien on General Receipts securing any Senior Lien Obligation. See **SECURITY AND SOURCES OF PAYMENTS – Annual Debt Service Charges and Coverage on Both Senior Lien Obligations and Special Purpose General Receipts Obligations** herein.

Constitutional and Statutory Authorization

The Series 2014 B Bonds are authorized pursuant to the Act, enacted under authority of the Ohio Constitution, and particularly Section 2i of Article VIII thereof, which provides that the General Assembly may authorize the issuance of revenue obligations and other obligations for capital improvements for state-supported and state-assisted institutions of higher education, which obligations may be secured by a pledge under law of all or such portion of receipts of those institutions as the General Assembly authorizes. Section 2i further provides that **the owners or holders of those obligations, such as the Series 2014 B Bonds, are not given the right to have excises or taxes levied by the General Assembly for the payment of principal or interest.**

The Act implements the constitutional authority and authorizes the issuance by the University of obligations to pay all or part of the cost of “facilities” (as defined in the Indenture, the “University Facilities”) and to refund, fund or retire obligations previously issued for the purpose; authorizes the pledge to the obligations of all or such part of the “available receipts” of the University as the University determines in the Bond proceedings (being the General Receipts); and provides that the pledge of and lien on General Receipts may, as provided for in the Indenture, be made prior to all other expenses, claims or payments.

THE PROJECT AND PLAN OF FINANCING

The Project

The Series 2014 B Bonds are being issued for the purpose of paying a portion of the costs of the Project described below, and paying costs of the issuance of the Series 2014 B Bonds.

From time to time the University issues bonds, notes, and other obligations secured by the pledge of its General Receipts to pay a portion of the costs of acquiring, constructing and installing University Facilities. Additional sources of funding for such purposes include gifts, donations, State appropriations and other funds of the University. See **APPENDIX A – GENERAL – Physical Plant** for a detailed description of the University’s facilities.

The University Facilities to be financed with the proceeds of the Bonds (the “Project”) constitute the continuation of an ongoing program of improvement to the capital plant of the University. The Project will consist of new construction and improvements, upgrades, renovations and repairs to several broad categories of facilities, principally the expansion of The Ohio State University Wexner Medical Center, student life facilities, utilities, roads, grounds and other campus infrastructure. The responsibility of the University to maintain its General

Receipts at a level sufficient to pay the Debt Service on the Bonds and any other Obligations is neither subject to nor conditioned by the completion of the Project or any portion thereof.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds with respect to the Series 2014 B Bonds are summarized below:

Sources of Funds:

Par Amount of Series 2014 B Bonds	\$150,000,000
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Uses of Funds:

Facilities Fund	\$149,379,610
Issuance Expenses ⁽¹⁾	<u>620,390</u>
Total Uses:	\$150,000,000

⁽¹⁾ To pay issuance expenses of the Series 2014 B Bonds, including Underwriters' discount, legal fees, Trustee fees and miscellaneous costs.

DESCRIPTION OF THE SERIES 2014 B BONDS

General

The Indenture provides that the method of determining the interest rate on the Series 2014 B Bonds may be changed from time to time. This Official Statement is not intended to provide any information regarding any Series 2014 B Bonds after the date, if any, on which such Series 2014 B Bonds convert to bear interest, as permitted by the Indenture, at interest rates other than the Weekly Rate described herein. The Series 2014 B Bonds are subject to mandatory tender in the event of any such conversion. See Mandatory Tender - Mandatory Purchase on Mode Change Date below. Holders of the Series 2014 B Bonds will have no right of election to retain any Series 2014 B Bonds if the University decides to convert the interest rate for such Series 2014 B Bonds to another interest rate.

The Series 2014 B Bonds will be issued only as one fully registered bond without coupons and will be registered in the name of Cede & Co., as nominee of DTC, as described below. The Series 2014 B Bonds will be dated as of their date of issuance and delivery and will mature on the dates set forth on the inside cover page of this Official Statement. The Series 2014 B Bonds will initially bear interest in the Weekly Mode. The Series 2014 B Bonds may bear interest at Daily, Weekly, Commercial Paper, Term or Fixed Rates designated and determined from time to time as described in the Indenture. The Series 2014 B Bonds are subject to purchase at the option of the Holders of the Series 2014 B Bonds, and under certain circumstances are subject to mandatory purchase, in the manner and at the times described herein. The Series 2014 B Bonds are subject to optional redemption prior to maturity in the manner and at the times described herein and in the Indenture.

The following discussion under this caption is subject in its entirety to the provisions described in **APPENDIX E BOOK-ENTRY-ONLY SYSTEM** while the Series 2014 B Bonds are in the Book-Entry-Only System. Certain provisions described hereinafter under this caption will only apply if the Series 2014 B Bonds are not in the Book-Entry-Only System.

The Series 2014 B Bonds will be issued in authorized denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof (the “Authorized Denominations”). The Series 2014 B Bonds may be transferred or exchanged for other Series 2014 B Bonds of the same series in Authorized Denominations at the corporate trust office of the Trustee. Exchanges and transfers shall be made without charge to the Holders, except for any applicable tax, fee or other governmental charge.

Payment of Principal and Interest

While the Series 2014 B Bonds are in the Book-Entry-Only System, principal of and interest on the Series 2014 B Bonds will be paid as described under the caption **APPENDIX E BOOK-ENTRY-ONLY SYSTEM**. The following provisions will only apply if the Series 2014 B Bonds are not in the Book-Entry-Only System.

The principal of, premium, if any, and interest on the Series 2014 B Bonds shall be payable in lawful money of the United States of America. Payment of interest on any Interest Payment Date on any Series 2014 B Bond shall be made to the party who was the Holder thereof as of the close of business on the Record Date immediately prior to such Interest Payment Date and, while the Series 2014 B Bonds bear interest in the Weekly Mode, shall be made by wire transfer on the Interest Payment Date of immediately available funds to an account specified by the Holder in a writing delivered to the Paying Agent.

Special Considerations Relating to the Series 2014 B Bonds

The Remarketing Agents are Paid by the University

The Remarketing Agents’ responsibilities include determining the interest rate from time to time and remarketing the Series 2014 B Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the applicable Remarketing Agreement (as defined in the Series 2014 Supplement)), all as further described in this Official Statement. Each Remarketing Agent is appointed by the University and is paid by the University for its services. As a result, the interests of the Remarketing Agents may differ from those of existing holders and potential purchasers of Series 2014 B Bonds.

The Remarketing Agents May Purchase Series 2014 B Bonds for their Respective Own Accounts

Each Remarketing Agent acts as a remarketing agent for a variety of variable rate demand obligations and in their sole discretion, respectively, routinely purchases such obligations for its own account. The Remarketing Agents are permitted, but not obligated, to purchase tendered Series 2014 B Bonds for their respective own accounts. Each Remarketing Agent, in its sole discretion, may acquire tendered Series 2014 B Bonds for its own inventory in order to achieve a successful remarketing of the Series 2014 B Bonds (i.e., because there otherwise are not enough buyers to purchase the Series 2014 B Bonds) or for other reasons. However, neither Remarketing Agent is obligated to purchase Series 2014 B Bonds, and each Remarketing Agent may cease doing so at any time without notice. The Remarketing Agents may also make a market in the Series 2014 B Bonds by purchasing and selling the Series 2014 B Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agents are not required to make a market in the Series 2014 B Bonds. Either Remarketing Agent may also sell any Series 2014 B Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into

derivative arrangements with affiliates or others in order to reduce its exposure to the Series 2014 B Bonds. The purchase of Series 2014 B Bonds by either of the Remarketing Agents may create the appearance that there is greater third party demand for the Series 2014 B Bonds in the market than is actually the case. The practices described above also may reduce the supply of Series 2014 B Bonds that may be tendered in a remarketing.

Series 2014 B Bonds May be Offered at Different Prices on Any Date

Each Remarketing Agent is required to determine on and as of the Rate Determination Date the applicable rate of interest that, in its judgment, is the minimum rate that would permit the sale of its respective series of the Series 2014 B Bonds at par plus accrued interest if any, accrued through the Rate Determination Date. The interest rate will reflect, among other factors, the level of market demand for such Series 2014 B Bonds (including whether the Remarketing Agent for such series is willing to purchase such Series 2014 B Bonds for its respective own account). There may or may not be Series 2014 B Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agents may or may not be able to remarket any Series 2014 B Bonds tendered for purchase on such date at par and the Remarketing Agents may sell Series 2014 B Bonds at varying prices to different investors on such date or any other date. Neither of the Remarketing Agents is obligated to advise purchasers in a remarketing if it does not have third party buyers for all of their respective series of Series 2014 B Bonds at the remarketing price. In the event that either Remarketing Agent owns any Series 2014 B Bonds for its respective own account, such Remarketing Agent may, in its sole discretion in a secondary market transaction outside the tender process, offer such Series 2014 B Bonds on any date, including the Rate Determination Date, at a discount to par to some investors.

The Ability to Sell the Series 2014 B Bonds other than through Tender Process May Be Limited

While the Remarketing Agents may buy and sell Series 2014 B Bonds, neither Remarketing Agent is obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase the Series 2014 B Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series 2014 B Bonds other than by tendering the Series 2014 B Bonds in accordance with the tender process.

Remarketing Agents may Be Removed, Resign or Cease Remarketing the Series 2014 B Bonds, Without a Successor Being Named

Under certain circumstances, either of the Remarketing Agents may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the respective Remarketing Agreement and the Indenture.

Interest Rate Modes

The Series 2014 B Bonds will initially bear interest in the Weekly Mode. While the Series 2014 B Bonds bear interest in the Weekly Mode, interest thereon is payable on the first Business Day of each month, commencing November 3, 2014. Interest on the Series 2014 B Bonds shall be computed, during any Weekly Mode, on the basis of a 365-day or 366-day year, as applicable, for the number of days actually elapsed.

All or a portion of the Series 2014 B Bonds may be converted to bear interest at a Daily Rate, Commercial Paper Rate, Term Rate, or Fixed Rate, upon satisfaction of certain

requirements set forth in the Indenture. Each period during which the Series 2014 B Bonds bear interest at one of the foregoing rates is referred to herein as a “Mode”. Some or all Series 2014 B Bonds in any Mode, other than a Fixed Rate Mode, may be changed to any other Mode at the time and in the manner hereinafter described and the Series 2014 B Bonds may be in one or more Modes at any time after their issuance; subject to the provision that if the Series 2014 B Bonds are initially issued with more than one maturity, then all Series 2014 B Bonds of a single maturity must be in the same Mode at the same time, but such Mode for such Series 2014 B Bonds may be changed from time to time in the manner described herein. In no event shall the Series 2014 B Bonds bear interest at a rate in excess of the Maximum Rate. The Series 2014 B Bonds will be subject to mandatory tender for purchase on the proposed Mode Change Date. See **Mandatory Tender – Mandatory Purchase on Mode Change Date**.

THIS OFFICIAL STATEMENT IS NOT INTENDED TO PROVIDE ANY INFORMATION REGARDING ANY SERIES 2014 B BONDS AFTER THE DATE, IF ANY, ON WHICH SUCH SERIES 2014 B BONDS CONVERT TO BEAR INTEREST AT AN INTEREST RATE OTHER THAN THE WEEKLY RATE DESCRIBED HEREIN.

Weekly Mode

The interest rate for any Series 2014 B Bond in the Weekly Mode shall be the rate of interest per annum determined by the applicable Remarketing Agent on and as of the Rate Determination Date as the minimum rate of interest which, in the opinion of that Remarketing Agent under then-existing market conditions, would result in the sale of such Series 2014 B Bond on the Rate Determination Date at a price equal to the principal amount thereof, plus accrued interest, if any, through the Rate Determination Date.

During the Weekly Mode, the applicable Remarketing Agent shall establish the Weekly Rate in a timely fashion but no later than 4:00 p.m. Eastern Time, on each Rate Determination Date. The Weekly Rate shall be in effect (i) initially, from and including the date of issuance the Series 2014 B Bonds to and including the following Tuesday and (ii) thereafter, from and including each Wednesday to and including the following Tuesday. Each Remarketing Agent shall make the Weekly Rate it establishes available on the Rate Determination Date by telephone or by Electronic Means to any Holder of the respective series of Series 2014 B Bonds requesting such rate. The determination of each Weekly Rate by the Remarketing Agents shall be conclusive, for their respective series of Series 2014 B Bonds, and binding upon such Remarketing Agent, the Paying Agent, the Trustee, the University and the Holders.

Alternate Rate for Interest Calculation

In the event (a) a Remarketing Agent fails or is unable to determine the interest rate or Interest Period for its series of Series 2014 B Bonds, or (b) the method of determining the interest rate or Interest Period for any such Series 2014 B Bonds shall be held to be unenforceable by a court of law of competent jurisdiction, the affected series of Series 2014 B Bonds shall thereupon, until such time as such Remarketing Agent (or the University, if applicable) again makes such determination or in the case of clause (b) above until there is delivered an Opinion of Counsel to the effect that there are no longer any legal prohibitions against such determinations, bear interest during each subsequent Interest Period at the applicable Alternate Rate in effect on the first day of such Interest Period.

Optional Tender

The Holders of Series 2014 B Bonds in a Weekly Mode may elect to have their Series 2014 B Bonds (or portions of those Series 2014 B Bonds in amounts equal to an Authorized Denomination) purchased on any Business Day at a price equal to the Purchase Price, upon delivery of an irrevocable written notice of tender or irrevocable telephonic notice of tender to the applicable Remarketing Agent, promptly confirmed in writing to the Paying Agent, no later than 4:00 p.m., Eastern Time, on a Business Day not less than seven (7) days before the Purchase Date specified by the Holder in such notice. Such notices of tender shall state the CUSIP number, bond number and the principal amount of the Series 2014 B Bond and that the Series 2014 B Bond shall be purchased on the Purchase Date specified above. The Series 2014 B Bond shall be delivered (with all necessary endorsements) to the Paying Agent at or before 12:00 noon, Eastern Time, on the Purchase Date; provided, however, that payment of the Purchase Price shall be made as described in this caption only if the Series 2014 B Bond so delivered to the Paying Agent conforms in all respects to the description thereof in the notice described in this caption. Payment of the Purchase Price with respect to purchases described in this caption shall be made to the Holders of tendered Series 2014 B Bonds by wire transfer in immediately available funds by the Paying Agent by 2:30 p.m., Eastern Time, on the Purchase Date. A Holder who gives the notice of tender as set forth above may repurchase the Series 2014 B Bonds so tendered on such Purchase Dates if the applicable Remarketing Agent agrees to sell the Series 2014 B Bonds so tendered to such Holder. If such Holder decides to repurchase such Series 2014 B Bonds and the applicable Remarketing Agent agrees to sell the specified Series 2014 B Bonds to such Holder, the delivery requirements set forth above shall be waived.

FOR AS LONG AS THE SERIES 2014 B BONDS ARE REGISTERED IN THE NAME OF CEDE & CO., AS NOMINEE FOR DTC, THE TENDER OPTION RIGHTS OF OWNERS OF SERIES 2014 B BONDS MAY BE EXERCISED ONLY BY A DIRECT PARTICIPANT OF DTC ACTING, DIRECTLY OR INDIRECTLY, ON BEHALF OF A BENEFICIAL OWNER OF BONDS BY GIVING NOTICE OF ITS ELECTION TO HAVE SERIES 2014 B BONDS OR PORTIONS THEREOF PURCHASED AT THE TIMES AND IN THE MANNER DESCRIBED ABOVE. PROCEDURES UNDER WHICH A BENEFICIAL OWNER MAY DIRECT A DIRECT PARTICIPANT OF DTC, OR AN INDIRECT PARTICIPANT OF DTC ACTING THROUGH A DIRECT PARTICIPATE OF DTC, TO EXERCISE A TENDER OPTION RIGHT IN RESPECT OF SERIES 2014 B BONDS OR PORTIONS THEREOF IN AN AMOUNT EQUAL TO ALL OR A PORTION OF SUCH BENEFICIAL OWNER'S BENEFICIAL OWNERSHIP INTEREST THEREIN SHALL BE GOVERNED BY STANDING INSTRUCTIONS AND CUSTOMARY PRACTICES DETERMINED BY SUCH DIRECT PARTICIPANT OR INDIRECT PARTICIPANT. FOR SO LONG AS THE SERIES 2014 B BONDS ARE REGISTERED IN THE NAME OF CEDE & CO., AS NOMINEE FOR DTC, DELIVERY OF SERIES 2014 B BONDS REQUIRED TO BE TENDERED FOR PURCHASE SHALL BE EFFECTED BY THE TRANSFER BY A DIRECT PARTICIPANT AT OR PRIOR TO 1:00 P.M., EASTERN TIME, ON THE APPLICABLE PURCHASE DATE OF A BOOK ENTRY CREDIT TO THE ACCOUNT OF THE PAYING AGENT OF A BENEFICIAL INTEREST IN SUCH SERIES 2014 B BONDS.

Mandatory Tender

The Series 2014 B Bonds are subject to mandatory tender for purchase at a purchase price equal to 100% of the principal amount thereof, plus accrued interest, if any, to the Purchase Dates described below, upon the occurrence of any of the events, and at the times, stated below:

Mandatory Purchase on Mode Change Date

Series 2014 B Bonds to be changed from one Mode to another Mode are subject to mandatory purchase on the Mode Change Date (or the next Business Day if the Mode Change Date is not on a Business Day) at the Purchase Price as described in this paragraph. Series 2014 B Bonds purchased as described under this paragraph shall be delivered by the Holders (with all necessary endorsements) to the Paying Agent at or before 12:00 noon, Eastern Time, on the Purchase Date and payment of the Purchase Price shall be made by wire transfer in immediately available funds by 2:30 p.m., Eastern Time, on the Purchase Date. The Paying Agent shall give notice of such mandatory purchase by mail to the Holders of the Series 2014 B Bonds subject to mandatory purchase no less than eight days prior to the Purchase Date. The notice shall state the Purchase Date, the Purchase Price, the numbers of the Series 2014 B Bonds to be purchased if less than all of the Series 2014 B Bonds owned by a Holder are to be purchased, and that interest on the Series 2014 B Bonds subject to mandatory purchase shall cease to accrue from and after the Purchase Date. The failure to mail such notice with respect to any Series 2014 B Bond shall not affect the validity of the mandatory purchase of any other Series 2014 B Bond with respect to which notice as so mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any Holder.

Mandatory Purchase on a Conversion Date

If the University provides, substitutes or terminates, as the case may be, a Credit Support Instrument for some or all Series 2014 B Bonds, in the future, the Series 2014 B Bonds in the Weekly Mode are subject to mandatory purchase on the day of such occurrence (the "Conversion Date") at a purchase price of the principal amount thereof plus accrued and unpaid interest, if any. The Trustee shall give notice of such mandatory purchase by mail to the then Holders of the Series 2014 B Bonds not less than eight days prior to such date of purchase. The notice shall state the Conversion Date, the purchase price and that the interest on the Series 2014 B Bonds shall cease to accrue from and after such Conversion Date. The failure to mail such notice with respect to any such Series 2014 B Bond shall not affect the validity of the mandatory purchase of any such Series 2014 B Bond with respect to which notice was so mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any Holder. Series 2014 B Bonds so purchased shall be delivered by the Holder (with all necessary endorsements) to the office of the Trustee in Columbus, Ohio at or before 12:00 noon, Eastern Time, on such Conversion Date, and payment of the purchase price of such Series 2014 B Bonds shall be made by wire transfer in immediately available funds by the Paying Agent by 2:30 p.m., Eastern Time on same Conversion Date.

Purchase of the Series 2014 B Bonds

By 2:30 p.m., Eastern Time, on the date on which Series 2014 B Bonds are to be purchased as specified above under **Optional Tender** or **Mandatory Tender**, the Paying Agent shall purchase such Series 2014 B Bonds (or portions thereof in Authorized Denominations)

from the Holders at the Purchase Price from the following sources in the order of priority indicated:

- (a) immediately available funds on deposit in the Remarketing Proceeds Account; and
- (b) immediately available funds on deposit in the Purchase Account.

Remarketing of Series 2014 B Bonds

Pursuant to the Remarketing Agreements and the Indenture, each Remarketing Agent has agreed to offer for sale and use its best efforts to offer for sale its respective series of the Series 2014 B Bonds which have been optionally or mandatorily tendered for purchase. The foregoing notwithstanding, the Indenture provides that the Remarketing Agents shall not remarket the Series 2014 B Bonds if a default shall have occurred and be continuing under the Indenture.

Undelivered Bonds

If any Series 2014 B Bonds to be purchased are not delivered by the Holders to the Paying Agent by 12:00 noon, Eastern Time, on the date the Series 2014 B Bonds are to be purchased, the Paying Agent shall hold any funds received for the purchase of those Series 2014 B Bonds in trust in a separate account and shall pay such funds to the former Holders of the Series 2014 B Bonds upon presentation of the Series 2014 B Bonds. Such undelivered Series 2014 B Bonds shall cease to accrue interest as to the former Holders on the date the Series 2014 B Bonds are to be purchased, and moneys representing the Purchase Price shall be available against delivery of those Series 2014 B Bonds at the principal office of the Paying Agent. The Paying Agent shall authenticate a replacement Bond for any undelivered Bond which may then be remarketed by the appropriate Remarketing Agent.

Optional Redemption of Series 2014 B Bonds

Series 2014 B Bonds are subject to optional redemption by the University, in whole or in part, in Authorized Denominations on any Interest Payment Date, at a redemption price equal to the principal amount thereof.

Selection of Bonds to be Redeemed

If fewer than all of an outstanding Series 2014 B Bond of a single maturity under a book-entry-only system is called for redemption, the Trustee shall only give notice of redemption to DTC as registered owner. The selection of the book entry interests in that Series 2014 B Bond to be redeemed is discussed below under **Notice of Redemption; Effect**.

If bond certificates are issued to the ultimate owners, and if fewer than all of the Series 2014 B Bonds of a single maturity are to be redeemed, the selection of Series 2014 B Bonds to be redeemed, or portions of Series 2014 B Bonds, shall be made by lot by the Trustee in any manner which the Trustee may determine.

In the case of a partial redemption by lot when Series 2014 B Bonds are of denominations greater than \$100,000 are then outstanding, each \$100,000 unit of principal will be treated as if it were a separate Series 2014 B Bond in the denomination of \$100,000.

Notice of Redemption; Effect

The Trustee is to cause notice of the call for redemption, identifying the Series 2014 B Bonds or portions of Series 2014 B Bonds to be redeemed, to be sent by first class mail, at least 30 days prior to the redemption date, to the registered owner (initially, DTC) of each Series 2014 B Bond to be redeemed at the address shown on the Register. Any defect in the notice or any failure to receive notice by mailing will not affect the validity of any proceedings for the redemption of any Series 2014 B Bonds.

On the date designated for redemption, Series 2014 B Bonds or portions of Series 2014 B Bonds called for redemption shall become due and payable. If the Trustee holds sufficient moneys for payment of debt service payable on that redemption date, interest on each Series 2014 B Bond (or portion of a Series 2014 B Bond) so called for redemption will cease to accrue on that date.

So long as all Series 2014 B Bonds are held under a book entry system by a securities depository (such as DTC), notice of redemption is sent by the Trustee only to the Depository or its nominee. Selection of book entry interests in the applicable series of Series 2014 B Bonds called, and giving notice of the call to the owners of those interests called, is the sole responsibility of the Depository. Any failure of any Direct Participant, Participant or Beneficial Owner to receive such notice and its content or effect will not affect the validity of such notice or any proceedings for the redemption of any Series 2014 B Bonds or portions of Series 2014 B Bonds. See **APPENDIX E - BOOK-ENTRY-ONLY SYSTEM**.

REMARKETING AGENTS

J.P. Morgan Securities LLC and RBC Capital Markets, LLC have been appointed as exclusive Remarketing Agents for the Series 2014 B-1 Bonds and the Series 2014 B-2 Bonds, respectively. Each Remarketing Agent's responsibilities include determining the interest rate from time to time and using best efforts to offer for sale their respective series of Series 2014 B Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of their respective Remarketing Agreement and the Indenture), as further described in this Official Statement. No assurance can be given that the Remarketing Agents will be successful in such endeavor. See **DESCRIPTION OF THE SERIES 2014 B BONDS - Special Considerations Relating to the Series 2014 B Bonds**.

SECURITY AND SOURCES OF PAYMENTS

General

The Series 2014 B Bonds are being issued as Senior Lien Obligations pursuant to, and will be secured by, the Indenture. All Senior Lien Obligations, including any outstanding Senior Lien Obligations, the Series 2014 B Bonds and any additional Senior Lien Obligations, are and will be payable from, and secured by, a first pledge of and lien on the General Receipts of the University and the Debt Service Fund.

The University covenants in the Indenture to fix, make, adjust and collect fees, rates, rentals and charges as will produce at all times General Receipts sufficient to pay (i) Debt Service Charges, when due, and (ii) together with other monies lawfully available therefor, to pay all costs and expenses required to be paid under the Series 2014 B Bond proceedings, and all

other costs and expenses necessary for the proper maintenance and successful and continuous operation of the University.

The Indenture establishes the Debt Service Fund, a special fund held by the Trustee, for the payment of Debt Service Charges on the Obligations. The University is to make payments to the Debt Service Fund in time and amount sufficient to pay Debt Service Charges when due.

The University may provide for bond insurance or other types of credit support, or a reserve fund or account, with respect to any one or more Obligations or series of Obligations and not with respect to any other Obligations or series of Obligations.

Self-Liquidity and Notice of Liquidity Substitution

The Series 2014 B Bonds are being issued without any external source of liquidity or credit support. The University has agreed to provide notice to Holders of the Series 2014 B Bonds of any change in the provision, substitution or termination of liquidity support for the Series 2014 B Bonds, which notice is required to be given at least eight days prior to any change. See **DESCRIPTION OF THE SERIES 2014 B BONDS – Mandatory Tender – Mandatory Purchase on a Conversion Date**.

Self-Liquidity and Liquidation of Investments

Over the past two decades, the University has chosen to finance a portion of its capital expenditures through the issuance of variable rate demand obligations (“VRDOs”). Since 1992, the University has chosen to provide self-liquidity with respect to its VRDOs, i.e., no institution or entity other than the University is responsible for purchasing such obligations in the event of a tender and subsequent failed remarketing. Additionally, beginning in 1998, the University has issued various General Receipts Commercial Paper Notes (the “Notes”) to provide interim financing for projects that the University expects to fund permanently through the issuance of its General Receipts Bonds upon completion of construction or acquisition. While such Notes are not VRDOs since they mature over a period of one to 180 days and are not otherwise subject to tender for remarketing, the University’s need to issue renewal Notes periodically subjects the University to liquidity needs similar to those present with VRDOs. The VRDOs and the Notes are collectively referred to herein as the “Self-Liquidity Obligations.”

Upon issuance of the Series 2014 B Bonds, the aggregate principal amount of VRDOs of the University outstanding will be \$596,435,000, and there will no outstanding Notes.

In the event of a failed remarketing with respect to the VRDOs (a “Liquidity Event”), the University would plan to liquidate such of its investment holdings as may be necessary to provide sufficient funds to holders of VRDOs, as the case may be. These investment holdings include the short-term and intermediate-term portfolio, which as of June 30, 2014, had an aggregate, preliminary market value of \$1,642,288,578, and the long-term portfolio, which as of June 30, 2014, had an aggregate, preliminary market value of \$3,547,565,865. See **APPENDIX A - FINANCIAL OPERATIONS OF THE UNIVERSITY. – The Long-Term Investment Pool and – The Short and Intermediate-Term Pool**.

Any such liquidations will be undertaken in a fashion to disrupt as little as possible the asset mix and existing maturity schedule of the University’s investments, e.g., the University will generally attempt to liquidate money market investments first and identify days on which its cash flow needs are less than the value of investments allocated to meet cash outflows on such days.

The foregoing discussion of options and procedures is general in nature and is not intended to be comprehensive in its description of all possible responses by the University to any Liquidity Event. None of the foregoing actions or procedures is required by the Series 2014 B Bonds or the Indenture and the failure of the University to take any such actions or follow any such procedures will not constitute a breach of a covenant or a default under the terms of the Series 2014 B Bonds or the Indenture. The University's sole responsibility upon the occurrence of a Liquidity Event is to provide funds in the amount and at the times necessary to purchase tendered VRDOs (including Series 2014 B Bonds), all in accordance with the terms of the Indenture and the respective Supplemental Indentures with respect to such Obligations.

The University believes that its substantial holdings of highly liquid investments, along with its ability to liquidate such investments without significant delay, are such that there is no significant likelihood that the University will be unable to provide funds to holders in a timely manner upon the occurrence of a Liquidity Event with respect to any of its Self-Liquidity Obligations and, further, that the liquidations of such investments of the University as may be necessary to accomplish such purpose can be undertaken without a material and adverse disruption to the operations of the University or its financial condition.

General Receipts Pledged to the Series 2014 B Bonds and Other Senior Lien Obligations

General Receipts pledged to the security of the Series 2014 B Bonds include virtually all the receipts of the University, excepting only receipts expressly excluded by the Indenture. Among receipts expressly excluded are State appropriations, which for the University's Fiscal Year 2013 accounted for 9% of its total operating and non-operating revenues.

The General Receipts are defined in the Indenture and consist of all moneys received by the University including but not limited to all gross fees, deposits, charges, receipts and income from all or any part of the students of the University, 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 University Facilities; all grants, gifts, donations and pledges and receipts therefrom; and the proceeds of the sale of obligations, including proceeds of obligations issued to refund obligations previously issued, to the extent and as allocated to the payment of Debt Service Charges under the proceedings authorizing those obligations.

The exclusions from the General Receipts consist of moneys raised by taxation and State appropriations until and unless their pledge to Debt Service Charges is authorized by law and is made by a supplemental trust agreement approved by the Board; any grants, gifts, donations and pledges, and receipts therefrom, which under restrictions imposed in the grant or promise or as a condition of the receipt are not available for payment of Debt Service Charges; moneys received in connection with branch campus operations; any special fee charged pursuant to Section 154.21(D) of the Ohio Revised Code and receipts therefrom (that fee, relating to bonds of the State issued by the Ohio Public Facilities Commission, has never been required to be imposed and is not anticipated to be required to be imposed).

Pursuant to the Act, upon their receipt by the University, the General Receipts are immediately subject to the lien of the pledge made by the Indenture, and the lien of that pledge is valid against all parties having claims of any kind, regardless of notice, and creates a perfected

security interest without necessity for prior separation, physical delivery, filing or recording or further act by the University.

General Receipts for the five most recent Fiscal Years were as follows (in thousands):

	2009	2010	2011	2012	2013
Tuition, Fees and Other Student Charges	\$739,214	\$785,414	\$870,021	\$930,482	\$970,997
Unrestricted Government Grants & Contracts	63,909	70,550	78,706	77,627	75,522
Private Gifts and Grants	28,156	33,355	23,182	22,481	24,967
Unrestricted Endowment Income	18,656	11,741	11,104	10,628	11,868
Dept. & University Sales & Services	101,730	115,473	121,773	111,983	135,900
Auxiliary Sales & Services	209,980	220,467	250,636	250,247	248,704
Hospital Sales & Services	1,585,934	1,699,664	1,791,207	1,927,064	2,033,381
Other Sources	47,845	54,622	56,350	54,161	49,815
Total General Receipts	\$2,795,424	\$2,991,286	\$3,202,979	\$3,384,673	\$3,551,155

Source: Audited financial statements of the University for the Fiscal Years ended June 30, 2009, 2010, 2011, 2012 and 2013.

Preliminary financial results of the University indicate that General Receipts for Fiscal Year 2014 are in excess of \$3.7 billion.

Debt Service Fund

The University is required to make payments to the Trustee for deposit in the Debt Service Fund sufficient to pay Debt Service Charges on all Obligations when due. The Debt Service Fund and amounts therein are pledged as security for the payment of all Obligations, including the Bonds. The Debt Service Fund shall be invested, to the extent permitted by law, in Eligible Investments, as defined in the Indenture. See **THE INDENTURE - Debt Service Fund** herein.

Facilities Fund

The Indenture established the Facilities Fund to be held by the University and provides for certain proceeds of the Bonds to be deposited in the Project Account therein. The Facilities Fund shall be invested in accordance with the Investment Policy of the University (as such Policy may be amended from time to time by the University), and the Project Account may be disbursed by the University to pay costs of the Project and costs of the issuance of the Bonds, all in accordance with the Indenture. **The Facilities Fund is not held by the Trustee and is not pledged as security for the Bonds or any other Obligations.**

Covenant as to Sufficiency of General Receipts

The Series 2014 B Bonds are further secured by the University's covenants in the Indenture that the University will fix, make, adjust and collect fees, rates, rentals and charges and other items of General Receipts as will produce at all times General Receipts sufficient to pay (i) Debt Service Charges on the Obligations when due and all other costs and expenses required to be paid under the Indenture and (ii) all other costs and expenses necessary for the proper maintenance and successful and continuous operation of the University.

State Legislation Relative to University Fiscal Difficulties

The Ohio General Assembly has enacted Sections 3345.70 to .78 of the Ohio Revised Code (hereinafter in this section the "Fiscal Watch Act") providing methods for dealing with fiscal difficulties of state-supported universities and colleges in Ohio.

Under the Fiscal Watch Act, a board of trustees of a state university may declare that the university is in a state of fiscal exigency. So long as such a state exists, the board (i) shall file minutes of their meetings and fiscal performance reports with the State Board of Regents, (ii) shall not use state funds to provide grants or scholarships to out-of-state students or subsidize off-campus housing or subsidize transportation to and from off-campus housing, and (iii) subject to any applicable bond proceedings and pledges, shall place all residence hall and meal fees in a rotary account dedicated to the upkeep and maintenance of dormitory buildings and to fund meal programs and place moneys for the operation of residence halls and meal programs in separately maintained auxiliary funds in the university accounting system.

The Fiscal Watch Act also requires the State's Office of Budget and Management to prepare rules for financial reporting by State-supported colleges and universities, establishing criteria for the State Board of Regents to determine when such a college or university is under a "fiscal watch," and specifying actions which must be taken by a college or university under a fiscal watch.

If the State Board of Regents determines that a fiscal watch exists, then the Governor of the State may, after consulting legislative leaders, appoint a conservator for the institution. Upon the making of such an appointment, all duties, responsibilities and powers of the institution's board of trustees are suspended and the management and control of the institution are assumed by the conservator, who also assumes custody of all property of the institution and the duties of the institution's president or chief executive officer. The conservator also conducts a preliminary performance evaluation of the institution's president or chief executive officer.

Within 30 days after the appointment of a conservator for such a college or university, the Governor must appoint, with the advice and consent of the State Senate, a five-member governance authority (the "Authority"). The Authority appoints an executive director and conducts a final evaluation of the institution's president or chief executive officer, who may be reinstated or terminated by the Authority. The Authority assumes management and control of the institution and its property from the conservator. The Authority also must prepare periodic reports about the institution including any progress in implementing reforms at the institution.

At least annually, the Authority must apply the fiscal watch criteria to the institution to determine whether sufficient fiscal stability has been achieved to warrant terminating the Authority's governance of the institution, and if so, the Authority must certify such finding to the Governor. The Governor may then issue an order terminating the Authority and fill vacancies on

the board of trustees of such institution, which board assumes management and control of the institution and its property from the Authority.

The University's administration has reviewed applicable portions of the Fiscal Watch Act and the applicable rules of the State Office of Budget and Management, as well as records pertaining to the University's circumstances with respect to the Fiscal Watch Act, and is of the opinion that, with respect to the University, no circumstances or conditions exist that will cause a fiscal watch condition to be determined to exist under the Fiscal Watch Act.

Annual Debt Service Charges and Coverage on Both Senior Lien Obligations and Special Purpose General Receipts Obligations

The following table represents the annual Fiscal Year Debt Service Charges for all outstanding Obligations (including the Series 2014 A Bonds, Series 2014 B Bonds and all outstanding Senior Lien Obligations and Special Purpose General Receipts Obligations but excluding commercial paper notes, certificates of participation, other debt not issued under the Indenture and obligations defeased under the Indenture) upon the issuance of the Series 2014 B Bonds.

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Debt Service Charges on all Senior Lien Obligations and Special Purpose General Receipts Obligations

<u>Fiscal Year</u>	<u>Outstanding Senior Lien Obligations Debt Service^(1, 2)</u>	<u>Outstanding Special Purpose General Receipts Bonds Debt Service</u>	<u>Series 2014B Principal</u>	<u>Series 2014B Interest</u>	<u>Series 2014B Total Debt Service</u>	<u>Series 2014A Total Debt Service⁽¹⁾</u>	<u>Total Debt Service^(1, 4)</u>
2015	\$137,405,624	\$14,879,450	\$ -	\$2,655,822	\$2,655,822	\$3,887,031	\$158,827,927
2016	134,646,195	14,879,450	-	4,132,565	4,132,565	8,199,700	161,857,910
2017	134,973,169	14,879,450	-	4,117,435	4,117,435	8,200,450	162,170,504
2018	133,738,276	14,879,450	-	4,125,000	4,125,000	8,200,225	160,942,952
2019	130,965,829	14,879,450	-	4,125,000	4,125,000	8,201,475	158,171,754
2020	131,646,539	14,879,450	-	4,132,565	4,132,565	8,201,600	158,860,154
2021	125,670,456	14,879,450	-	4,117,435	4,117,435	8,200,350	152,867,691
2022	126,228,266	14,879,450	-	4,125,000	4,125,000	8,197,475	153,430,191
2023	123,903,559	25,074,450	-	4,125,000	4,125,000	8,197,600	161,300,609
2024	114,772,721	25,074,700	-	4,132,565	4,132,565	8,200,225	152,180,211
2025	112,282,682	25,074,450	-	4,117,435	4,117,435	8,199,975	149,674,542
2026	96,002,376	25,072,450	-	4,125,000	4,125,000	8,201,475	133,401,301
2027	96,146,235	25,073,450	-	4,125,000	4,125,000	8,199,350	133,544,035
2028	96,281,421	25,073,800	-	4,132,565	4,132,565	8,198,225	133,686,011
2029	94,146,338	25,072,800	-	4,117,435	4,117,435	8,198,300	131,534,872
2030	148,769,669	25,072,000	-	4,125,000	4,125,000	8,200,375	186,167,044
2031	65,189,295	25,075,200	-	4,125,000	4,125,000	8,200,500	102,589,995
2032	64,533,468	25,071,400	-	4,132,565	4,132,565	8,199,000	101,936,433
2033	52,310,535	25,075,000	-	4,117,435	4,117,435	8,200,300	89,703,270
2034	48,155,829	25,074,800	-	4,125,000	4,125,000	8,199,100	85,554,729
2035	123,158,229	25,070,850	50,000,000	3,439,384	53,439,384	8,199,100	209,867,563
2036	45,707,642	25,071,100	-	2,755,043	2,755,043	8,197,600	81,731,385
2037	45,707,642	25,073,625	-	2,744,957	2,744,957	8,197,725	81,723,948
2038	45,707,642	25,071,425	-	2,750,000	2,750,000	8,198,725	81,727,792
2039	45,707,642	25,073,800	-	2,750,000	2,750,000	8,199,850	81,731,292
2040	700,492,642	25,072,450	50,000,000	2,066,905	52,066,905	8,200,350	785,832,347
2041	24,000,000	25,075,050	-	1,372,478	1,372,478	8,199,600	58,647,128
2042	24,000,000	25,070,850	-	1,375,000	1,375,000	8,200,000	58,645,850
2043	24,000,000	25,073,250	-	1,375,000	1,375,000	8,199,000	58,647,250
2044	24,000,000	-	-	1,377,522	1,377,522	8,201,100	33,578,622
2045	24,000,000	-	50,000,000	687,500	50,687,500	8,200,800	82,888,300
2046-2110 ⁽³⁾	24,000,000	-	-	-	-	-	24,000,000
2111	524,000,000	-	-	-	-	-	524,000,000
Total⁽⁴⁾	\$5,378,249,919	\$645,572,500	\$150,000,000	\$103,724,612	\$253,724,612	\$249,876,581	\$6,527,423,612

Notes:

1. Assumes a rate of 2.75% for the variable rate obligations of the University.
2. Net of federal subsidy payments (32.48% of interest) with respect to Build America Bonds issued by the University.
3. Debt Service on the Senior Lien Obligations beginning in Fiscal Year 2046 and ending in Fiscal Year 2110 is \$24,000,000 per year and the aggregate debt service over the period is \$1,560,000,000.
4. Interest and total amounts may vary slightly from actual amounts payable due to rounding variances.

The maximum annual Debt Service Charges on the outstanding Obligations, including the Series 2014 B Bonds and the Series 2014 A Bonds (assuming the assumptions stated in the above table), are \$785,832,347 in Fiscal Year 2040. Prior to Fiscal Year 2040, the maximum annual Debt Service Charges on outstanding Obligations are \$209,867,563 in Fiscal Year 2035. The University's General Receipts for Fiscal Year 2013, \$3,551,155,000, are over 4.52 times the maximum annual Debt Service Charges in Fiscal Year 2040, and for the period prior to Fiscal Year 2040, over 16.92 times the maximum annual Debt Service Charges in Fiscal Year 2035. See **OUTSTANDING GENERAL RECEIPTS BONDS** below and **SECURITY AND SOURCES OF PAYMENT** above.

The University is not aware of any factors that would result in the amounts of General Receipts in any future Fiscal Year being significantly less than those for Fiscal Year 2013.

OUTSTANDING GENERAL RECEIPTS BONDS

The University has issued from time to time Senior Lien Obligations consisting of bonds secured by the pledge of its General Receipts or revenue from income producing facilities, and Special Purpose General Receipts Obligations consisting of bonds secured solely by Special Purpose Pledged Revenue. The University has never failed to pay punctually and in full all amounts due on any indebtedness.

The University's General Receipts Bonds (including Senior Lien Obligations and Special Purpose General Receipts Obligations), upon the issuance of the Series 2014 B Bonds and the Series 2014 A Bonds, will consist of the following:

<u>General Receipts Bonds</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Series 1997 Bonds	\$ 79,540,000	\$ 17,160,000
Series 1999 B1 Bonds	83,400,000	10,765,000
Series 2001 Bonds	76,950,000	53,035,000
Series 2003 C Bonds	121,295,000	51,975,000
Series 2005 A Bonds	279,050,000	47,400,000
Series 2005 B Bonds	129,990,000	71,575,000
Series 2008 A Bonds	217,595,000	137,410,000
Series 2008 B Bonds	127,770,000	91,925,000
Series 2010 A Bonds	241,170,000	174,660,000
Series 2010 C Bonds	654,785,000	654,785,000
Series 2010 D Bonds	88,335,000	84,625,000
Series 2010 E Bonds	150,000,000	150,000,000
Series 2011 A Bonds	500,000,000	500,000,000
Series 2012 A Bonds	91,165,000	90,500,000
Series 2012 B Bonds	23,170,000	20,760,000
Series 2013 A Bonds ⁽¹⁾	337,955,000	337,955,000
Series 2014 A Bonds	135,985,000	135,985,000
Series 2014 B Bonds	150,000,000	150,000,000
Total:	\$3,488,155,000	\$2,780,515,000

⁽¹⁾ The Series 2013 A Bonds are currently the only outstanding series of Special Purpose General Receipts Obligations issued under the Indenture.

THE INDENTURE

The Series 2014 B Bonds will be issued under the Bond Legislation, the Amended and Restated Trust Indenture and the Series 2014 Supplement. Reference is made to the Bond Legislation, the Amended and Restated Trust Indenture, the Series 2014 Supplement and the form of Bonds for the Series 2014 B Bonds for complete details of the terms of the Series 2014 B Bonds and security therefor. The following is a summary of certain provisions of the Indenture and should not be considered a full statement thereof.

Debt Service Fund

Monies in the Debt Service Fund are used for the payment of current Debt Service Charges. Payments sufficient in time and amount to pay the Debt Service Charges on the Series 2014 B Bonds as they become due are to be paid by the University directly to the Trustee and deposited in the Debt Service Fund to the extent monies in the Debt Service Fund are not otherwise available therefor.

If the University determines to direct the redemption of all or a part of the Series 2014 B Bonds, the University must deliver to the Trustee, for deposit in the Debt Service Fund, to be credited to the Special Bond Service Account, prepayments in an amount equal to the redemption price to effect such redemption.

Moneys in the Debt Service Fund shall be invested and reinvested by the Trustee, to the extent permitted by applicable law, in: (i) (a) direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America is pledged, (b) obligations issued by a Person controlled or supervised by and acting as an instrumentality of the United States of America, the payment of the principal of, premium, if any, and interest on which is fully guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (a) or (b) issued or held in book-entry form on the books of the Department of Treasury of the United States of America or Federal Reserve Bank), and (c) securities which represent an interest in the obligations described in (a) and (b) above; (ii) any bonds, participation certificates or other obligations of any agency or instrumentality of the United States, including obligations of the Federal Farm Credit Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Land Banks, Federal Home Loan Mortgage Corporation, Federal Home Loan Banks, Federal National Mortgage Association, Government National Mortgage Association and Student Loan Marketing Association; (iii) certificates of deposit of banks or trust companies, including the Trustee, organized under the laws of the United States or any state thereof, having a capital and surplus of \$50,000,000 or more and which are members of the Federal Reserve System; (iv) repurchase agreements with banks or other financial institutions, including the Trustee, which are fully collateralized by obligations described in clauses (i) or (ii) above based upon market value, which obligations are in the possession of the Trustee or its agent and are free and clear of all security interests, liens or other rights of any third party, and in which obligations the Trustee has a first, perfected security interest; provided that any financial institution which is a broker-dealer must be a member of the Securities Investor Protection Corporation; (v) any no front end load money market mutual fund or collective investment fund, as defined in Section 1111.01(A) of the Ohio Revised Code, established by a bank, including the Trustee, in either case consisting exclusively of obligations of the United States or any agency thereof; (vi) the Ohio Subdivision's Fund created by Section 135.45 of the Ohio Revised Code; and (vii) general or full faith and credit obligations of the State of Ohio and obligations of any state of the United States or any political subdivision thereof, the full payment of principal of and premium, if any, and interest on which are provided for by an irrevocable deposit in trust of obligations of the type specified in (i) above and which carry either of the two highest rating

categories of Moody's Investor Services, Inc. and Standard & Poor's Rating Service or their respective successors.

Facilities Fund

The Indenture provides for the Facilities Fund to be held by the University and provides for certain proceeds of the Series 2014 B Bonds to be deposited in the Project Account in the Facilities Fund. The Indenture establishes the Project Account in the Facilities Fund from which the costs of the Project and the cost of the issuance of the Series 2014 B Bonds will be paid. The Facilities Fund shall be invested in accordance with the Investment Policy (as such Policy may be amended from time to time by the University) of the University and may be disbursed by the University to pay costs of the Project in accordance with the Indenture. The Facilities Fund is not pledged as security for the Series 2014 B Bonds or any other Obligations.

Covenants of the University

In the Indenture, the University covenants, among other things:

- (a) to pay the Debt Service Charges on any Obligation according to their terms and the terms of the Indenture;
- (b) to pay all the costs, charges and expenses incurred by the Trustee or any Holder, including reasonable attorneys' fees reasonably incurred or paid because of the failure on the part of the University to perform, comply with and abide with each and every one of the stipulations, agreements, conditions and covenants of the Obligations and the Indenture, or either of them;
- (c) to fix, make, adjust and collect fees, rates, rentals and charges and other items of General Receipts as will produce at all times General Receipts sufficient to pay the Debt Service Charges when due, to establish and maintain amounts, if any required to be deposited in any Bond Reserve Fund, to pay all other costs and expenses for the proper maintenance and successful and continuous operation of the University and to pay any amounts due and payable to the provider of any insurance policy, guaranty, surety bond or letter of credit held in the Bond Reserve Fund; and
- (d) to do any and all things necessary in order to maintain the pledge, assignment and grant of a lien on and security interest in the pledged General Receipts and Special Funds as valid, binding, effective and perfected, all as provided in the Indenture.

Events of Default and Remedies

Each of the following is declared in the Indenture to be an "Event of Default":

- (a) Failure to pay any interest on any Obligation when and as the same shall become due and payable;
- (b) Failure to pay the principal of or any redemption premium on any Obligation when and as the same shall become due and payable, whether at the stated

maturity thereof or by redemption or acceleration or pursuant to any mandatory sinking fund requirements;

- (c) Failure by the University to perform or observe any other covenant, agreement or condition on the part of the University contained in the Indenture or in the Obligations, which failure or default shall have continued for a period of 30 days after written notice, by registered or certified mail, given to the University by the Trustee, specifying the failure or default and requiring the same to be remedied, which notice shall be given by the Trustee upon the written request of the holders of not less than 25% in aggregate principal amount of the Obligations then outstanding, provided that the person or persons requesting such notice may agree in writing to a 90-day extension of such period prior to the expiration of the first 30-day period; provided further, however, that if the University shall proceed to take curative action which, if begun and prosecuted with due diligence, cannot be completed within a period of 90 days, then such period shall be increased without such written extension to such extent as shall be necessary to enable the University to diligently complete such curative action; or
- (d) The University shall (i) admit in writing its inability to pay its debts generally as they become due, (ii) have an order for relief entered in any case commenced by or against it under federal bankruptcy laws, as now or hereafter in effect, (iii) commence a proceeding under any federal or state bankruptcy, insolvency, reorganization or similar laws, or have such a proceeding commenced against it and have either an order of insolvency or reorganization entered against it or have the proceeding remain undismissed and unstayed for 90 days, (iv) make an assignment for the benefit of creditors, or (v) have a receiver or trustee appointed for it or for the whole or substantial part of its property.

Upon the happening and continuance of any Event of Default, the Trustee may, and upon the written request of the holders of not less than 25% in aggregate principal amount of outstanding Obligations shall, upon being properly indemnified, take appropriate actions, in equity or at law including application to a court for the appointment of a receiver to receive and administer pledged General Receipts, to protect and enforce all the rights of the Trustee and the Obligation holder under the Indenture. In addition, in the event of the occurrence of any Event of Default, the Trustee may, and upon the request of the holders of at least 25% in aggregate principal amount of the then outstanding Obligations, shall so long as properly indemnified, by appropriate notice to the University, declare the principal of all the outstanding Obligations and the accrued interest thereon, immediately due and payable. Further provision is made for the rescission of such last declaration upon the payment of all amounts due, and for waivers in connection with events of default.

Furthermore, the Holders of a majority in aggregate principal amount of the Obligations then outstanding, shall, in accordance with the terms of the Indenture, have the right by written instrument delivered to the Trustee to direct the method and place of conducting any and all remedial proceedings under the Indenture, as to their respective interests.

As provided in the Indenture, before taking remedial action the Trustee may require that a satisfactory indemnity bond be provided for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its gross negligence or willful misconduct, by reason of any action so taken. The Trustee may act without such

indemnity, in which case its expenses are reimbursable by the University from General Receipts available therefor.

The holders of the Obligations are not entitled to enforce the provisions of the Indenture or to institute, appear in or defend any suit, action or proceeding to enforce any rights, remedies or covenants granted or contained in the Indenture or to take any action with respect to any Event of Default under the Indenture, except as provided in the Indenture.

Defeasance

If there is paid or caused to be paid all Debt Service Charges due or to become due on outstanding Obligations, and provision is made for paying all other sums payable under the Indenture by the University, then the Indenture shall cease, determine and become null and void, and the covenants, agreements and other obligations of the University thereunder shall be discharged and satisfied. Thereupon, the Trustee shall release the Indenture and shall execute and deliver to the University such instruments to evidence such release and discharge as may be reasonably required by the University, and the Trustee and Paying Agents shall deliver to the University any property at the time subject to the lien of the Indenture which may then be in their possession except for amounts in Debt Service Fund required to be held by the Trustee and Paying Agent, as required under the Indenture.

All Debt Service Charges due or to become due on any series of outstanding Obligations will be deemed to have been paid or caused to be paid for such purpose if:

- (a) the Trustee and Paying Agents hold, in the Debt Service Fund in trust for and irrevocably committed thereto, sufficient monies, or
- (b) the Trustee holds, in trust for and irrevocably committed thereto, in any accounts in the Debt Service Fund, investments qualifying as Government Obligations (as defined in the Indenture) certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal or the interest earnings (likewise to be held in trust and committed, except as described below), be sufficient together with monies referred to in (a) above, for the payment at their maturity or redemption date, of all Debt Service Charges thereon to the date of maturity or redemption, as the case may be, or if default in such payment shall have occurred on such date of maturity or redemption, as the case may be, or if default in such payment shall have occurred on such date then to the date of the tender of such payment; provided, that if any such Obligations are to be redeemed prior to their maturity, notice of such redemption has been given or irrevocable provision satisfactory to the Trustee has been made for the giving of such notice.

Any monies held by the Trustee in accordance with provisions (a) or (b) above shall be invested only in investments qualifying as Government Obligations, the maturities or redemption dates of which, at the option of the holder, shall coincide as nearly as practicable with, but no later than, the time or times at which said monies will be required for such purposes. Any income or interest earned by, or increment to, such investments shall, to the extent not required for the applicable purposes, be transferred to the University free of any trust or lien.

In the event that the Indenture is satisfied and discharged in accordance with the two preceding paragraphs with respect to all Obligations, all Obligations then outstanding shall cease to be entitled to

any lien, benefit or security of the Indenture except the right to receive the funds held by the Trustee and the Paying Agents pursuant to such paragraphs or by the University (pursuant to the provisions for unclaimed monies described below), and such will be deemed not to be outstanding under the Indenture. It is the duty of the Trustee and the Paying Agents and the University to so hold such funds for the benefit of the holders of Obligations.

Supplemental Indentures, Modifications

The Trustee and the University may, from time to time, enter into Supplemental Indentures for any of the following purposes without the consent of or any action by the Holders:

- (a) To cure any ambiguity, inconsistency or formal defect or omission in the Indenture or in any Supplemental Indenture;
- (b) To grant or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers or authority that may be lawfully granted to or conferred upon the Obligation holders or the Trustee;
- (c) To subject additional revenues or property to the lien and pledge of the Indenture or to provide for the partial release of General Receipts from the lien of the Indenture in accordance with the provisions thereof;
- (d) To add to the covenants and agreements of the University contained in the Indenture other covenants and agreements thereafter to be observed for the protection of the Holders, or, if in the judgment of the Trustee such is not to the prejudice of the Trustee or the Holders, to surrender or limit any right, power or authority reserved to or conferred upon the University in the Indenture, including the limitation of rights of redemption so that in certain instances Obligations of different series will be redeemed in some prescribed relationship to one another;
- (e) To evidence any succession to the University and the assumption by such successor of the covenants and agreements of the University contained in the Indenture or other instrument providing for the operation of the University or University Facilities, and the Obligations;
- (f) In connection with the issuance of Obligations, all in accordance with the provisions of the Indenture;
- (g) To permit the Trustee to comply with any obligations imposed upon it by law;
- (h) To permit the exchange of Obligations, at the option of the Holder or Holders thereof, for coupon Obligations of the same series payable to bearer, in an aggregate principal amount not exceeding the unmatured and unredeemed principal amount of the Predecessor Obligations (as defined in the Indenture), bearing interest at the same rate or rates and maturing on the same date or dates, with coupons attached representing all unpaid interest due or to become due thereon if, in the opinion of nationally recognized bond counsel selected by the University and acceptable to the Trustee, that exchange would not result in the interest on any of the Obligations outstanding becoming subject to federal income taxation;

- (i) To specify further the duties and responsibilities of, and to define further the relationship among, the Trustee, the Registrar and any Authenticating Agents or Paying Agents (all as defined in the Indenture);
- (j) To achieve compliance of the Indenture with any applicable federal or Ohio laws, including tax laws; and
- (k) In connection with any other change to the Indenture which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders of the Obligations.

Exclusive of Supplemental Indentures referred to above, and subject terms, provisions and limitations contained in the Indenture, the Holders of a majority in aggregate principal amount of the Obligations then outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the University and the Trustee of such other indenture or indentures supplemental to the Indenture as shall be deemed necessary and desirable by the University for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided that nothing in the Indenture or elsewhere shall permit, or be construed as permitting, a Supplemental Indenture providing for (a) (i) a reduction in the percentage of Obligations the consent of the Holders of which is required to consent to such Supplemental Indenture or (ii) a preference or priority of any Obligation or Obligations over any other Obligation or Obligations, without the consent of the Holders of all Obligations then outstanding, (b) effect a change in the times, amount or currency of payment of the principal of, premium, if any, on or interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of the Holder of each such Obligation so affected, or (c) modify the right of the holders of not less than twenty-five percent in aggregate principal amount of the Obligations then outstanding and in default as to payment of principal, premium or interest to compel the Trustee to declare the principal of all Obligations to be due and payable, without the consent of the Holders of a majority in aggregate principal amount of the Obligations then outstanding.

Additional Obligations; Partial Release of General Receipts

Additional Obligations, as the same may from time to time be authorized by Series Resolutions, is issuable on a parity with or subordinate to all other Obligations, including the Series 2014 B Bonds, subject to the conditions set forth in the Indenture. The Indenture provides that, except when necessary or appropriate in the opinion of the Trustee to avoid an Event of Default, no Obligations shall be issued unless (i) no Event of Default exists with respect to any covenants or obligations of the University contained in the Indenture or in the Obligations, and the authorization and delivery of those obligations will not result in any such Event of Default and (ii) the General Receipts of the University for the most recently completed Fiscal Year are at least one and one half times the Maximum Annual Debt Service on all Obligations outstanding and to be outstanding after the issuance of the Obligations then under consideration. See **SECURITY AND SOURCES OF PAYMENTS - Obligations**.

The University may incur indebtedness payable from General Receipts other than pursuant to the Indenture as long as such indebtedness is expressly subordinate to indebtedness incurred under and subject to the lien of the Indenture ("Subordinated Indebtedness"). The Indenture may be amended and supplemented to release specified sources or portions of General Receipts from the pledge and lien of the Indenture; provided that, the General Receipts for the most recently completed Fiscal Year are certified to be at least equal to the sum of the highest annual Debt Service Charges for any future Fiscal

Years with respect to all Obligations and Subordinated Indebtedness then outstanding and to be outstanding after the issuance of any Subordinated Indebtedness then under consideration.

Enforcement by Mandamus

The Act establishes the duties of the University, the University officers and the University employees as duties enforceable by mandamus, and a covenant to that effect is contained in the 1999 Bond Resolution.

Trustee

The Trustee, The Bank of New York Mellon Trust Company, N.A., as successor trustee, with its designated corporate trust office located in New Albany, Ohio, is a national banking association organized and existing under the laws of the United States, and is authorized to exercise corporate trust powers in the State of Ohio. The Trustee is among the banks that serve as depositories for University monies.

TAX MATTERS

In the opinion of Bricker & Eckler LLP, Bond Counsel, under existing law interest on the Series 2014 B Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not treated as an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations and is not taken into account in determining adjusted current earnings for purposes of the corporate alternative minimum tax. Further, the Series 2014 B Bonds are not "private activity bonds" as defined in Section 141(a) of the Code.

The Series 2014 B Bonds and the interest, transfer and any profit made on the sale or other disposition thereof are exempt from taxes levied by the State of Ohio and its political subdivisions. For purposes of this paragraph, "taxes" means any direct or indirect taxes, including income, ad valorem, transfer, excise taxes, commercial activities tax and the corporate franchise tax measured by net income of a corporation, but "taxes" does not mean or include: (i) the corporate franchise tax measured by net worth of a corporation; (ii) the estate tax; (iii) the taxes levied on insurance companies and dealers in intangibles pursuant to Chapter 5725 of the Ohio Revised Code; and (iv) the tax on shares of and capital employed by dealers in intangibles pursuant to Section 5707.03 of the Ohio Revised Code. Bond Counsel will express no opinion and make no representation regarding other federal, state or local income tax consequences resulting from the receipt or accrual of interest on the Series 2014 B Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications made by the University and others, and the compliance with certain covenants of the University, to be contained in the transcript of proceedings and which are intended to evidence and assure the foregoing, including that the Series 2014 B Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel has not and will not independently verify the accuracy of such certifications and representations.

The University has not designated the Series 2014 B Bonds as "qualified tax exempt obligations" as defined in Section 265(b)(3) of the Code.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and remain excluded from gross income for federal income tax purposes,

some of which, including provisions for the rebate by the University of certain investment earnings to the federal government, require future or continued compliance after issuance of the obligations in order for the interest to be and continue to be so excluded from the date of issuance. Noncompliance with these requirements could cause the interest on the Series 2014 B Bonds to be included in gross income for federal income tax purposes and thus to be subject to regular federal income tax retroactively to the date of their issuance. The University covenants in the Indenture to take such actions that may be required of it for the interest on the Series 2014 B Bonds to be and remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

Under the Code, interest on the Series 2014 B Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States of America, and a tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes can have certain adverse federal income tax consequences on items of income or deductions for certain taxpayers, including among them financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, and those that are deemed to incur or continue indebtedness to acquire or carry tax exempt obligations and individuals otherwise eligible for the earned income credit. The applicability and extent of these or other tax consequences will depend upon the particular tax status or other items of income and expenses of the owners of the Series 2014 B Bonds. Bond Counsel will express no opinion and make no representation regarding such consequences.

General information reporting requirements will apply to interest payments made on the Series 2014 B Bonds. Recipients of interest payments must furnish their social security number or employer identification number and certify that it is correct (utilizing Form W-9, request for Taxpayer Identification Number and Certification or other form). Backup withholding will apply to such interest payments if the owner fails to provide accurate taxpayer identification number information or if notified by the Internal Revenue Service that backup withholding is required.

TRANSCRIPT AND CLOSING DOCUMENTS

A complete transcript of proceedings and a certificate (described under **LITIGATION**) relating to litigation will be delivered by the University when the Series 2014 B Bonds are delivered by the University to the Underwriter. The University at that time will also provide to the Underwriter a certificate, signed by the University officials who sign this Official Statement and addressed to the Underwriter, relating to the accuracy and completeness of this Official Statement and to its being a “final official statement” in the judgment of the University for purposes of paragraph (b)(3) of the Rule (as hereinafter defined).

LEGAL MATTERS

Legal matters incident to the issuance of the Series 2014 B Bonds and the exclusion from gross income for federal income taxation of the interest thereon are subject to the legal opinion of Bricker & Eckler LLP, Bond Counsel. See **TAX MATTERS** herein. The legal opinion, dated and premised on law in effect as of the date of issuance and delivery of the Series 2014 B Bonds, will be delivered to the Underwriters at the time of original delivery. The proposed text of the opinion of Bond Counsel is attached as **APPENDIX D** herein. The legal opinion to be delivered to the Underwriters at the time of issuance and delivery of the Series 2014 B Bonds may vary from that text if necessary to reflect facts and law on the date of issuance and delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of this Official Statement or otherwise shall create no implication that

Bond Counsel has reviewed or expressed any opinion concerning any of the matters referred to in the opinion subsequent to its date.

In addition to rendering the legal opinion, Bond Counsel will assist the University in the preparation of and advise the University concerning documents for the bond transcript.

Certain legal matters will be passed upon for the University by its statutory counsel, the Attorney General of the State of Ohio, through Christopher Culley, Assistant Attorney General and Senior Vice President and General Counsel for the University, and by Tucker Ellis LLP. Tucker Ellis LLP serves as issuer counsel to the University in connection with the issuance and sale of the Series 2014 B Bonds. Certain legal matters in connection with the Series 2014 B Bonds will be passed upon for the Underwriters by their counsel, Thompson Hine LLP.

LITIGATION

There is no litigation or administrative action or proceeding pending or threatened to restrain or enjoin, or seeking to restrain or enjoin, the issuance and delivery of the Series 2014 B Bonds or to question the proceedings and authority under which the Series 2014 B Bonds are authorized and are to be issued, sold executed or delivered, or the validity of the Series 2014 B Bonds. A no-litigation certificate to such effect will be delivered by the University at the time of issuance and delivery of the Series 2014 B Bonds.

The University is a party to various legal proceedings seeking damages or injunctive relief and generally incidental to its operations but unrelated to the Series 2014 B Bonds. The ultimate disposition of such proceedings is not presently determinable, but will not, in the opinion of appropriate University officials, have a material adverse effect on the Series 2014 B Bonds or the security for the Series 2014 B Bonds.

INDEPENDENT ACCOUNTANTS

The financial statements of the University as of June 30, 2013 and 2012 for the years then ended, included in this Official Statement as **APPENDIX C** herein, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing in **APPENDIX C**.

Any preliminary June 30, 2014 results of the University and forward looking information with respect to the University included in this Official Statement have been prepared by, and are the responsibility of, the University's management. PricewaterhouseCoopers LLP has not performed an audit, review, or compilation with respect to the preliminary June 30, 2014 results. PricewaterhouseCoopers LLP has neither examined, compiled, nor performed any procedures with respect to any forward looking information contained in **APPENDIX A**. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect to any preliminary June 30, 2014 results or forward looking information contained in **APPENDIX A**.

RATINGS

Moody's Investors Service, Inc., Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. and Fitch Ratings have assigned the Series 2014 B Bonds long and short term ratings of "Aa1/VMIG-1", "AA/A-1+" and "AA/F1+", respectively. No application for a rating has been made by the University to any other rating service.

The ratings reflect only the respective views of the rating services and any explanation of the meaning or significance of the ratings may only be obtained from the respective rating service. The ratings are not recommendations to buy, sell or hold securities. The University furnished to each rating service certain information and materials, some of which may not have been included in this Official Statement, relating to the Series 2014 B Bonds and the University. Generally, rating services base their ratings on such information and materials and on their own investigations, studies and assumptions. Each rating should be evaluated independently of any other rating. There can be no assurance that a rating when assigned will continue for any given period of time or that it will not be lowered or withdrawn entirely by a rating service if in its judgment circumstances so warrant. Any lowering or withdrawal of a rating may have an adverse effect on the marketability or market price of the Series 2014 B Bonds.

The University expects to furnish the rating services with information and materials that may be requested. However, the University assumes no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. Failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of a rating on the Series 2014 B Bonds.

CONTINUING DISCLOSURE AGREEMENT

In accordance with Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Rule"), the University (the "Obligated Person") will agree pursuant to a Continuing Disclosure Agreement to cause the following information to be provided:

(i) to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access System ("EMMA"), certain annual financial information, including financial statements, generally consistent with the information contained under the captions **SECURITY AND SOURCES OF PAYMENTS - General Receipts Pledged to the Series 2014 B Bonds and other Senior Lien Obligations; OUTSTANDING GENERAL RECEIPTS BONDS;** and in **APPENDIX A - GENERAL, - Academic Structure, - Faculty and Employees, - Retirement Plans, - Enrollment, - Admissions, - Fees and Charges (but only information therein with respect to the University), - Financial Aid, - Physical Plant, - The Ohio State University Wexner Medical Center, and FINANCIAL OPERATIONS OF THE UNIVERSITY;** such information shall be provided not later than the 180th day following the end of the Fiscal Year (or, if that is not a University business day, the next University business day), and with respect to audited financial statements, no later than thirty (30) days after the date on which such audited financial statements are accepted by the Ohio Auditor of State, commencing with the annual financial information and audited financial statements for Fiscal Year 2014.

(ii) to EMMA, notice of the occurrence of the following events with respect to the Series 2014 B Bonds:

(a) Principal and interest payment delinquencies;

- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (g) Modifications to rights of holders of the Bonds, if material;
- (h) Bond calls (other than mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event), if material, and tender offers;
- (i) Defeasances of the Indebtedness or the Series 2014 Supplement entirely, or as to all or a portion of the Bonds;
- (j) Release, substitution or sale of property securing repayment of the securities, if material;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar event of the Obligated Person;
- (m) The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (n) Appointment of a successor or additional trustee or the change of the name of a trustee, if material.
- (o) to EMMA, notice of a failure (of which the Obligated Person has knowledge) of an Obligated Person to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking.

For purposes of this transaction with respect to events as set forth in the Rule:

- (i) there are no debt service reserve funds, credit enhancements, or liquidity providers applicable to the Series 2014 B Bonds; and
- (ii) there is no property securing the repayment of the Series 2014 B Bonds.

The University reserves the right to amend the Continuing Disclosure Agreement, and to obtain the waiver of noncompliance with any provision of the Continuing Disclosure Agreement, as may be necessary or appropriate to achieve its compliance with any applicable federal securities law or rules, to

cure any ambiguity, inconsistency or formal defect or omission, and to address any change in circumstances arising from a change in legal requirements, change in law, or change in the identity, nature, or status of the University. Any such amendment or waiver will not be effective unless the Continuing Disclosure Agreement (as amended or taking into account such waiver) would have complied with the requirements of the Rule at the time of the primary offering (within the meaning of the Rule) of the Series 2014 B Bonds, after taking into account any applicable amendments to or official interpretations of the Rule, as well as any change in circumstances, and until the University shall have received either (i) a written opinion of bond counsel or other qualified independent special counsel selected by the University that the amendment or waiver would not materially impair the interest of holders or beneficial owners of the Series 2014 B Bonds, or (ii) the written consent to the amendment, or waiver, by the holders of at least a majority of the aggregate outstanding principal amount of the Series 2014 B Bonds.

The Continuing Disclosure Agreement, by provision in the Series 2014 Supplement, will be solely for the benefit of the holders and beneficial owners of the Series 2014 B Bonds including holders of book entry interests in them. The right to enforce the provisions of the Continuing Disclosure Agreement may be limited to a right of the holders or beneficial owners to enforce to the extent permitted by law (by mandamus, or other suit, action or proceedings at law or in equity) the obligations and duties under it.

Any noncompliance with the Continuing Disclosure Agreement will not be a default or failure to comply for purposes of the default provisions of the Indenture. The Trustee has no responsibility for monitoring compliance with the Continuing Disclosure Agreement.

The performance by the University, as the only Obligated Person with respect to the Series 2014 B Bonds, of the Continuing Disclosure Agreement will be subject to the annual appropriation by the Board of moneys for the applicable purposes.

The Continuing Disclosure Agreement will remain in effect only for such period that the Series 2014 B Bonds are outstanding in accordance with their terms and the University remains an Obligated Person with respect to those Bonds within the meaning of the Rule.

From time to time, the University has not fully complied with all terms of its existing continuing disclosure undertakings. Specifically, while the University has filed its audited annual financial statements with respect to each of the past five years, prior to July 11, 2012 it had not filed with EMMA or its predecessors any documents specifically addressing the items of information corresponding to the annual information described above. On July 11, 2012, the University made a corrective filing with EMMA. In addition, the University's annual information statement for the fiscal year ending June 30, 2012 was filed with EMMA on January 4, 2013, which date was eight days later than the filing date specified in the University's continuing disclosure agreements. The University has designated an individual in the Office of the Treasurer to oversee timely compliance with its continuing disclosure obligations in the future.

The Trustee will not be responsible for, or for determining, the University's compliance with the Continuing Disclosure Agreement.

UNDERWRITING

The University has entered into a purchase contract for the Series 2014 B-1 Bonds with the Underwriters listed on the cover hereof with J.P. Morgan Securities LLC acting as the representative. The Underwriters have agreed to purchase the Series 2014 B-1 Bonds from the University at an aggregate discount of \$193,534 from the public offering price set forth on the cover page hereof.

The University has entered into a separate purchase contract for the Series 2014 B-2 Bonds with the Underwriters listed on the cover hereof with RBC Capital Markets, LLC acting as the representative. The Underwriters have agreed to purchase the Series 2014 B-2 Bonds from the University at an aggregate discount of \$193,534 from the public offering price set forth on the cover page hereof.

The purchase contracts pursuant to which the Series 2014 B Bonds are being sold provide that the Underwriters will purchase not less than all of the Bonds. The Underwriters' obligation to make such purchase is subject to certain terms and conditions set forth in the purchase contracts, the approval of certain legal matters by counsel and certain other conditions.

The Underwriters may offer and sell the Series 2014 B Bonds to certain dealers and others at a price lower than the initial offering price. The offering price of Series 2014 B Bonds may be changed from time to time by the Underwriters.

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

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

In addition, certain of the Underwriters have entered into distribution agreements with other broker-dealers (that have not been designated by the University as Underwriters) for the distribution of the Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into a negotiated dealer agreement ("Dealer Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Dealer Agreement (if applicable to this transaction), CS&Co. will purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., an underwriter of the Bonds, has entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this

arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Loop Capital Markets LLC (“LCM”), one of the Underwriters of the Bonds, has entered into distribution agreements (each an “LCM Distribution Agreement”) with each of UBS Financial Services Inc. (“UBSFS”) and Deutsche Bank Securities Inc. (“DBS”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each LCM Distribution Agreement, each of UBSFS and DBS will purchase Bonds from LCM at the original issue prices less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

“US Bancorp” is the marketing name of U.S. Bancorp and its subsidiaries, including U.S. Bank Municipal Securities Group, a Division of U.S. Bank National Association, which is serving as an Underwriter of the Bonds.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association. Wells Fargo Bank, National Association (“WFBNA”), one of the underwriters of the Bonds, has entered into an agreement (the “WFBNA Distribution Agreement”) with its affiliate, Wells Fargo Advisors, LLC (“WFA”), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFBNA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC (“WFSLLC”) and Wells Fargo Institutional Securities, LLC (“WFIS”), for the distribution of municipal securities offerings, including the Bonds. In connection with utilizing the distribution of capabilities of WFSLLC, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

ELIGIBILITY FOR INVESTMENT AND AS PUBLIC MONEYS SECURITY

To the extent that the matter as to the particular investor is governed by Ohio law, and subject to any applicable limitations under other provisions of Ohio law, the Series 2014 B Bonds are lawful investments for banks, societies for savings, savings and loan associations, deposit guaranty associations, trust companies, trustees, fiduciaries, insurance companies (including domestic life and domestic not for life), trustees or other officers having charge of sinking and bond retirement or other funds of political subdivisions and taxing districts of the State, the Commissioners of the Sinking Fund of the State, the administrator of Workers’ Compensation in accordance with applicable investment policies, and State retirement systems (Teachers, Public Employees, Public School Employees, and Police and Firemen’s), notwithstanding any other provisions of the Ohio Revised Code with respect to investments by them.

The Act provides that the Series 2014 B Bonds are acceptable under Ohio law as security for the deposit of public moneys.

Owners of book entry interests in the Series 2014 B Bonds should make their own determination as to such matters as legality of investment in or pledgeability of book entry interests.

CONCLUDING STATEMENT

Quotations in this Official Statement from, and summaries and explanations of, the provisions of the Ohio Constitution, the Ohio Revised Code and other laws, the Series 2014 Bond Resolution, the Amended and Restated Trust Indenture and the Series 2014 Supplement, do not purport to be complete, and reference is made to the pertinent provisions of the Constitution, Ohio Revised Code and other laws and such documents for all complete statements of their provisions. Those documents are available for review at the University during regular business hours as the office of the Treasurer of the University. During the initial offering period, copies of such documents will also be available for review at the offices of the Underwriter.

To the extent that any statements in this Official Statement involve matters of estimate or opinion, whether or not expressly stated to be such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of those statements will be realized. Information in this Official Statement has been derived by the University from official and other sources and is believed by the University to be reliable, but information other than that obtained from official records of the University has not been independently confirmed or verified by the University and its accuracy is not guaranteed.

This Official Statement is not to be construed as or as part of a contract or agreement with the original purchasers or holders of the Series 2014 B Bonds.

This Official Statement has been duly prepared and delivered by the University, and executed for and on behalf of the University by the official identified below.

THE OHIO STATE UNIVERSITY

By: /s/ Geoffrey S. Chatas
Geoffrey S. Chatas, Senior Vice President for Business
and Finance

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APPENDIX A
THE OHIO STATE UNIVERSITY

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APPENDIX A

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NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Forward-Looking Statements

Certain statements included or incorporated by reference in this Appendix A constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” “intend,” “projection” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information in this Appendix A. A number of important factors, including factors affecting the University’s financial condition and factors which are otherwise unrelated thereto could cause actual results to differ materially from those stated in such forward-looking statements. THE OHIO STATE UNIVERSITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

Projections and Preliminary Financial Data

The projections and preliminary financial data set forth in this Appendix A were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information and preliminary financial data, but, in the view of the University’s management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management’s knowledge and belief, the expected course of action and the expected future financial performance of the University. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Appendix A are cautioned not to place undue reliance on the prospective financial information and preliminary financial data. Neither the University’s independent accountants, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information and preliminary financial data contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information and preliminary financial data.

Any preliminary June 30, 2014 results of the University and forward looking information with respect to the University included in this Official Statement have been prepared by, and are the responsibility of, the University’s management. PricewaterhouseCoopers LLP has not performed an audit, review, or compilation with respect to the preliminary June 30, 2014 results. PricewaterhouseCoopers LLP has neither examined, compiled, nor performed any procedures with respect to any forward looking information contained in APPENDIX A. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect to any preliminary June 30, 2014 results or forward looking information contained in APPENDIX A.

APPENDIX A

THE OHIO STATE UNIVERSITY

GENERAL

The Ohio State University (the “University”) was founded in 1870 by the Ohio General Assembly under provisions of the Morrill Act as the Ohio Agricultural and Mechanical College (the “College”). The College was located on 331 acres of land approximately two miles north of Columbus. In 1878, the General Assembly designated the College a university and changed its name to The Ohio State University. That same year, the University graduated its first class. Through August 2014, the University has awarded over 696,220 undergraduate and graduate degrees.

The University is one of 13 state-supported universities in Ohio. It is declared by statute to be a body politic and corporate. The University’s main campus is located in the City of Columbus on a 1,904-acre site containing 571 buildings (the “Columbus Campus”). Also in Columbus, the University owns two 18-hole regulation golf courses and the Don Scott Airport on 1,684 acres. In addition to the Columbus Campus, the University operates educational programs at Extended Campuses located in Lima, Mansfield, Marion, and Newark (collectively, the “Extended Campuses”) housed in 76 buildings on 1,482 acres. The University also operates an Agricultural Technical Institute, the Ohio Agricultural Research and Development Center (“OARDC”) in Wooster, Ohio and the Molly Caren Agriculture Center in London, Ohio, along with eight other research farms throughout Ohio collectively comprising 10,722 acres and 444 buildings. An additional 126 buildings are located on 684 acres at various other locations across Ohio.

The Columbus Campus is the third largest individual campus of any university or college in the United States in terms of both head count enrollment and full-time equivalent (FTE) enrollment. The enrollment for Autumn 2013 was 57,466 students for the Columbus Campus and 6,498 for the Extended Campuses, bringing the total enrollment for all campuses at that time to 63,964 students. During the academic year ending June 30, 2014, the University awarded a total of 15,003 degrees consisting of 10,195 baccalaureate degrees, 2,595 master’s degrees, 857 professional degrees, 747 doctorate degrees, 599 associate degrees, and 10 post-baccalaureate degrees. The University has nearly 500,000 living alumni. The University has the largest Athletics Department in the country with 36 varsity sports. The Athletics Department is self-supported and generated approximately \$140 million in revenues in Fiscal Year 2014. As of Autumn 2013, the University employed a total of 43,630 faculty and staff (including student employees) among its campuses.

The Board of Trustees

The University is governed by a Board of Trustees (the “Board”) which, under Ohio law, is directed and granted authority to do all things necessary for the proper maintenance and successful and continuous operation of the University. Two of the Trustees must be students at the University. The Trustees, other than the charter Trustees and student Trustees, are appointed by the Governor with the advice and consent of the State Senate for overlapping nine-year terms. The student Trustees are appointed by the Governor with the advice and consent of the State Senate for overlapping two-year terms. The student Trustees have no voting power on the Board and are not considered as members of the Board in determining whether a quorum is present. The charter Trustees, who are not residents of Ohio, are appointed by the other members of the Board for three-year terms. There may be up to three charter Trustees. Like student Trustees, charter Trustees have no voting privileges on the Board and are not considered as members of the Board when determining whether a quorum is present.

The current officers and members of the Board, and the years in which their respective terms expire, are:

Jeffrey Wadsworth, Chair (2019)	Battelle Memorial Institute, President and Chief Executive Officer
Ronald A. Ratner, Vice Chair (2015)	Forest City Enterprises, Inc., Executive Vice President and Director, President of Forest City Residential Group
Alex Shumate, Vice Chair (2020)	Squire Patton Boggs (U.S.) LLP, Managing Partner, Columbus Office
Algenon L. Marbley (2016)	United States District Judge for the Southern District of Ohio
Linda S. Kass (2017)	Chair of the Countrywide Champion of Children Initiative and Board Chair of the Bexley Education Foundation
Janet B. Reid (2018)	Global Novations, Founder and former Managing Partner and Director
W. G. Jurgensen (2018)	Retired Chief Executive Officer of Nationwide Mutual Insurance Company
Clark C. Kellogg (2019)	Lead College Basketball Analyst for CBS Sports and Vice President of Player Relations for Indiana Pacers
Timothy P. Smucker (2020)	The J.M. Smucker Company, Chairman of the Board
Cheryl L. Krueger (2021)	KRUEGER+CO. Consulting, Inc., Chief Executive Officer
Michael J. Gasser (2021)	Greif, Inc., Executive Chairman of the Board
Brent R. Porteus (2022)	Blair Porteus & Sons, Managing Partner
Erin Hoeflinger (2022)	Anthem Blue Cross and Blue Shield of Ohio, President
Alex R. Fischer (2023)	Columbus Partnership, President and Chief Executive Officer
Abigail S. Wexner (2023)	Whitebarn Associates, Chairman and Chief Executive Officer
G. Gilbert Cloyd, Charter Trustee (2015)	The Procter & Gamble Company, former Chief Technology Officer
Corbett A. Price, Charter Trustee (2017)	Quantix Health Capital, LLC, Chairman and Chief Executive Officer; Kurrion Capital, LLC, Chief Executive Officer, and Kurrion & Company, Inc., Chairman
Alan VanderMolen, Charter Trustee (2017)	DJE Holdings, Vice Chairman
Stacie E. Seger, Student (2015)	Undergraduate Student Trustee
Steven M. Loborec, Student (2016)	Graduate/Professional Student Trustee

The secretary of the Board is Blake Thompson.

Senior Management

Biographical information regarding certain individuals who are part of the current senior management of the University is set forth below.

Dr. Michael V. Drake serves as President of the University. He previously served as chancellor of the University of California, Irvine, from July 2005 through June 2014. Prior to Dr. Drake's arrival at UC Irvine, he served for five years as vice president for health affairs for the University of California system, overseeing academic program policy at the system's 15 health sciences schools, located on seven campuses. Dr. Drake earned his bachelor's degree from Stanford University and his medical degree from UC San Francisco.

Dr. Joseph Steinmetz serves as Executive Vice President and Provost at the University. He previously served as the University's Executive Dean of the College of Arts and Sciences and Provost of Arts and Sciences, and he is a professor of psychology and neuroscience. Prior to coming to the University, he was dean of the College of Liberal Arts and Sciences at the University of Kansas, and served 19 years at Indiana University, where he was executive associate dean for the College of Arts and Sciences and chair of the Department of Psychology. Dr. Steinmetz earned his bachelor's and master's degrees at Central Michigan University and his doctorate at Ohio University in Athens, Ohio.

Dr. Herb B. Asher serves as Senior Vice President of Government Affairs at the University. He also serves as Professor Emeritus of Political Science and Counselor to the President of the University. He is frequently called upon as an expert political analyst by local and national media. Dr. Asher received his Bachelor of Science in Mathematics from Bucknell University as well as his Master's and Ph.D. degrees from the University of Michigan.

Geoffrey S. Chatas serves as Senior Vice President for Business and Finance and Chief Financial Officer at the University. In early 2014, Mr. Chatas assumed an additional role at the Ohio State University Wexner Medical Center as Senior Vice President for Optimization and Integration and Medical Center Chief Transformation Officer. Prior to joining the University in February of 2010, he was with JP Morgan Asset Management as an acquisitions officer for the Infrastructure Investments Group. Prior to JP Morgan, Mr. Chatas served as CFO at Progress Energy and served at American Electric Power, overseeing the financial aspects of investments in infrastructure assets. Mr. Chatas earned a Bachelor of Arts in Economics from Georgetown University, a Master's Degree from Oxford University and a Master's of Business Administration from INSEAD.

Christopher M. Culley serves as Senior Vice President and General Counsel for the University. He joined the University in February of 1998 as Deputy General Counsel and became General Counsel in December 2004. Mr. Culley is a member of the Columbus Bar Association, the Ohio State Bar Association and the National Association of College and University Attorneys. Mr. Culley earned his bachelor's degree at the University and his J.D. at the University of Dayton College of Law.

Dr. Steven G. Gabbe is Senior Vice President for Health Sciences at the University and Chief Executive Officer at the Wexner Medical Center. Prior to his appointment, Dr. Gabbe served as Dean of Vanderbilt University School of Medicine. He chaired the Department of Obstetrics and Gynecology at the University from 1987 to 1996. From 1978 to 1987 Dr. Gabbe was on the faculty in the Department of Obstetrics, Gynecology and Pediatrics at the University of Pennsylvania School of Medicine and was Director of the Division of Fetal Medicine. Dr. Gabbe earned his undergraduate degree from Princeton University and his medical degree from Cornell University Medical College.

Archie Griffin is President and Chief Executive Officer of the Ohio State Alumni Association and serves as the Senior Vice President for Alumni Relations. He has also served as Special Assistant to the Director of Athletics, Assistant Director of Athletics and External Affairs, and Associate Director of Athletics. Mr. Griffin is a graduate of the University.

Jay Kasey serves as Senior Vice President for Administration and Planning at the University. Prior to his appointment to this post, Mr. Kasey had management responsibility for elements of the five hospitals making up the OSU Health System (University Hospital, James Cancer Hospital, University Hospital East, OSU Harding Hospital,

and Ross Heart Hospital). He has also been instrumental in leading the medical center expansion project. Jay has worked in senior level healthcare positions since 1985. After serving as the COO or CEO of two different five-hundred bed community hospitals, Mr. Kasey joined The Hunter Group, a consulting firm specializing in hospital and health systems operations.

Michael Eicher was named Senior Vice President for Advancement in September 2012. He oversees the full integration of the University's fundraising, alumni relations, and communications efforts. He joined the University from The John Hopkins University, where he served as Senior Vice President for External Affairs and Development. Prior to working at Johns Hopkins, Mr. Eicher was vice chancellor at the University of California, Los Angeles. Mr. Eicher graduated from the University of California, San Diego.

Andraea "AJ" Douglass serves as the Senior Vice President of Talent, Culture and Human Resources at the University. In this role, Ms. Douglass provides leadership, guidance, direction, and oversight to the University's complex human resource functions, which serve more than 40,000 employees across the University and Wexner Medical Center. Prior to joining the university, Ms. Douglass served as a Strategic Account Leader for Senn Delaney, where she led large-scale cultural transformation efforts and served as an executive coach for targeted leaders. Ms. Douglass received her Bachelor of Science degree from Bellevue University.

Academic Structure

The academic organization of the University consists of 14 colleges, 11 schools, the Graduate School and the Agricultural Technical Institute. The University offers 175 undergraduate majors, 133 programs leading to the master's degree, 112 programs leading to the doctoral degree, and over 12,000 different courses.

The 14 colleges within the University are:

Arts and Sciences	Medicine
Business	Nursing
Dentistry	Optometry
Education and Human Ecology	Pharmacy
Engineering	Public Health
Food, Agricultural and Environmental Sciences	Social Work
Law	Veterinary Medicine

The 11 schools within the University's colleges are:

Health and Rehabilitation Sciences	Educational Policy and Leadership
Architecture	John Glenn School of Public Affairs
Biomedical Science	Physical Activity and Educational Services
Communication	Music
Earth Sciences	Teaching and Learning
Environment and Natural Resources	

University Libraries consists of the Thompson Library and ten department library and special collections locations on the Columbus campus. The University Libraries research collection is rich in distinctive content, including rare and primary sources provided in digital and physical formats. The system holds approximately 7.1 million volumes. University Libraries is ranked fifth among the public university members of the Association of Research Libraries ("ARL") and fourteenth among all ARL member libraries.

Accreditations and Memberships

The University is fully accredited in all of its professional colleges and departments by the North Central Association of Colleges and Schools. The University is also a member of both the Higher Learning Commission of the Association of American Universities and the National Association of State Universities and Land-Grant Colleges. Individual Colleges and Schools are fully accredited by their respective accrediting associations.

Faculty and Employees

As of September 30, 2013, the University had a faculty and non-instructional staff of 43,630 full and part-time employees on all campuses. The numbers of staff members for the Columbus Campus and the Extended Campuses as of September 2013 were as follows:

	<u>Columbus Campus</u>	<u>Extended Campuses</u>	<u>Total University</u>
<u>Instructional Staff</u>			
Regular Faculty ⁽¹⁾ :			
Professor	1,143	40	1,183
Associate Professor	859	133	992
Assistant Professor	571	95	666
Instructor	6	1	7
Total Regular Faculty	2,579	269	2,848
Other Faculty:			
Clinical Faculty ⁽²⁾	1,035	0	1,035
Auxiliary Faculty ⁽³⁾	2,370	306	2,676
Research Faculty ⁽⁴⁾	99	0	99
Total Other Faculty	3,504	306	3,810
Total Instructional	6,083	575	6,658
<u>Non-Instructional Staff</u>			
Unclassified Staff	17,296	738	18,034
Classified Civil Service Staff	4,752	398	5,150
Professional & Technical Staff	56	0	56
Graduate Associates	4,487	20	4,507
Other Students	8,782	443	9,225
Total Non-Instructional Staff	35,373	1,599	36,972
Total Staff	41,456	2,174	43,630

(1) Regular faculty are tenure track with at least 50% FTE.

(2) Clinical faculty includes the following titles: Professor-Clinical, Associate Professor-Clinical, Assistant Professor-Clinical, and Instructor Clinical with at least 10% FTE.

(3) Auxiliary faculty includes all other instructional staff including Lecturers, House Staff and Visiting Faculty.

(4) Research faculty includes the following titles: Research Professor, Research Associate Professor, and Research Assistant Professor with at least 50% FTE.

The University faculty membership in distinguished academic societies includes the National Academy of Sciences (11 members), the National Academy of Engineering (13 members), and the Institute of Medicine (8 members). The faculty also includes 209 fellows of the American Association for the Advancement of Science. Many Fulbright Fellowships have been awarded to University faculty and graduate students each year. Professors are holders of prestigious awards in the humanities and sciences, including one who holds the Nobel Prize in physics.

The University is a party to collective bargaining agreements with the Communications Workers of America, the Fraternal Order of Police and the Ohio Nurses Association, which agreements cover only some of its employees. The remaining University employees, including faculty and other instructional staff, have not elected to join a bargaining unit.

Retirement Plans

The University participates in contributory retirement plans administered by the State Teachers Retirement System of Ohio (“STRS”) and the Ohio Public Employees Retirement System (“OPERS”). As an alternative to STRS and OPERS, eligible employees may elect to participate in the University’s Alternative Retirement Plan (“ARP”). The ARP was adopted by the University’s Board of Trustees on February 5, 1999. As of July 2014, the number of employees contributing to OPERS was 28,302, to STRS was 4,260 and to the ARP was 4,908.

STRS and OPERS are two of five statewide public employee retirement systems created by and operating pursuant to Ohio law, all of which currently have unfunded actuarial accrued liabilities. The Ohio General Assembly has the power to amend the format of those systems and to revise rates and methods of contributions to be made by public employers and their employees and eligibility criteria, benefits or benefit levels for members.

STRS and OPERS both offer three separate retirement plans: a defined benefit plan, a defined contribution plan, and a combined plan.

- The STRS and OPERS defined benefit plans are cost-sharing multiple-employer defined benefit pension plans. Subject to eligibility requirements, the defined benefit plans currently provide for retirement benefits, disability benefits, postretirement health care coverage, and death benefits.
- The STRS and OPERS defined contribution plans are plans in which the member selects where both member and employer contributions are invested.
- The STRS and OPERS combined plans have features of both a defined contribution plan and a defined benefit plan. Under the combined plans, the employee contributions are invested in self-directed investments, and the employer contributions are used to provide a reduced defined benefit. Subject to eligibility requirements, the combined plans currently provide for retirement benefits, disability benefits, postretirement health care coverage, and death benefits.

Ohio law requires the University to offer the ARP to certain employees. The ARP is a tax-qualified, defined contribution plan under Section 401(a) of the Internal Revenue Code and is maintained for eligible full-time faculty and staff.

STRS, OPERS and the ARP are funded by both employee and employer contributions at rates established under Ohio law. Currently, the statutory employee contribution rate is 10% of eligible compensation for OPERS and 12% of eligible compensation for STRS and the employer contribution rate is 14% of eligible compensation for both OPERS and STRS. Law enforcement employees contribute 13% of eligible compensation to OPERS and the University contributes 18.1%. Employee and employer contributions to the ARP are equal to the amount the University would have contributed to STRS or OPERS, as applicable to the employee, less any amount required to be paid by the University to the applicable state retirement system (“mitigating rate”). The mitigating rate is charged independently by OPERS and STRS and may differ between OPERS and STRS. Contributions to STRS, OPERS and the ARP are subject to limits under the Internal Revenue Code.

The University also maintains a tax-qualified retirement plan and a related Section 415(m) plan for eligible employees whose contributions to STRS, OPERS or the ARP are limited under the Internal Revenue Code. Contributions may be funded from both employer and employee contributions. In addition, optional supplemental retirement programs (403(b) and 457(b) plans) are available for eligible employees.

Federal law requires University employees hired after March 31, 1986, to participate in the federal Medicare program. The current rate for Medicare is 1.45% of covered wages for both the employer and the employee. Otherwise, University employees do not currently contribute to the federal Social Security system.

New accounting rules are expected to have a potentially significant impact on the University’s reported financial position and results of operations. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which is effective Fiscal Year 2015, requires governments that participate in defined benefit pension plans

to report in their statement of net position a net pension liability, which is the difference between the total pension liability and the net assets set aside to pay pension benefits. For cost-sharing employers, the net pension liability is equal to the employer's proportionate share of the collective net pension liability for the plan. The University participates in two cost-sharing defined benefit pension plans, which are administered by STRS and OPERS. Based on information provided in the most recently available financial reports for the pension plans, University management anticipates that Statement No. 68 will result in the recognition of significant liabilities in the University's financial statements.

Enrollment

The University attracts students from a variety of backgrounds and geographical locations, with representation in the Autumn Semester of 2013 from all 50 states and more than 110 foreign countries. Ohio residents represent 79% of the University's enrollment, while 12% are from other states and 9% are international students. The head count enrollment (full-time and part-time students) for each of the Columbus Campus and the Extended Campuses of the University for the Autumn Quarters or Semesters of 2009 through 2013 is shown below:

Academic Year	Columbus Campus	Extended Campuses	Total Enrollment
2009-10	55,014	8,203	63,217
2010-11	56,064	8,013	64,077
2011-12	56,867	7,562	64,429
2012-13	56,387	6,671	63,058
2013-14	57,466	6,498	63,964

The following table shows the total Autumn head count enrollment for undergraduate and graduate students for all campuses, and for students enrolled in professional programs, as well as the aggregate FTE enrollment for all campuses.

Academic Year	Graduate and Undergraduate	Professional	Total	Full-Time Equivalent
2009-10	59,936	3,281	63,217	61,116
2010-11	60,760	3,317	64,077	62,221
2011-12	61,053	3,376	64,429	62,805
2012-13	59,763	3,295	63,058	56,552
2013-14	60,712	3,252	63,964	57,796

The enrollment decline in 2012-2013 is attributed to the switch from a quarter system to a semester system. The University experienced a record number of graduations in the year prior to the conversion.

In 1969, the General Assembly, upon recommendation of the Ohio Board of Regents, set enrollment limitations for several of the larger state universities. The limitation for the Columbus Campus is 42,000 FTE resident undergraduate enrollment. Excluded from this enrollment calculation is the FTE enrollment in certain categories, including Medical Sciences (Medicine, Dentistry, Veterinary Medicine, Nursing, Allied Medicine and Optometry) and Agriculture programs, and part-time commuter students in evening courses. With these exclusions, the FTE enrollment for the Columbus Campus is substantially below the enrollment limitation.

Prior to 1987, the University practiced open admissions for freshmen, accepting applications on a first-come, first-served basis. Admissions would "close" when the number of applications received reached the FTE enrollment limitation. Because of increased demands for the Columbus Campus, the University adopted a selective admissions policy beginning with applications for Autumn Quarter 1987.

The application deadline is fixed at February 1st of each year. All resident and nonresident applicants are considered within a competitive process. Primary criteria for admission are the applicant's high school college preparatory program and performance as measured by class rank, and standardized test scores. Other factors include courses exceeding the minimum in mathematics, natural sciences and foreign languages, competitiveness of high

school, leadership, special talents, or special circumstances. In addition, special consideration is given to students who will provide cultural, racial, economic, and geographic diversity to the University.

Admissions

The table below sets forth, for the Columbus Campus, the number of completed freshman applications received and accepted, the percentage of applicants accepted for admission, the number of freshmen enrolled, the percentage of accepted applicants who enrolled and the average ACT scores and retention rates of enrollees in the Autumn Quarters or Semesters of the academic years indicated.

Academic Year	Applications Completed	Applicants Accepted	Percent Accepted	Applicants Enrolled	Percent Enrolled	Average ACT	Retention Rate
2009-10	20,041	13,705	68.4%	6,607	48.2%	27.5	92.8%
2010-11	24,247	16,448	67.8%	6,549	39.8%	27.8	92.8%
2011-12	26,029	16,362	62.9%	6,904	42.2%	28.0	91.6%
2012-13	25,806	16,514	64.0%	7,186	43.5%	28.1	92.4%
2013-14	31,323	17,375	55.5%	7,083	40.8%	28.5	N/A

The average freshman composite scores on the Scholastic Aptitude Test (SAT) for the Columbus Campus was 1,256 for the Autumn Semester 2013; the average ACT Composite was 28.5. These averages have increased dramatically over the past decade as the University invested in strategic recruitment initiatives. The ACT average was 24.0 for Autumn 1997 compared with 28.5 in 2013. Per the goals of the University Strategic Enrollment Plan, the composition of the freshman class has become increasingly more diverse. Non-Ohio resident student enrollment has increased to 28%. The University expects non-resident enrollment to be greater than 28% for the Academic Year 2014-2015.

Fees and Charges

In April 2009, the Board voted to change the academic calendar from the quarter system to the semester system. The University, along with seventeen other public universities in Ohio, converted the academic calendar in 2012-13. The actual cost for this conversion process, for expenses such as technology modifications, course redesign, and curriculum alignment, was approximately \$12.8 million.

Having converted to semesters in Summer 2012, the University now operates its programs on a two-semester academic year, a May term and summer session. Instructional and general fees vary by campus and curriculum. Payment in full of all fees is required to be made by students prior to official enrollment in any class of instruction.

The conversion to semesters has allowed the University to better integrate with other universities, making it easier to facilitate the transfer of credits and students. The conversion has also initiated opportunities for student research, international study, internships, service learning and other specialized learning experiences for both undergraduate and graduate students.

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The per student instructional and general fees (including the tuition surcharge paid by non-resident students) for the Columbus Campus for academic years 2010-11 through 2014-15 are shown below.

**Total Instructional and General Fees for Full-Time Students
(Per Academic Year)**

		<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Columbus Campus	Resident					
	Undergraduate	\$8,994	\$9,309	\$9,615	\$9,615	\$9,615
	Graduate	10,800	11,325	11,704	11,928	11,928
	MHRM (Formerly MLHR)	11,595	12,600	13,456	14,368	15,208
	MBA	24,375	26,055	27,336	28,688	29,536
	Working Professional MBA	23,235	24,375	22,720	23,840	24,544
	EMBA	42,450	47,124	46,414	43,012	44,428
	M. of Accounting	26,490	27,795	29,160	30,600	31,208
	Masters of Audiology	11,100	11,640	12,032	12,264	12,504
	MSLP	11,100	11,640	12,032	12,264	12,504
	M. of Health Admin.	12,735	13,350	13,800	14,064	14,336
	M. of Public Health	11,325	11,880	12,280	12,520	12,760
	Public Health PEP	11,325	11,880	12,280	12,520	12,760
	MPT/DPT	12,120	13,170	12,376	12,616	12,864
	MOT - Ranks 1-2	NA	NA	11,144	11,360	11,576
	MOT - Rank 3	NA	NA	8,660	NA	NA
	MOT - All Ranks	11,865	12,435	NA	NA	NA
	MSW	11,190	11,730	12,128	12,360	12,600
	MBOE	27,990	39,450	23,887	31,448	32,314
	SMB Finance	NA	47,979	50,472	51,976	53,976
	MBLE	24,375	26,055	24,296	25,496	26,256
	MAEE-DL	NA	NA	NA	14,432	14,712
	GC Med	NA	NA	NA	NA	19,504
	GMB	NA	NA	NA	NA	13,204
	MGEL	NA	NA	NA	NA	17,144
	Non-Resident					
	Undergraduate	23,178	24,204	25,023	25,335	26,115
	Graduate	26,730	28,050	29,016	29,592	30,472
	MHRM (Formerly MLHR)	27,525	28,530	29,384	30,616	32,264
	MBA	40,305	42,780	44,648	46,352	48,080
	Working Professional MBA	39,165	41,100	38,104	39,536	41,024
	EMBA	NA	47,139	46,424	43,022	44,438
M. of Accounting	42,420	44,520	46,472	48,264	49,752	
Masters of Audiology	27,030	28,365	29,344	29,928	31,048	
MSLP	27,030	28,365	29,344	29,928	31,048	
M. of Health Admin.	28,665	30,075	31,112	31,728	32,880	
M. of Public Health	27,255	28,605	29,592	30,184	31,304	
Public Health PEP	27,255	28,605	29,592	30,184	31,304	
MPT/DPT	28,050	29,895	27,760	28,312	29,344	
MOT - Ranks 1-2	NA	NA	26,528	27,056	28,056	
MOT - Rank 3	NA	NA	24,044	NA	NA	
MOT - All Ranks	27,795	29,160	NA	NA	NA	
MSW	27,120	28,455	29,440	30,024	31,144	
MBOE	NA	39,465	23,897	31,458	32,324	
SMB Finance	NA	47,994	50,482	51,986	53,986	
MBLE	40,305	42,780	39,680	41,192	42,736	
MAEE-DL	NA	NA	NA	14,442	14,722	
GC Med	NA	NA	NA	NA	39,504	
GMB	NA	NA	NA	NA	13,214	
MGEL	NA	NA	NA	NA	17,154	

		<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	
Professional Schools							
Resident	Law	23,970	25,620	27,000	27,536	28,080	
	Medicine – Rank 1	NA	NA	28,512	29,072	29,648	
	Medicine – Rank 2	NA	NA	27,432	29,072	29,648	
	Medicine – Rank 3	NA	NA	25,624	27,976	29,648	
	Medicine – Rank 4	NA	NA	22,008	26,128	28,528	
	Medicine – All Ranks	30,300	31,800	NA	NA	NA	
	Dentistry – Rank 1	NA	NA	30,952	31,560	32,184	
	Dentistry – Ranks 2-4	NA	NA	27,448	27,992	28,544	
	Dentistry – All Ranks	28,515	29,925	NA	NA	NA	
	Optometry – Ranks 1-2	NA	NA	23,824	24,296	24,776	
	Optometry – Ranks 3-4	NA	NA	21,160	21,576	22,000	
	Optometry – All Ranks	20,850	22,290	NA	NA	NA	
	Veterinary Medicine – Ranks 1-3	NA	NA	27,568	28,112	28,664	
	Veterinary Medicine – Rank 4	NA	NA	21,448	21,872	22,304	
	Veterinary Medicine	25,410	26,655	NA	NA	NA	
	Pharmacy – Ranks 1-3	NA	NA	19,592	19,976	20,560	
	Pharmacy – Rank 4	NA	NA	14,368	14,648	15,080	
	Pharmacy – All Ranks	17,325	18,510	NA	NA	NA	
	Non-Resident	Law	38,920	40,570	41,952	42,488	43,032
		Medicine – Rank 1	NA	NA	45,968	46,880	48,344
		Medicine – Rank 2	NA	NA	44,888	46,880	48,344
		Medicine – Rank 3	NA	NA	43,080	45,784	48,344
		Medicine – Rank 4	NA	NA	39,464	43,936	47,224
Medicine – All Ranks		46,350	48,660	NA	NA	NA	
Dentistry – Rank 1		NA	NA	66,136	67,448	69,864	
Dentistry – Ranks 2-4		NA	NA	58,640	59,808	61,952	
Dentistry – All Ranks		60,885	63,915	NA	NA	NA	
Optometry – Ranks 1-2		NA	NA	52,880	53,352	53,832	
Optometry – Ranks 3-4		NA	NA	46,984	47,400	47,824	
Optometry – All Ranks		49,905	51,345	NA	NA	NA	
Veterinary Medicine – Ranks 1-3		NA	NA	61,032	62,240	64,496	
Veterinary Medicine – Rank 4		NA	NA	47,484	48,432	50,192	
Veterinary Medicine		58,875	60,120	NA	NA	NA	
Pharmacy – Ranks 1-3		NA	NA	37,824	38,576	40,088	
Pharmacy – Rank 4		NA	NA	27,728	28,272	29,384	
Pharmacy – All Ranks		34,095	36,120	NA	NA	NA	
Extended Campuses							
Resident		Undergraduate	6,678	6,903	7,140	7,140	7,140
		Graduate	10,605	11,130	11,512	11,736	11,736
		ATI	6,660	6,885	7,104	7,104	7,104
Non-Resident		Undergraduate	20,862	21,798	22,548	22,860	23,640
	Graduate	26,535	27,855	28,824	29,400	30,280	
	ATI	20,844	21,780	22,512	22,824	23,604	

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The average cost of room and board for undergraduate students at the Columbus Campus for the 2013-14 academic year was \$9,850. Comparative information concerning the academic year 2013-14 instructional and general fees charged Ohio residents by the University and the other state universities, and room and board charges are set forth below.

Instructional and General Fees*
2013-2014

<u>Institution</u>	<u>Undergraduate</u>	<u>Graduate</u>	<u>Room and Board**</u>
Bowling Green State University	\$10,590	\$11,662	\$8,244
Central State University	6,058	6,372	9,046
Cleveland State University	9,548	13,595	10,206
Kent State University	9,816	10,444	9,536
Miami University	13,748	13,054	10,900
The Ohio State University	10,037	12,425	9,850
Ohio University	10,446	9,510	10,850
Shawnee State University	7,176	8,795	8,865
University of Akron	10,056	8,739	10,382
University of Cincinnati	10,784	14,182	10,290
University of Toledo	9,054	14,226	10,076
Wright State University	8,542	12,514	8,076
Youngstown State University	8,130	10,565	8,475

* Based on Fall 2013 full-time charges or 15 credit hours and 2 semesters. Amounts shown include both instructional and General Facilities Fees and exclude certain other fees that are not uniform to all state universities.

** Rates are computed on average Fall 2013 double-occupancy room rates, a certain number of meals each week and 2 semesters.

Source: Ohio Board of Regents Fall 2013 Survey of Student Charges. Comparative information for academic year 2014-2015 is not yet available.

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The following student budget has been used by the University's Office of Financial Aid and represents estimated average undergraduate student costs at the Columbus Campus for academic year 2014-2015.

Estimated Annual Expenses 2014-15

<u>Basic Fees</u>	<u>Per Student</u>
Tuition and fees for In-State Residents	\$10,010
Tuition and fees for Out-of-State-Residents*	26,510
Room and Board**	11,820
Books and Supplies	1,248
Miscellaneous Costs, Personal Expenses, Phone, etc.	2,680
Additional Out-of-State Travel	666
Total In-State Expenses	\$25,758
Total Out-of-State Expenses	\$42,924

* Includes the non-resident tuition surcharge

** Based on the most popular room and board plan

Financial Aid

Approximately 80% of the students of the University receive some form of financial assistance. The primary responsibility for this function is placed with the office of Student Financial Aid. During the Fiscal Year 2014, students received total assistance amounting to \$1.04 billion. The primary sources included the Pell Grant Program, Ford Federal Direct Student Loan Programs, Federal Work Study, Federal Supplemental Educational Opportunity Grants, Ohio College Opportunity Grants, and the University scholarships, loans, employment, and graduate student fee waivers.

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The following table summarizes the financial aid provided to the University students for the five Fiscal Years ended June 30, 2014. A portion of funds provided are derived from sources outside the University. All programs assisted by the federal and state governments are subject to appropriation and funding by those governments.

Student Financial Aid (dollars in thousands)					
<u>Source</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014**</u>
Scholarships and Grants					
University	\$266,865	\$281,656	\$293,728	\$331,196	\$362,065
State Funds	13,832	13,148	11,205	12,995	13,441
Pell Grants	49,418	58,149	56,309	52,610	53,576
Other Federal Grants	6,645	7,331	3,378	3,181	2,689
Other Funds	<u>42,440</u>	<u>36,328</u>	<u>40,050</u>	<u>41,849</u>	<u>42,905</u>
Total Scholarships and Grants	\$379,200	\$396,612	\$404,670	\$441,831	\$474,676
Loan					
University	\$3,239	\$2,769	\$1,762	\$1,319	\$1,602
Federal Perkins	1,797	3,963	5,423	4,944	4,825
Federal Stafford & PLUS	385,477	406,322	407,283	366,355	354,546
Other Loans	<u>36,625</u>	<u>35,121</u>	<u>38,360</u>	<u>38,953</u>	<u>43,035</u>
Total Loans	\$427,138	\$448,175	\$452,828	\$411,571	\$404,008
Student Employment					
Federal Work-Study	\$6,069	\$3,191	\$3,753	\$3,844	\$3,197
University Student Payroll	<u>141,603</u>	<u>148,013</u>	<u>150,601</u>	<u>158,599</u>	<u>159,271</u>
Total Student Employment	\$147,672	\$151,204	\$154,354	\$162,443	\$162,468
Total Financial Assistance	\$954,010	\$995,991	\$1,011,852	\$1,015,845	\$1,041,152

**Preliminary

Physical Plant

In total the University consists of 1,217 buildings on 16,477 acres. The Columbus Campus programs are housed in 571 structures on the 1,904 acre campus. There are 76 additional University structures located on 1,482 acres at the University's Extended Campuses. The OARDC has 444 buildings on 8,630 acres in Wooster, Ohio and eight other research farms throughout Ohio. The Molly Caren Agricultural Center in London, Ohio comprises 22 buildings on 2,092 acres. An additional 104 buildings are located on 678 acres at other locations across Ohio. The total estimated replacement value of the University's buildings and infrastructure, all of which are either owned by the University or by the State for the use and benefit of the University, exceeds \$8.2 billion. The replacement value of the Columbus Campus alone is in excess of \$7.4 billion.

The Columbus Campus includes a 1,904-acre tract comprising the east and west academic campuses, a 289-acre 36-hole golf course and the 1,396-acre Don Scott Field. The Don Scott Field area contains the airport and experimental and demonstration farms and research areas on 801 acres and has 595 acres of undeveloped land. Columbus Campus facilities include numerous academic and laboratory buildings and facilities, a 1,106 licensed bed University Hospital (does not include 229 licensed beds at the Arthur G. James Cancer Hospital and Richard J. Solove Research Center or the 404 licensed beds at the University Hospital East), the nineteenth largest academic research library in North America, 34 residence hall buildings which can house 10,500 students and a 104,900-seat stadium.

In pursuit of its teaching, research, and public service missions, the University has made significant investments in its facilities. At June 30, 2014, the capitalized cost of the University's land, buildings, improvements, equipment, library books, and construction in progress exceeded \$4.5 billion. Since 2013, total

investment in the University's physical plant has increased by more than \$300 million. In that period, the University completed construction of the following major facilities: south residence halls, south campus chiller and chemical and biomolecular engineering building.

The Ohio State University Wexner Medical Center

Part of one of the most comprehensive health sciences campuses in the country, The Ohio State University Wexner Medical Center includes the College of Medicine and its School of Health and Rehabilitation Sciences; the Office of Health Sciences; various research centers, programs and institutes; Ohio State University Physicians, Inc.; The Ohio State University Faculty Group Practice; The Ohio State University Comprehensive Cancer Center – Arthur G. James Cancer Hospital and Richard J. Solove Research Institute; and The Ohio State University Health System, which includes University Hospital, University Hospital East, OSU Harding Hospital, the Richard M. Ross Heart Hospital, Ohio State University Rehabilitation Services at Dodd Hall, the OSU Primary Care Network, The Stefanie Spielman Comprehensive Breast Center, the Eye and Ear Institute, Talbot Hall, CarePoint multispecialty outpatient facilities and the FastCare walk-in healthcare clinics. The University's Wexner Medical Center hospitals serve more than 57,000 adult inpatients and more than 1.5 million outpatients a year.

In 2014, U.S. News & World Report named the University's Wexner Medical Center to its list of "America's Best Hospitals," based on quality, outcomes and reputation, for the 22nd consecutive year. And the medical center had more treatments ranked – 18 – than any other central Ohio hospital in Healthgrades' 2013 national survey of clinical outcomes, patient satisfaction, patient safety and health conditions.

The Ohio State University Wexner Medical Center is at the forefront of medicine, where discovery and ingenuity in research laboratories, fueled by the sequencing of the human genome, interdisciplinary collaboration and emerging fields such as biomedical engineering and informatics, make unique, effective therapies available to patients months, even years, before other hospitals. The University's Wexner Medical Center is earning international distinction through its leadership in an approach known as personalized health care, which is care that is predictive, preventive, personalized and participatory.

University Hospital specialties include organ and tissue transplantation, women's health, digestive diseases, minimally invasive surgery, rehabilitation and neurosciences. In addition to having a Level I Trauma Center as designated by the American College of Surgeons, University Hospital is also home to a Level III Neonatal Intensive Care Unit, central Ohio's only adult burn center and the only adult solid organ transplant program in central Ohio. University Hospital has been redesignated a Magnet® hospital by the American Nurses Credentialing Center; only 2% of hospitals in the United States are redesignated Magnet® facilities. University Hospital was the first in central Ohio to receive Magnet® designation.

University Hospital East blends academic and community-based medicine at a licensed, 192-bed facility. University Hospital East provides a full range of services to patients throughout central Ohio, including rehabilitation, family medicine and emergency medicine. Additionally, patients at University Hospital East have access to central Ohio's leading alcohol and drug addiction recovery services, a wound-healing center, a sleep lab and outpatient oncology services.

The OSU Heart and Vascular Center comprises the Richard M. Ross Heart Hospital and Dorothy M. Davis Heart and Lung Research Institute (DHLRI) and is dedicated to advancing the field of cardiovascular medicine and surgery. The University's Ross Heart Hospital is a seven-story, 150-inpatient-bed facility that supports every type of cardiac care, from the latest catheterization techniques to central Ohio's only adult heart transplantation program. The DHLRI is one of the nation's few free-standing facilities devoted entirely to the research of diseases affecting the heart, lungs and blood vessels.

OSU Harding Hospital offers counseling services along with the most comprehensive inpatient and outpatient mental health and behavioral services in central Ohio. Programs are available for children and adolescents, adults and older adults. OSU Harding Hospital's team includes psychiatrists, psychologists, social workers, registered nurses, occupational therapists, recreational therapists, chaplains and licensed counselors.

The only free-standing cancer hospital in central Ohio and the first in the Midwest, the University's Comprehensive Cancer Center – Arthur G. James Cancer Hospital and Richard J. Solove Research Institute (OSUCCC – James) is a national and international leader in cancer prevention, detection and treatment. The OSUCCC – James is a 229-bed cancer hospital, one of only 41 comprehensive cancer centers designated by the National Cancer Institute (“NCI”), and one of only seven institutions nationally funded by the NCI to conduct both phase I and phase II clinical trials. The OSU – CCC achieved Magnet® status in 2013.

Ohio State University Physicians, Inc., (“OSUP”) is a not-for-profit, multispecialty physician practice that has been designated by the University's trustees the faculty practice plan for the University's College of Medicine. The University's Faculty Group Practice (“FGP”) is an organizational unit of the Office of Health Sciences that represents the majority of the physicians delivering care to patients at Ohio State's Wexner Medical Center. Both OSUP and FGP physicians have an employment relationship with the University's College of Medicine in support of its teaching, patient care and research mission areas.

The new James Cancer Hospital and Solove Research Institute is a \$1.1-billion revitalization of research, education and patient care spaces, utilities, infrastructure and green spaces, includes construction of a new Critical Care Center and is scheduled to open in December 2014. The costs of the Wexner Medical Center expansion are currently projected to be paid by the issuance of \$925 million of bonds, \$100 million from a peer-reviewed competitive federal grant and \$75 million of fundraising and/or local Wexner Medical Center funds.

The new 348-bed state-of-the-art facility – designed to place researchers, clinicians and educators in close working proximity – will further distinguish Ohio State as a national leader in innovative cancer care by enhancing collaborations in high-quality, evidence-based medicine. The 276 rooms in the new James Cancer Hospital will allow patients to receive nearly all of their treatment in the comfort of their own room. The 72 new critical care rooms will have comfort zones where loved ones can stay, sleep and shower. Its design combines research and education spaces on every patient care floor, which will accelerate the creation of new diagnostic tools and treatments. The new hospital will help to meet a projected 21% increase in patient admissions over the next 10 years. It is the largest expansion project in the University's history.

Other Public Institutions

Publicly owned higher education institutions in Ohio now include 13 state universities (with a total of 24 branches), one freestanding medical college (in addition to five at state universities) and 23 community and technical colleges. Those institutions all receive State assistance and conduct full-time educational programs in permanent facilities.

Ohio Board of Regents

The Chancellor of the Ohio Board of Regents is an appointee of the Governor, with the advice and consent of the State Senate, who serves a five-year term. The current Chancellor is John Carey. The Chancellor has statewide coordinating, recommendatory, advisory and directory powers with respect to state-supported and state-assisted institutions of higher education. Among the Chancellor's powers and responsibilities are to formulate and revise a state master plan for higher education; to make recommendations to the Governor and General Assembly concerning the development of state financed capital plans for higher education; to prepare a state plan for and be the state agency responsible for participation in federal programs relative to the construction of higher education academic facilities; to approve or disapprove the establishment of technical colleges, state institutions of higher education, community colleges and new branches or academic centers of state universities; to approve or disapprove all new degree programs at higher education institutions; to review and recommend the elimination of graduate and professional programs; and to review appropriation requests of those institutions and make recommendations to the General Assembly concerning the biennial higher education operating and capital appropriations.

The Ohio Board of Regents acts as an advisory board to the Chancellor. The Ohio Board of Regents consists of nine voting members appointed to six-year terms by the Governor with the advice and consent of the State Senate. Ex-officio non-voting members are the chairpersons of the respective education committees of the State Senate and the State House of Representatives.

FINANCIAL OPERATIONS OF THE UNIVERSITY

General

The financial statements of the University are prepared in a “business type activity” format in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments and GASB Statement No. 35, Basic Financial Statements - and Management’s Discussion and Analysis - for Public Colleges and Universities - an amendment of GASB Statement No. 34*. GASB Statement No. 35 defines business type activities as those financed in whole or in part by fees charged to external parties for goods and services. Most public colleges and universities have elected to use the business type activity format. For further information see the audited financial statements of the University as of June 30, 2013 and 2012 and for the years then ended, included as **APPENDIX C**.

Summary of Revenues, Expenses, and Other Changes in Net Assets

It should be noted that the required subtotal for net operating income or loss will generally reflect a “loss” for state-supported colleges and universities such as the University. This is primarily due to the way operating and non-operating items are defined under GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating expenses include virtually all University expenses, except for interest on long-term debt. Operating revenues, however, exclude certain significant revenue streams that the University and other public institutions have traditionally relied upon to fund current operations, including state instructional support, current-use gifts, and investment income.

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The following "Summary of Revenues, Expenses and Other Changes in Net Position" presents summary financial information for Fiscal Years 2009 through 2013.

Summary of Revenues, Expenses and Changes in Net Position
(dollars in thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Operating Revenues:					
Tuition and fees, net	\$622,857	\$664,184	\$732,688	\$793,742	\$816,761
Grants and contracts	613,018	619,873	604,536	649,901	658,432
Auxiliary enterprises sales and services, net	194,862	204,676	232,482	233,020	222,014
OSU Health System sales and services, net	1,578,401	1,692,532	1,706,037	1,921,897	2,018,724
OSU Physicians sales and services, net	286,490	309,815	282,144	302,802	331,817
Departmental sales and other operating revenues	<u>161,063</u>	<u>182,503</u>	<u>197,432</u>	<u>185,938</u>	<u>198,345</u>
Total operating revenues	\$3,456,691	\$3,673,583	3,755,319	4,087,300	4,246,093
Operating Expenses:					
Educational and general	\$1,919,678	\$2,041,362	2,092,517	2,146,009	2,221,666
Auxiliary enterprises	214,807	223,704	244,787	239,570	242,376
OSU Health System	1,407,701	1,483,573	1,484,405	1,697,628	1,796,581
OSU Physicians	262,131	284,720	264,399	285,446	316,080
Depreciation	<u>222,308</u>	<u>231,744</u>	<u>239,351</u>	<u>242,391</u>	<u>264,722</u>
Total operating expenses	\$4,026,625	\$4,265,103	\$4,325,459	\$4,611,044	\$4,841,425
Net operating income (loss)	(\$569,934)	(\$591,520)	(\$570,140)	(\$523,744)	(\$595,332)
Non-Operating Revenues (Expenses):					
State share of instruction and line-item appropriations	\$497,601	\$502,571	\$499,639	\$428,306	\$432,652
Gifts - current use	77,255	90,743	103,754	139,599	122,208
Net investment income (loss)	(435,898)	323,944	365,108	60,177	386,886
Grants, interest expense and other non-operating	2,884	(2,264)	21,749	21,350	3,359
Income (loss) before other revenues, expenses gains or losses	(428,092)	323,474	420,110	125,688	349,773
State capital appropriations	47,227	33,042	62,732	42,188	75,127
Private capital gifts	18,960	15,545	16,398	19,072	41,176
Additions to permanent endowments	35,816	33,363	30,835	41,299	57,480
Increase (decrease) in net position	(326,089)	405,424	530,075	228,247	523,556
Net Position - beginning of year	4,625,701	4,315,205	4,720,629	5,250,704	5,491,970
Effect of GASB 51 Implementation	15,593				
Effect of GASB 61 Implementation				13,019	
Net Position-beginning of year, adjusted	<u>4,641,294</u>			<u>5,263,723</u>	
Net Position-end of year	\$4,315,205	\$4,720,629	\$5,250,704	\$5,491,970	\$6,015,526
Break-out of State Operating Appropriations:			<u>2011</u>	<u>2012</u>	<u>2013</u>
State share of instruction and line-item appropriations			\$439,576	\$428,306	\$432,652
Federal fiscal stabilization funds			60,063	-	-
Total			\$499,639	\$428,306	\$432,652

The following “Summary of Fund Balances” presents the unrestricted educational and general fund equity, unrestricted fund equity, restricted funds, endowment and the investment in plant funds for Fiscal Years 2009 through 2013.

**Summary of Fund Balances
(dollars in thousands)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Current Unrestricted Funds (E&G)	\$613,115	\$638,513	\$703,131	\$710,140	\$619,948
Current Unrestricted Fund (All funds)	987,809	1,079,459	1,175,121	1,275,347	1,269,465
Current Restricted Funds	325,732	337,356	411,146	466,157	567,863
Endowment & Similar Funds	996,150	1,218,081	1,451,088	1,432,056	1,676,787
Plant Funds (Unexpended and R&R)	82,772	35,714	621,701	788,603	843,152
Retirement of Indebtedness	122,713	196,572	46,460	62,089	(15,479)
Investment in Plant (net of accumulated depreciation)*	1,759,683	1,901,255	1,494,899	1,435,181	1,627,558

* This is the “invested in capital assets, net of related debt” figure in the audited financials.

General Budgeting Procedures

The University adopts a general funds operating budget for each Fiscal Year by allocating to the colleges the marginal increases in State Share of Instruction, student fees, and indirect cost recoveries collected on research projects. These allocations are based on the enrollments and research efforts adjusted for each college’s share of administrative, space, research, and student services costs. Decisions concerning fees, salaries, benefits, other revenues and expenditures, as well as specific budget requests from the colleges and support units, are approved by the Board as developed by the President and senior staff in consultation with the Council of Deans, Senate Fiscal Committee, and other University constituencies.

The University’s general fund operating revenues are derived from two primary sources: student fees and State appropriations. Over the last decade, student fees, which tend to be more stable, have increased at a faster pace than State appropriations and have become the University’s largest source of General Funds revenue. Unrestricted State appropriations comprised 23.22% of the General Funds budget in Fiscal Year 2014 and are expected to comprise approximately 23.84% in Fiscal Year 2015. While the final State budget bill allowed for tuition increases of 2.0% for Fiscal Years 2014 and 2015, the university chose not to increase undergraduate instruction and general fees from Fiscal Year 2013 levels in order to make college more affordable to a greater number of Ohioans.

The University has outlined four Core Goals – Teaching and Learning, Research and Innovation, Outreach and Engagement, and Resource Stewardship – that support its three Discovery Themes – Health and Wellness, Energy and Environment, and Food Production and Security – all of which are supported by the University’s operating funds budget.

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Operating Budgets

The University divides its operating budget into a general fund budget (Columbus Campus and, separately, Regional Campuses and ATI), an earnings fund budget, and a restricted fund budget. The general fund budget includes instruction and departmental research, separately budgeted research, public service, student services, general administration, plant operation and maintenance, student aid, and reserves. The earnings fund budget includes all expenditures supported by the hospitals and student-generated revenues, including room and board, bookstore, intercollegiate athletics, and related income. The restricted fund budget includes all expenditures supported by revenues from grants, contracts, gifts, and donations, and appropriations from the State intended for specific purposes.

Recent Developments

Total State General Revenue Fund appropriations are \$31.6 billion for Fiscal Year 2015 (a 4.7% increase over Fiscal Year 2014). The budget included a total General Revenue Fund appropriation for higher education of \$2.4 billion in Fiscal Year 2015 (an increase of 2.0% from Fiscal Year 2014).

For Fiscal Year 2014 and Fiscal Year 2015, Amended Substitute H.B. 59 allowed the University to increase resident instructional and general fees a maximum of 2.0% in Fiscal Year 2014 and another 2.0% in Fiscal Year 2015, though the university chose not to increase these fees. State appropriations legislation did not cap or otherwise limit increases in special fees, graduate instructional fees, nonresident tuition surcharges, or room and board charges. Among other exceptions to the statutory limitation on fee increases are provisions that the limitation does not apply to an institution's covenants related to its Obligations, such as the University's covenant to charge sufficient fees and to manage other items comprising the General Receipts to pay debt service charges, or to prior binding commitments to which an institution had identified fee increases as a source of funds such as the Ohio Union fee.

The economy of the State of Ohio is showing signs of recovery from the recent recession. Unemployment, which was at 8.9% in July 2011, was at 5.5% in June 2014. For Fiscal 2014 tax receipts to the State of Ohio were 0.9% above projections for the year. Income taxes were above expectations by 2.7%, while Sales and Uses taxes were below expectations by 0.3%.

The University remains committed to protecting and growing student financial aid and to increasing the compensation of University faculty to enhance the ability of the University to attract and retain outstanding faculty. The University will reallocate resources if necessary to meet these goals. The University will not reduce the amount of its General Receipts devoted to payment of debt service. It is the judgment of the University that while there will always be some uncertainty in the level of continued State support it receives, the period where the University faced the greatest potential for funding reductions has passed. These financial difficulties will not materially impair its ability to either satisfy its debt service obligations or carry out the educational mission of the University. The University adopts a general funds operating budget for each Fiscal Year by allocating to the colleges the marginal increases in State Share of Instruction, student fees, and indirect cost recoveries collected on research projects. These allocations are based on the enrollments and research efforts adjusted for each college's share of administrative, space, research, and student services costs. Decisions concerning fees, salaries, benefits, other revenues and expenditures, as well as specific budget requests from the colleges and support units, are approved by the Board as developed by the President and senior staff in consultation with the Council of Deans, Senate Fiscal Committee, and other University constituencies.

Every year, the University updates its five-year capital investment plan. Administrators work with colleges and central offices to prioritize capital needs, based on standing criteria and areas of emphasis, like Discovery Themes. This provides the basis for a State capital appropriations request which is submitted every other year to the Chancellor of the Ohio Board of Regents. The request identifies the projects proposed to be financed with State appropriations by the General Assembly and the purpose, priority, amount, and source of funds for those projects. The Chancellor of the Ohio Board of Regents and the General Assembly may approve, modify or disapprove aspects of the University's capital appropriation programs. In Fiscal Year 2012, Governor Kasich asked former President Gee to form a committee to transition the capital process for higher education from a formulaic approach to a more strategic one. This approach was continued for Fiscal Year 2013, with Ohio University

President Roderick McDavis chairing the Ohio Higher Education Funding Commission. In January 2014, the Commission delivered their recommendations to the Governor’s office that were subsequently adopted by the State for Fiscal Years 2015 and 2016.

State Appropriations to the University

All State universities in Ohio receive financial assistance for both operations and designated capital improvements through appropriations by the General Assembly. These appropriations contribute substantially to the successful maintenance and operation of the University. State appropriations to the University are not included in General Receipts.

The majority of the University’s State operating appropriations are received on the basis of student FTE multiplied by legislated subsidy allowances that vary by program. The following table shows historical State operating appropriations to the University for Fiscal Years 2010 through 2014 and preliminary receipts for Fiscal Year 2015.

<u>Fiscal Year</u>	<u>State Operating Appropriations*</u>
2010**	\$502,571,000
2011**	499,639,000
2012	428,306,000
2013	432,652,000
2014***	440,924,000
2015***	438,000,000

* Total University; figures include all campuses.

** In FY 2010, includes \$59,234,000 and in FY 2011 includes \$60,063,000 in Federal Fiscal Stabilization Funds.

*** Preliminary

The University also receives State capital improvement appropriations. The following table shows historical and preliminary State capital appropriations to the University for the Fiscal Bienniums 2005-06 through 2015-16:

<u>Fiscal Biennium Ended June 30</u>	<u>State Capital Appropriations</u>
2006	\$177,911,000
2008	107,793,000
2010	105,889,734
2012	141,265,013
2014***	150,708,691
2016***	99,200,000

*** Preliminary

State appropriations constitute a substantial portion of the University’s annual operating budget. Under the Ohio Constitution, an appropriation may not be made for more than a two-year period. The General Assembly is not under a legal obligation to make appropriations in accordance with the budget requests of the University.

There can be no assurance that State appropriated funds for operating or capital improvement purposes will be made available in the amounts from time to time requested or required by the University. The General Assembly has the responsibility of determining such appropriations biennially. State income and budget constraints may from time to time compel a stabilization or reduction of the level of State assistance and support for higher education in general and the University in particular. In addition, such appropriations (and all other similar appropriations) are subject to subsequent limitations pursuant to an Ohio Revised Code section, implemented by the Governor from time to time in the past, which provides in part that if the Governor ascertains that the available revenue receipts and

balances for the current fiscal year will in all probability be less than the appropriations for the year, he shall issue such orders to the state agencies as will prevent their expenditures and incurred obligations from exceeding such revenue receipts and balances.

Grants and Contracts

During Fiscal Year 2013, the University's expenditures on research totaled \$967 million. Almost half of these expenditures (\$481 million) came from various federal agencies. The National Institutes of Health (\$210 million), the National Science Foundation (\$56 million), and the Departments of Defense and Education (\$36 million each) were the primary federal sponsors. The remaining \$486 million came from non-federal sources (industry, state, other non-governmental entities and institutional funds) with institutional funds (\$262 million) and industrial sponsors (\$111 million) being the primary sources.

The University's total research expenditures, as reported to the National Science Foundation, are managed by a number of administrative units. The primary administrative unit for external funding awarded to the University's investigators in Fiscal Year 2013 was the Ohio State University Office of Sponsored Programs, which managed the majority of the awards to academic units. In addition, some funds (primarily block grants from the U.S. Department of Agriculture) are administered by the OARDC. Research expenditures by the University's investigators at the Research Institute at Nationwide Children's Hospital and the Transportation Research Center are also included in the university's total research expenditures. Institutional funds reflect the University's investment in the research enterprise and include cost-sharing on grants for items such as facilities, equipment and graduate associate tuition.

The following tables show grant and contract expenditures for sponsored projects for Fiscal Years 2009-2013 by administering unit, and grant and contract awards for the same time period. Note that total awards and total expenditures will not precisely match, because awards often include multiple years of funding, whereas expenditures reflect activity in a single Fiscal Year. In addition, institutional contributions are not included in the awards table.

Grant and Contract Expenditures by Administering Unit (dollars in thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
OSU Research Foundation	\$412,192	\$453,586	\$532,470	\$498,605	\$519,179
Ohio Agricultural R&D Center	39,899	38,664	38,922	37,317	34,098
Research Institute at Nationwide Children's Hospital	45,127	49,964	60,882	53,656	61,096
Transportation Research Center	38,041	39,001	36,763	34,278	29,627
Institutional Funds	102,583	83,390	94,524	234,978	261,650
Other	78,619	90,589	68,564	75,194	61,333
Totals	\$716,461	\$755,194	\$832,126	\$934,028	\$966,983

Grant and Contract Awards by Administering Unit (dollars in thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
OSU Research Foundation	\$485,888	\$501,373	\$630,565	\$453,021	\$435,735
Ohio Agricultural R&D Center	40,512	39,388	40,929	37,317	38,643
Research Institute at Nationwide Children's Hospital	49,519	66,989	62,120	57,354	80,903
Transportation Research Center	38,041	39,001	36,763	34,278	29,627
Other	59,628	64,849	74,329	75,194	72,921
Totals	\$673,588	\$711,600	\$844,706	\$657,164	\$657,829

The following table shows grant and contract expenditures for Fiscal Years 2009-2013 by source of funds.

**Grant and Contract Expenditures by Source
(dollars in thousands)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Federal Sponsors					
National Institutes of Health	\$181,044	\$210,296	\$240,265	\$211,581	\$210,074
National Science Foundation	42,566	49,724	52,959	57,268	56,013
Department of Education	8,627	16,170	24,386	33,217	35,785
Department of Defense	29,210	34,110	39,596	38,432	36,248
Department of Energy	13,332	15,895	23,153	23,022	21,677
Department of Labor	6,285	6,108	5,488	5,300	4,439
Department of Agriculture	15,127	24,466	27,351	29,207	27,243
National Aeronautics and Space Administration	6,895	6,719	5,661	5,590	5,929
Other Federal Agencies	36,734	36,454	74,270	66,044	83,261
Total Federal Sources	\$339,820	\$399,942	\$493,130	\$469,661	\$480,669
Industry	\$119,599	\$121,481	\$105,579	\$100,986	\$110,618
State of Ohio	119,488	105,332	100,880	68,041	50,884
Other Non-Federal Agencies	34,970	45,049	38,013	60,362	63,162
Institutional funds	102,583	83,390	94,524	234,978	261,650
Total Non-Federal Sources	\$376,640	\$355,252	\$338,996	\$464,367	\$486,314
Total All Sources	\$716,461	\$755,194	\$832,126	\$934,028	\$966,983

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The following table shows total grant and contract awards for Fiscal Years 2009-2013 by source of funds.

**Grant and Contract Awards by Source
(dollars in thousands)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Federal Sponsors					
National Institutes of Health	\$189,588	\$265,804	\$225,450	\$201,381	\$210,525
National Science Foundation	53,824	58,317	63,393	61,590	47,998
Department of Education	14,922	23,505	71,308	30,859	21,254
Department of Defense	31,563	37,244	40,180	29,797	32,292
Department of Energy	14,173	30,850	23,268	19,237	18,777
Department of Labor	7,722	6,640	3,710	6,019	4,058
Department of Agriculture	21,531	29,193	31,028	28,067	34,101
National Aeronautics and Space Administration	7,201	7,028	4,093	5,219	5,555
Other Federal Agencies	35,850	39,567	145,205	50,964	69,013
Total Federal Sources	\$376,374	\$498,148	\$607,635	\$433,133	\$443,573
Industry	\$85,055	\$70,208	\$81,006	101,971	\$98,280
State of Ohio	178,112	112,542	124,475	59,083	45,276
Other Non-Federal Agencies	34,042	30,702	31,590	62,977	70,700
Total Non-Federal Sources	\$297,209	\$213,452	\$237,071	\$224,031	\$214,256
Total All Sources	\$673,583	\$711,600	\$844,706	\$657,164	\$657,829

The Office of University Advancement

The Ohio State University Foundation is the primary fundraising and gift receiving organization for the University. Through the Foundation and the Office of University Advancement, contributions to the University can be made for current use or to the Endowment Fund. The University will accept gifts and bequests of cash, securities, real estate, tangible and intangible property, life insurance, and life income programs such as pooled income funds, charitable remainder annuity trusts, or charitable remainder unitrusts and gift annuities.

The following table shows gifts and bequests to the University from individuals, businesses and other organizations during each of the Fiscal Years listed below (dollars in thousands):

<u>Fiscal Year</u>	<u>Gifts</u>	<u>Endowment Contributions</u>	<u>Private Capital Gifts</u>	<u>Total</u>
2010	\$90,743	\$33,363	\$15,545	\$139,651
2011	\$103,754	\$30,835	\$16,398	\$150,987
2012	\$139,599	\$41,299	\$19,072	\$199,970
2013	\$122,208	\$57,480	\$41,176	\$220,864
2014	\$137,075	\$55,643	\$15,717	\$208,435*

*Preliminary

The University Endowment Fund

The University Endowment Fund is comprised of 2,713 individual funds and contains all endowment funds that were established before April 1985. The Fund is invested in the Long-Term Investment Pool and is comprised of a diversified portfolio consisting of equity, fixed income and alternative investments. The market value of the Fund at the end of each of the past five Fiscal Years was:

<u>Fiscal Year</u>	<u>Market Value</u>
2010	\$828,833,352
2011	\$921,219,450
2012	\$878,706,677
2013	\$941,031,291
2014	\$1,038,403,050*

*Preliminary

The Ohio State University Foundation

The Ohio State University Foundation (the "Foundation") is a not-for-profit organization formed in April 1985 which operates exclusively for the benefit of the University. The Foundation administers Unrestricted, Restricted, Endowment and Trusts and Pooled Income Funds for the benefit of the University. The market value of the 2,211 endowment funds held by the Foundation that are invested in the Long-Term Investment Pool at June 30 for the past five Fiscal Years was:

<u>Fiscal Year</u>	<u>Market Value</u>
2010	\$410,819,594
2011	\$484,426,575
2012	\$500,824,488
2013	\$589,702,215
2014	\$697,918,176*

*Preliminary

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The Long-Term Investment Pool

The University's Long-Term Investment Pool (which includes the University Endowment Fund, Foundation Endowments and Operating Funds) is the sixth largest endowment fund of any public university or college in the United States based on information from the 2013 National Association of College and University Business Officers endowment study. As of June 30, 2014, the pool consisted of the following investment types and market values:

<u>Investment Type</u>	<u>Market Value*</u>
Absolute Return/Hedge	\$1,713,336,408
Fixed Income	103,488,008
Cash	72,527,573
Equity	600,837,924
Private Equity	463,989,487
Real Assets	<u>593,386,465</u>
Total	\$3,547,565,865

*Preliminary

The market value of the Long-Term Investment Pool at June 30 for the past five Fiscal Years was:

<u>Fiscal Year</u>	<u>Market Value</u>
2010	\$1,887,568,228
2011	\$2,120,714,246
2012	\$2,366,033,205
2013	\$3,149,169,176
2014	\$3,547,565,865*

* Preliminary

The annualized total returns on the long-term portfolio for the period ending June 30, 2014 were:

One year	14.44%*
Three year	8.45%
Five year	11.48%

* Preliminary

The University distributed approximately \$142.0 and \$136.1 million of endowment funds for operations as of June 30, 2014 (preliminary) and 2013, respectively.

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The Short and Intermediate-Term Pool

The University's Short and Intermediate-Term Pool represents funds available for operating purposes. As of June 30, 2014 the Short and Intermediate-Term Pool consisted of the following investment types and market values:

<u>Investment Type</u>	<u>Market Value*</u>
Bank Accounts & Repurchase	\$713,797,000
U.S. Gov't & Agency Bonds	222,979,000
Asset Backed Securities	111,915,000
Corporate Bonds	549,938,000
Municipal Bonds	15,605,000
Fixed Income Mutual Fund	11,313,000
Other Fixed Income	16,742,000
Total	\$1,642,289,000

* Preliminary; rounded to the nearest \$1,000.

Insurance Coverage

All real and business property (buildings and contents) of the University are insured under a blanket (all risk) insurance policy. The policy insures all buildings and their contents on a replacement cost basis. The policy also includes business interruption, boilers and machinery. The University self-funds all deductibles. Buildings under construction are insured under builders risk policies obtained by the individual contractors or in some cases by builders risk policies owned by the University.

All owned, leased, rented or borrowed motor vehicles are self-insured for property damage. Liability coverage is provided by the University's Excess Liability Program subject to a self-insured retention.

All owned or leased aircraft are insured. The aircraft hulls are insured on a replacement cost basis. Liability insurance and property damage coverage are also provided for the airport.

The University maintains a self-insurance program for potential liabilities arising from operations of the University's Medical Center.

Workers' Compensation is self-insured by the University with the purchase of excess insurance for a catastrophic loss.

Capital Programs and Additional Financing

The University has an on-going capital improvement program consisting of new construction and the remodeling/rehabilitation of existing facilities. Capital improvement projects are expected to be funded from a variety of sources, including gifts, state appropriations, debt financing and University funds.

As of June 30, 2014, the University had authorization for the following projects:

<u>Project Status</u>	<u>Number</u>	<u>Total Project Cost (dollars in thousands)</u>
In Design	97	\$201,600
Under Construction	138	1,510,000
Emerging Projects*	89	18,400
Total	324	\$1,730,000

* Projects not yet hired or designed

APPENDIX B

GLOSSARY OF TERMS

“Alternate Rate” means with respect to 2014 B Bonds in a Weekly Mode, an annual rate equal to the rates shown in the following table:

<u>Short Term Rating</u>		<u>Long-Term Rating</u>	<u>% of SIFMA Municipal Swap Index</u>
A1 or P-1 or F-1	and	AAA or Aaa or AAA	150%
A1 or P-1 or F-1	and	AA or Aa2 or AA	250%
A1 or P-1 or F-1	and	A or A2 or A	350%
A2 or P-2 or F-2	and	BBB or Baa- or BBB	450%
A3 or P-3 or F-3	and	<BBB- or <Baa- or <BBB-	Maximum Rate

“Authorized Denominations” means with respect to Series 2014 B Bonds in a Weekly Mode, \$100,000 and any integral multiple of \$5,000 in excess thereof.

“Bond Counsel” means any firm of nationally recognized municipal bond attorneys selected by the University and experienced in the issuance of municipal bonds and matters relating to the exclusion of the interest thereon from gross income for Federal income tax purposes.

“Business Day” means a day other than a Saturday or Sunday and on which banks in each of the cities in which the principal offices of the Trustee, the University, the Remarketing Agent, if any, and the Paying Agent and the office of the Liquidity Provider at which draws on a Liquidity Facility, if any, are made are located are not required or authorized to remain closed and on which the New York Stock Exchange or the payment system of the Federal Reserve System is not closed.

“Credit Support Instrument” means an irrevocable letter of credit, line of credit, insurance policy, guaranty or surety bond or similar instrument providing for the payment of or guaranteeing the payment of principal or purchase price of and interest on Obligations when due. Any such insurance policy, guaranty or surety bond or similar instrument shall be noncallable during the term of the Obligations for which it is provided and must be issued by an insurer with a credit rating within the two highest full rating categories available to issuers of such insurance, guaranties or surety bonds from Moody’s Investors Service, Inc. and Standard & Poor’s Rating Service. Any such letter of credit or line of credit must be issued by a financial institution which has, or a part of which has, or the holding corporation of which it is the principal bank has, at the time of issuance, a long-term unsecured debt within the two highest full rating categories generally available to banking institutions from Moody’s Investors Service, Inc. and Standard & Poor’s Rating Service.

“Eastern Time” means the then prevailing time in the Eastern Time Zone.

“Electronic Means” means telecopy, telegraph, telex, facsimile transmission, e-mail transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission.

“Interest Payment Date” means each date on which interest is to be paid and with respect to a Series 2014 B Bond in the Weekly Mode, is the first Business Day of each month, any Mode Change Date and the Maturity Date.

“Interest Period” means, for a Series 2014 B Bond in a particular Mode, the period of time that such Series 2014 B Bond bears interest at the rate (per annum) which becomes effective at the beginning of such period. The Interest Period for a Series 2014 B Bond in the Weekly Mode is the period from (and including) each Wednesday to (and including) the next Tuesday.

“Maturity Date” means the date on which each respective series of Series 2014 B Bonds mature as set forth in the Certificate of Award executed and delivered by the University pursuant to the Series 2014 Supplement.

“Maximum Rate” means a rate of interest of 8% per annum.

“Mode Change Date” means with respect to any Series 2014 B Bond in a particular Mode, the day on which another Mode for such Series 2014 B Bond begins.

“Opinion of Counsel” means a written legal opinion from a firm of attorneys experienced in the matters to be covered in the opinion.

“Paying Agent” means the Trustee, or any other commercial bank or trust company which may be substituted in its place as provided in the Indenture.

“Principal Payment Date” means any date upon which the principal amount of Series 2014 B Bonds is due hereunder, including the Maturity Date, any Redemption Date, or the date the maturity of any Series 2014 B Bond is accelerated pursuant to the terms of the Indenture or otherwise.

“Purchase Date” means for a Series 2014 B Bond in the Weekly Mode, any Business Day selected by the Holder of said Series 2014 B Bond pursuant to the provisions of the Indenture, any Mode Change Date and any date on which a Credit Support Instrument, if any, is substituted or terminated, as the case may be.

“Purchase Price” means an amount equal to the principal amount of any Series 2014 B Bonds purchased on any Purchase Date, plus, in the case of any purchase of Series 2014 B Bonds in the Weekly Mode, accrued interest, if any, to the Purchase Date.

“Rate Determination Date” means the date on which the interest rate on a Series 2014 B Bond shall be determined, which, in the case of the Weekly Mode, shall be each Tuesday or, if Tuesday is not a Business Day, the next succeeding day or, if such day is not a Business Day, then the Business Day next preceding such Tuesday.

“Record Date” means with respect to Series 2014 B Bonds in a Weekly Mode, the day (whether or not a Business Day) next preceding each Interest Payment Date.

“Redemption Date” means the date fixed for redemption of Series 2014 B Bonds subject to redemption in any notice of redemption given in accordance with the terms of the Indenture.

“Redemption Price” means an amount equal to the principal of and premium, if any, and accrued interest, if any, on the Series 2014 B Bonds to be paid on the Redemption Date.

“Remarketing Agent” means, with respect to the Series 2014 B-1 Bonds, J.P. Morgan Securities LLC and with respect to the Series 2014 B-2 Bonds, RBC Capital Markets, LLC, or any other investment banking firm which may at any time be substituted in place of them as provided in the Indenture.

“Remarketing Agreement” means, with respect to the Series 2014 B-1 Bonds, the Remarketing Agreement dated as of October 1, 2014, by and between the University and J.P. Morgan Securities LLC and with respect to the Series 2014 B-2 Bonds, the Remarketing Agreement dated as of October 1, 2014, by and between the University and RBC Capital Markets, LLC, or any similar agreement between the University and the respective Remarketing Agent, as it may be amended or supplemented from time to time in accordance with its terms.

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APPENDIX C

**AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2013 AND 2012**

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The Ohio State University

(A Component Unit of the State of Ohio)

Consolidated Financial Statements

As of and for the Years Ended June 30, 2013 and 2012

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Independent Auditor's Report

To The Board of Trustees of
The Ohio State University
Columbus, Ohio

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the primary institution and the aggregate discretely presented component units of The Ohio State University (the "University"), a component unit of the State of Ohio, which comprise the consolidated statements of net position as of June 30, 2013 and June 30, 2012, and the related consolidated statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table contents.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the primary institution and the aggregate discretely presented component units of the University as of June 30, 2013 and 2012, and the respective changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the University adopted GASB Statement 61, *The Financial Reporting Entity: Omnibus*, in 2013, applied retroactively, which modifies the determination of discretely presented component units. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

The accompanying management's discussion and analysis on pages 3 through 18 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matter

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Supplementary Information on the Long-Term Investment Pool on pages 73 through 74 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

October 22, 2013, except for the revision discussed in Note 1,
as to which the date is September 10, 2014

Management's Discussion and Analysis for the Year Ended June 30, 2013 (Unaudited)

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of The Ohio State University (the "university") for the year ended June 30, 2013, with comparative information for the years ended June 30, 2012 and June 30, 2011. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

About The Ohio State University

The Ohio State University is the State of Ohio's flagship research institution and one of the largest universities in the United States of America, with over 63,000 students, 6,000 faculty members and 22,000 staff members. Founded in 1870 under the Morrill Land Grant Act, the university – which was originally known as the Ohio Agricultural and Mechanical College -- has grown over the years into a comprehensive public institution of higher learning, with 168 undergraduate majors, 115 master's degree programs, 93 doctoral programs and seven professional degree programs.

The university operates one of the nation's leading academic medical centers, The Ohio State University Wexner Medical Center. As a part of the Wexner Medical Center, the Health System operates under the governance of The Ohio State University Board of Trustees and is comprised of The Ohio State University Hospital, The Arthur G. James Cancer Hospital and Richard J. Solove Research Institute, Richard M. Ross Heart Hospital, University Hospital East, OSU Harding Hospital, Dodd Rehabilitation Hospital, four comprehensive outpatient care centers, an ambulatory surgery center, a comprehensive breast treatment center, and twenty-nine clinics. The Health System provided services to more than 56,000 adult inpatients and 1,485,000 outpatients during Fiscal Year 2013.

The university is governed by a board of trustees who are responsible for oversight of academic programs, budgets, general administration, and employment of faculty and staff. The university's 14 colleges, two independent schools, the Wexner Medical Center and various academic support units operate largely on a decentralized basis. The Board approves annual budgets for university operations, but these budgets are managed at the college and department level.

The following financial statements reflect all assets, liabilities, deferred inflows/outflows and net position (equity) of the university, the Wexner Medical Center, the Ohio Agricultural Research and Development Center and OH-TECH (formerly known as OARnet and the Ohio Supercomputer Center). These entities constitute the "primary government" for financial reporting purposes. In addition, the financial statements include consolidated financial results for a number of "component units", which are legally separate entities that meet the financial accountability criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*.

In previous years, the university presented all of its component units in a single-column "blended presentation". This has changed, with the adoption of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. GASB 61 significantly narrows the criteria for a blended presentation. In particular, the GASB has indicated that the "exclusive benefit"

Management's Discussion & Analysis (Unaudited) - continued

criterion for blending is not met when a component unit provides services to parties external to the primary government. As a result, the university is now presenting the following component units in a discrete presentation:

- OSU Physicians, Inc. (the practice group for physician faculty members of the Colleges of Medicine and Public Health)
- Campus Partners for Community Urban Redevelopment (a non-profit organization participating in the redevelopment of neighborhoods adjacent to the main Columbus campus)
- Transportation Research Center, Inc. (an automotive research and testing facility in East Liberty, Ohio)
- Dental Faculty Practice Association (the practice group for faculty members of the College of Dentistry)

The remaining component units of the university, which are listed below, meet the revised exclusive benefit criteria under GASB 61 and will continue to be shown in a blended presentation:

- The OSU Foundation (a fundraising foundation operating exclusively for the benefit of the university)
- OSU Health Plan (a non-profit organization – formerly known as OSU Managed Health Care Systems -- that administers university health care benefits)
- Oval Limited (captive insurer that provides medical malpractice coverage to university hospitals and physicians)

Condensed financial information for both blended and discretely presented component units is provided in the Notes to the Financial Statements. The university is considered a component unit of the State of Ohio and is included in the State of Ohio's Comprehensive Annual Financial Report.

About the Financial Statements

The university presents its financial reports in a "business type activity" format, in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*. In addition to this MD&A section, the financial report includes a Statement of Net Position, a Statement of Revenues, Expenses and Other Changes in Net Position, a Statement of Cash Flows and Notes to the Financial Statements. Separate columns are presented for the primary institution (which includes the primary government and the blended component units), discretely presented component units and the total university. Unless otherwise specified, the amounts presented in this MD&A are for the primary institution.

The **Statement of Net Position** is the university's balance sheet. It reflects the total assets, liabilities and net position (equity) of the university as of June 30, 2013, with comparative information as of June 30, 2012. Liabilities due within one year, and assets available to pay

Management's Discussion & Analysis (Unaudited) - continued

those liabilities, are classified as current. Other assets and liabilities are classified as non-current. Investment assets are carried at market value. Capital assets, which include the university's land, buildings, improvements, and equipment, are shown net of accumulated depreciation. Net position is grouped in the following categories:

- Invested in capital assets, net of related debt
- Restricted – Nonexpendable
- Restricted – Expendable
- Unrestricted

The **Statement of Revenues, Expenses and Other Changes in Net Position** is the university's income statement. It details how net position has increased (or decreased) during the year ended June 30, 2013, with comparative information for Fiscal Year 2012. Tuition revenue is shown net of scholarship allowances, patient care revenue is shown net of contractual allowances, charity care and bad debt expense, depreciation is provided for capital assets, and there are required subtotals for net operating income (loss) and net income (loss) before capital contributions and additions to permanent endowments.

It should be noted that the required subtotal for net operating income or loss will generally reflect a "loss" for state-supported colleges and universities. This is primarily due to the way operating and non-operating items are defined under GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating expenses include virtually all university expenses, except for interest on long-term debt. Operating revenues, however, *exclude* certain significant revenue streams that the university and other public institutions have traditionally relied upon to fund current operations, including state instructional support, current-use gifts and investment income.

The **Statement of Cash Flows** details how cash has increased (or decreased) during the year ended June 30, 2013, with comparative information for Fiscal Year 2012. It breaks out the sources and uses of university cash into the following categories:

- Operating activities
- Noncapital financing activities
- Capital financing activities
- Investing activities

Cash flows associated with the university's expendable net position appear in the operating and noncapital financing categories. Capital financing activities include payments for capital assets, proceeds from long-term debt and debt repayments. Purchases and sales of investments are reflected as investing activities.

The **Notes to the Financial Statements**, which follow the financial statements, provide additional details on the numbers in the financial statements. Behind the notes is a section that provides supplementary information on the university's Long-Term Investment Pool.

Financial Highlights and Key Trends

Total net position for the primary institution increased \$513 million, to \$5.94 billion at June 30, 2013. Net investment income accounted for \$387 million of the increase, reflecting strong 2013 returns for the university's Long Term Investment Pool. In September 2012, the university entered into a 50-year lease and concession agreement with QIC Global Infrastructure to operate, maintain and retain parking revenues from the university's parking lots and garages. The proceeds from the agreement, which totaled \$483 million, were used to establish quasi-endowment funds. In January 2013, the university issued \$338 million of Special Purpose General Receipts Bonds, which are secured by a pledge of housing, dining and recreational facilities revenues. Total unrestricted and restricted-expendable net position increased \$68 million, to \$2.39 billion. With the exception of consolidated Health System revenues, which increased \$97 million, total operating revenues were relatively flat compared with 2012.

Demand for an Ohio State education remains strong, and student outcomes continue to improve. 63,058 students were enrolled in Autumn 2012, down slightly from Autumn 2011. 92% of the freshmen enrolled in Autumn 2011 returned to OSU in Autumn 2012. Over the past five years, four-year graduation rates have increased from 46% to 61%, and six-year graduation rates have increased from 71% to 82%.

The following sections provide additional details on the university's 2013 financial results and a look ahead at significant economic conditions that are expected to affect the university in the future.

Management's Discussion & Analysis (Unaudited) - continued

Statement of Net Position

Summary Statement of Net Position <i>(in thousands)</i>			
	2013	2012	2011
Cash and temporary investments	\$ 1,073,925	\$ 1,283,141	\$ 1,460,719
Receivables, inventories, prepaids and other current assets	528,165	560,913	489,908
Total current assets	1,602,090	1,844,054	1,950,626
Restricted cash	926,444	714,226	488,361
Noncurrent notes and pledges receivable	127,831	92,427	79,797
Long-term investment pool	3,149,169	2,366,033	2,120,714
Other long-term investments	69,358	71,663	68,283
Capital assets, net of accumulated depreciation	4,136,392	3,765,325	3,391,264
Total noncurrent assets	8,409,194	7,009,674	6,148,419
Total assets	\$ 10,011,284	\$ 8,853,728	\$ 8,099,045
Accounts payable and accrued expenses	\$ 385,006	\$ 413,995	\$ 358,845
Deposits and advance payments for goods and services	179,436	230,300	227,693
Current portion of bonds, notes and lease obligations	503,750	530,047	518,982
Other current liabilities	21,705	23,102	17,159
Total current liabilities	1,089,897	1,197,444	1,122,679
Noncurrent portion of bonds, notes and lease obligations	2,177,884	1,897,724	1,451,502
Other noncurrent liabilities	328,987	331,056	318,159
Total noncurrent liabilities	2,506,871	2,228,780	1,769,661
Total liabilities	\$ 3,596,768	\$ 3,426,224	\$ 2,892,340
Deferred inflows - Parking service concession arrangement	\$ 474,332	\$ -	\$ -
Invested in capital assets, net of related debt	2,394,141	2,056,993	1,987,366
Restricted-nonexpendable net assets	1,158,014	1,050,691	1,037,522
Restricted-expendable net assets	920,515	752,890	771,883
Unrestricted net assets	1,467,514	1,566,930	1,409,934
Total net position	\$ 5,940,184	\$ 5,427,504	\$ 5,206,705

Cash and temporary investment balances decreased \$209 million, to \$1.07 billion, primarily due to a reduction in net operating cashflows (excluding parking proceeds) and defeasance of parking-related debt. **Restricted cash** balances increased \$212 million, to \$926 million. These balances consist primarily of unspent proceeds from the Special Purpose General Receipts Bonds, which will be used to fund the North Residential District expansion project, and the Century Bonds, which are being used to fund the Medical Center expansion and other capital projects. The Statement of Cash Flows, which is discussed in more detail below, provides additional information on sources and uses of university cash. The university holds the bulk of its working capital in short and intermediate-term investment funds. These funds are invested in a diversified portfolio of money-market instruments as well as short and intermediate-term fixed income securities. The average maturity of the portfolio is typically less than one year.

Accounts receivable decreased \$31 million, to \$386 million at June 30, 2013, primarily due to decreases in patient care receivables for the Health System. The 2012 implementation of

Management's Discussion & Analysis (Unaudited) - continued

a new patient care information and billing system, EPIC, created one-time billing lags, which inflated prior-year receivable balances.

The market value of the university's **long-term investment pool** increased \$783 million, to \$3.15 billion at June 30, 2013, primarily due to the investment of the \$483 million proceeds from the parking agreement and \$372 million of net investment income. The long-term investment pool operates similar to a mutual fund, in that each named fund is assigned a number of shares in the pool. It includes the gifted endowment funds of the university, gifted endowment funds of the OSU Foundation, and operating funds which have been internally designated to function as endowments. The pool is invested in a diversified portfolio of equities, fixed income, real estate, hedge funds, private equity, venture capital and natural resources that is intended to provide the long-term growth necessary to preserve the value of these funds, adjusted for inflation, while making distributions to support the university's mission.

Other long-term investments are non-unitized investments that relate primarily to gift arrangements between donors and the OSU Foundation. These investments decreased \$2 million, to \$69 million, at June 30, 2013.

Capital assets, which include the university's land, buildings, improvements, equipment and library books, grew \$371 million, to \$4.14 billion at June 30, 2013. The university depreciates its capital assets on a straight-line basis, using estimated useful lives ranging from 5 years (for computer equipment and software) to 100 years (for certain building components such as foundations).

Major projects completed in 2013 include the \$172 million renovation of five existing student housing facilities and construction of two new facilities. Smith, Steeb and Siebert Halls opened Fall Semester 2013 following major renovations and construction of new facilities between Smith and Steeb Halls. The Park and Stradley Halls portion of the project opened the previous academic year. Also completed was Phase II of the William H. Hall Complex, a suite-style housing facility with 537 student beds. Major infrastructure projects completed in 2013 include a \$42 million electrical substation to meet growing electricity demand, a \$74 million chilled water plant to support the Medical Center expansion, and the geothermal well project on South Oval, which will provide up to 50% of the heating and cooling for the Hall complex and south campus high rises.

In addition, several major construction projects are currently underway or in advanced planning stages, including:

- **Medical Center Expansion** – Construction of a 21-story, \$1.1 billion new facility for the James Cancer Hospital and Solove Research Institute and the Critical Care Center is proceeding on time and on budget for completion late in 2014. The university is financing the project with a combination of bonds (\$925 million), private gifts (\$75 million) and a \$100 million federal grant.
- **Chemical and Bio-molecular Engineering and Chemistry Building** – Construction is underway on a \$126 million facility for the Chemistry and Chemical and Bio-

Management's Discussion & Analysis (Unaudited) - continued

molecular Engineering departments. The 225,000 square-foot building will contain research and teaching laboratories, faculty offices, and seminar rooms. Construction is projected to be completed in January 2015.

- **Sullivant Hall Renovation** – Work is underway on a \$26 million project to renovate Sullivant Hall, including creation of an entryway to High Street and the adjoining plaza. When completed in Fall 2013, the renovated facility will house the Advanced Computing Center for the Arts & Design, the Department of Dance, the Billy Ireland Cartoon Library & Museum and the Department of Art Education.
- **Infrastructure Improvements** – Work continues on several major infrastructure projects, including construction of a \$41 million east regional chiller plant to serve buildings east of the Oval. The east regional chiller project is expected to be completed in 2014. A \$21 million steam and condensate upgrade project will upgrade deteriorated lines and increase capacity and distribution in the mid-west campus area from McCracken Power Plant to near the Drake Union. Also underway at the McCracken Power Plant is a \$20 million project to replace the existing aging water treatment system, and a \$13 million project to replace high voltage electrical cable and related equipment.
- **North Residential District Transformation (NRDT)** – The \$370 million NRDT project will construct new housing and support facilities for sophomore students in the north campus area. Enabling project work began Summer 2013, and the project is slated for completion Fall Semester 2016.

The university's estimated future capital commitments, based on contracts and purchase orders, total approximately \$751 million at June 30, 2013.

Accounts payable and accrued expenses decreased \$29 million, to \$385 million at June 30, 2013, primarily due to decreases in vendor payables for operating expenses (down \$37 million). **Deposits and advance payments for goods and services** decreased \$51 million, to \$179 million, reflecting the reclassification of a \$22 million deposit for the parking agreement to deferred inflows in 2013, a \$14 million decrease in advance payments for departmental and auxiliary sales and services and an \$11 million decrease in advance payments for grants and contracts.

University debt, in the form of **bonds, notes and capital lease obligations**, increased \$254 million, to \$2.68 billion at June 30, 2013. In January 2013, the university issued \$338 million of Special Purpose General Receipts Bonds, Series 2013A. These bonds are solely payable from, and secured by, a pledge of the gross revenues of the university's student housing, dining and recreational facilities. Offsetting the new bond issue were a \$75 million defeasance of debt related to parking facilities and \$52 million in principal payments.

The university's plant debt includes variable rate demand bonds that mature at various dates through 2035. GASB Interpretation 1, *Demand Bonds Issued by State and Local Governmental Entities*, provides guidance on the statement of net position classification of these bonds. Under GASB Interpretation 1, outstanding principal balances on variable rate

Management's Discussion & Analysis (Unaudited) - continued

demand bonds may be classified as noncurrent liabilities if the issuer has entered into a "take-out agreement" to convert bonds "put" but not resold into some other form of long-term obligation. In the absence of such an agreement, the total outstanding principal balances for these bonds are required to be classified as current liabilities.

Although it is the university's intent to repay its variable rate demand bonds in accordance with the maturities set forth in the bond offering circulars, the university does not have "take-out agreements" in place per the GASB Interpretation 1 requirements. Accordingly, the university has classified the total outstanding principal balances on its variable rate demand bonds as current liabilities. These obligations totaled \$446 million and \$470 million at June 30, 2013 and 2012, respectively.

Other noncurrent liabilities increased \$32 million, primarily due to central accruals for university insurance programs.

In 2013, the university recognized a \$474 million **deferred inflow** for the parking agreement. Deferred outflows and deferred inflows are new financial statement elements, which were introduced by GASB Statement No. No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The parking deferred inflow will be amortized to operating revenue on a straight-line basis over the 50-year life of the agreement.

Prior-Year Highlights: *In 2012*, the university issued \$500 million of federally taxable "Century Bonds", which mature in June 2111. Total plant debt increased \$457 million, to \$2.43 billion. Total unrestricted and restricted-expendable net position increased \$138 million, to \$2.32 billion. *In 2011*, total unrestricted and restricted-expendable net position increased to \$2.18 billion. Three September 2010 bond issues increased total plant debt by \$630 million, to \$1.97 billion.

Management's Discussion & Analysis (Unaudited) - continued

Statement of Revenues, Expenses and Other Changes in Net Position

Summary of Revenues, Expenses and Changes in Net Position <i>(in thousands)</i>			
	2013	2012	2011
Operating Revenues:			
Tuition and fees, net	\$ 816,761	\$ 793,742	\$ 732,688
Grants and contracts	597,201	593,623	558,966
Auxiliary enterprises sales and services, net	222,014	233,020	232,482
OSU Health System sales and services, net	2,018,724	1,921,897	1,706,037
Departmental sales and other operating revenues	190,049	176,271	189,968
Total operating revenues	<u>3,844,749</u>	<u>3,718,553</u>	<u>3,420,141</u>
Operating Expenses:			
Educational and general	2,158,149	2,088,529	2,047,191
Auxiliary enterprises	242,376	239,570	244,787
OSU Health System	1,796,581	1,697,628	1,484,405
Depreciation	257,606	236,180	233,970
Total operating expenses	<u>4,454,712</u>	<u>4,261,907</u>	<u>4,010,353</u>
Net operating income (loss)	(609,963)	(543,354)	(590,212)
Non-operating revenues (expenses):			
State share of instruction and line-item appropriations	432,652	428,306	439,576
Federal fiscal stabilization funds	-	-	60,063
Gifts - current use	122,208	139,599	103,754
Net investment income (loss)	386,516	59,184	363,924
Grants, interest expense and other non-operating	<u>(8,483)</u>	<u>24,644</u>	<u>21,466</u>
Income (loss) before other revenues, expenses gains or losses	322,930	108,379	398,571
State capital appropriations	75,127	42,188	62,732
Private capital gifts	41,176	19,072	16,398
Additions to permanent endowments	57,480	41,299	30,835
Transfers to primary institution	<u>15,967</u>	<u>9,861</u>	<u>20,746</u>
Increase (decrease) in net position	512,680	220,799	529,282
Net position - beginning of year	<u>5,427,504</u>	<u>5,206,705</u>	<u>4,677,423</u>
Net position - end of year	<u>\$ 5,940,184</u>	<u>\$ 5,427,504</u>	<u>\$ 5,206,705</u>

Net **tuition and fees** increased \$23 million, or 3%, to \$817 million in 2013. The university completed its conversion from quarters to semesters in 2013. Total enrollments declined by 2%, as students accelerated graduation in order to avoid the conversion. The effect of these enrollment declines was offset by a 3.5% tuition increase for undergraduates and a 3% increase in enrollments of non-resident students, who are assessed an out-of-state surcharge.

Operating **grant and contract revenues** increased \$4 million, to \$597 million in 2013, primarily due to increases in private grant revenues (up \$19 million). Federal grant and contract revenues declined \$18 million, to \$341 million, reflecting the winding down of grants funded under the American Recovery and Reinvestment Act of 2009 and the effects of federal sequestration. Revenues for sponsored research programs administered by the

Management's Discussion & Analysis (Unaudited) - continued

Office of Sponsored Programs (formerly known as the OSU Research Foundation) increased \$5 million, to \$494 million.

Educational and general expenses increased 3%, to \$2.16 billion in 2013. Additional details are provided below.

Educational and General Expenses <i>(in thousands)</i>	2013	2012	2011
Instruction and departmental research	\$ 906,339	\$ 875,800	\$ 837,893
Separately budgeted research	413,985	429,276	419,394
Public service	96,578	98,686	101,326
Academic support	170,142	162,783	147,845
Student services	94,237	90,493	88,604
Institutional support	271,737	217,648	236,624
Operation and maintenance of plant	93,767	103,095	112,874
Scholarships and fellowships	111,364	110,748	102,631
Total	\$ 2,158,149	\$ 2,088,529	\$ 2,047,191

Total **instructional and departmental research** expenses increased \$31 million in 2013, primarily due to faculty salary increases and increased benefit costs. The university's budget process directs the bulk of annual increases in tuition, state share of instruction and facilities and administrative cost recoveries to the colleges, for investment in academic programs. **Separately budgeted research** decreased \$15 million, reflecting decreases in operating expenditures on sponsored programs. **Institutional support** increased \$54 million, primarily due to central accruals for university insurance programs. **Operation and maintenance of plant** expense decreased \$9 million, primarily due to a combination of lower utility and housekeeping costs and increased recharges of costs to university departments.

Auxiliary revenues decreased \$11 million, to \$222 million in 2013. Room and board fees increased \$7 million, due to the re-opening of Park-Stradley Hall, increases in room and board rates and the addition of new dining plan options. Transportation and Parking revenues were down \$20 million, due to the transfer of the parking operations to CampusParc (QIC Global Infrastructure's operating subsidiary) under the parking lease and concession agreement. **Auxiliary expenses** increased \$3 million, to \$242 million, with decreases in Transportation and Parking expenses partially offsetting increases in campus housing and dining expenses and Athletics expenses.

The **Health System** operates nearly 1,200 inpatient beds and serves as a major tertiary and quaternary referral center for Ohio and the Midwest. Its Signature programs in Cancer, Critical Care, Imaging, Heart, Neurosciences, and Transplantation provide personalized patient care. The Wexner Medical Center has been recognized by US News and World Report for 21 consecutive years as one of "America's Best Hospitals" and has 10 nationally ranked specialties. It is designated as a Level I Trauma Center, has the only adult burn center in Central Ohio, and is home to a Level III neonatal intensive care unit.

Management's Discussion & Analysis (Unaudited) - continued

A \$1.1 billion construction project broke ground in 2010, representing the largest development project in The Ohio State University's history. Once complete, the new Arthur G. James Cancer Hospital and Richard J. Solove Research Institute, a Critical Care Center, as well as integrated, state-of-the-art research facilities will provide scientists, researchers and clinicians with a single collaborative environment for research, education and patient care. This 1.1 million square foot building will include 276 cancer beds and 144 critical care beds. Construction is expected to be completed in late calendar year 2014, and more than 310,000 patients will be served annually when the facility is opened.

In October 2011, the Medical Center converted to a single, integrated and personalized health record across the continuum of a patient's interaction with the Medical Center (IHIS). All members of the Medical Center team now use the same system to access and enter information into the inpatient and outpatient medical and financial records. In May 2012, The Ohio State University Wexner Medical Center was the first hospital in Ohio and among only 86 of the more than 5,000 hospitals in the nation to achieve the highest designation for electronic medical record adoption. Over 20 partner hospitals participate in the Health System's Telestroke Medicine hub which leverages innovative technologies to provide faster and more efficient diagnosis and treatment of stroke patients in largely rural areas of Ohio. The Health System is also extending the Integrated Health Information System into the community hospital and community practice setting and continues to develop additional relationships with community and state healthcare providers to leverage its electronic healthcare systems.

In 2013, the Health System remained financially sound due to solid activity levels and strong expense management. Inpatient admissions showed a slight increase compared with prior year. Consistent with industry trends, the patient environment continues to move to an outpatient setting and to an increased use of observation beds. The Health System continued to experience gains in more complex surgical, neurological, neonatal intensive care, cancer, and cardiovascular admissions, which contributed to increases in revenues, average length of stay, and average daily census.

Total surgeries increased 2.5% compared to prior year. Outpatient visits increased 6.2% over the previous year, as the Health System continued its ambulatory strategy and experienced growth at the Eye and Ear Institute, CarePoint and Fast Care facilities, Stefanie Spielman Comprehensive Breast Center, and other primary care and specialty care clinics.

Consolidated Health System operating revenues grew \$97 million, to \$2.02 billion in 2013. The increase was driven by increased activity levels discussed above, with the remaining increase resulting from higher case intensity, sustained payor mix, and increased rates from third party payers.

Consolidated Health System operating expenses (excluding depreciation, interest and transfers) increased \$99 million, to \$1.80 billion, in 2013, reflecting changes in activities. Adjusted for activities, total operating expense decreased 1.8% compared to prior year.

Measured on a stand-alone basis, the Health System's operating income remained strong, with the operating margin increasing from 9.2% in 2012 to 10.6% in 2013. Income before

Management's Discussion & Analysis (Unaudited) - continued

other changes in net position was \$207.3 million versus \$197.9 million in 2012. The Health System reinvested \$115.8 million back into research, education, and programs at the Medical Center. In December of 2010, the Health System was awarded a \$100 million grant from The Health Resources and Services Administration (HRSA), an Agency of the U.S. Department of Health & Human Services, in support of the new tower construction. Approximately \$23.1 million of the total grant was recognized under Contribution for Property Acquisitions as a change in net position in 2013 and \$30.4 million in 2012. The remaining amounts will be funded by HRSA on a cost sharing basis, once the allowable costs have been incurred. Additionally, \$11.5 million in 2013 and \$4.5 million in 2012 of other restricted expendable funds and pledges (in support of the tower and other initiatives) have been recorded. In total, after accounting for these changes, the Health System's Net Position increased \$166.9 million in 2013 and \$137.6 million in 2012.

As with all healthcare providers, the Health System will be challenged by the impact of Healthcare Reform. The impact of insurance exchanges, managed care rates, and sequestration continues to cause uncertainty in the environment for hospitals nationwide. Regardless, the Medical Center continues to position itself to thrive in the changing market, as it has successfully done in the past. The clinical component of the medical staff activities has been integrated into the OSU Faculty Group Practice providing the Health System and the medical staff a unified structure to manage changes in reimbursement, practice patterns, and alignment in strategic initiatives. The Health System is partnering with the University Health Plan to design innovative product offerings for both the exchanges and employers and continue working with other providers locally and statewide to form strategic alliances.

Despite the challenges and the changing healthcare environment, the Health System expects to improve its financial position and operating results during the upcoming year, and will continue to play a key role in supporting the Medical Center and in its status as a leading academic medical center.

Revenues and operating expenses of **OSU Physicians, Inc.** (OSUP), the University's central practice group for physician faculty members of the College of Medicine and Public Health, continue to grow in 2013. Total consolidated operating revenues increased \$29 million, to \$332 million, as a result of increased patient volume and support from the Health System. Total consolidated OSUP expenses (excluding depreciation and interest) increased \$31 million to \$316 million in 2013. These figures are included in the Discretely Presented Component Units columns of the university's financial statements.

OSUP is the single member of 17 limited liability companies (LLCs). As of June 30, 2013 only 15 of the LLCs were active. Two of the LLCs (Anesthesia and Orthopedics) have been created but had no 2013 activity within OSUP.

Total state operating support increased \$4 million, to \$433 million, in 2013. Both **state share of instruction** and **line-item appropriations** were stable compared with 2012. The State of Ohio is moving to a new funding formula that focuses on degree completions. FY2014 operating support is expected to be up slightly compared with 2013.

Management's Discussion & Analysis (Unaudited) - continued

Non-endowment gifts to the university (including gifts for current use and gifts to capital projects) increased \$5 million, to \$163 million in 2013. New gift **additions to permanent endowments** increased \$16 million, to \$57 million. During 2013, over 228,000 alumni and friends made gifts to the university, up from 211,000 in 2012.

University investments yielded \$387 million of **net investment income** in 2013. The net investment income figure includes \$78 million of interest and dividend income and \$309 million net increase in the fair value of university investments.

The Long Term Investment Pool's net investment return for the fiscal year ended June 30, 2013, was 11.63% versus the Policy (internal benchmark) return of 8.96%. In 2013, investors faced rising interest rates and mass investor repositioning in anticipation of Federal Reserve policy changes. Public equities, hedge funds, and private equity were all strong performers during the year. Natural resources, infrastructure and fixed income lagged due to softness in global energy prices for most of the year and rising rates in the bond markets.

The university's Investment Office continues to evaluate diversifying strategies to position the portfolio for anticipated lower fixed income returns and the continuing uneven recovery of global markets and will continue to strive for the best possible risk-adjusted investment returns to grow the purchasing power of the Long Term Investment Pool.

Prior-Year Highlights: *In 2012*, Total net position (equity) increased \$221 million, to \$5.43 billion at June 30, 2012, primarily due to increases in tuition and gift revenues, limited growth in expenses and positive operating results for the OSU Health System. *In 2011*, total net position increased \$529 million, primarily due to \$364 million of net investment income and strong operating results for the OSU Health System.

Management's Discussion & Analysis (Unaudited) - continued

Statement of Cash Flows

University Cash Flows Summary <i>(in thousands)</i>	2013	2012	2011
Net cash flows from operating activities	\$ 82,605	\$ (281,830)	\$ (289,316)
Net cash flows from noncapital financing activities	664,464	631,466	717,035
Capital appropriations and gifts for capital projects	82,963	68,038	79,099
Proceeds from issuance of bonds and notes payable	499,398	521,155	902,117
Payments for purchase and construction of capital assets	(608,138)	(568,222)	(441,556)
Principal and interest payments on capital debt, net of federal Build America Bond interest subsidies	(324,944)	(132,789)	(335,003)
Net cash flows for investing activities	(673,292)	9,476	(237,894)
Net increase (decrease) in cash	<u>\$ (276,944)</u>	<u>\$ 247,294</u>	<u>\$ 394,482</u>

University cash and cash equivalents decreased \$277 million in 2013. Net cash flows from operating activities increased \$364 million, reflecting the September 2012 receipt of \$453 million in net proceeds from the parking lease and concession agreement. Excluding parking proceeds, operating cashflows decreased \$67 million, with increases in payments for supplies and services (up \$224 million) and employee benefits (up \$66 million) more than offsetting increased receipts for sales and services (up \$218 million). Net cash flows from noncapital financing activities increased \$33 million, primarily due to timing differences in drawdowns of federal direct-lending funds. Net cash used for capital financing activities increased \$239 million, to \$351 million, reflecting increases in total principal payments and capital expenditures for the Medical Center expansion, south campus dorm expansion and other major projects. Total cash used for investing activities was \$673 million, reflecting the investment of the total proceeds of the parking agreement (\$483 million) in the Long Term Investment Pool and \$280 million of net purchases of temporary investments.

Economic Factors That Will Affect the Future

Fiscal Year 2013 saw the retirement of the university's president, E. Gordon Gee. Since his return to Ohio State in 2007, President Gee has led the university on a multi-phase strategic planning and implementation process to move the university from excellence to eminence in public higher education. Under the leadership of Interim President Joseph A. Alutto, the university is poised to continue and accelerate this progress. As President Alutto recently noted, "At Ohio State, we've been able to move aggressively because of the strategic planning we've done and the resource base we have – alumni who have stepped forward, a governor who has been supportive during tough times, monetizing our parking, selling the century bonds. All of that allows us to stay focused on our academic programs."

Management's Discussion & Analysis (Unaudited) - continued

Some of the broad goals that Ohio State is focusing on in 2014 and beyond include:

- Defining and enhancing the undergraduate, graduate and professional student experience, including the new Second-Year Transformational Experience Program (STEP)
- Developing the Discovery Themes – Health and Wellness, Energy and the Environment, and Food Production and Security
- Developing eLearning at Ohio State
- Discussing faculty evaluation and rewards in our interdisciplinary climate
- Maintaining affordability and access for our students while promoting excellence
- Enhancing the arts on campus and promoting connections with the community outside Ohio State

Based on what is now known regarding the university's financial outlook, university management anticipates that Ohio State will maintain its sound financial position in Fiscal Year 2014. However, the university does face certain financial challenges, including limited growth in state operating support and tuition revenues, the continuing effects of federal sequestration and uncertainties related to the impact of healthcare reform. State share of institution (SSI) is expected to increase 2%, and restricted line-item appropriations are expected to be flat in 2014. A new state subsidy model that focuses on degree completions is expected to have a negative impact in 2015, as other institutions expand enrollments in on-line programs. Tuition revenues are expected to increase 2% in 2014, primarily driven by a shift in the student mix to more non-resident and professional students. Undergraduate instructional and mandatory fees will not increase in fiscal 2014. Federal sequestration will continue to negatively impact sponsored research revenues, which are expected to decline 6% in 2014. The university's largest federal sponsor, the National Institutes for Health, is cutting new awards 10-20% and reducing already committed funding by 4-6%. OSU's second largest federal sponsor, the National Science Foundation, cut awards to the university by 25% in 2013. Sequestration, the development of insurance exchanges, changes to managed care rates and other aspects of healthcare reform will continue to cause uncertainty in the environment for the Wexner Medical Center and hospitals nationwide.

New accounting rules are also expected to have a potentially significant impact on the university's reported financial position and results of operations. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which is effective Fiscal Year 2015, requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability, which is the difference between the total pension liability and the net assets set aside to pay pension benefits. For cost-sharing employers, the net pension liability is equal to the employer's proportionate share of the collective net pension liability for the plan. The university participates in two cost-sharing defined benefit pension plans, the Ohio Public Employees Retirement System (OPERS) and the State Teachers Retirement System of Ohio (STRS-Ohio). Based on information provided in the most recently available financial reports for the pension plans, university management anticipates that Statement No. 68 will result in the recognition of significant liabilities in the university's financial statements.

Management's Discussion & Analysis (Unaudited) - continued

Despite the challenges and uncertainties outlined above, the university remains committed to executing its long-range strategic plan. By doing so, we believe that The Ohio State University will continue its progress towards becoming the world's preeminent comprehensive public university.

THE OHIO STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF NET POSITION
June 30, 2013 and June 30, 2012
(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2013	2012	2013	2012	2013	2012
ASSETS AND DEFERRED OUTFLOWS:						
Current Assets:						
Cash and cash equivalents	\$ 64,691	\$ 553,853	\$ 52,495	\$ 43,952	\$ 117,186	\$ 597,805
Temporary investments	1,009,234	729,288	12,572	12,868	1,021,806	742,156
Accounts receivable, net	385,965	416,726	48,058	53,425	434,023	470,151
Notes receivable - current portion, net	23,528	24,553	470	72	23,998	24,625
Pledges receivable - current portion, net	27,491	21,190	-	-	27,491	21,190
Accrued interest receivable	21,204	27,455	-	-	21,204	27,455
Inventories and prepaid expenses	83,786	80,819	2,292	2,486	86,078	83,305
Amounts due from (to) primary institution	(13,809)	(9,830)	13,809	9,830	-	-
Total Current Assets	<u>1,602,090</u>	<u>1,844,054</u>	<u>129,696</u>	<u>122,633</u>	<u>1,731,786</u>	<u>1,966,687</u>
Noncurrent Assets:						
Restricted cash	926,444	714,226	-	-	926,444	714,226
Notes receivable, net	56,176	45,872	1,957	3,071	58,133	48,943
Pledges receivable, net	71,655	46,555	-	-	71,655	46,555
Long-term investment pool	3,149,169	2,366,033	-	-	3,149,169	2,366,033
Other long-term investments	69,358	71,663	1,529	5,106	70,887	76,769
Capital assets, net	4,136,392	3,765,325	80,162	82,881	4,216,554	3,848,206
Total Noncurrent Assets	<u>8,409,194</u>	<u>7,009,674</u>	<u>83,648</u>	<u>91,058</u>	<u>8,492,842</u>	<u>7,100,732</u>
Total Assets and Deferred Outflows	\$ 10,011,284	\$ 8,853,728	\$ 213,344	\$ 213,691	\$ 10,224,628	\$ 9,067,419
LIABILITIES, DEFERRED INFLOWS AND NET POSITION:						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 385,006	\$ 413,995	\$ 23,596	\$ 27,238	\$ 408,602	\$ 441,233
Deposits and advance payments for goods and services	179,436	230,300	1,075	1,245	180,511	231,545
Current portion of bonds, notes and leases payable	57,315	60,347	1,226	23,104	58,541	83,451
Long-term bonds payable, subject to remarketing	446,435	469,700	-	-	446,435	469,700
Other current liabilities	63,042	75,295	-	-	63,042	75,295
Amounts due to (from) primary institution - current	(41,337)	(52,193)	41,337	52,193	-	-
Total Current Liabilities	<u>1,089,897</u>	<u>1,197,444</u>	<u>67,234</u>	<u>103,780</u>	<u>1,157,131</u>	<u>1,301,224</u>
Noncurrent Liabilities:						
Bonds, notes and leases payable	2,177,884	1,897,724	17,305	26,109	2,195,189	1,923,833
Compensated absences	137,737	126,387	43	57	137,780	126,444
Self-insurance accruals	106,851	115,208	-	-	106,851	115,208
Amounts due to third-party payors - Health System	11,366	13,716	-	-	11,366	13,716
Obligations under annuity and life income agreements	33,702	34,088	-	-	33,702	34,088
Refundable advances for Federal Perkins loans	31,445	28,706	-	-	31,445	28,706
Other noncurrent liabilities	59,849	27,852	1,457	4,378	61,306	32,230
Amounts due to (from) primary institution - noncurrent	(51,963)	(14,901)	51,963	14,901	-	-
Total Noncurrent Liabilities	<u>2,506,871</u>	<u>2,228,780</u>	<u>70,768</u>	<u>45,445</u>	<u>2,577,639</u>	<u>2,274,225</u>
Total Liabilities	3,596,768	3,426,224	138,002	149,225	3,734,770	3,575,449
Deferred Inflows:						
Parking service concession arrangement	474,332	-	-	-	474,332	-
Net Position:						
Invested in capital assets, net of related debt	2,394,141	2,056,993	52,464	22,933	2,446,605	2,079,926
Restricted:						
Nonexpendable	1,158,014	1,050,691	-	-	1,158,014	1,050,691
Expendable	920,515	752,890	-	-	920,515	752,890
Unrestricted	1,467,514	1,566,930	22,878	41,533	1,490,392	1,608,463
Total Net Position	5,940,184	5,427,504	75,342	64,466	6,015,526	5,491,970
Total Liabilities, Deferred Inflows and Net Position	\$ 10,011,284	\$ 8,853,728	\$ 213,344	\$ 213,691	\$ 10,224,628	\$ 9,067,419

The accompanying notes are an integral part of these financial statements.

**THE OHIO STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES,
AND OTHER CHANGES IN NET POSITION**

June 30, 2013 and June 30, 2012
(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2013	2012	2013	2012	2013	2012
Operating Revenues:						
Student tuition and fees (net of scholarship allowances of \$154,236 and \$136,740, respectively)	\$ 816,761	\$ 793,742	\$ -	\$ -	\$ 816,761	\$ 793,742
Federal grants and contracts	341,038	358,968	8,819	10,322	349,857	369,290
State grants and contracts	50,062	48,061	-	-	50,062	48,061
Local grants and contracts	16,217	16,020	-	-	16,217	16,020
Private grants and contracts	189,884	170,575	52,412	45,955	242,296	216,530
Sales and services of educational departments	126,207	105,318	7,354	7,256	133,561	112,574
Sales and services of auxiliary enterprises (net of scholarship allowances of \$20,081 and \$17,228, respectively)	222,014	233,020	-	-	222,014	233,020
Sales and services of the OSU Health System, net	2,018,724	1,921,897	-	-	2,018,724	1,921,897
Sales and services of OSU Physicians, Inc., net	-	-	331,817	302,802	331,817	302,802
Other operating revenues	63,842	70,952	942	2,412	64,784	73,364
Total Operating Revenues	3,844,749	3,718,553	401,344	368,747	4,246,093	4,087,300
Operating Expenses:						
Educational and General:						
Instruction and departmental research	906,339	875,800	4,877	4,242	911,216	880,042
Separately budgeted research	413,985	429,276	20,686	23,968	434,671	453,244
Public service	96,578	98,686	8,535	11,028	105,113	109,714
Academic support	170,142	162,783	-	-	170,142	162,783
Student services	94,237	90,493	-	-	94,237	90,493
Institutional support	271,737	217,648	7,389	6,729	279,126	224,377
Operation and maintenance of plant	93,767	103,095	22,030	11,513	115,797	114,608
Scholarships and fellowships	111,364	110,748	-	-	111,364	110,748
Auxiliary enterprises	242,376	239,570	-	-	242,376	239,570
OSU Health System	1,796,581	1,697,628	-	-	1,796,581	1,697,628
OSU Physicians, Inc.	-	-	316,080	285,446	316,080	285,446
Depreciation	257,606	236,180	7,116	6,211	264,722	242,391
Total Operating Expenses	4,454,712	4,261,907	386,713	349,137	4,841,425	4,611,044
Operating Income (Loss)	(609,963)	(543,354)	14,631	19,610	(595,332)	(523,744)
Non-operating Revenues (Expenses):						
State share of instruction and line-item appropriations	432,652	428,306	-	-	432,652	428,306
Federal subsidies for Build America Bonds interest	10,799	11,252	-	-	10,799	11,252
Federal non-exchange grants	57,794	57,466	-	-	57,794	57,466
State non-exchange grants	8,463	5,185	-	-	8,463	5,185
Gifts	122,208	139,599	-	-	122,208	139,599
Net investment income	386,516	59,184	370	993	386,886	60,177
Interest expense on plant debt	(62,227)	(56,465)	(713)	(3,269)	(62,940)	(59,734)
Other non-operating revenues	(23,312)	7,206	12,555	(25)	(10,757)	7,181
Net Non-operating Revenue	932,893	651,733	12,212	(2,301)	945,105	649,432
Income before Other Revenues, Expenses, Gains or Losses	322,930	108,379	26,843	17,309	349,773	125,688
Other Changes in Net Position						
State capital appropriations	75,127	42,188	-	-	75,127	42,188
Private capital gifts	41,176	19,072	-	-	41,176	19,072
Additions to permanent endowments	57,480	41,299	-	-	57,480	41,299
Transfers to (from) primary institution	15,967	9,861	(15,967)	(9,861)	-	-
Total Other Changes in Net Position	189,750	112,420	(15,967)	(9,861)	173,783	102,559
Increase in Net Position	512,680	220,799	10,876	7,448	523,556	228,247
Net Position - Beginning of Year	5,427,504	5,206,705	64,466	57,018	5,491,970	5,263,723
Net Position - End of Year	\$ 5,940,184	\$ 5,427,504	\$ 75,342	\$ 64,466	\$ 6,015,526	\$ 5,491,970

The accompanying notes are an integral part of these financial statements.

THE OHIO STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2013 and June 30, 2012
(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2013	2012	2013	2012	2013	2012
Cash Flows from Operating Activities:						
Tuition and fee receipts	\$ 716,689	\$ 698,512	\$ -	\$ -	\$ 716,689	\$ 698,512
Grant and contract receipts	572,733	586,203	61,149	56,008	633,882	642,211
Receipts for sales and services	2,409,068	2,191,169	345,168	301,039	2,754,236	2,492,208
Receipts for parking service concession arrangement	453,546	22,000	-	-	453,546	22,000
Payments to or on behalf of employees	(1,978,812)	(2,011,340)	(223,225)	(207,235)	(2,202,037)	(2,218,575)
University employee benefit payments	(581,981)	(515,611)	(54,370)	(50,314)	(636,351)	(565,925)
Payments to vendors for supplies and services	(1,470,957)	(1,247,342)	(108,384)	(84,482)	(1,579,341)	(1,331,824)
Payments to students and fellows	(102,886)	(100,048)	-	-	(102,886)	(100,048)
Student loans issued	(9,400)	(10,495)	-	-	(9,400)	(10,495)
Student loans collected	10,719	10,024	-	-	10,719	10,024
Student loan interest and fees collected	2,228	2,152	-	-	2,228	2,152
Other receipts	61,658	92,946	939	2,412	62,597	95,358
Net cash provided (used) by operating activities	<u>82,605</u>	<u>(281,830)</u>	<u>21,277</u>	<u>17,428</u>	<u>103,882</u>	<u>(264,402)</u>
Cash Flows from Noncapital Financing Activities:						
State share of instruction and line-item appropriations	432,652	428,306	-	-	432,652	428,306
Non-exchange grant receipts	66,257	62,651	-	-	66,257	62,651
Gift receipts for current use	118,752	123,018	-	-	118,752	123,018
Additions to permanent endowments	57,480	41,299	-	-	57,480	41,299
Drawdowns of federal direct loan proceeds	384,505	386,400	-	-	384,505	386,400
Disbursements of federal direct loans to students	(369,049)	(397,721)	-	-	(369,049)	(397,721)
Disbursement of loan proceeds to related organization	(8,161)	(101)	-	-	(8,161)	(101)
Repayment of loans from related organization	574	217	-	-	574	217
Amounts received for annuity and life income funds	3,482	1,848	-	-	3,482	1,848
Amounts paid to annuitants and life beneficiaries	(3,737)	(3,761)	-	-	(3,737)	(3,761)
Agency funds receipts	3,352	2,805	-	-	3,352	2,805
Agency funds disbursements	(2,827)	(2,694)	-	-	(2,827)	(2,694)
Transfers from (to) primary institution	(18,816)	(10,801)	18,816	10,801	-	-
Net cash provided by noncapital financing activities	<u>664,464</u>	<u>631,466</u>	<u>18,816</u>	<u>10,801</u>	<u>683,280</u>	<u>642,267</u>
Cash Flows from Capital Financing Activities:						
Proceeds from capital debt	499,398	521,155	-	-	499,398	521,155
State capital appropriations	69,732	48,966	-	-	69,732	48,966
Gift receipts for capital projects	13,231	19,072	-	-	13,231	19,072
Payments for purchase or construction of capital assets	(608,138)	(568,222)	(4,398)	(6,638)	(612,536)	(574,860)
Principal payments on capital debt and leases	(243,738)	(64,271)	(30,682)	(13,516)	(274,420)	(77,787)
Interest payments on capital debt and leases	(92,005)	(79,770)	(713)	(3,269)	(92,718)	(83,039)
Federal subsidies for Build America Bonds interest	10,799	11,252	-	-	10,799	11,252
Net cash (used) by capital financing activities	<u>(350,721)</u>	<u>(111,818)</u>	<u>(35,793)</u>	<u>(23,423)</u>	<u>(386,514)</u>	<u>(135,241)</u>
Cash Flows from Investing Activities:						
Net (purchases) sales of temporary investments	(279,946)	199,007	296	(8,732)	(279,650)	190,275
Proceeds from sales and maturities of long-term investments	1,112,965	614,242	3,577	-	1,116,542	614,242
Investment income	83,167	64,906	370	993	83,537	65,899
Purchases of long-term investments	(1,589,478)	(868,679)	-	(3,056)	(1,589,478)	(871,735)
Net cash provided (used) by investing activities	<u>(673,292)</u>	<u>9,476</u>	<u>4,243</u>	<u>(10,795)</u>	<u>(669,049)</u>	<u>(1,319)</u>
Net Increase in Cash	(276,944)	247,294	8,543	(5,989)	(268,401)	241,305
Cash and Cash Equivalents - Beginning of Year	<u>1,268,079</u>	<u>1,020,785</u>	<u>43,952</u>	<u>49,941</u>	<u>1,312,031</u>	<u>1,070,726</u>
Cash and Cash Equivalents - End of Year	<u>\$ 991,135</u>	<u>\$ 1,268,079</u>	<u>\$ 52,495</u>	<u>\$ 43,952</u>	<u>\$ 1,043,630</u>	<u>\$ 1,312,031</u>

THE OHIO STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS, Cont'd
Years Ended June 30, 2013 and June 30, 2012
(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2013	2012	2013	2012	2013	2012
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities:						
Operating income (loss)	\$ (609,963)	\$ (543,354)	14,631	\$ 19,610	\$ (595,332)	\$ (523,744)
Adjustments to reconcile net operating loss to net cash used by operating activities:						
Depreciation expense	257,606	236,180	7,116	6,211	264,722	242,391
Changes in assets and liabilities:						
Accounts receivable, net	20,700	(46,194)	5,367	(8,896)	26,067	(55,090)
Notes receivable, net	(1,692)	139	716	(781)	(976)	(642)
Accrued interest receivable	2,228	(836)			2,228	(836)
Inventories and prepaid expenses	(2,967)	(4,509)	194	2,571	(2,773)	(1,938)
Accounts payable and accrued liabilities	(29,234)	32,104	(3,642)	(1,619)	(32,876)	30,485
Self-insurance accruals	(8,357)	13,373			(8,357)	13,373
Amounts due to third-party payors - Health System	(2,350)	(9,733)			(2,350)	(9,733)
Deposits and advance payments for goods and services	(51,401)	27,521	(170)	388	(51,571)	27,909
Compensated absences	11,256	13,874	(14)	17	11,242	13,891
Refundable advances for Federal Perkins loans	2,739	(181)			2,739	(181)
Deferred inflows	474,332	-			474,332	-
Other liabilities	19,708	(214)	(2,921)	(73)	16,787	(287)
Net cash provided (used) by operating activities	<u>\$ 82,605</u>	<u>\$ (281,830)</u>	<u>\$ 21,277</u>	<u>\$ 17,428</u>	<u>\$ 103,882</u>	<u>\$ (264,402)</u>
Non Cash Transactions:						
Capital Lease	\$ 1,147	\$ 10,473			\$ 1,147	\$ 10,473
Construction in Process in Accounts Payable	57,252	57,362			57,252	57,362
Stock Gifts	33,920	8,815			33,920	8,815

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Organization

The Ohio State University (the “university”) is a land grant institution created in 1870 by the Ohio General Assembly under provisions of the Morrill Act. The university is one of several state-supported universities in Ohio. It is declared by statute to be a body politic and corporate and an instrumentality of the State.

The university is governed by a Board of Trustees which is granted authority under Ohio law to do all things necessary for the proper maintenance and continual successful operation of the university. Trustees are appointed by the governor, with the advice and consent of the state Senate. In 2005, the Ohio General Assembly voted to expand the Board from 11 to 17 members. The standard term for voting members of the Board is nine years. However, as part of the transition to a larger board membership, the additional trustees appointed in 2005 and 2006 will serve terms ranging from four to eight years. The Board also includes two non-voting student trustees who are appointed to two-year terms.

In 2009, the Board appointed its first charter trustee, which expanded the Board to 18 members. A maximum of three charter trustees may be appointed and removed by a vote of the Board. Charter trustees, who must be non-Ohio residents, are appointed to three-year terms and do not have voting privileges.

The Board of Trustees has responsibility for all the university’s financial affairs and assets. The university operates largely on a decentralized basis by delegating this authority to its academic and support departments. The Board must approve the annual budgets for unrestricted academic and support functions, departmental earnings operations and restricted funds operations, but these budgets are managed at the department level.

Basis of Presentation

The accompanying financial statements present the accounts of the following entities, which constitute the primary government for financial reporting purposes:

- The Ohio State University and its hospitals and clinics
- Ohio Agricultural Research and Development Center
- The Ohio Technology Consortium (OH-TECH)

In addition, these financial statements include component units -- legally separate organizations for which the university is financially accountable. Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No. 61, *The Financial Reporting Entity: Omnibus*, defines financial accountability. The criteria for determining financial accountability include the following circumstances:

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

- Appointment of a voting majority of an organization's governing authority and the ability of the primary government (i.e. the university) to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or;
- An organization is fiscally dependent on the primary government and provides specific financial benefits to, or imposes specific financial burdens on, the primary government.

The university's component units and the reasons for their inclusion in the university's financial statements are described below:

- **The Ohio State University Foundation** – The fiscal dependency criteria apply to this not-for-profit fundraising organization, which operates exclusively for the benefit of The Ohio State University.
- **OSU Health Plan, Inc.** – The university appoints a voting majority of the board for this organization, which provides medical benefit plan administration services to the university and its faculty and staff.
- **Oval Limited** – The university holds all of the voting stock of this captive insurance entity, which was established by the university to provide medical malpractice coverage to physicians in the university's medical center.

The component units listed above provide services entirely, or almost entirely, to the university or otherwise exclusively, or almost exclusively, benefit the university. Therefore, the transactions and balances for these organizations have been blended with those of the university.

In addition to the blended component units described above, the university's financial statements include the following discretely presented component units:

- **The Ohio State University Physicians, Inc.** – The university appoints a voting majority of the board of the medical practice group for physician faculty members in the Colleges of Medicine and Public Health.
- **Campus Partners for Community Urban Redevelopment, Inc.** – The university appoints a voting majority of the board for this non-profit organization, which participates in the redevelopment of neighborhoods adjacent to the Columbus campus.
- **Transportation Research Center of Ohio, Inc.** – The university appoints a voting majority of the board for this automotive research and testing facility in East Liberty, Ohio.
- **Dental Faculty Practice Association, Inc.** – The university appoints a voting majority of the board for the dental practice group for faculty in the College of Dentistry.

Summary financial statement information for the university's blended and discretely presented component units is provided in Notes 19 and 20. Audited financial statements

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

for component units considered to be material to the university may be obtained from the Office of the Controller. A total university column in the financial statements is provided as memorandum only for purposes of additional analysis by users.

The university, as a component unit of the State of Ohio, is included as a discrete entity in the State of Ohio's Comprehensive Annual Financial Report.

Basis of Accounting

The financial statements of the university have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the GASB. The university is reporting as a special purpose government engaged in business type activities (BTA). Business type activities are those that are financed in whole or in part by fees charged to external parties for goods and services. In accordance with BTA reporting, the university presents Management's Discussion and Analysis; a Consolidated Statement of Net Position; a Consolidated Statement of Revenues, Expenses and Other Changes in Net Position; a Consolidated Statement of Cash Flows; and Notes to the Financial Statements. In the Financial Statements, separate columns are presented for the *primary institution* (which includes the primary government and the blended component units), *discretely presented component units* and the *total university*. The Notes to the Financial Statements include separate disclosures for the primary institution and the discretely presented component units. Unless otherwise specified, the amounts presented in MD&A are those of the primary institution.

The university's financial resources are classified for accounting and reporting purposes into the following four net position categories:

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation, cash restricted for capital projects and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted - nonexpendable:** Amounts subject to externally-imposed stipulations that they be maintained in perpetuity and invested for the purpose of generating present and future income, which may either be expended or added to the principal by the university. These assets primarily consist of the university's permanent endowments.
- **Restricted - expendable:** Amounts whose use is subject to externally-imposed stipulations that can be fulfilled by actions of the university pursuant to those stipulations or that expire by the passage of time.
- **Unrestricted:** Amounts which are not subject to externally-imposed stipulations. Substantially all unrestricted balances are internally designated for use by university departments to support working capital needs, to fund related

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

academic or research programs, and to provide for unanticipated shortfalls in revenues and deviations in enrollment.

Under the university's decentralized management structure, it is the responsibility of individual departments to determine whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted funds are available.

For internal financial management purposes, the university classifies financial resources into funds that reflect the specific activities, objectives or restrictions of the resources.

Cash and Investments

Cash and cash equivalents consist primarily of petty cash, demand deposit accounts, money market accounts, savings accounts and investments with original maturities of ninety days or less at the time of purchase. Such investments consist primarily of U.S. Government obligations, U.S. Agency obligations, repurchase agreements and money market funds. Restricted cash consists of bond proceeds restricted for capital expenditures. For purposes of the Statement of Cash Flows, "cash" is defined as the total of these two line items.

Investments are carried at market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The fair value of private equity investments is based on estimated current values. The weighted average method is used for purposes of determining gains and losses on the sale of investments. The specific identification method is used for purposes of determining gains and losses on the sale of gifted securities.

The university holds investments in limited partnerships, private equity and other investments, which are carried at estimated fair value provided by the management of these funds. The purpose of this alternative investment class is to increase portfolio diversification and reduce risk due to the low correlation with other asset classes. Methods for determining estimated fair values include discounted cash flows and estimates provided by general partners. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material. As of June 30, 2013, the university has made commitments to limited partnerships totaling \$624,000 that have not yet been funded. These commitments may extend for a maximum of thirteen years. In the prior fiscal year, the university had made commitments to limited partnerships totaling \$522,000 that had not yet been funded as of June 30, 2012.

Investment in real estate is carried at cost, if purchased, or appraised value at the date of the gift. Holdings in real estate investment trusts (REITs) are carried at estimated fair values. The carrying and market values of real estate at June 30, 2013 are \$4,845 and \$13,571, respectively. The carrying and market values of real estate at June 30, 2012 are \$4,830 and \$13,511, respectively.

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

Investment income is recognized on an accrual basis. Interest and dividend income is recorded when earned.

Endowment Policy

All endowments are invested in the university's Long Term Investment Pool, which consists of more than 5,100 named funds. Each named fund is assigned a number of shares in the Long Term Investment Pool based on the value of the gifts, income-to-principal transfers, or transfers of operating funds to that named fund. For donor restricted endowments, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in Ohio, permits the university's Board of Trustees to appropriate an amount of realized and unrealized endowment appreciation as the Board deems prudent. The UPMIFA, as adopted in Ohio, establishes a 5% safe harbor of prudence for funds appropriated for expenditure. Net realized and unrealized appreciation, after the spending rule distributions, is retained in the Long Term Investment Pool, and the associated net position is classified as restricted-expendable.

Annual distributions to named funds in the Long Term Investment Pool are computed using the share method of accounting for pooled investments. The annual distribution per share is 4.25% of the average market value per share of the Long Term Investment Pool over the most recent seven year period.

At June 30, 2013, the market value of the university's gifted endowments was \$1,530,734, which is \$174,140 above the historical dollar value of \$1,356,594. At June 30, 2012, the market value of the university's gifted endowments was \$1,379,531, which is \$91,484 above the historical dollar value of \$1,288,047. Although the market value of the gifted endowments in total exceeds the historical cost at June 30, 2013, there are 2,287 named funds that remain underwater. The market value of these underwater funds at June 30, 2013 is \$671,524, which is \$100,471 below the historical dollar value of \$771,995. Per UPMIFA (§ 1715.53(D)(C)), the reporting of such deficiencies does not create an obligation on the part of the endowment fund to restore the fair value of those funds.

Gift Pledges Receivable

The university receives pledges and bequests of financial support from corporations, foundations and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, endowment pledges are not recorded as assets until the related gift is received.

Inventories

The university's inventories, which consist principally of publications, general stores and other goods for resale by earnings operations, are valued at the lower of moving average

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

cost or market. The inventories of the Health System, which consist principally of pharmaceuticals and operating supplies, are valued at cost on a first-in, first-out basis.

Capital Assets and Collections

Capital assets are long-life assets in the service of the university and include land, buildings, improvements, equipment, software and library books. Capital assets are stated at cost or fair value at date of gift. Depreciation of capital assets (excluding land and construction in progress) is provided on a straight-line basis over the following estimated useful lives:

Type of Asset	Estimated Useful Life
Improvements other than buildings	20 years
Buildings	10 to 100 years
Moveable equipment, software and furniture	5 to 15 years
Library books	10 years

Interest incurred during the construction of capital assets is included in the cost of the asset when capitalized. Interest of \$28,740 and \$25,601 was capitalized in the years ended June 30, 2013 and 2012, respectively. The university does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered in any way. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

Advance Payments for Goods and Services

Advance payments for goods and services primarily consist of receipts relating to tuition, room, board, grants, contracts and athletic events received in advance of the services to be provided. Tuition and fees relating to the summer academic term are recorded as revenue in the year to which they pertain. The university will recognize revenue to the extent these services are provided over the coming fiscal year.

Derivative Instruments and Hedging Activities

The university accounts for all derivative instruments on the statement of net position at fair value. Changes in the fair value (i.e., gains or losses) of the university's interest rate swap derivative are recorded each period in the consolidated statement of operations and changes in net position as a component of non-operating expense.

Operating and Non-Operating Revenues

The university defines operating activities, for purposes of reporting on the Statement of Revenues, Expenses, and Other Changes in Net Position, as those activities that generally result from exchange transactions, such as payments received for providing services and payments made for goods or services received. With the exception of interest expense on

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

long-term indebtedness, substantially all university expenses are considered to be operating expenses. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, current-use gifts and investment income.

Tuition, Room and Board

Student tuition and residence hall fees are presented net of scholarships and fellowships applied to student accounts. Stipends and other payments made directly to students are presented as scholarship and fellowship expense. Fee authorizations provided to graduate teaching, research and administrative associates as part of an employment arrangement are presented in instruction, research and other functional categories of operating expense.

State Support

The university is a state-assisted institution of higher education which receives a student enrollment-based instructional subsidy from the State of Ohio. This subsidy, which is based upon a formula devised by the Ohio Board of Regents, is determined annually and is adjusted to state resources available.

The state also provides line-item appropriations which partially support the current operations of various activities, which include clinical teaching expenditures incurred at The Ohio State University Health System and other health sciences teaching facilities, The Ohio State University Extension, the Ohio Agricultural Research and Development Center, and the Center for Labor Research.

In addition to current operating support, the State of Ohio provides the funding for and constructs major plant facilities on the university's campuses. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC) which, in turn, initiates the construction and subsequent lease of the facility by the Ohio Board of Regents.

Such facilities are reflected as buildings or construction in progress in the accompanying statement of net position. Neither the obligations for the revenue bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the university's financial statements. Debt service is funded through appropriations to the Ohio Board of Regents by the General Assembly.

These facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund and future payments to be received by such fund, which is established in the custody of the Treasurer of State.

Government Grants and Contracts

Government grants and contracts normally provide for the recovery of direct and indirect costs and are subject to audit by the appropriate government agency. Federal funds are

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

subject to an annual OMB Circular A-133 audit. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to three years.

The university generally considers grants, contracts and non-capital appropriations to be exchange transactions. Under these arrangements, the university provides a bargained-for benefit, typically in the form of instruction, research or public service programs, either directly to the funding entity or to its constituents. The overall scope and nature of these program activities is determined by the level of funding and the requirements set forth by these resource providers.

OSU Health System Revenue

Revenue received under third-party cost reimbursement agreements (primarily the federal Medicare and Medicaid programs) are subject to examination and retroactive adjustments by the agencies administering the programs. In the normal course of business, the Health System contests certain issues resulting from examination of prior years' reimbursement reports. The accompanying financial statements include provisions for estimated retroactive adjustments arising from such examinations and contested issues. The Health System recognizes settlements of protested adjustments or appeals upon resolution of the matters. Patient revenues are recorded net of contractual allowances, charity care and bad debt expenses.

OSU Physicians Revenue

Net patient service revenue represents amounts received and the estimated realizable amounts due from patients and third-party payers for services rendered net of contractual allowances, charity care and bad debt expenses. OSU Physicians (OSUP), a discretely presented component unit of the university, provides care to patients under various reimbursable agreements, including Medicare and Medicaid. These arrangements provide for payment for covered services at agreed-upon rates and under certain fee schedules and various discounts from charges. Provisions have been made in the consolidated financial statements for estimated contractual adjustments, representing the difference between the customary charges for services rendered and related reimbursement.

Charity Care and Community Benefit

Care is provided to patients regardless of their ability to pay. A patient is classified as charity care in accordance with policies established by the OSU Health System and OSUP. Because collection of amounts determined to qualify as charity care are not pursued, such amounts are written off as administrative adjustments and not reported as net patient service revenue. OSU Health System and OSUP maintain records to identify and monitor the level of charity care provided, including the amount of charges foregone for services rendered. Net charity care costs for the OSU Health System as of June 30, 2013 and 2012 are \$35,927 and \$38,482, respectively, after applying reductions of \$21,463 and \$23,009, respectively, for support received under the Health Care Assurance Program (HCAP). HCAP is administered by the State of Ohio to help hospitals cover a portion of the cost of providing charity care.

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

Charity care costs for OSUP as of June 30, 2013 and 2012 are \$19,934 and \$12,296, respectively.

Management 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, liabilities, revenues and expenditures during the reporting period. Disclosure of contingent assets and liabilities at the date of the financial statements may also be affected. Actual results could differ from those estimates.

Newly Issued Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012*. This Statement resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement 62 by modifying the specific guidance on accounting for certain operating lease payments, purchases of loans and mortgage loan servicing fees. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012.

In June 2012, the GASB issued two related accounting standards, Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 67 builds upon the existing framework for financial reports of defined benefit pension plans and expands required note disclosures and Required Supplementary Information. It is effective for periods beginning after June 15, 2013.

Statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability, which is the difference between the total pension liability and the assets set aside to pay pension benefits. Statement No. 68 also requires cost-sharing employers to record a liability and expense equal to their

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

proportionate share of the collective net pension liability and expense for the cost-sharing plan. It is effective for periods beginning after June 15, 2014.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. Statement No. 69 requires mergers, which do not involve an exchange of consideration, to be accounted for using the carrying values of assets. Acquisitions are accounted for using acquisition values. The standard also provides guidance on reporting of disposals of government operations. It is effective for periods beginning after December 15, 2013.

In April 2013, the GASB issued Statement No. 70, *Accounting and Reporting for Nonexchange Financial Guarantees*. Statement No. 70 requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is *more likely than not* that the guarantor will be required to make a payment to the obligation holders under the agreement. The standard also requires guarantors or issuers to disclose information about the amounts and nature of nonexchange financial guarantees. It is effective for periods beginning after June 15, 2013.

University management is currently assessing the impact that implementation of GASB Statements No. 65, 66, 67, 68, 69 and 70 will have on the university's financial statements.

Other

The university is exempt from income taxes as a non-profit organization under Internal Revenue Code §115 and Internal Revenue Service regulations. Any unrelated business income is taxable.

Revision

During 2014, the university identified a misclassification of accumulated appreciation on donor restricted endowment funds, between restricted net position – nonexpendable and restricted net position – expendable. As a result, the June 30, 2013 and June 30, 2012 restricted nonexpendable and restricted expendable net position for the Primary Institution presented within the consolidated statement of net position and for the OSU Foundation presented within Note 19 have been revised to correct for the misclassification of these amounts. The following table summarizes the effect of these revisions:

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

	<u>As of June 30, 2013</u>			<u>As of June 30, 2012</u>		
	As originally reported	Adjustment	As adjusted	As originally reported	Adjustment	As adjusted
Consolidated Statements of Net Position, Primary Institution:						
Restricted:						
Nonexpendable	\$1,340,681	(\$182,667)	\$1,158,014	\$1,200,473	(\$149,782)	\$1,050,691
Expendable	737,848	182,667	920,515	603,108	149,782	752,890

Note 19 – Combining Information for Blended Component Units, OSU Foundation

Restricted:						
Nonexpendable	587,508	(14,058)	573,450	509,066	(6,649)	502,417
Expendable	120,994	14,058	135,052	81,871	6,649	88,520

There was no impact on total net position as originally reported. The endowment policy disclosures in Note 1 in this regard have been revised to reflect this adjusted presentation.

NOTE 2 — CASH AND CASH EQUIVALENTS

At June 30, 2013, the carrying amount of the primary institution's cash, cash equivalents and restricted cash for all funds is \$991,135 as compared to bank balances of \$966,360. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$3,054 is covered by federal deposit insurance and \$963,306 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

At June 30, 2012, the carrying amount of the primary institution's cash, cash equivalents and restricted cash for all funds is \$1,268,079 as compared to bank balances of \$1,268,258. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$7,360 is covered by federal deposit insurance and \$1,260,898 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

At June 30, 2013, the carrying amount of the discretely presented component units' cash, cash equivalents and restricted cash for all funds is \$52,495 as compared to bank balances of \$48,927. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$5,619 is covered by federal deposit insurance and \$43,308 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

At June 30, 2012, the carrying amount of the discretely presented component units' cash, cash equivalents and restricted cash for all funds is \$43,952 as compared to bank balances of \$40,088. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$39,496 is covered by

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

federal deposit insurance and \$591 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

The university considers highly liquid investments with maturities of three months or less as cash and cash equivalents.

NOTE 3 — INVESTMENTS

University investments are grouped into three major categories for financial reporting purposes: Temporary Investments, the Long-Term Investment Pool and Other Long-Term Investments.

Temporary Investments are funds available for current operations. The target is to maximize value while protecting the liquidity of the assets. Temporary Investment funds are invested in the following instruments with varying maturities: obligations of the U. S. Treasury and other federal agencies and instrumentalities, municipal and state bonds, corporate bonds, certificates of deposit, commercial paper, repurchase agreements, money market funds and mutual funds.

The Long-Term Investment Pool is a unitized investment pool consisting of gifted endowment funds of the university, gifted endowment funds of the OSU Foundation, and quasi-endowment funds which are internally designated funds that are to function as endowments. The Long-Term Investment Pool operates with a long-term investment goal of preserving and maintaining the real purchasing power of the principal while allowing for the generation of a predictable stream of annual distribution. The university's Board of Trustees approved the following thematic asset classes, allocation ranges and benchmarks for the Long-Term Investment Pool:

Asset Class	Range	Benchmark
Global Equity	10-50%	50% (ACWI) + 50%(50% ACWI + 4%)
Global Credit	10-50%	90 Day T-Bill s + 4%
Private Capital	10-25%	100% (Cambridge Associates Private Equity Medians)
Real Assets	10-25%	75% (CPI + 4%) + 25% (NACREIF Real Estate Index)

The Long Term Investment Pool is a diversified investment pool designed to produce competitive risk-adjusted returns that will provide real growth over time. Benchmarks are selected to measure the performance of the investments in each asset class considering the goals and expectations for each asset class.

The Global Equity category includes domestic equity, international equity, long biased long/short equity and emerging market equity managers. The Global Credit category includes fixed income, absolute return and credit oriented managers. The Private Capital category includes private equity and venture capital funds. The Real Assets category includes real estate, natural resource, commodity and infrastructure funds.

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

Mutual funds held by the university invest in a wide range of alternative investments. These investments may include, but are not limited to, investments in equity securities, mutual funds, limited and general partnerships, foreign securities, short sales positions, distressed securities, fixed income securities, options, currencies, commodities, futures and derivatives. The university's objective for investing in these assets is to provide stable, absolute returns that are uncorrelated to fluctuations in the stock and bond markets.

Other Long-Term Investments are non-unitized investments that relate primarily to gift arrangements between donors and the OSU Foundation. Included in this category are charitable remainder trust assets invested in mutual funds, OSU Foundation interests in unitrust, gift annuities, annuity trust and pooled income agreements, life insurance policies for which the OSU Foundation has been named owner and beneficiary, and certain real estate investments. Also included in this category are investments in certain organizations that are affiliated with the OSU Health System.

U. S. Government and Agency securities are invested through trust agreements with banks who keep the securities in their safekeeping accounts at the Federal Reserve Bank in "book entry" form. The banks internally designate the securities as owned by or pledged to the university. Common stocks, corporate bonds and money market instruments are invested through trust agreements with banks who keep the investments in their safekeeping accounts at Northern Trust and BNY Mellon in "book entry" form. The banks internally designate the securities as owned by or pledged to the university.

The cash and cash equivalents amount represents cash held in the long-term investment pool by various investment managers as of June 30, 2013. Such amounts were generated by gifts received throughout the fiscal year and sales of investments in the long-term investment pool. Subsequently, the cash and cash equivalents will be used to purchase long-term investments.

Total university investments by major category for the primary institution at June 30, 2013 and 2012 are as follows:

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

	Primary Institution	
	2013	2012
Temporary Investments	\$ 1,009,234	\$ 729,288
Long-Term Investment Pool:		
Gifted Endowment - University	941,031	878,707
Gifted Endowment - OSU Foundation	589,702	500,824
Quasi Endowment - Operating	1,055,699	942,592
Quasi Endowment - Designated	562,737	43,910
Total Long-Term Investment Pool	3,149,169	2,366,033
Other Long-Term Investments	69,358	71,663
Total Investments	\$ 4,227,761	\$ 3,166,984

Total university investments by investment type for the primary institution at June 30, 2013 are as follows:

	Primary Institution			
	Temporary Investments	Long-Term Investment Pool	Other	Total
			Long-Term Investments	
Common stock	\$ 3	\$ 369,745	\$ -	\$ 369,748
Equity mutual funds	69,846	152,708	23,522	246,076
U.S. government obligations	106,380	24,956	3,147	134,483
U.S. government agency obligations	119,943	66,430	-	186,373
Repurchase agreements	42,244	9,600	-	51,844
Corporate bonds and notes	483,267	78,390	261	561,918
Bond mutual funds	136,986	-	20,118	157,104
Foreign government bonds	18,604	14,855	-	33,459
Real estate	5	-	4,848	4,853
Partnerships and hedge funds	-	2,288,377	822	2,289,199
Commercial paper	21,733	-	-	21,733
Cash and cash equivalents	-	141,510	-	141,510
Other	10,223	2,598	16,640	29,461
	\$ 1,009,234	\$ 3,149,169	\$ 69,358	\$ 4,227,761

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

Total university investments by investment type for the primary institution at June 30, 2012 are as follows:

	Primary Institution			
	Temporary Investments	Long-Term Investment Pool	Other	Total
			Long-Term Investments	
Common stock	\$ -	\$ 253,125	\$ -	\$ 253,125
Equity mutual funds	58,196	107,742	21,086	187,024
U.S. government obligations	72,727	6,323	3,853	82,903
U.S. government agency obligations	131,034	13,070	-	144,104
Repurchase agreements	129,443	50,000	-	179,443
Corporate bonds and notes	233,410	50,784	279	284,473
Bond mutual funds	98,511	-	22,177	120,688
Foreign government bonds	3,586	28,265	-	31,851
Real estate	5	-	4,788	4,793
Partnerships and hedge funds	-	1,729,258	975	1,730,233
Cash and cash equivalents	-	124,218	-	124,218
Other	2,376	3,248	18,505	24,129
	<u>\$ 729,288</u>	<u>\$ 2,366,033</u>	<u>\$ 71,663</u>	<u>\$ 3,166,984</u>

The components of the net investment income for the primary institution are as follows:

	Net Increase (Decrease)		
	Interest and Dividends (net)	in Fair Value of Investments	Net Investment Income (Loss)
	Temporary Investments	\$ 13,258	\$ 1,696
Long-Term Investment Pool	67,422	304,318	371,740
Other Long-Term Investments	(3,222)	3,044	(178)
Total 2013	<u>\$ 77,458</u>	<u>\$ 309,058</u>	<u>\$ 386,516</u>
Total 2012	<u>\$ 68,889</u>	<u>\$ (9,705)</u>	<u>\$ 59,184</u>

Additional Risk Disclosures for Investments

Statement Nos. 3 and 40 of the Governmental Accounting Standards Board require certain additional disclosures related to the custodial, interest-rate, credit and foreign currency risks associated with deposits and investments.

Interest-rate risk – Interest-rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.

The maturities of the university's interest-bearing investments for the primary institution at June 30, 2013 are as follows:

	Primary Institution				
	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	\$ 134,483	\$ 27,707	\$ 91,981	\$ 6,650	\$ 8,145
U.S. agency obligations	186,373	18,361	80,686	18,019	69,307
Repurchase agreements	51,844	51,844	-	-	-
Commercial paper	21,733	21,733	-	-	-
Corporate bonds	561,918	84,924	392,929	26,633	57,432
Bond mutual funds	157,104	6,352	66,481	26,563	57,708
Other governmental bonds	11,188	1,514	6,189	1,365	2,120
Foreign governmental bonds	33,459	9,091	13,638	8,566	2,164
Total	\$ 1,158,102	\$ 221,526	\$ 651,904	\$ 87,796	\$ 196,876

The maturities of the university's interest-bearing investments for the primary institution at June 30, 2012 are as follows:

	Primary Institution				
	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	\$ 82,903	\$ 8,200	\$ 67,593	\$ 4,545	\$ 2,565
U.S. agency obligations	144,104	21,464	82,760	20,657	19,223
Repurchase agreements	179,443	179,443	-	-	-
Corporate bonds	284,473	54,993	189,984	24,513	14,983
Bond mutual funds	120,688	9,707	65,504	30,078	15,399
Other governmental bonds	4,019	-	770	-	3,249
Foreign governmental bonds	31,851	4,000	14,778	10,242	2,831
Total	\$ 847,481	\$ 277,807	\$ 421,389	\$ 90,035	\$ 58,250

Custodial credit risk – Custodial credit risk is the risk that, in the event of the failure of the custodian, university investments may not be recovered. It is the policy of the university to hold investments in custodial accounts, and the securities are registered solely in the name of the university. All investments are transacted with nationally reputable brokerage firms offering protection by the Securities Investor Protection Corporation.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. Credit quality information – as commonly expressed in terms of the credit ratings issued by nationally recognized statistical

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

rating organizations such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings – provides a current depiction of potential variable cash flows and credit risk.

Per GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3* (GASB 40), unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. GASB 40 also provides that securities with split ratings, or a different rating assignment, are disclosed using the rating indicative of the greatest degree of risk. The following table presents each applicable investment type grouped by rating as of June 30, 2013, and 2012.

The credit ratings of the university's interest-bearing investments for the primary institution at June 30, 2013 are as follows:

	Primary Institution							
	U. S.			Commercial Paper	Corporate Bonds	Bond Mutual Funds	Other	
	Total	Government and Agency Obligations	Repurchase Agreements				Governmental Bonds	International Bonds
AAA	\$ 198,324	\$ -	\$ -	\$ -	\$ 77,958	\$ 115,167	\$ -	\$ 5,199
AA	437,726	266,979	51,844	-	90,681	10,936	7,430	9,856
A	296,201	6,281	-	19,733	236,243	20,542	2,858	10,544
BBB	126,345	1,537	-	-	114,791	9,571	-	446
BB	10,669	-	-	-	9,193	115	-	1,361
B	6,146	-	-	-	6,146	-	-	-
CCC	3,281	-	-	-	2,581	700	-	-
CC	1,764	-	-	-	1,764	-	-	-
C	-	-	-	-	-	-	-	-
D	15,608	-	-	-	15,608	-	-	-
Not rated	62,038	46,059	-	2,000	6,953	73	900	6,053
Total	\$ 1,158,102	\$ 320,856	\$ 51,844	\$ 21,733	\$ 561,918	\$ 157,104	\$ 11,188	\$ 33,459

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

The credit ratings of the university's interest-bearing investments for the primary institution at June 30, 2012 are as follows:

	Primary Institution						
	U. S.			Corporate Bonds	Bond Mutual Funds	Other	
	Total	Government and Agency Obligations	Repurchase Agreements			Governmental Bonds	International Bonds
AAA	\$ 148,535	\$ -	\$ -	\$ 59,540	\$ 79,656	\$ 8,119	\$ 1,220
AA	464,216	225,004	179,443	45,404	4,614	7,093	2,658
A	160,828	932	-	122,902	27,884	8,969	141
BBB	59,481	1,071	-	49,116	7,218	2,076	-
BB	3,234	-	-	3,230	4	-	-
B	792	-	-	791	1	-	-
CCC	1,529	-	-	420	1,109	-	-
CC	-	-	-	-	-	-	-
C	-	-	-	-	-	-	-
Not rated	8,866	-	-	3,070	202	5,594	-
Total	\$ 847,481	\$ 227,007	\$ 179,443	\$ 284,473	\$ 120,688	\$ 31,851	\$ 4,019

Foreign currency risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

At June 30, 2013, exposure to foreign currency risk for the primary institution is as follows:

	Primary Institution					
	Common	Equity	Bond		Foreign	Private
	Stock	Mutual Funds	Mutual Funds	Corporate Bonds	Government Bonds	Private Equity
Australian dollar	\$ 730	\$ 7,298	\$ 100	\$ (38)	\$ 530	\$ 22,017
Brazilian real	6,650	815	51	(293)	-	-
Canadian dollar	422	2,150	164	-	1,505	-
Chilean peso	1,197	126	10	-	-	-
Chinese yuan	-	2,127	1	-	-	-
Columbian peso	-	58	-	-	-	-
Czech Republic koruna	1,021	298	-	-	-	-
Danish krone	-	261	72	1,002	-	-
Egyptian pound	786	-	-	-	-	-
Euro	11,620	20,854	2,858	4,722	12,358	43,499
Great Britain pound sterling	12,182	23,272	619	1,430	2,844	-
Hong Kong dollar	15,481	2,677	-	-	-	-
Hungarian forint	-	30	-	-	-	-
Indian rupee	5,147	507	4	-	-	-
Indonesian rupiah	1,224	220	28	-	298	-
Israeli shekel	-	126	-	-	-	-
Japanese yen	3,701	22,510	2,823	-	4,008	-
Malaysian ringgit	97	288	-	-	290	-
Mexican peso	1,463	348	94	-	4,488	-
Moroccan dirham	-	-	-	-	-	-
New Taiwan dollar	6,925	812	-	-	-	-
New Zealand dollar	-	29	(8)	-	-	-
Norewegian krone	-	1,084	-	-	-	-
Peruvian nuevo sol	-	32	-	-	-	-
Phillippine peso	-	93	-	-	-	-
Polish zloty	-	95	-	-	-	-
Russian ruble	-	379	1	-	-	-
Singapore dollar	-	4,149	-	-	-	-
South African rand	6,397	526	7	-	1,386	-
South Korean won	-	977	-	-	-	-
Sri Lanka rupee	9,439	-	-	-	770	-
Swedish krona	512	3,275	44	-	-	-
Swiss franc	8,896	4,267	-	-	-	-
Thailand bhat	519	195	-	-	-	-
Turkish lira	1,613	127	-	-	-	-
UAE dirham	1,135	28	-	-	-	-
Total	\$ 97,157	\$ 100,033	\$ 6,868	\$ 6,823	\$ 28,477	\$ 65,516

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

At June 30, 2012, exposure to foreign currency risk for the primary institution is as follows:

	Primary Institution					
	Common	Equity	Bond	Corporate	Foreign	Private
	Stock	Mutual Funds	Mutual Funds	Bonds	Government Bonds	Equity
Australian dollar	\$ 981	\$ 2,772	\$ 146	\$ 7	\$ 749	\$ 26,726
Brazilian real	2,749	846	(1)	1,054	-	-
Canadian dollar	-	1,968	387	30	5,323	-
Chilean peso	-	129	-	-	-	-
Chinese yuan	-	1,103	-	-	-	-
Columbian peso	-	56	-	-	-	-
Czech Republic						
koruna	957	286	-	-	-	-
Danish krone	-	215	115	-	-	-
Egyptian pound	822	20	-	-	-	-
Euro	4,754	14,256	4,513	13,056	4,324	39,248
Great Britain pound						
sterling	5,191	20,724	1,076	91	4,548	-
Hong Kong dollar	14,020	1,764	-	-	-	-
Hungarian forint	-	26	-	-	-	-
Indian rupee	3,294	469	-	-	-	-
Indonesian rupiah	971	180	(1)	-	-	-
Israeli shekel	-	125	-	-	-	-
Japanese yen	1,331	17,308	6,013	-	6,902	-
Malaysian ringgit	-	251	1	-	-	-
Mexican peso	1,635	785	347	128	4,099	-
Moroccan dirham	-	-	-	-	-	-
New Taiwan dollar	5,820	705	-	-	-	-
New Zealand dollar	-	28	12	-	-	-
Norewegian krone	-	951	-	-	-	-
Peruvian nuevo sol	-	32	-	-	-	-
Phillippine peso	-	52	-	-	-	-
Polish zloty	-	78	(1)	-	-	-
Russian ruble	-	356	-	-	-	-
Singapore dollar	557	3,622	-	-	-	-
South African rand	7,935	548	64	-	-	-
South Korean won	8,206	1,012	2	-	-	-
Swedish krona	736	2,540	54	-	-	-
Swiss franc	3,791	3,232	-	-	-	-
Thailand bhat	628	1,155	-	-	-	-
Turkish lira	1,414	103	-	-	-	-
Total	\$ 65,792	\$ 77,697	\$ 12,727	\$ 14,366	\$ 25,945	\$ 65,974

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

NOTE 4 — ACCOUNTS, NOTES AND PLEDGES RECEIVABLE

Accounts receivable for the primary institution at June 30, 2013 and 2012 consist of the following:

	Primary Institution	
	2013	2012
Patient receivables - OSU Health System	\$ 867,202	\$ 998,615
Grant and contract receivables	81,621	66,887
Tuition and fees receivable	23,667	43,116
Receivables for departmental and auxiliary sales and services	50,250	39,010
State and federal receivables	12,525	24,460
Other receivables	30	45
Total receivables	1,035,295	1,172,133
Less: Allowances for doubtful accounts	649,330	755,407
Total receivables, net	\$ 385,965	\$ 416,726

Allowances for doubtful accounts consist primarily of patient receivables of the OSU Health System.

Notes receivable consist primarily of Perkins and health professions loans and are net of an allowance for doubtful accounts of \$18,000 and \$20,000 at June 30, 2013 and 2012, respectively. Federal capital contributions to the Perkins loan programs represent advances which are ultimately refundable to the federal government.

In accordance with GASB Statement No. 33, *Accounting and Reporting for Non-exchange Transactions*, the university has recorded \$105,515 in non-endowment pledges receivable and a related allowance for doubtful accounts of \$6,369 at June 30, 2013. The university recorded \$72,643 in non-endowment pledges receivable and a related allowance for doubtful accounts of \$4,898 at June 30, 2012.

NOTE 5 — CAPITAL ASSETS

Capital assets activity for the primary institution for the year ended June 30, 2013 is summarized as follows:

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

	Primary Institution			
	Beginning			Ending
	Balance	Additions	Retirements	Balance
Capital assets not being depreciated:				
Land	\$ 71,062	\$ -	\$ 1,871	\$ 69,191
Intangibles	7,913	10,500	-	18,413
Construction in progress	911,390	658,019	706,804	862,605
Total non depreciable assets	990,365	668,519	708,675	950,209
Capital assets being depreciated:				
Improvements other than buildings	306,614	199,426	6,921	499,119
Buildings and fixed equipment	4,075,761	370,019	915	4,444,865
Movable equipment, furniture and software	995,547	92,552	51,340	1,036,759
Library books	162,250	4,655	932	165,973
Total	5,540,172	666,652	60,108	6,146,716
Less: Accumulated depreciation	2,765,212	256,722	61,401	2,960,533
Total depreciable assets, net	2,774,960	409,930	(1,293)	3,186,183
Capital assets, net	\$ 3,765,325	\$ 1,078,449	\$ 707,382	\$ 4,136,392

Capital assets activity for the primary institution for the year ended June 30, 2012 is summarized as follows:

	Primary Institution			
	Beginning			Ending
	Balance	Additions	Retirements	Balance
Capital assets not being depreciated:				
Land	\$ 70,066	\$ 1,021	\$ 25	\$ 71,062
Intangibles	7,913	-	-	7,913
Construction in progress	535,908	375,482	-	911,390
Total non depreciable assets	613,887	376,503	25	990,365
Capital assets being depreciated:				
Improvements other than buildings	304,198	2,416	-	306,614
Buildings and fixed equipment	3,970,390	112,681	7,310	4,075,761
Movable equipment, furniture and software	909,611	124,164	38,228	995,547
Library books	159,541	4,076	1,367	162,250
Total	5,343,740	243,337	46,905	5,540,172
Less: Accumulated depreciation	2,569,143	236,180	40,111	2,765,212
Total depreciable assets, net	2,774,597	7,157	6,794	2,774,960
Capital assets, net	\$ 3,388,484	\$ 383,660	\$ 6,819	\$ 3,765,325

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

Capital assets activity for the discretely presented component units for the year ended June 30, 2013 is summarized as follows:

	Discretely Presented Component Units			
	Beginning			Ending
	Balance	Additions	Retirements	Balance
Capital assets not being depreciated:				
Land	\$ 4,621	\$ 1,173	\$ -	\$ 5,794
Intangibles	-	-	-	-
Construction in progress	-	15	-	15
Total non depreciable assets	4,621	1,188	-	5,809
Capital assets being depreciated:				
Improvements other than buildings	7,043	378	-	7,421
Buildings and fixed equipment	48,273	331	-	48,604
Movable equipment, furniture and software	58,405	3,384	-	61,789
Library books	-	-	-	-
Total	113,721	4,093	-	117,814
Less: Accumulated depreciation	35,461	8,000	-	43,461
Total depreciable assets, net	78,260	(3,907)	-	74,353
Capital assets, net	\$ 82,881	\$ (2,719)	\$ -	\$ 80,162

Capital assets activity for the discretely presented component units for the year ended June 30, 2012 is summarized as follows:

	Discretely Presented Component Units			
	Beginning			Ending
	Balance	Additions	Retirements	Balance
Capital assets not being depreciated:				
Land	\$ 3,947	\$ 674	\$ -	\$ 4,621
Intangibles	-	-	-	-
Construction in progress	-	-	-	-
Total non depreciable assets	3,947	674	-	4,621
Capital assets being depreciated:				
Improvements other than buildings	5,099	1,944	-	7,043
Buildings and fixed equipment	50,198	-	1,925	48,273
Movable equipment, furniture and software	46,532	11,873	-	58,405
Library books	-	-	-	-
Total	101,829	13,817	1,925	113,721
Less: Accumulated depreciation	29,250	6,211	-	35,461
Total depreciable assets, net	72,579	7,606	1,925	78,260
Capital assets, net	\$ 76,526	\$ 8,280	\$ 1,925	\$ 82,881

In the above tables, additions to construction in progress represent expenditures for new projects, net of the amount of capital assets placed in service.

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses for the primary institution at June 30, 2013 and 2012 consist of the following:

	Primary Institution	
	2013	2012
Payables to vendors for supplies and services	\$ 212,179	\$ 249,993
Accrued compensation and benefits	81,971	80,568
Retirement system contributions payable	52,552	54,111
Other accrued expenses	38,304	29,323
Total payables and accrued expenses	\$ 385,006	\$ 413,995

NOTE 7 – DEPOSITS AND ADVANCE PAYMENTS FOR GOODS AND SERVICES

Deposits and advance payments for goods and services for the primary institution at June 30, 2013 and 2012 consist of the following:

	Primary Institution	
	2013	2012
Current deposits and advance payments:		
Tuition and fees	\$ 41,026	\$ 54,743
Departmental and auxiliary sales and services	70,642	77,341
Parking service concession	-	22,000
Grants and contracts advances	56,723	66,990
Other deposits and advance payments	11,045	9,226
Total current deposits and advance payments	\$ 179,436	\$ 230,300
Other non-current liabilities	\$ 25,219	\$ 27,852

NOTE 8 – SELF-INSURANCE ACCRUALS

The university maintains self-insurance programs for professional medical malpractice, employee health insurance and workers' compensation. Information on each of these programs is provided below.

Medical Malpractice

The Health System has established trusteed self-insurance funds for professional medical malpractice liability claims with a \$4 million limit per occurrence with no annual aggregate. The university self-insurance funds have insurance in excess of \$4 million per occurrence through Oval Limited, a blended component unit of the university. Effective July 1, 2008,

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

Oval Limited provides coverage with limits of \$55 million per occurrence and in the aggregate. Previous coverage levels for Oval Limited are as follows:

Accident Period for Oval	Gross Oval Limit (Occurrence and Annual Aggregate)
7/1/08 – 6/30/13	\$55,000,000
7/1/06 – 6/30/08	\$40,000,000
7/1/05 – 6/30/06	\$35,000,000
7/1/02 – 6/30/05	\$25,000,000
7/1/97 – 6/30/02	\$15,000,000
9/30/94 – 6/30/97	\$10,000,000

The limits are in excess of underlying policies with limits ranging from \$4 million to \$10 million per occurrence and \$14 million in the aggregate. A portion of the risks written by Oval Limited to date is reinsured by three reinsurance companies. Oval Limited retains 50% of the first \$15 million of risk and cedes the remainder to Berkley Medical Excess Underwriters (rated A+ by A.M. Best). The next \$20 million is fully ceded to Lexington Insurance Company (rated A by A.M. Best). Above that, Oval Limited cedes the remaining \$20 million of risk to Endurance Specialty Insurance Ltd. (rated A by A.M. Best). The estimated liability and the related contributions to the loss reserve are based upon an independent actuarial determination as of June 30, 2013. OSUP participates in the university self-insurance fund for professional medical malpractice liability claims.

The Heath System's estimate of professional malpractice liability includes provisions for known claims and actuarially determined estimates of incurred but not reported claims and incidents. This liability at June 30, 2013 of the anticipated future payments on gross claims is estimated at its present value of \$78,995 discounted at an estimated rate of 3% (university funds) and an additional \$38,313 discounted at an estimated rate of 3% (Oval Limited).

Although actual experience upon the ultimate disposition of the claims may vary from this estimate, the self-insurance fund assets of \$163,039 (which primarily consist of bond and equity mutual funds, money market funds and U.S. treasury notes) are more than the recorded liability at June 30, 2013, and the surplus of \$45,732 is included in unrestricted net assets.

Employee Health Insurance

The university is also self-insured for employee health insurance. As of June 30, 2013, \$36,326 is recorded as a liability relating to both claims received but not paid and estimates of claims incurred but not yet reported.

Workers' Compensation

Effective January 1, 2013, the university became self-insured for workers' compensation. As of June 30, 2013, \$730 is recorded as a liability relating to both claims received but not paid and estimates of claims incurred but not yet reported.

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

Changes in reported self-insurance liabilities for the primary institution since June 30, 2011 result from the following activities:

	Malpractice		Health		Workers' Compensation	
	2013	2012	2013	2012	2013	2012
Liability at beginning of fiscal year	\$ 118,339	\$ 120,631	\$ 42,703	\$ 29,507	\$ -	\$ -
Current year claims, changes in estimates	1,125	839	293,970	287,730	1,412	-
Claim payments	(7,456)	(3,131)	(300,347)	(274,534)	(682)	-
Balance at fiscal year end	\$ 112,008	\$ 118,339	\$ 36,326	\$ 42,703	\$ 730	\$ -

NOTE 9 — DEBT

The university may finance the construction, renovation and acquisition of certain facilities through the issuance of debt obligations which may include general receipts bonds, certificates of participation, commercial paper, capital lease obligations and other borrowings.

Debt activity for the primary institution for the year ended June 30, 2013 is as follows:

	Primary Institution				
	Beginning			Ending	Current
	Balance	Additions	Reductions	Balance	Portion
Notes:					
WOSU	\$ 3,075	\$ -	\$ 250	\$ 2,825	\$ 159
OH Air Quality Note Series A	-	4,602	-	4,602	368
OH Air Quality Note Series B	-	2,340	-	2,340	-
St. Stephens Church Note	-	3,000	-	3,000	63
General Receipts Bonds - Fixed Rate:					
2002A, due serially through 2031	4,130	-	4,130	-	-
2003B, due serially through 2033	29,300	-	29,300	-	-
2005A, due serially through 2035	180,030	-	121,770	58,260	10,860
2008A, due serially through 2028	180,265	-	30,235	150,030	12,620
2010A, due serially through 2020	231,960	-	29,910	202,050	27,390
2010C, due 2040	654,785	-	-	654,785	-
2010D, due serially through 2032	88,335	-	3,710	84,625	-
2011, due 2111	500,000	-	-	500,000	-
2012A, due 2030	-	91,165	665	90,500	-
2012B, due 2033	-	23,170	570	22,600	1,840
Special Purpose General Receipts Bonds - Fixed Rate:					
2013A, due 2043	-	337,955	-	337,955	-
General Receipts Bonds - Variable Rate:					
1997, due serially through 2027	17,160	-	-	17,160	17,160
1999B1, due serially through 2029	11,800	-	1,035	10,765	10,765
2001, due serially through 2032	56,540	-	3,505	53,035	53,035
2003C, due serially through 2031	53,230	-	1,255	51,975	51,975
2005B, due serially through 2035	78,735	-	7,160	71,575	71,575
2008B, due serially through 2028	102,235	-	10,310	91,925	91,925
2010E, due serially through 2035	150,000	-	-	150,000	150,000
Capital Lease Obligations	20,149	-	5,918	14,231	4,015
	2,361,729	462,232	249,723	2,574,238	503,750
Unamortized Bond Premiums	66,042	51,854	10,500	107,396	-
Total outstanding debt	\$ 2,427,771	\$ 514,086	\$ 260,223	\$ 2,681,634	\$ 503,750

Notes to Financial Statements – Years Ended June 30, 2013 and 2012
(dollars in thousands)

Debt activity for the primary institution for the year ended June 30, 2012 is as follows:

	Primary Institution				
	Beginning	Additions	Reductions	Ending	Current
	Balance			Balance	Portion
Notes:					
WOSU	\$ 3,325	\$ -	\$ 250	\$ 3,075	\$ 250
General Receipts Bonds - Fixed Rate:					
2002A, due serially through 2031	12,780	-	8,650	4,130	4,130
2003B, due serially through 2033	36,435	-	7,135	29,300	7,390
2005A, due serially through 2035	198,255	-	18,225	180,030	11,400
2008A, due serially through 2028	193,105	-	12,840	180,265	13,390
2010A, due serially through 2020	239,090	-	7,130	231,960	17,865
2010C, due 2040	654,785	-	-	654,785	-
2010D, due serially through 2032	88,335	-	-	88,335	-
2011, due 2111	-	500,000	-	500,000	-
General Receipts Bonds - Variable Rate:					
1997, due serially through 2027	17,160	-	-	17,160	17,160
1999B1, due serially through 2029	11,800	-	-	11,800	11,800
2001, due serially through 2032	56,540	-	-	56,540	56,540
2003C, due serially through 2031	53,230	-	-	53,230	53,230
2005B, due serially through 2035	78,735	-	-	78,735	78,735
2008B, due serially through 2028	102,235	-	-	102,235	102,235
2010E, due serially through 2035	150,000	-	-	150,000	150,000
Capital Lease Obligations	14,843	10,473	5,167	20,149	5,922
	1,910,653	510,473	59,397	2,361,729	530,047
Unamortized Bond Premiums	59,830	10,570	4,358	66,042	-
Total outstanding debt	\$ 1,970,483	\$ 521,043	\$ 63,755	\$ 2,427,771	\$ 530,047

Debt activity for the discretely presented component units for the year ended June 30, 2013 is as follows:

	Discretely Presented Component Units				
	Beginning	Additions	Reductions	Ending	Current
	Balance			Balance	Portion
Notes:					
Transportation Research Center	\$	\$	\$	\$	\$
Capital One Funding Corporation due through 2014	643	-	311	332	332
OSU Physicians - Fifth Third Note, due through 2035	16,030	2,627	705	17,952	790
OSU Physicians - Fifth Third Note, due through 2013	77	85	83	79	61
Campus Partners - UDCDE Note A	21,859	-	21,859	-	-
Campus Partners - UDCDE Note B	10,376	-	10,376	-	-
Campus Partners - CCF Loan, City of Columbus	125	-	-	125	-
Capital Lease Obligations	103	-	60	43	43
Total outstanding debt	\$ 49,213	\$ 2,712	\$ 33,394	\$ 18,531	\$ 1,226

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

Debt activity for the discretely presented component units for the year ended June 30, 2012 is as follows:

	Discretely Presented Component Units				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes:					
Transportation Research Center - Capital One Funding Corporation due through 2014	\$ 933	-	\$ 290	\$ 643	\$ 310
OSU Physicians - Fifth Third Note, due through 2012	1,414	-	1,414	-	-
OSU Physicians - Fifth Third Note, due through 2035	17,030	15	1,015	16,030	695
OSU Physicians - Fifth Third Note, due through 2013	130	-	53	77	53
Campus Partners - ESIC	10,433	-	10,433	-	-
Campus Partners - UDCDE Note A	22,124	-	265	21,859	21,859
Campus Partners - UDCDE Note B	10,376	-	-	10,376	-
Campus Partners - Mortgage payable					
Campus Partners - CCF Loan, City of Columbus	125	-	-	125	125
Campus Partners - Affordable Housing Trust Loan	500	-	500	-	-
Capital Lease Obligations	165	-	62	103	62
Total outstanding debt	\$ 63,230	\$ 15	\$ 14,032	\$ 49,213	\$ 23,104

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

Debt obligations are generally callable by the university, bear interest at fixed and variable rates ranging from 0% to 6% and mature at various dates through 2112. Maturities and interest on debt obligations for the next five years and in five-year periods for the primary institution are as follows:

	Primary Institution		
	Principal	Interest	Total
2014	\$ 503,751	96,725	\$ 600,476
2015	58,147	93,991	152,138
2016	57,754	91,295	149,049
2017	60,448	88,748	149,196
2018	60,815	86,045	146,860
2019-2023	184,223	409,191	593,414
2024-2028	170,143	374,079	544,222
2029-2033	124,745	340,722	465,467
2034-2038	89,207	326,314	415,521
2039-2043	765,005	208,844	973,849
2044-2048	-	120,000	120,000
2049-2053	-	120,000	120,000
2054-2058	-	120,000	120,000
2059-2063	-	120,000	120,000
2064-2068	-	120,000	120,000
2069-2073	-	120,000	120,000
2074-2078	-	120,000	120,000
2079-2083	-	120,000	120,000
2084-2088	-	120,000	120,000
2089-2093	-	120,000	120,000
2094-2098	-	120,000	120,000
2099-2103	-	120,000	120,000
2104-2108	-	120,000	120,000
2109-2112	500,000	72,000	572,000
	<u>\$ 2,574,238</u>	<u>\$ 3,747,954</u>	<u>\$ 6,322,192</u>

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

Maturities and interest on debt obligations for the next five years and in five-year periods for the discretely presented component units are as follows:

	Discretely Presented Component Units		
	Principal	Interest	Total
2014	\$ 1,226	392	\$ 1,618
2015	950	258	1,208
2016	824	340	1,164
2017	842	322	1,164
2018	860	304	1,164
2019-2023	4,567	1,228	5,795
2024-2028	3,550	794	4,344
2029-2033	3,943	400	4,343
2034-2038	1,769	41	1,810
	<u>\$ 18,531</u>	<u>\$ 4,079</u>	<u>\$ 22,610</u>

General receipts bonds are backed by the unrestricted receipts of the university, excluding certain items as described in the bond indentures.

The outstanding bond indentures do not require mandatory reserves for future payment of principal and interest. However, the university has set aside \$130,631 for future debt service which is included in unrestricted net assets.

The university has defeased various bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. The defeased bonds for the primary institution are as follows:

	Amount	
	Amount Defeased	Outstanding at June 30, 2013
General Receipts Bonds:		
Series 1999B	\$ 1,035	\$ -
Series 2001	3,505	-
Series 2002A	77,400	-
Series 2003B	120,300	-
Series 2003C	1,255	-
Series 2005A	111,380	111,380
Series 2005B	7,160	-
Series 2008A	18,195	18,195
Series 2008B	10,310	-
Series 2010A	13,050	13,050
Series 2010D	3,710	3,710
	<u>\$ 367,300</u>	<u>\$ 146,335</u>

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

Neither the outstanding indebtedness nor the related trust account assets for the above bonds are included in the university's financial statements.

Special-Purpose General Receipts Bonds

In January 2013, the university issued \$337,955 of Special Purpose General Receipts Bonds, Series 2013A. These bonds are solely payable from, and secured by, a pledge of the gross revenues of Special Purpose Revenue Facilities. Special Purpose Revenue Facilities are defined in the Series 2013 Supplement as all housing and dining facilities and such auxiliary facilities as shall constitute recreation facilities owned by the university. The bond indenture agreement includes a debt covenant, requiring the university "to set rates, charges and fees in each Fiscal Year so as to cause Special Purpose Pledged Revenues to be in an amount not less than 1.10 times the aggregate debt service for the then-current Fiscal Year on all Special Purpose General Receipts Obligations". At June 30, 2013, the university is in compliance with this covenant. Condensed financial information for the Special Purpose Revenue Facilities is provided in Note 21.

Variable Rate Demand Bonds

Series 1997, 1999B1, 2001, 2003C, 2005B, 2008B and 2010E variable rate demand bonds bear interest at rates based upon yield evaluations at par of comparable securities. The maximum interest rate allowable and the effective average interest rate from issue date to June 30, 2013 are as follows:

Series:	Interest Rate Not	Effective Average
	to Exceed	Interest Rate
1997	12%	1.830%
1999 B1	12%	1.594%
2001	12%	1.363%
2003 C	12%	1.663%
2005 B	12%	1.362%
2008 B	12%	0.395%
2010 E	8%	0.133%

At the discretion of the university, the interest rate on the bonds can be converted to a fixed rate. The bonds may be redeemed by the university or sold by the bondholders to a remarketing agent appointed by the university at any time prior to conversion to a fixed rate at a price equal to the principal amount plus accrued interest.

The university's variable rate demand bonds mature at various dates through 2035. GASB Interpretation No. 1, *Demand Bonds Issued by State and Local Governmental Entities*, provides guidance on the statement of net position classification of these bonds. Under GASB Interpretation No. 1, outstanding principal balances on variable rate demand bonds

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

may be classified as non-current liabilities if the issuer has entered into a “take-out agreement” to convert bonds “put” but not resold into some other form of long-term obligation. In the absence of such an agreement, the total outstanding principal balances for these bonds are required to be classified as current liabilities.

Although it is the university’s intent to repay its variable rate demand bonds in accordance with the maturities set forth in the bond offering circulars, the university does not have “take-out agreements” in place per the GASB Interpretation No. 1 requirements. Accordingly, the university has classified the total outstanding principal balances on its variable rate demand bonds as current liabilities. The obligations totaled \$446,435 and \$469,700 at June 30, 2013 and 2012, respectively.

Capital Lease Obligations

Some university equipment items and vehicles are financed as capital leases. The original cost and lease obligations related to these capital leases as of June 30, 2013 are \$44,924 and \$14,273, respectively. The original cost and lease obligations related to these capital leases as of June 30, 2012 are \$50,734 and \$20,252, respectively.

Interest Rate Swap Agreements

In connection with the issuance of the Series 2011 General Receipts Bonds, also known as the Century Bonds, the university entered into an interest-rate lock agreement on October 3, 2011 for a notional amount of \$300,000. The rate lock agreement, which was intended to fix the price on the bonds, was terminated on October 19, 2011. Upon termination, the university received a \$20,307 termination fee from the counterparty. Under the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the agreement is considered an effective cash flow hedge under the consistent critical terms method. Accordingly, the termination fee has been deferred and will be amortized over the life of the Century Bonds as an offset of interest expense.

In addition, OSUP, a discretely presented component unit of the university, has one interest rate swap agreements that is not considered a hedge under GASB Statement No. 53. The swap is used to offset the variable interest rate on a portion of the 2010 bond financing obtained for the ambulatory facility in the amount of \$16,030. On May 1, 2013, at the same time the 2010 bond financing was refinanced, the swap was paid off with the proceeds from a term loan issuance in the amount of \$2,635. At June 30, 2013, OSUP held no other derivative instruments.

NOTE 10 — OPERATING LEASES

The university leases various buildings, office space, and equipment under operating lease agreements. These facilities and equipment are not recorded as assets on the statement of net position. The total rental expense under these agreements was \$29,717 and \$37,386 for the years ended June 30, 2013 and 2012, respectively.

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

Future minimum payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2013 are as follows:

Year Ending June 30,	Primary	Discrete
	Institution	Component Units
2014	\$ 21,386	\$ 3,613
2015	13,745	2,380
2016	11,068	1,927
2017	10,418	1,699
2018	9,732	1,041
2019-2023	39,842	212
2024-2028	32,853	-
2029-2033	13,718	-
2034-2038	723	-
2039-2043	723	-
2044-2048	723	-
Total minimum lease payments	<u>\$ 154,931</u>	<u>\$ 10,872</u>

NOTE 11 — COMPENSATED ABSENCES

University employees earn vacation and sick leave on a monthly basis.

Classified civil service employees may accrue vacation benefits up to a maximum of three years credit. Administrative and professional staff and faculty may accrue vacation benefits up to a maximum of 240 hours. For all classes of employees, any earned but unused vacation benefit is payable upon termination.

Sick leave may be accrued without limit. However, earned but unused sick leave benefits are payable only upon retirement from the university with ten or more years of service with the state. The amount of sick leave benefit payable at retirement is one fourth of the value of the accrued but unused sick leave up to a maximum of 240 hours.

The university accrues sick leave liability for those employees who are currently eligible to receive termination payments as well as other employees who are expected to become eligible to receive such payments. This liability is calculated using the “termination payment method” which is set forth in Appendix C, Example 4 of the GASB Statement No. 16, *Accounting for Compensated Absences*. Under the termination method, the university calculates a ratio, Sick Leave Termination Cost per Year Worked, that is based on the university’s actual historical experience of sick leave payouts to terminated employees. This ratio is then applied to the total years-of-service for current employees.

Certain employees of the university (mostly classified civil service employees) receive compensation time in lieu of overtime pay. Any unused compensation time must be paid to the employee at termination or retirement.

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

NOTE 12 — OTHER LIABILITIES

Other liability activity for the primary institution for the year ended June 30, 2013 is as follows:

	Primary Institution				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 138,521	\$ 23,282	\$ 12,026	\$ 149,777	\$ 12,040
Self-insurance accruals	163,542	293,325	307,803	149,064	42,213
Amounts due to third party payors	25,026	3,697	13,716	15,007	3,641
Obligations under life income agreements	37,605	3,506	3,761	37,350	3,648
Refundable advances for Federal Perkins loans	28,706	2,739	-	31,445	-
Other noncurrent liabilities	27,852	33,497	-	61,349	1,500
	<u>\$ 421,252</u>	<u>\$ 360,046</u>	<u>\$ 337,306</u>	<u>\$ 443,992</u>	<u>\$ 63,042</u>

Other liability activity for the primary institution for the year ended June 30, 2012 is as follows:

	Primary Institution				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 124,646	\$ 26,009	\$ 12,134	\$ 138,521	\$ 12,134
Self-insurance accruals	150,138	291,068	277,664	163,542	48,334
Amounts due to third party payors	38,939	9,537	23,450	25,026	11,310
Obligations under life income agreements	39,518	1,848	3,761	37,605	3,517
Refundable advances for Federal Perkins loans	28,887	-	181	28,706	-
Other noncurrent liabilities	6,000	21,852	-	27,852	-
	<u>\$ 388,128</u>	<u>\$ 350,314</u>	<u>\$ 317,190</u>	<u>\$ 421,252</u>	<u>\$ 75,295</u>

NOTE 13 – RENTALS UNDER OPERATING LEASES

The university is the lessor of certain land, buildings, office and retail space under operating lease agreements. Future minimum rental income from non-cancelable operating leases for the primary institution as of June 30, 2013 is as follows:

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

Year Ending June 30,	
2014	\$ 8,987
2015	7,287
2016	6,597
2017	6,330
2018	6,246
2019-2023	29,223
2024-2028	28,283
2029-2033	27,413
2034-2038	26,781
2039-2043	26,767
2044-2048	2,669
2049-2053	-
Total minimum future rentals	<u>\$ 176,583</u>

NOTE 14 – OPERATING EXPENSES BY OBJECT

In accordance with requirements set forth by the Ohio Board of Regents, the university reports operating expenses by functional classification on the Statement of Revenues, Expenses and Other Changes in Net Position. Operating expenses by object for the primary institution for the years ended June 30, 2013 and 2012 are summarized as follows:

Year Ended June 30, 2013

	Primary Institution				
	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 794,042	\$ 112,297	\$ -	\$ -	\$ 906,339
Separately budgeted research	274,865	139,120	-	-	413,985
Public service	73,476	23,102	-	-	96,578
Academic support	134,030	36,112	-	-	170,142
Student services	71,901	22,336	-	-	94,237
Institutional support	159,208	112,529	-	-	271,737
Operation and maintenance of plant	32,224	61,543	-	-	93,767
Scholarships and fellowships	7,517	961	102,886	-	111,364
Auxiliary enterprises	140,533	101,843	-	-	242,376
OSU Health System	977,766	818,815	-	-	1,796,581
Depreciation	-	-	-	257,606	257,606
Total operating expenses	<u>\$ 2,665,564</u>	<u>\$ 1,428,657</u>	<u>\$ 102,886</u>	<u>\$ 257,606</u>	<u>\$ 4,454,712</u>

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

Year Ended June 30, 2012

	Primary Institution				Total
	Compensation Benefits	Supplies Services	Scholarships Fellowships	Depreciation	
Instruction	\$ 803,848	\$ 71,952	\$ -	\$ -	\$ 875,800
Separately budgeted research	272,539	156,737	-	-	429,276
Public service	72,013	26,673	-	-	98,686
Academic support	124,659	38,124	-	-	162,783
Student services	68,026	22,467	-	-	90,493
Institutional support	150,265	67,383	-	-	217,648
Operation and maintenance of plant	35,413	67,682	-	-	103,095
Scholarships and fellowships	7,216	3,484	100,048	-	110,748
Auxiliary enterprises	137,027	102,543	-	-	239,570
OSU Health System	986,718	710,910	-	-	1,697,628
Depreciation	-	-	-	236,180	236,180
Total operating expenses	\$ 2,657,725	\$ 1,267,955	\$ 100,048	\$ 236,180	\$ 4,261,907

NOTE 15 — RETIREMENT PLANS

University employees are covered by one of three retirement systems. The university faculty is covered by the State Teachers Retirement System of Ohio (STRS Ohio). Substantially all other employees are covered by the Public Employees Retirement System of Ohio (OPERS). Employees may opt out of STRS Ohio and OPERS and participate in the Alternative Retirement Plan (ARP) if they meet certain eligibility requirements.

STRS Ohio and OPERS each offer three separate plans: 1) a defined benefit plan, 2) a defined contribution plan and 3) a combined plan. Each of these three options is discussed in greater detail in the following sections.

Defined Benefit Plans

STRS Ohio and OPERS offer statewide cost-sharing multiple-employer defined benefit pension plans. STRS Ohio and OPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute and are calculated using formulas that include years of service and final average salary as factors. Both STRS Ohio and OPERS issue separate, publicly available financial reports that include financial statements and required supplemental information. These reports may be obtained by contacting the two organizations.

STRS Ohio
275 East Broad Street
Columbus, OH 43215-3371
(614) 227-4090
(888) 227-7877
www.strsoh.org

OPERS, Attn: Finance Director
277 East Town Street
Columbus, OH 43215-4642
(614) 222-5601
(800) 222-7377
www.opers.org/investments/cafr.shtml

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

In addition to the retirement benefits described above, STRS Ohio and OPERS provide post-employment health care benefits.

OPERS currently provides post-employment health care benefits to retirees with ten or more years of qualifying service credit. These benefits are advance-funded on an actuarially determined basis and are financed through employer contributions and investment earnings. OPERS determines the amount, if any, of the associated health care costs that will be absorbed by OPERS. Under the Ohio Revised Code (ORC), funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. For calendar year 2012, OPERS allocated 4.0% of the employer contribution rate to fund the health care program for retirees, and this rate was reduced to 1% for calendar year 2013 as recommended by the OPERS actuary.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012 with a transition plan commencing January 1, 2014. OPERS expects to be able to allocate on a consistent basis 4% of employer contributions toward the health care fund after the end of the transition period.

STRS Ohio currently provides access to health care coverage to retirees who participated in the deferred benefit or combined plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to ORC, STRS Ohio has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care costs in the form of monthly premiums. Under ORC, medical costs paid from the funds of STRS Ohio are included in the employer contribution rate. For the fiscal year ended June 30, 2012, STRS Ohio allocated employer contributions equal to 1% of covered payroll for post-employment health care.

Post-employment health care benefits are not guaranteed by ORC to be covered under either OPERS or STRS Ohio defined benefit plans.

Defined Contribution Plans

ARP is a defined contribution pension plan. Full-time administrative and professional staff and faculty may choose enrollment in ARP in lieu of OPERS or STRS Ohio. Classified civil service employees hired on or after August 1, 2005 are also eligible to participate in ARP. ARP does not provide disability benefits, annual cost-of-living adjustments, post-retirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

OPERS also offers a defined contribution plan, the Member-Directed Plan (MD). The MD plan does not provide disability benefits, annual cost-of-living adjustments, post-retirement health care benefits or death benefits to plan members and beneficiaries. Benefits are

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

STRS Ohio also offers a defined contribution plan in addition to its long established defined benefit plan. All employee contributions and employer contributions at a rate of 10.5% are placed in an investment account directed by the employee. Disability benefits are limited to the employee's account balance. Employees electing the defined contribution plan receive no post-retirement health care benefits.

Combined Plans

STRS Ohio offers a combined plan with features of both a defined contribution plan and a defined benefit plan. In the combined plan, employee contributions are invested in self directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive post-retirement health care benefits.

OPERS also offers a combined plan. This is a cost-sharing multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive post-retirement health care benefits. OPERS provides retirement, disability, survivor and post-retirement health benefits to qualifying members of the combined plan.

OPERS currently provides post-employment health care benefits to retirees with ten or more years of qualifying service credit. These benefits are advance-funded on an actuarially determined basis and are financed through employer contributions and investment earnings. OPERS determines the amount, if any, of the associated health care costs that will be absorbed by OPERS. Under Ohio Revised Code (ORC), funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. For calendar year 2012, OPERS allocated 6.05% of the employer contribution rate to fund the health care program for retirees, and this rate was reduced to 1% for calendar year 2013 as recommended by the OPERS actuary.

Funding Policy

ORC provides STRS Ohio and OPERS statutory authority to set employee and employer contributions. Contributions equal to those required by STRS Ohio and OPERS are required for ARP. For employees enrolling in ARP, ORC requires a portion (which may be revised pursuant to periodic actuarial studies) of the employer contribution be contributed to STRS Ohio and OPERS to enhance the stability of these plans. The required contribution rates (as a percentage of covered payroll) for plan members and the university are as follows:

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

	STRS Ohio	OPERS	ARP
Faculty:			
Plan member (entire year)	10.00%		10.00%
university (entire year)	14.00%		14.00%*
Staff:			
Plan member (entire year)		10.00%	10.00%
university (entire year)		14.00%	14.00%**
Law Enforcement:			
Plan member (entire year)		12.10%	12.10%
university (entire year)		18.10%	17.33%**

* Employer contributions include 3.5% paid to STRS Ohio.

** Employer contributions include .77% paid to OPERS.

The remaining amount is credited to employee's ARP account.

The university's contributions, which represent 100% of required employer contributions, for the year ended June 30, 2013 and for each of the two preceding years are as follows:

Year Ended June 30,	STRS Ohio Annual Required Contribution	OPERS Annual Required Contribution	ARP Annual Required Contribution
2011	\$54,725	\$148,120	\$40,835
2012	\$58,006	\$153,118	\$43,523
2013	\$61,667	\$159,903	\$47,062

OSU Physicians Retirement Plan

Retirement benefits are provided for the employees of OSUP through a tax-sheltered 403(b) and 401(a) program administered by an insurance company. OSUP is required to make nondiscretionary contributions of no less than 7.5% under the Interim Retirement Plan; however, some subsidiaries make an additional discretionary contribution of up to 17.5%, for a range of total employer contributions of 7.5% to 25%. Employees are allowed, but not required, to make contributions to the 403(b) plan. OSUP's share of the cost of these benefits was \$3,850 and \$7,119 for the years ended June 30, 2013 and 2012, respectively.

Employee contributions were \$1,096 and \$1,895 for the years ended June 30, 2013 and 2012. The reduction in Fiscal Year 2013 was directly related to physician integration into the Faculty Practice Group.

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

NOTE 16 — CAPITAL PROJECT COMMITMENTS

At June 30, 2013, the university is committed to future contractual obligations for capital expenditures of approximately \$750,682.

These projects are funded by the following sources:

State appropriations	\$ 41,212
Internal and other sources	<u>709,470</u>
Total	<u>\$ 750,682</u>

NOTE 17 — CONTINGENCIES AND RISK MANAGEMENT

The university is a party in a number of legal actions. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material adverse effect on the university's financial position.

The university is self-insured for the Health System's professional malpractice liability, employee health benefits, workers' compensation and employee life, accidental death and dismemberment benefits. Additional details regarding these self-insurance arrangements are provided in Note 8. The university also carries commercial insurance policies for various property, casualty and excess liability risks. Over the past three years, settlement amounts related to these insured risks have not exceeded the university's coverage amounts.

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. While questioned costs may occur, ultimate repayments required of the university have been infrequent in prior years.

NOTE 18 — PARKING LEASE AND CONCESSION AGREEMENT

On September 21, 2012, the university entered into a 50-year lease and concession agreement with QIC Global Infrastructure (QIC GI). CampusParc LP, a QIC GI affiliate, owns and operates the university's parking concession on QIC GI's behalf. Under the agreement, CampusParc will operate, maintain and retain parking revenues from the university's parking lots and garages. This agreement also regulates the parking rates that may be charged and future increases in these rates. The university received lump-sum payments totaling \$483,000 from QIC GI and used the proceeds to establish endowment funds, with income distributions internally designated to support student scholarships, faculty initiatives and research, transportation and sustainability and the university arts district. The university reports the parking lots and garages as capital assets with a carrying amount of \$124,009 at June 30, 2013 and reports a deferred inflow of resources in the amount of \$474,332 at June 30, 2013, pursuant to the service concession arrangement.

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

NOTE 19 – COMBINING INFORMATION FOR BLENDED COMPONENT UNITS

As indicated in the Basis of Presentation in Note 1, the university consolidates certain component units in a blended presentation. Condensed combining financial information for the years ended June 30, 2013 and 2012 is presented below.

Condensed Combining Information – Year Ended June 30, 2013

	OSU Foundation	OSU Health Plan	Oval Limited
Condensed statements of net position:			
Current assets	\$ 36,509	\$ 3,076	\$ 50,207
Capital assets, net	3,853	(6)	-
Other assets	711,372	586	-
Amounts receivable from the university	-	-	-
Deferred outflows	-	-	-
Total assets and deferred inflows	<u>\$ 751,734</u>	<u>\$ 3,656</u>	<u>\$ 50,207</u>
Current liabilities	\$ 6,760	\$ 129	\$ 3,046
Noncurrent liabilities	33,272	-	35,313
Amounts payable to the university	137	-	-
Deferred inflows	-	-	-
Total liabilities and deferred inflows	<u>40,169</u>	<u>129</u>	<u>38,359</u>
Invested in capital assets, net of related debt	7,934	-	-
Restricted:			
Nonexpendable	573,450	-	-
Expendable	135,052	-	-
Unrestricted	(4,871)	3,527	11,848
Total net position	<u>711,565</u>	<u>3,527</u>	<u>11,848</u>
Total liabilities, deferred inflows and net position	<u>\$ 751,734</u>	<u>\$ 3,656</u>	<u>\$ 50,207</u>

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

	OSU Foundation	OSU Health Plan	Oval Limited
Condensed statements of revenues, expenses and changes in net position:			
Operating revenues:			
Grants and contracts	\$ -	\$ -	\$ -
Sales and services of OSU Physicians	-	-	-
Other sales, services and rental income	768	12,376	(986)
Other operating	-	-	-
Total operating revenues	<u>768</u>	<u>12,376</u>	<u>(986)</u>
Operating expenses, excluding depreciation	5,295	11,660	169
Depreciation expense	228	-	-
Total operating expenses	<u>5,522</u>	<u>11,660</u>	<u>169</u>
Net operating income (loss)	(4,755)	716	(1,155)
Non-operating revenues and expenses:			
Gifts for current use	122,208	-	-
Net investment income (loss)	71,420	-	1,837
Interest expense	-	-	-
Other non-operating revenue (expense)	-	(137)	-
Net non-operating revenue (expense)	<u>193,628</u>	<u>(137)</u>	<u>1,837</u>
Capital contributions and additions to permanent endowments	96,653	-	-
Transfers from (to) the university	<u>(168,878)</u>	<u>-</u>	<u>-</u>
Change in net position	116,648	579	682
Beginning net position	594,916	2,948	11,166
Ending net position	<u>\$ 711,565</u>	<u>\$ 3,527</u>	<u>\$ 11,848</u>
Condensed statements of cash flows:			
Net cash provided (used) by:			
Operating activities	\$ (4,176)	\$ 682	\$ (1,280)
Noncapital financing activities	(23,978)	-	-
Capital and related financing activities	41,176	(136)	-
Investing activities	(13,036)	6	(1,492)
Net increase (decrease) in cash	<u>(14)</u>	<u>552</u>	<u>(2,772)</u>
Beginning cash and cash equivalents	2,562	2,077	12,291
Ending cash and cash equivalents	<u>\$ 2,548</u>	<u>\$ 2,629</u>	<u>\$ 9,519</u>

Notes to Financial Statements – Years Ended June 30, 2013 and 2012
(dollars in thousands)

Condensed Combining Information – Year Ended June 30, 2012

	OSU Foundation	OSU Health Plan	Oval Limited
Condensed statements of net position:			
Current assets	\$ 28,975	\$ 2,524	\$ 46,312
Capital assets, net	4,081	(5)	-
Other assets	600,294	593	-
Amounts receivable from the university	804	-	-
Deferred outflows	-	-	-
Total assets and deferred inflows	<u>\$ 634,153</u>	<u>\$ 3,111</u>	<u>\$ 46,312</u>
Current liabilities	\$ 5,288	\$ 163	\$ 43
Noncurrent liabilities	33,647	-	35,103
Amounts payable to the university	302	-	-
Deferred inflows	-	-	-
Total liabilities and deferred inflows	<u>39,237</u>	<u>163</u>	<u>35,146</u>
Invested in capital assets, net of related debt	4,081	-	-
Restricted:			
Nonexpendable	502,417	-	-
Expendable	88,520	-	-
Unrestricted	(101)	2,948	11,166
Total net position	<u>594,916</u>	<u>2,948</u>	<u>11,166</u>
Total liabilities, deferred inflows and net position	<u>\$ 634,153</u>	<u>\$ 3,111</u>	<u>\$ 46,312</u>

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

	OSU Foundation	OSU Health Plan	Oval Limited
Condensed statements of revenues, expenses and changes in net position:			
Operating revenues:			
Grants and contracts	\$ -	\$ -	\$ -
Sales and services of OSU Physicians	-	-	-
Other sales, services and rental income	2,216	12,674	1,884
Other operating	-	-	-
Total operating revenues	2,216	12,674	1,884
Operating expenses, excluding depreciation	4,854	11,723	152
Depreciation expense	228	-	-
Total operating expenses	5,082	11,723	152
Net operating income (loss)	(2,866)	951	1,733
Non-operating revenues and expenses:			
Gifts for current use	139,599	-	-
Net investment income (loss)	10,662	(2)	219
Interest expense	-	-	-
Other non-operating revenue (expense)	-	3,375	-
Net non-operating revenue (expense)	150,261	3,373	219
Capital contributions and additions to permanent endowments	60,262	-	-
Transfers from (to) the university	(171,156)	(9)	-
Change in net position	36,501	4,316	1,951
Beginning net position	558,416	(1,367)	9,215
Ending net position	\$ 594,916	\$ 2,948	\$ 11,166
Condensed statements of cash flows:			
Net cash provided (used) by:			
Operating activities	\$ (356)	\$ 1,085	\$ 1,544
Noncapital financing activities	(13,875)	(9)	-
Capital and related financing activities	19,072	3,381	-
Investing activities	(5,243)	(595)	(1,454)
Net increase (decrease) in cash	(402)	3,862	90
Beginning cash and cash equivalents	2,964	(1,786)	12,201
Ending cash and cash equivalents	\$ 2,562	\$ 2,077	\$ 12,291

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

NOTE 20 – COMBINING INFORMATION FOR DISCRETELY PRESENTED COMPONENT UNITS

As indicated in the Basis of Presentation in Note 1, the university consolidates certain component units in a discrete presentation. Condensed combining financial information for the years ended June 30, 2013 and 2012 is presented below.

Condensed Combining Information – Year Ended June 30, 2013

	OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan
Condensed statements of net position:				
Current assets	\$ 97,054	\$ 9,488	\$ 8,275	\$ 1,069
Capital assets, net	29,731	49,573	633	225
Other assets	1,843	1,643	-	-
Amounts receivable from the university	10,275	-	3,535	-
Deferred outflows	-	-	-	-
Total assets and deferred inflows	<u>\$ 138,904</u>	<u>\$ 60,705</u>	<u>\$ 12,443</u>	<u>\$ 1,294</u>
Current liabilities	\$ 18,957	\$ 3,229	\$ 3,596	\$ 115
Noncurrent liabilities	18,637	168	0	-
Amounts payable to the university	22,862	70,438	-	-
Deferred inflows	-	-	-	-
Total liabilities and deferred inflows	<u>60,457</u>	<u>73,835</u>	<u>3,596</u>	<u>115</u>
Invested in capital assets, net of related debt	3,016	49,448	-	-
Restricted:				
Nonexpendable	-	-	-	-
Expendable	-	-	-	-
Unrestricted	75,431	(62,579)	8,846	1,179
Total net position	<u>78,447</u>	<u>(13,130)</u>	<u>8,846</u>	<u>1,179</u>
Total liabilities, deferred inflows and net position	<u>\$ 138,904</u>	<u>\$ 60,705</u>	<u>\$ 12,443</u>	<u>\$ 1,294</u>

Notes to Financial Statements – Years Ended June 30, 2013 and 2012
(dollars in thousands)

	OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan
Condensed statements of revenues, expenses and changes in net position:				
Operating revenues:				
Grants and contracts	\$ -	\$ 10,811	\$ 50,420	\$ 0
Sales and services of OSU Physicians	331,817	-	-	-
Other sales, services and rental income	0	941	(0)	7,354
Other operating	-	-	-	-
Total operating revenues	331,817	11,753	50,420	7,354
Operating expenses, excluding depreciation	316,080	8,535	50,105	4,877
Depreciation expense	4,317	2,380	419	-
Total operating expenses	320,398	10,915	50,524	4,877
Net operating income (loss)	11,419	838	(104)	2,478
Non-operating revenues and expenses:				
Gifts for current use	-	-	-	-
Net investment income (loss)	239	-	131	-
Interest expense	(713)	-	-	-
Other non-operating revenue (expense)	2,115	10,440	-	-
Net non-operating revenue (expense)	1,641	10,440	131	-
Capital contributions and additions to permanent endowments	-	-	-	-
Transfers from (to) the university	(7,895)	(3,374)	(1,589)	(3,110)
Change in net position	5,165	7,904	(1,562)	(632)
Beginning net position	73,282	(21,035)	10,408	1,811
Ending net position	\$ 78,447	\$ (13,130)	\$ 8,846	\$ 1,179
Condensed statements of cash flows:				
Net cash provided (used) by:				
Operating activities	\$ 16,364	\$ 1,913	\$ 546	\$ 2,457
Noncapital financing activities	(8,670)	32,327	(1,734)	(3,110)
Capital and related financing activities	(933)	(34,296)	(565)	-
Investing activities	3,591	-	131	521
Net increase (decrease) in cash	10,352	(56)	(1,621)	(132)
Beginning cash and cash equivalents	35,933	5,321	2,327	371
Ending cash and cash equivalents	\$ 46,285	\$ 5,265	\$ 706	\$ 239

Notes to Financial Statements – Years Ended June 30, 2013 and 2012
(dollars in thousands)

Condensed Combining Information – Year Ended June 30, 2012

	OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan
Condensed statements of net position:				
Current assets	\$ 92,605	\$ 7,665	\$ 10,825	\$ 1,708
Capital assets, net	31,965	49,893	797	225
Other assets	5,464	2,713	-	-
Amounts receivable from the university	6,440	-	3,390	-
Deferred outflows	-	-	-	-
Total assets and deferred inflows	<u>\$ 136,474</u>	<u>\$ 60,272</u>	<u>\$ 15,012</u>	<u>\$ 1,934</u>
Current liabilities	\$ 21,497	\$ 25,696	\$ 4,272	\$ 123
Noncurrent liabilities	19,779	10,433	332	-
Amounts payable to the university	21,917	45,178	-	-
Deferred inflows	-	-	-	-
Total liabilities and deferred inflows	<u>63,192</u>	<u>81,306</u>	<u>4,604</u>	<u>123</u>
Invested in capital assets, net of related debt	5,400	17,533	-	-
Restricted:				
Nonexpendable	-	-	-	-
Expendable	-	-	-	-
Unrestricted	<u>67,882</u>	<u>(38,568)</u>	<u>10,408</u>	<u>1,811</u>
Total net position	<u>73,282</u>	<u>(21,035)</u>	<u>10,408</u>	<u>1,811</u>
Total liabilities, deferred inflows and net position	<u>\$ 136,474</u>	<u>\$ 60,272</u>	<u>\$ 15,012</u>	<u>\$ 1,934</u>

Notes to Financial Statements – Years Ended June 30, 2013 and 2012
(dollars in thousands)

	OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan
Condensed statements of revenues, expenses and changes in net position:				
Operating revenues:				
Grants and contracts	\$ 0	\$ 11,874	\$ 44,404	\$ (0)
Sales and services of OSU Physicians	302,802	-	-	-
Other sales, services and rental income	986	963	463	7,256
Other operating	-	-	-	-
Total operating revenues	303,788	12,837	44,867	7,256
Operating expenses, excluding depreciation	285,446	11,028	42,210	4,242
Depreciation expense	4,178	1,601	431	-
Total operating expenses	289,624	12,629	42,641	4,242
Net operating income (loss)	14,164	208	2,226	3,014
Non-operating revenues and expenses:				
Gifts for current use	-	-	-	-
Net investment income (loss)	866	-	127	-
Interest expense	(764)	(2,505)	-	-
Other non-operating revenue (expense)	(0)	(27)	-	-
Net non-operating revenue (expense)	102	(2,532)	127	-
Capital contributions and additions to permanent endowments	-	-	-	-
Transfers from (to) the university	(6,455)	1,456	(2,222)	(2,640)
Change in net position	7,811	(868)	131	374
Beginning net position	65,471	(20,167)	10,277	1,437
Ending net position	\$ 73,282	\$ (21,035)	\$ 10,408	\$ 1,811
Condensed statements of cash flows:				
Net cash provided (used) by:				
Operating activities	\$ 9,210	\$ 1,700	\$ 3,517	\$ 2,999
Noncapital financing activities	566	15,241	(2,365)	(2,640)
Capital and related financing activities	(5,835)	(16,900)	(463)	(225)
Investing activities	(10,886)	-	127	(36)
Net increase (decrease) in cash	(6,945)	41	816	97
Beginning cash and cash equivalents	42,878	5,280	1,511	274
Ending cash and cash equivalents	\$ 35,933	\$ 5,321	\$ 2,327	\$ 371

Notes to Financial Statements – Years Ended June 30, 2013 and 2012

(dollars in thousands)

NOTE 21 – SEGMENT INFORMATION

A segment is an identifiable activity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds or other revenue-backed debt and has related expenses, gains, losses, assets and liabilities that can be identified. The university has one segment that meets the GASB reporting requirements.

The Office of Student Life operates student housing, dining and recreational sports facilities on the university's main and regional campuses. In January 2013, the university issued \$337,955 of Special Purpose General Receipts Bonds, Series 2013A. These bonds are solely payable from, and secured by, a pledge of the gross revenues of Special Purpose Revenue Facilities. Special Purpose Revenue Facilities are defined in the Series 2013 Supplement as all housing and dining facilities and such auxiliary facilities as shall constitute recreation facilities owned by the university. Special Purpose Pledged Revenues include all revenues, fees, rentals, rates, charges, insurance proceeds and other moneys derived from the ownership or operation of these facilities. Special Purpose Pledged Revenues totaled \$147,956 and \$137,307 for the years ended June 30, 2013 and 2012, respectively.

Condensed financial information for the Special Purpose Revenue Facilities, before the elimination of certain intra-university transactions, as of and for the years ended June 30, 2013 and 2012 is as follows:

Notes to Financial Statements – Years Ended June 30, 2013 and 2012
(dollars in thousands)

Segment Disclosure Information – Year Ended June 30, 2013

	2013	2012
Condensed Statement of Net Position		
Assets and deferred outflows:		
Current assets	\$ 33,264	\$ 26,345
Capital assets	419,281	354,653
Other assets	-	-
Amounts receivable from the university	-	-
Deferred outflows	-	-
Total assets and deferred inflows	<u>\$ 452,545</u>	<u>\$ 380,999</u>
Liabilities and deferred inflows:		
Current liabilities	\$ 5,644	\$ 5,166
Noncurrent liabilities	-	-
Amounts payable to the university	293,147	303,905
Deferred inflows	-	-
Total liabilities and deferred inflows	<u>298,790</u>	<u>309,071</u>
Net position:		
Invested in capital assets, net of related debt	126,135	50,748
Restricted:		
Nonexpendable	-	-
Expendable	-	-
Unrestricted	27,620	21,179
Total net position	<u>153,754</u>	<u>71,928</u>
Total liabilities, deferred inflows and net position	<u>\$ 452,545</u>	<u>\$ 380,999</u>
Condensed Statement of Revenues, Expenses and Changes in Net Position		
Special-purpose pledged revenues - operating	\$ 147,956	\$ 137,307
Operating expenses, excluding depreciation	(116,060)	(110,852)
Depreciation expense	(16,375)	(11,387)
Operating income	15,521	15,068
Nonoperating revenues, net	(13,569)	(13,910)
Net income (loss) before transfers	1,952	1,158
Transfers from (to) other university units, net	79,874	96,009
Increase (decrease) in net assets	81,827	97,167
Beginning net position	71,928	(25,240)
Ending net position	<u>\$ 153,754</u>	<u>\$ 71,928</u>
Condensed Statement of Cash Flows		
Net cash provided (used) by:		
Operating activities	\$ 29,370	\$ 20,066
Noncapital financing activities	-	-
Capital and related financing activities	(21,409)	(13,211)
Investing activities	105	120
Net increase (decrease) in cash	8,066	6,976
Beginning cash and cash equivalents	23,695	16,719
Ending cash and cash equivalents	<u>\$ 31,762</u>	<u>\$ 23,695</u>

The Ohio State University
Supplementary Information on the Long-Term Investment Pool
Year Ended June 30, 2013

The following section of the financial report provides additional information on the university's Long-Term Investment Pool, including a summary of changes in market value, investment returns and related expenses. Additional details on university investments, including asset allocations, endowment distribution policies, investments by type and risk disclosures, are provided in Notes 1 and 3 to the Financial Statements.

In 2013, the market value of the university's Long-Term Investment Pool -- which includes gifted endowments, long-term investments of university operating funds and other funds internally designated to function as endowments -- increased \$783 million, to \$3.15 billion at June 30, 2013. Changes in market value for 2013 are summarized below:

Long-Term Investment Pool Activity (in thousands)					
	<u>Gifted Endowments</u>		<u>Quasi-Endowments</u>		<u>Total</u>
	<u>University</u>	<u>Foundation</u>	<u>Operating</u>	<u>Designated</u>	
Market Value at June 30, 2012	\$ 878,707	\$ 500,824	\$ 942,592	\$ 43,910	\$ 2,366,033
Net Principal Additions (Withdrawals)	10,451	58,067	55,000	490,858	614,376
Change in Market Value	94,560	56,649	105,490	47,619	304,318
Income Earned	20,934	12,432	23,386	10,670	67,422
Distributions	(42,862)	(25,942)	(47,580)	(19,739)	(136,123)
Expenses	(20,758)	(12,328)	(23,190)	(10,581)	(66,857)
Market Value at June 30, 2013	\$ 941,032	\$ 589,702	\$ 1,055,698	\$ 562,737	\$ 3,149,169

Net principal additions (withdrawals) for gifted endowments include new endowment gifts and reinvestment of unused endowment distributions. In 2013, the university invested the proceeds from the parking lease and concession agreement, totaling \$483 million, in the Long Term Investment Pool. These funds have been internally designated to function as endowments and provide annual distributions to support faculty initiatives, student scholarships, campus transportation and sustainability, and the OSU Arts District. **Changes in market value** include realized gains (losses) on the sale of investment assets and unrealized gains (losses) associated with assets held in the pool at June 30, 2013. **Income earned** includes interest and dividends and is used primarily to fund **distributions**. **Expenses** include investment management expenses (\$53 million), University Development related expenses (\$13 million) and other investment related expenses (\$1 million).

Investment Returns and Expenses:

The investment return for the Long-Term Investment Pool was 11.6% for fiscal year 2013. The annualized investment returns for the three-year and five-year periods were 9.2% and 2.9%, respectively. These returns -- which are net of investment management expenses as defined by Cambridge Associates for its annual survey -- are used for comparison purposes with other endowments and various benchmarks. In addition to the \$53 million of investment management expenses, which reduced the pool by 2.2% in fiscal year 2013, the \$13 million of University Development expenses and \$1 million of other investment related expenses further reduced the pool by 0.6%.

Additional Information:

Additional details on university endowments, including balances for individual funds, are available on the Office of the Controller's website at:
<http://controller.osu.edu/acc/endow-home.shtm>

Acknowledgements

The 2013 Financial Report and the included financial statements are prepared by the staff of the Office of the Controller.

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Timothy A. Thibodeau

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David P. Jones

Anne M. Wilcheck

Gary L. Leimbach

Jonnie D. Wilson

Geoffrey S. Chatas - Senior Vice President for Business and Finance and Chief Financial Officer

Kristine G. Devine – Vice President of Operations

Board of Trustees

The expiration date of each trustee's term is given in parentheses.

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Ronald A. Ratner, Cleveland (2015)

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Linda S. Kass, Bexley (2017)

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Corbett A. Price – Charter Trustee, New York, NY (2014)

G. Gilbert Cloyd - Charter Trustee, Austin, TX (2015)

Benjamin T. Reinke - Student Member, Bowling Green (2014)

Stacie E. Seger - Student Member, Fort Loramie (2015)

David G. Horn, Bexley - Secretary

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

J.P. Morgan Securities LLC
and
RBC Capital Markets, LLC
As Representatives of the Underwriters

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance of the Variable Rate Demand General Receipts Bonds, Series 2014 B (Tax Exempt) (the “Bonds”) by The Ohio State University, Columbus, Ohio (the “University”), a state university and a body corporate and politic of the State of Ohio. We have examined the transcript of proceedings (the “Transcript”), which includes, among others, the following documents: (i) a copy of the Amended and Restated Trust Indenture (the “Original Indenture”), dated as of December 1, 1999, between the University and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “Trustee”), as supplemented by a Series 2014 Supplement to the Amended and Restated Trust Indenture, dated as of October 1, 2014, between the University and the Trustee (the “Series 2014 Supplement” and together with the Original Indenture, the “Indenture”), (ii) the 1999 Bond Resolution (the “1999 Bond Resolution”) adopted by the Board of Trustees of the University on November 5, 1999, as supplemented by the resolution adopted by the Board of Trustees of the University on June 6, 2014 (the “Series 2014 Bond Resolution”) authorizing the issuance and sale of the Bonds, (iii) a specimen of the form of the Bonds, and (iv) the Tax Certificate of the University (the “Tax Certificate”), dated of even date herewith. We have also examined Section 2i of Article VIII of the Ohio Constitution, Sections 3345.11 and 3345.12 of the Ohio Revised Code (the “Act”) and such other law, as we deemed relevant and necessary to render this opinion. Terms used in his opinion with initial capitalization when the rules of grammar would not otherwise so require have the respective meanings given them in the Indenture unless the context requires a different meaning.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement for the Bonds, dated October 1, 2014 (the “Official Statement”) or other offering material relating to the Bonds and we express no opinion herein relating thereto.

As to questions of fact material to our opinion, we have relied on the representations of the University contained in the Series 2014 Bond Resolution and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing and in reliance upon this examination, we are of the opinion that, under the law in effect on the date of this opinion:

1. The Series 2014 Bond Resolution has been duly adopted by the Board of Trustees of the University and constitutes a valid and binding obligation of the University enforceable against the University in accordance with its terms.
2. The Bonds have been duly authorized, executed and delivered by the University and are valid and legally binding special obligations of the University payable solely from the sources provided therefor in the Series 2014 Bond Resolution.

3. The Debt Service Charges on the Bonds, along with the Debt Service Charges on other Obligations, are payable solely from and are equally and ratably secured by a first pledge of the gross amount of General Receipts and, except to the extent provided in the Original Indenture or any supplement thereto, including without limitation the Series 2014 Supplement, by the Special Funds and accounts therein. The Bonds are not otherwise secured and the owners and holders of the Bonds are given no right to have any excises or taxes levied by the General Assembly of Ohio for the payment of Debt Service Charges on the Bonds. General Receipts do not include appropriations by the General Assembly of Ohio.

4. Based on existing law and assuming that the Bonds are issued in accordance with the Tax Certificate, the interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations by Section 55 of the Code and is not taken into account in determining adjusted current earnings for purposes of the corporate alternative minimum tax. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. The interest on the Bonds, and any profits made on their sale, exchange or other disposition, are exempt from Ohio personal income tax, the Ohio commercial activities tax, the net income base of the Ohio corporate franchise tax and income taxes imposed by the Ohio Revised Code. We express no opinion regarding other state and local tax consequences arising with respect to the Bonds.

In giving the opinions contained in this letter, we have assumed compliance with and the accuracy of, and have relied upon, the covenants, representations and certifications in the Transcript. We have not independently verified the accuracy of those representations and certifications. The accuracy of those representations and certifications, and the University's compliance with those covenants, may be necessary for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes and for other tax effects stated above. Failure to comply with certain requirements subsequent to issuance of the Bonds could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

The opinions hereinabove expressed are qualified to the extent that the binding effect and enforceability of any of the provisions of the Bonds and the Series 2014 Bond Resolution, or of any rights pursuant thereto, are subject to applicable bankruptcy, insolvency, reorganization, moratorium, or other laws in effect from time to time affecting the rights of creditors heretofore or hereinafter enacted, and also to the extent that the enforceability thereof may be limited by application of general principles of equity or public policy.

We bring to your attention the fact that our legal opinions are an expression of professional judgment and are not a guarantee of a result.

We do not undertake to advise you of matters which might come to our attention subsequent to the date hereof which may affect our legal opinions expressed herein.

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

*The following information regarding DTC and Cede & Co. has been furnished by DTC. The University, the Trustee and the Underwriters do not assume any responsibility for the accuracy or completeness of the information set forth under **BOOK-ENTRY-ONLY SYSTEM**, and the University, the Trustee and the Underwriters are not required to supervise, and will not supervise, the operation of the book entry system described herein.*

General Description

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2014 B Bonds. The Series 2014 B Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each interest rate for each maturity of the Series 2014 B Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or with the Trustee as the agent for DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and together with the Direct Participants, “Participants”). DTC has a Standard & Poor’s highest rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2014 B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 B Bonds on DTC’s records. The ownership interest of each actual purchaser of each security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2014 B Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not

receive certificates representing their ownership interests in Series 2014 B Bonds, except in the event that use of the book-entry system for the Series 2014 B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014 B Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2014 B Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2014 B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014 B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2014 B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2014 B Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of Series 2014 B Bonds may wish to ascertain that the nominee holding the Series 2014 B Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2014 B Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2014 B Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the University as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2014 B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest or other payments on the Series 2014 B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the University or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest or other payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the applicable Remarketing Agent, and shall effect delivery of such Series

2014 B Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2014 B Bonds, on DTC's records, to the applicable Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2014 B Bonds are transferred by Direct Participant on DTC's records and followed by a book-entry credit of tendered Series 2014 B Bonds to the applicable Remarketing Agent's DTC account.

Neither the University nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person not shown on the registration books of the Trustee as being a Holder with respect to: (1) the Series 2014 B Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of or interest on the Series 2014 B Bonds; (4) the delivery by any Direct Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to Holders; or (5) any consent given or other action taken by DTC as Holder.

DTC may discontinue providing its services as depository with respect to the Series 2014 B Bonds at any time by giving reasonable notice to the University. Under such circumstances, in the event that a successor depository is not obtained, security certificates are required to be printed and delivered.

Beneficial Owners may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation to any transfer or exchange of their interests in the Series 2014 B Bonds.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the University believes to be reliable, but none of the University, the Trustee and the Underwriter takes any responsibility for the accuracy thereof.

DTC Letter of Representations

Certain duties of DTC and procedures to be followed by DTC and the Trustee are set forth in DTC's operational arrangements (the "Operational Arrangements"). In the event of any conflict between the provisions of the Indenture and the provisions of the Operational Arrangements relating to delivery of Series 2014 B Bonds to the Trustee, the provisions of the Operational Arrangements shall control. The University has executed a blanket letter of representations (the "DTC Letter of Representations") enabling the Series 2014 B Bonds to be eligible for DTC's book entry only system.

Revision of Book-Entry-Only System - Replacement Series 2014 B Bonds

The Series 2014 Bond Resolution provides for issuance of fully registered Series 2014 B Bonds (the "Replacement Series 2014 B Bonds") directly to owners other than DTC or its nominee only if DTC determines not to continue to act as security depository of the Series 2014 B Bonds. In such event, the University may in its discretion establish a securities depository/book entry relationship with another qualified securities depository. If the University does not or is unable to do so, and after appropriate notice to DTC, the University's Bond Registrar will authenticate and deliver fully registered Replacement Series 2014 B Bonds, in the denominations of \$5,000 or any multiple thereof, to or at the direction of and, if the event is not the result of University action or inaction, at the expense (including printing costs) of, any persons requesting such issuance. Replacement Series 2014 B Bonds may be transferred, registered and assigned only in the registration books of the University's Bond Registrar.

Disclaimer by University, Trustee and Underwriters

Neither the University nor the Trustee has any responsibility or liability for any aspect of the records relating to, or payments made on account of book entry interest ownership, or for maintaining, supervising or reviewing any records relating to that ownership.

The University, the Trustee, and the Underwriters cannot and do not give any assurances that DTC, DTC Participants or others will distribute to the Beneficial Owners (i) payments of Debt Service Charges on the Series 2014 B Bonds paid or (ii) notices sent to DTC as the Holder or that they will do so on a timely basis, or that DTC or DTC Participants will serve and act in the manner described in this Official Statement.

