New Issue
Book-Entry Only
Not Bank Qualified

Moody's Rating: Aa3
(See "OTHER BOND INFORMATION—Ratings")

This Official Statement has been prepared by Oregon State University (the "University") to provide information regarding its General Revenue Bonds, 2015A and General Revenue Bonds, 2015B (Federally Taxable) (together, the "Bonds"). This cover page contains certain information for quick reference only. It is not a summary of this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

OREGON STATE UNIVERSITY

$41,040,000
General Revenue Bonds, 2015A

$10,075,000
General Revenue Bonds, 2015B
(Federally Taxable)

Dated: Date of delivery

Due: April 1, as shown on the inside front cover

Tax Status:	In the opinion of Pacifica Law Group LLP, Bond Counsel to the University, assuming compliance with certain covenants of the University, interest on the General Revenue Bonds, 2015A (the "2015A Bonds") is excludable from gross income for federal income tax purposes under existing law. Interest on the 2015A Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. In the opinion of Bond Counsel, interest on the General Revenue Bonds, 2015B (Federally Taxable) (the "2015B Bonds" and together with the 2015A Bonds, the "Bonds") is not excludable from gross income for federal income tax purposes. In the opinion of Bond Counsel, interest on the Bonds is exempt from Oregon personal income tax under existing law. See "TAX MATTERS" herein.
Purpose and Authority:	The University is issuing the Bonds to pay a portion of the cost of University projects and to pay costs of issuance for the Bonds. The Bonds are being issued pursuant to Oregon Revised Statutes 351.374 and chapter 287A and a resolution of the Board of Trustees of the University. See APPENDIX B.
Security:	The Bonds are general revenue obligations of the University, payable from General Revenues, as defined herein. General Revenues include all tuition, charges, rents, and other operating revenue of the University, except as specifically excluded as described herein. The University has no taxing power. NEITHER THE STATE OF OREGON NOR ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE UNIVERSITY, SHALL BE LIABLE IN ANY EVENT FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE BONDS, OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION, OR AGREEMENT OF ANY KIND WHATSOEVER OF THE UNIVERSITY.
Interest Payment Dates:	Interest on the Bonds from their date of delivery is payable on October 1 and April 1 of each year, commencing October 1, 2015.
Registration:	The Bonds are issuable only as fully registered obligations and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made directly to DTC or to such nominee. Disbursements of such payments to DTC's Direct Participants are the responsibility of DTC, and disbursements of such payments to the Beneficial Owners are the responsibility of the Direct Participants and the Indirect Participants. See APPENDIX E.
Denominations:	The Bonds will be available in denominations of $5,000 each and integral multiples thereof.
Redemption:	The Bonds are subject to redemption prior to maturity as described in this Official Statement.
Closing; Settlement:	It is expected that delivery of the Bonds will be made by Fast Automated Securities Transfer through DTC in New York, New York, on or about May 7, 2015.
Legal Counsel:	The Bonds are offered when, as and if issued, subject to receipt of the approving legal opinion of Pacifica Law Group LLP, Seattle, Washington, Bond Counsel. Pacifica Law Group LLP, as Disclosure Counsel, will provide certain other legal services for the University. Certain legal matters will be passed upon for the University by its General Counsel. Certain matters will be passed upon for Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC (the "Underwriters") by their counsel, Orrick, Herrington & Sutcliffe LLP, Portland, Oregon.
Paying Agent:	U.S. Bank National Association.

Citigroup **Morgan Stanley**

Dated April 22, 2015

OREGON STATE UNIVERSITY

GENERAL REVENUE BONDS, 2015A
$41,040,000

$41,040,000, 5.000% Term Bond, due April 1, 2045
(Yield of 3.240% & Price of 114.801[1]), CUSIP[2] No. 68608WAA0

GENERAL REVENUE BONDS, 2015B (FEDERALLY TAXABLE)
$10,075,000

Due (April 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[2] No.
2044	$10,075,000	4.340%	4.340%	100.000	68608WAB8

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[1] Priced to the par call date of April 1, 2025.

[2] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2014 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the University, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers

OREGON STATE UNIVERSITY
Corvallis, Oregon 97331
(541) 737-1000
Oregonstate.edu[1]

EXECUTIVE OFFICERS AND CERTAIN STAFF

Dr. Edward J. Ray	President
Dr. Sabah Randhawa	Provost and Executive Vice President
Glenn Ford	Vice President for Finance and Administration
Dr. Rebecca ("Becky") Johnson	Vice President, OSU-Cascades
Dr. Ron Adams	Interim Vice President for Research
Steve Clark	Vice President for University Relations and Marketing
Rebecca Gose	General Counsel
Michael Green[4]	Associate Vice President for Finance and Administration

BOND COUNSEL
Pacifica Law Group LLP
Seattle, Washington

FINANCIAL ADVISOR
Public Financial Management, Inc.
Seattle, Washington

BOND REGISTRAR
U.S. Bank National Association
Portland, Oregon

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(1) The University's website and other websites referenced herein are not part of this Official Statement, and investors should not rely on information presented on the University's or other websites in determining whether to purchase the Bonds. This inactive textual reference to the University's website and other website references herein are not hyperlinks and do not incorporate the University's or other websites by reference.
(2) Faculty, Non-Faculty Staff, and Student members of the Board serve a two-year term.
(3) Dr. Ray is the President of the University and serves as an *ex officio*, non-voting member of the Board.
(4) Mr. Green leads the University's team on capital financing and debt management.

No dealer, broker, salesperson or any other person has been authorized to give any information or to make any representation, other than the information and representations contained in this Official Statement, in connection with the sale of the Bonds and, if given or made, such information or representations must not be relied upon as having been authorized by the University. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain statements contained in this Official Statement do not reflect historical facts but are forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, words such as "estimate," "project," "anticipate," "expect," "intend," "forecast," "plan," "believe" and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

The Underwriters have provided the following three sentences for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities 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 over-allot 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.

CUSIP numbers are included in this Official Statement for convenience of the holders and potential holders of the Bonds. The CUSIP numbers were provided by CUSIP Global Services. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance and delivery of the Bonds. The University does not take any responsibility for the accuracy of such CUSIP numbers.

This Official Statement is not to be construed as a contract or agreement between the University and purchasers or owners of any of the Bonds.

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OFFICIAL STATEMENT

OREGON STATE UNIVERSITY

$41,040,000	$10,075,000
General Revenue Bonds, 2015A	**General Revenue Bonds, 2015B (Federally Taxable)**

INTRODUCTORY STATEMENT

This Official Statement, including the cover page, inside cover page, table of contents and appendices, provides information regarding Oregon State University (the "University") and its General Revenue Bonds, 2015A (the "2015A Bonds") and General Revenue Bonds, 2015B (Federally Taxable) (the "2015B Bonds" and together with the 2015A Bonds, the "Bonds").

Founded in 1868, the University is the State of Oregon's (the "State") second leading public research university, as measured by grant and contract awards, after the Oregon Health & Science University. University programs and faculty are located in every county of the State and the University partners with school districts, community colleges and other University institutions to provide state-wide access to educational programs. The University is comprised of a main campus in Corvallis and a branch campus in Bend (OSU-Cascades), along with the Hatfield Marine Science Center in Newport, its Ecampus (for online learning), 15 Agricultural Experiment Stations, 36 county extension offices, and the Forest Research Laboratory. See "APPENDIX A—OREGON STATE UNIVERSITY."

On July 1, 2014, the University was established as an independent public university, governed by a board of trustees; previously the University was governed by the State Board of Higher Education (the "State Board") on behalf of the Oregon University System (together with the State Board, collectively, the "OUS"). See "APPENDIX A—OREGON STATE UNIVERSITY."

The University is issuing the Bonds pursuant to Oregon Revised Statutes ("ORS") chapters 287A, 351 and 352 ORS, in each case as amended from time to time (the "Bond Act") and a resolution of the Board of Trustees of the University (the "Board") adopted on March 19, 2015 (the "Resolution"). See "APPENDIX B—COPY OF THE RESOLUTION." The University is issuing the Bonds to finance University projects and to pay costs of issuance for the Bonds. See "SOURCES AND USES OF BOND PROCEEDS."

The Bonds are general revenue obligations of the University, payable from General Revenues, as defined herein. As defined in the Resolution, General Revenues include all tuition, charges, rents, and other operating revenue of the University, except as specifically excluded. See "SECURITY FOR THE BONDS—University General Revenue Obligation" and "APPENDIX B—COPY OF THE RESOLUTION." The University has no taxing power. The Bonds are not an indebtedness or obligation of the State, and are not a charge upon any revenue or property of the State.

U.S. Bank National Association has been appointed as Registrar, Paying Agent and Fiscal Agent (together, the "Registrar").

Brief descriptions of the Bonds, the University, the Resolution, and certain statutes and agreements are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references to the statutes, agreements, or other instruments described herein are qualified in their entirety by reference to each such document, statute, or other instrument. Capitalized terms used in this Official Statement but not defined herein have the meanings set forth in the Resolution, a copy of which is included in this Official Statement as APPENDIX B.

PUBLIC UNIVERSITY; AUTHORITY FOR ISSUANCE

Previously part of the OUS, the University became a public university with its own governing board on July 1, 2014, under Chapter 768, Oregon Laws 2013. The University is, as of July 1, 2014, no longer governed by or subject to the jurisdiction of the OUS.

The University is now established as an "independent public body with statewide purposes and missions and without territorial boundaries." The Board is granted all of the powers, rights and duties expressly conferred upon it by law, or that are implied by law or incident to such powers. The Board appoints and employs the University president, who is both the executive and governing officer of the University and the president of the University faculty.

The University is authorized to issue revenue bonds, including the Bonds, pursuant to ORS 351.374(1) and chapter 287A ORS, refunding bonds under ORS 351.374(1)(b) and ORS 287A.360 to 287A.380, and financing agreements and certificates of participation pursuant to ORS 351.374(2) and ORS 271.390. The Bonds will be issued pursuant to the Resolution.

THE BONDS

General

The Bonds will be dated their date of delivery and will bear interest at the rates set forth on the inside front cover of this Official Statement. The Bonds will mature on April 1, in the years set forth on the inside front cover, subject to prior redemption. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds is payable on each October 1 and April 1, commencing October 1, 2015.

The Bonds will be issued as fully registered bonds in denominations of $5,000 each or any integral multiple of $5,000 within a series and maturity (each an "Authorized Denomination"). The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to DTC's book-entry only system (the "Book-Entry Only System"). Purchases of beneficial interests in the Bonds will be made in book-entry form only. If at any time the Book-Entry Only System is discontinued for the Bonds, the Bonds will be exchangeable for other fully registered certificated Bonds of the same series and maturity in Authorized Denominations. See Appendices B and E.

For so long as Cede & Co. is the Registered Owner of the Bonds, interest and principal shall be paid and delivery shall be made as described in the operational arrangements referred to in the Letter of Representations and pursuant to DTC's standard procedures. See Appendices B and E.

In the event that the Bonds are no longer in fully immobilized form, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the fifteenth day of the month preceding the interest payment date, or upon the written request of a Registered Owner of more than $1,000,000 of Bonds (received by the Bond Registrar at least 15 days prior to the applicable payment date), such payment shall be made by the Bond Registrar by wire transfer to the account within the continental United States designated by the Registered Owner. Principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the principal office of the Bond Registrar.

Optional Redemption

2015A Bonds. The 2015A Bonds are subject to redemption at the option of the University, as a whole or in part on any date on or after April 1, 2025, at a redemption price equal to 100 percent of the principal amount thereof, plus interest accrued to the date fixed for redemption.

2015B Bonds. The 2015B Bonds are subject to redemption at the option of the University, as a whole or in part on any date on or after April 1, 2025, at a redemption price equal to 100 percent of the principal amount thereof, plus interest accrued to the date fixed for redemption.

Selection of Bonds for Redemption. If the University elects to redeem fewer than all of the Bonds for optional redemption, the University shall select the amount and maturities to be redeemed. In no event shall any Bond be Outstanding in a principal amount that is not an Authorized Denomination. If less than all the Outstanding Bonds within a series and maturity are to be redeemed, the Bonds to be redeemed shall be selected in accordance with the then effective operational arrangements of DTC referred to in the Letter of Representations. In the event the Bonds are no longer in book-entry only form, the 2015A Bonds shall be selected as follows. If the University redeems at any one time fewer than all of the 2015A Bonds having the same maturity date, the particular 2015A Bonds or portions of 2015A Bonds of such maturity to be redeemed shall be selected by lot (or in such manner determined by the Bond Registrar) in increments of $5,000. In the case of a 2015A Bond of a denomination greater than $5,000, the University and the Bond Registrar shall treat each 2015A Bond as representing such number of separate Bonds each of the denomination of $5,000 as is obtained by dividing the actual principal amount of such Bond by $5,000. If the University redeems at any one time fewer than all of the 2015B Bonds having the same maturity date, the particular 2015B Bonds or portions of 2015B Bonds of such maturity to be redeemed shall be selected on a *pro rata* basis.

Notice of Redemption. For so long as the Book-Entry Only System is in effect, notice of redemption shall be provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations, and no additional published or other notice shall be provided by the University. Notice of redemption may be conditional. Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption shall be given by the Bond Registrar on behalf of the University by mailing a copy of an official redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Register or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar.

The University has retained the right to rescind any redemption notice and the related optional redemption of Bonds by giving notice of rescission to the affected registered owners at any time on or prior to the scheduled redemption date.

Effect of Redemption. If an unconditional notice of redemption has been given, or if the conditions to redemption have been satisfied or waived, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date such Bonds or portions of Bonds shall cease to bear interest. The Registered Owners of such Bonds or portions thereof shall thereafter have no rights in respect thereof except to receive payment of the Redemption Price upon delivery of such Bonds to the Registrar.

Any notice mailed as described above will be conclusively presumed to have been given, whether or not actually received by any owner of a Bond. The failure to mail notice with respect to any Bond will not affect the validity of the proceedings for the redemption of any other Bond with respect to which notice was so mailed.

Mandatory Sinking Fund Redemption

The 2015A Bonds (the “Term Bonds”), are subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption on April 1 in the years and amounts as follows:

Date	Mandatory Sinking Fund Redemption
2044	$13,130,000
2045*	27,910,000

* Maturity.

If the University redeems Term Bonds under the optional redemption provisions described above or purchases or defeases Term Bonds, the Term Bonds so redeemed, purchased, or defeased (irrespective of their actual redemption or purchase prices) will be credited at the par amount thereof against one or more scheduled mandatory redemption amounts for the Term Bonds as directed by the University or, if no such direction is made, by lot (or in such manner determined by the Bond Registrar).

Purchase of Bonds by the University

The University may acquire Bonds by purchase of Bonds offered to the University at any time at such purchase price as the University deems appropriate, or by gift at any time on terms as the University deems appropriate. The Resolution does not require that Bonds so acquired be cancelled.

Defeasance

Any Bonds shall be deemed to have been paid and not Outstanding under the Resolution and shall cease to be entitled to any benefit or security of the Resolution except the right to receive the money and the proceeds and income from noncallable "Government Obligations," as defined below, set aside and pledged in the manner hereafter described, if (a) in the event that any or all of the Bonds are to be optionally redeemed, the University shall have given to the Registrar irrevocable instructions to give such notice of redemption of such Bonds as may be required by the provisions of the Resolution; (b) there shall have been made an irrevocable deposit, in trust, with the Registrar or another corporate fiduciary of money in an amount which shall be sufficient, and/or noncallable Government Obligations maturing at such time or times and bearing such interest to be earned thereon, without considering any earnings on the reinvestment thereof, as will provide a series of payments which shall be sufficient, together with any money initially deposited, to provide for the payment of the principal of and the interest on the defeased Bonds, when due in accordance with their terms, or upon the earlier prepayment thereof in accordance with a refunding plan; and (c) there shall have been delivered to the University an opinion of Bond Counsel, to the effect that interest on the 2015A Bonds will not become subject to federal income taxation by reason of such defeasance.

"Government Obligations" means direct obligations of the United States of America, obligations the principal of and interest on which are unconditionally guaranteed by the United States of America and bank certificates of deposit secured by the obligations, and bonds, debentures, notes, certificates of participation or other obligations issued by a federal agency or other instrumentality of the federal government.

If the University defeases any 2015B Bonds, such 2015B Bonds may be deemed to be retired and "reissued" for federal income tax purposes as a result of the defeasance. In such event, the Owner of a 2015B Bond would recognize a gain or loss on the Bond at the time of defeasance. See "CERTAIN INCOME TAX CONSEQUENCES."

SOURCES AND USES OF BOND PROCEEDS

Use of Proceeds

The proceeds from the sale of the Bonds will be used to finance University projects (the "Project") and to pay costs of issuance.

Sources and Uses of Funds

The proceeds of the Bonds are expected to be applied as follows:

	2015A Bonds	2015B Bonds	Total
Sources of Funds			
Par Amount of the Bonds	$41,040,000.00	$10,075,000.00	$51,115,000.00
Original Issue Premium	6,074,330.40	0.00	6,074,330.40
Total Sources of Funds	$47,114,330.40	$10,075,000.00	$57,189,330.40
Uses of Funds			
Project Fund Deposit	$46,810,000.00	$10,000,000.00	$56,810,000.00
Issuance Costs(1)	304,330.40	75,000.00	379,330.40
Total Uses of Funds	$47,114,330.40	$10,075,000.00	$57,189,330.40

(1) Issuance costs include Underwriters' discount, legal fees, Financial Advisor's fees, rating agency fee, contingency and other costs incurred in connection with the issuance of the Bonds.

SECURITY FOR THE BONDS

University General Revenue Obligation

The Bonds are general revenue obligations of the University. The University is obligated to pay the principal of and interest on the Bonds from General Revenues, as defined in the Resolution, a copy of which is included at "APPENDIX B—COPY OF THE RESOLUTION."

As set forth in the Resolution, the University has pledged General Revenues to the payment of the principal of and interest on the Bonds when due. The Bonds are payable from and secured by a pledge of General Revenues and the money and investments deposited into the special fund designated as the "Bond Fund." See Sections 10 and 11 of the Resolution, a copy of which is included at "APPENDIX B—COPY OF THE RESOLUTION."

General Revenues is defined in the Resolution to include all tuition, charges, rents, and other operating revenue of the University, except as specifically excluded. The following items are excluded:

- Student Building Fees and Student Incidental Fees (each as defined in Section 1 of the Resolution included as APPENDIX B);

- Revenue from grants and contracts, whether restricted or unrestricted (including for illustrative purposes the following items identified in the University's financial statements: federal grants and contracts, state and local grants and contracts, and nongovernmental grants and contracts) ("Grant and Contract Revenue");

- Amounts required to be transferred to the State Treasurer for deposit to pay debt service on certain State general obligation bonds and certificates of participation for the benefit of the University ("University-Paid State Bonds") next coming due, and without duplication, amounts required to be paid to the State Treasurer for University-Paid State Bonds next coming due; See "APPENDIX A—OREGON STATE UNIVERSITY—OUTSTANDING UNIVERSITY OBLIGATIONS" for a description of the payments the University is required to make to the State Treasurer in connection with certain bonds and certificates of participation issued for the benefit of the University; and

- Amounts that otherwise are restricted in their use by law, regulation, and contract.

Unrestricted net assets, to the extent that they were received as General Revenues, are included in the definition of General Revenues.

Moneys received by the University from taxes collected by the State and gifts are not operating revenues of the University and are therefore not included in the definition of General Revenue.

The following table sets forth General Revenues for each of the fiscal years 2013 and 2014. As described in "APPENDIX A—OREGON STATE UNIVERSITY—HISTORICAL FINANCIAL RESULTS—General Revenues" General Revenues consist of student tuition and fees, auxiliary enterprises revenues, education department sales and services and other University operating revenues, with certain exclusions as shown in the table below.

UNIVERSITY GENERAL REVENUES
For the Fiscal Years ending June 30, 2014 and 2013 (000's)

	2014	2013
Total Operating Revenues	$ 621,876	$ 587,380
Less:		
Student Building Fees	(3,322)	(3,211)
Student Incidental Fees	(22,816)	(22,778)
Federal Grants and Contracts	(158,291)	(165,544)
State and Local Grants and Contracts	(6,786)	(6,994)
Nongovernmental Grants and Contracts	(22,114)	(18,928)
Amounts required to be deposited or paid for University-Paid State Bonds(1)	(46,736)	(56,379)
Plus:		
Beginning Unrestricted Net Position(2)	63,611	64,246
GENERAL REVENUES	$ 425,422	$ 377,792

(1) As described under the heading "Outstanding University Obligations" and in "APPENDIX A—OREGON STATE UNIVERSITY—OUTSTANDING UNIVERSITY OBLIGATIONS," effective July 1, 2014, the University is obligated to pay University-Paid State Bonds from legally available revenues, including fees and certain other amounts that are either excluded from or not legally available to be included as General Revenues. The amounts required to be deposited or paid for University-Paid State Bonds shown above represent payments made prior to the effective date of the Agreement for Debt Management described under the heading "Outstanding University Obligations."

(2) This amount was derived from the audited Unrestricted Net Position balance (except for the 2013 balance, which was derived from the audited Unrestricted Net Position balance, plus reclassifications made to conform to the 2014 presentation), less any net position resulting from Student Incidental Fees. Student Building Fees are included in Restricted Net Position and thus do not need to be deducted from this amount.

Source: The University's 2014 Annual Financial Report and the University.

Not a State Obligation

THE BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF OREGON OR OF ANY SUBDIVISION THEREOF, OTHER THAN THE UNIVERSITY, OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF OREGON OR ANY SUCH POLITICAL SUBDIVISION, OTHER THAN THE UNIVERSITY, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR UNDER THE BOND RESOLUTION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF OREGON OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF OREGON OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE UNIVERSITY HAS NO TAXING POWER.

Payment Covenant

The University has covenanted that so long as any Bonds are outstanding, the University shall pay or cause to be paid the principal of and the interest on all outstanding Bonds on the dates, at the places, from the sources of funds and in the manner, all as provided in the Bond Resolution. See Section 12 of the Resolution included at "APPENDIX B—COPY OF THE RESOLUTION."

Additions to General Revenues

The University reserves the right to include in General Revenues, at its sole option, in the future, other legally available sources of revenue or income initially excluded in the definition of General Revenues. The addition of General Revenues is to be evidenced by a certificate executed and delivered by the Vice President for Finance and Administration, or his or her designee (the "Authorized University Representative") identifying the items to be added. See Section 11(d) of the Resolution included at "APPENDIX B—COPY OF THE RESOLUTION."

Deletions from General Revenues

The University reserves the right to remove, at its sole option, in the future, any revenues from General Revenues, so long as no more than 10% of General Revenues (based on the University's most recent audited financial statements) are removed in any fiscal year. The removal of General Revenues is to be evidenced by a certificate executed by the Authorized University Representative identifying the items to be deleted. See Section 11(e) of the Resolution included at "APPENDIX B—COPY OF THE RESOLUTION."

Additional Bonds

The University has reserved the right to issue one or more series of Additional Bonds for University purposes. "Additional Bonds" means bonds, leases, interest rate swaps, and other contractual obligations issued by the University and secured by a pledge of General Revenues on parity with the pledge securing the payment of the principal and interest on the Bonds. There are no limitations, either statutory or contractual, that would prevent the University from incurring any such additional obligations.

The University also has reserved the right to issue obligations payable from and secured by a pledge of General Revenues on a basis subordinate to the Bonds and any Additional Bonds, without notice to or consent of Bondholders, as permitted by law. See Section 11(f) and (g) of the Resolution included at "APPENDIX B—COPY OF THE RESOLUTION."

Future Debt

The University anticipates issuing debt from time to time, and may issue Additional Bonds or other debt obligations in the range of $35 to $50 million within the next two years.

Interest Rate Swap Agreements

The University may enter into interest rate swap agreements payable from General Revenues. Pursuant to ORS 287A.335, the University is authorized to enter into agreements for exchange of interest rates with a counterparty. An agreement for exchange of interest rates may be made to manage payment, interest rate, spread or similar exposure undertaken in connection with related bonds. The University currently has no interest rate swap agreements in place and the University's debt policy would not permit interest rate swaps without approval from the Board and an amendment of the current University debt policy.

Outstanding and Future University Obligations

The State has previously issued general obligation bonds and certificates of participation for the benefit of the University and made certain loans to the University, under applicable authorizing provisions of the State constitution and statutes. The University is responsible for paying the debt service on University-Paid State Bonds, and the University is responsible for requesting State appropriations to pay "State-Paid Bonds." The obligations of the University with respect to University-Paid State Bonds are established under a schedule provided to the University by the State Treasurer as required by Oregon law and pursuant to an Agreement for Debt Management, dated as of July 1, 2014, by and among the University, the State, acting by and through its Office of the State Treasurer (the "State Treasurer"), the Higher Education Coordinating Commission (the "HECC"), Department of Administrative Services ("DAS"), and the OUS. The schedule may be amended from time to time in connection with future issues of University-Paid State Bonds. The University may request the State issue, for the benefit of the University, University-Paid State Bonds. For further description of the University's obligations in connection with University-Paid State Bonds and other debt obligations issued by the State for the benefit of the University, including State-Paid Bonds to be paid by the State from appropriations requested by the University, see "APPENDIX A—OREGON STATE UNIVERSITY–OUTSTANDING UNIVERSITY OBLIGATIONS."

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DEBT SERVICE

Debt Service Schedule

The following table provides the debt service requirements for the Bonds.

OREGON STATE UNIVERSITY
GENERAL REVENUE BOND DEBT SERVICE SCHEDULE

Fiscal Year	Principal	Interest	Total[1]
2016	--	$2,240,330	$2,240,330
2017	--	2,489,255	2,489,255
2018	--	2,489,255	2,489,255
2019	--	2,489,255	2,489,255
2020	--	2,489,255	2,489,255
2021	--	2,489,255	2,489,255
2022	--	2,489,255	2,489,255
2023	--	2,489,255	2,489,255
2024	--	2,489,255	2,489,255
2025	--	2,489,255	2,489,255
2026	--	2,489,255	2,489,255
2027	--	2,489,255	2,489,255
2028	--	2,489,255	2,489,255
2029	--	2,489,255	2,489,255
2030	--	2,489,255	2,489,255
2031	--	2,489,255	2,489,255
2032	--	2,489,255	2,489,255
2033	--	2,489,255	2,489,255
2034	--	2,489,255	2,489,255
2035	--	2,489,255	2,489,255
2036	--	2,489,255	2,489,255
2037	--	2,489,255	2,489,255
2038	--	2,489,255	2,489,255
2039	--	2,489,255	2,489,255
2040	--	2,489,255	2,489,255
2041	--	2,489,255	2,489,255
2042	--	2,489,255	2,489,255
2043	--	2,489,255	2,489,255
2044	$23,205,000	2,489,255	25,694,255
2045	27,910,000	1,395,500	29,305,500
Total[1]	**$51,115,000**	**$73,334,970**	**$124,449,970**

(1) Totals may not foot due to rounding.
Source: The University.

LIMITATIONS ON REMEDIES

Pursuant to ORS 287A.310, the pledge of General Revenues creates a lien that is to be valid and binding from the time the pledge is made, without physical delivery, filing or any other act, and with the priority and subject to the limitations set forth in the Resolution. A Bondowner may commence an action in a court of competent jurisdiction to foreclose the lien of the pledge and exercise the rights and remedies as provided under the Resolution.

If the University were to default on the payment of principal of or interest on the Bonds, payment of the principal of and accrued interest on the Bonds would not be subject to acceleration. The University is liable for principal and interest payments only as they become due. In the event of multiple defaults in payment of principal of or interest on the Bonds, the Bondholders would be required to bring a separate action for each such payment not made. Any such action to compel payment or for money damages would be subject to the limitations on legal claims and remedies against public bodies under State law.

Any remedies available to the Registered Owners of the Bonds upon the occurrence of an event of default under the Resolution are in many respects dependent upon judicial actions which are in turn often subject to discretion and delay and could be both expensive and time-consuming to obtain. If the University fails to pay principal of or interest on the Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the Registered Owners of the Bonds.

In addition to the limitations on remedies contained in the Resolution, the rights and obligations under the Bonds and the Resolution may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. The opinion to be delivered by Pacifica Law Group LLP, as Bond Counsel, concurrently with the issuance of the Bonds, will be subject to limitations regarding bankruptcy, insolvency and other laws relating to or affecting creditors' rights. A complete copy of the proposed forms of opinion of Bond Counsel is set forth in "APPENDIX D—FORMS OF BOND COUNSEL OPINION."

STATE LEGISLATION, INITIATIVES AND REFERENDA

The State Legislative Assembly (the "Legislative Assembly") considers legislation from time to time that may affect the University, including without limitation legislation appropriating funds for higher education, legislation authorizing State bonds for the benefit of the University, and legislation regarding public employees, benefits, tuition, academic standards, public procurement and contracting, and other matters. The Legislative Assembly convened the 2015 legislative session on February 1, 2015 (the "2015 Legislative Session").

The Oregon Constitution, Article IV, Section 1, reserves to the people of the State (1) the initiative power to amend the Oregon Constitution or to enact State legislation by placing measures on the statewide general election ballot for consideration by the voters and (2) the referendum power to approve or reject at an election any act passed by the Legislative Assembly that does not become effective earlier than 90 days after the end of the legislative session. The

Legislative Assembly may also refer an act to the voters for approval or rejection. The next general election will be held in November 2016.

LEGAL INFORMATION

No Litigation Concerning the Bonds

There is no litigation pending or, to the actual knowledge of the University, threatened questioning the validity of the Bonds or the power and authority of the University to issue the Bonds or seeking to enjoin the issuance of the Bonds.

Other Litigation

The University is a party to lawsuits arising out of its normal course of business, but the University does not believe any of such litigation will have a significant adverse impact upon the financial position of the University. Some of these claims are covered by insurance.

Approval of Counsel

Legal matters incident to the authorization, issuance and sale of Bonds by the University are subject to the approving legal opinion of Pacifica Law Group LLP, Seattle, Washington, "Bond Counsel." The forms of opinions of Bond Counsel are attached hereto as APPENDIX D.

Pacifica Law Group LLP, Seattle, Washington, as Disclosure Counsel, will provide certain other legal services for the University. Certain legal matters will be passed upon for the University by its General Counsel.

Certain legal matters will be passed on for the Underwriters by Orrick, Herrington & Sutcliffe LLP Portland, Oregon, counsel to the Underwriters. Any opinion of such firm will be addressed solely to the Underwriters, will be limited in scope, and cannot be relied upon by investors.

TAX MATTERS

In the opinion of Bond Counsel, interest on the 2015A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the 2015A Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. In the opinion of Bond Counsel interest on all of the Bonds is exempt from Oregon personal income tax under existing law.

Federal income tax law contains a number of requirements that apply to the 2015A Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the 2015A Bonds and the facilities financed with proceeds of the 2015A Bonds and certain other matters. The University has covenanted to comply with all applicable requirements.

Bond Counsel's opinion is subject to the condition that the University comply with the above-referenced covenants and, in addition, will rely on representations by the University and its advisors with respect to matters solely within the knowledge of the University and its advisors, respectively, which Bond Counsel has not independently verified. If the University fails to comply with such covenants or if the foregoing representations are determined to be inaccurate or incomplete, interest on the 2015A Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2015A Bonds, regardless of the date on which the event causing taxability occurs.

Except as expressly stated above, Bond Counsel expresses no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the 2015A Bonds. Registered Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2015A Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

Prospective purchasers of the 2015A Bonds should be aware that ownership of the 2015A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the 2015A Bonds. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations such as the 2015A Bonds, are in many cases required to be reported to the Internal Revenue Service (the "IRS"). Additionally, backup withholding may apply to any such payments made to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Bond Counsel's opinion is not a guarantee of result and is not binding on the IRS; rather, the opinion represents Bond Counsel's legal judgment based on its review of existing law and in reliance on the representations made to Bond Counsel and the University's compliance with its covenants. The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the 2015A Bonds. Registered Owners of the 2015A Bonds are advised that, if the IRS does audit the Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the University as the taxpayer, and the Registered Owners of the 2015A Bonds may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the 2015A Bonds until the audit is concluded, regardless of the ultimate outcome.

Proposed Tax Legislation; Miscellaneous. Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the 2015A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent the beneficial owners of the 2015A Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the 2015A Bonds. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal tax purposes of interest on obligations such as the 2015A Bonds. Prospective purchasers of the 2015A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

Qualified Tax-Exempt Obligations

The University has not designated the 2015A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

Premium

An amount equal to the excess of the purchase price of a 2015A Bond over its stated redemption price at maturity constitutes premium on that 2015A Bond. A purchaser of a 2015A Bond must amortize any premium over that 2015A Bond's term using constant yield principles, based on the 2015A Bond's yield to maturity. As premium is amortized, the purchaser's basis in the 2015A Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the 2015A Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of 2015A Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and the state and local tax consequences of owning such 2015A Bonds.

CERTAIN INCOME TAX CONSEQUENCES

This advice was written to support the promotion or marketing of the 2015B Bonds. This advice is not intended or written by Bond Counsel to be used, and may not be used, by any person or entity for the purpose of avoiding any penalties that may be imposed on any person or entity under the U.S. Internal Revenue Code. Prospective purchasers of the 2015B Bonds should seek advice based on their particular circumstances from an independent tax advisor.

The following discussion describes aspects of the principal U.S. federal tax treatment of U.S. persons that are beneficial owners ("Owners") of the 2015B Bonds. This summary is based on the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), published revenue rulings, administrative and judicial decisions, and existing and proposed Treasury regulations (all as of the date hereof and all of which are subject to change, possibly with retroactive effect).

This summary discusses only 2015B Bonds held as capital assets within the meaning of Section 1221 of the Code. It does not discuss all of the tax consequences that may be relevant to an Owner in light of its particular circumstances or to Owners subject to special rules, such as certain financial institutions, insurance companies, tax-exempt organizations, foreign taxpayers, taxpayers who may be subject to the alternative minimum tax or personal holding company provisions of the Code, dealers in securities or foreign currencies, Owners holding the 2015B Bonds as part of a hedging transaction, "straddle," conversion transaction, or other integrated transaction, or Owners whose functional currency (as defined in Section 985 of the Code) is not the U.S. dollar. Except as stated herein, this summary describes no federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds. ACCORDINGLY, INVESTORS WHO ARE OR MAY BE DESCRIBED WITHIN THIS PARAGRAPH SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO SUCH INVESTORS, AS WELL AS TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL, OR FOREIGN TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY, OF PURCHASING, HOLDING, OWNING AND DISPOSING OF THE 2015B BONDS.

For purposes of this discussion, a "U.S. person" means an individual who, for U.S. federal income tax purposes, is (a) a citizen or resident of the United States, (b) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, (c) an estate, the income of which is subject to U.S. federal income taxation regardless of its source of income, or (d) a trust, if either: (i) a United States court is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust or (ii) a trust has a valid election in effect to be treated as a United States person under the applicable treasury regulations. The term also includes nonresident alien individuals, foreign corporations, foreign partnerships, and foreign estates and trusts ("Foreign Owners") to the extent that their ownership of the Bonds is effectively connected with the conduct of a trade or business within the United States, as well as certain former citizens and residents of the United States who, under certain circumstances, are taxed on income from U.S. sources as if they were citizens or residents. It should also be noted that certain "single member entities" are disregarded for U.S. federal income tax purposes. Such Foreign Owners and Owners who are single member non-corporate entities, should consult with their own tax advisors to determine the U.S. federal, state, local, and other tax consequences that may be relevant to them.

In General. Interest derived from a 2015B Bond by an Owner is subject to U.S. federal income taxation. In addition, a 2015B Bond held by an individual who, at the time of death, is a U.S. person is subject to U.S. federal estate tax.

Payments of Interest. Interest, including additional amounts of cash and interest, if any, paid on the 2015B Bonds will generally be taxable to Owners as ordinary interest income at the time it accrues or is received, in accordance with the Owner's method of accounting for U.S. federal income tax purposes. Owners who are cash-method taxpayers will be required to include interest in income upon receipt of such interest income; whereas Owners who are accrual-method taxpayers will be required to include interest as it accrues, without regard to when interest payments are actually received.

Disposition or Retirement. Upon the sale, exchange or other disposition of a 2015B Bond, or upon the retirement of a 2015B Bond (including by redemption), an Owner will recognize capital gain or loss equal to the difference, if any, between the amount realized upon the disposition or retirement (reduced by any amounts attributable to accrued but unpaid interest, which will be taxable as such) and the Owner's adjusted tax basis in the 2015B Bond. Any such gain or loss will be United States source gain or loss for foreign tax credit purposes. Under the Resolution, all of the 2015B Bonds are subject to optional redemption. See "THE BONDS—Optional Redemption." If the University defeases any 2015B Bonds, such 2015B Bonds may be deemed to be retired and "reissued" for federal income tax purposes as a result of the defeasance. In such event, the Owner of a 2015B Bond would recognize a gain or loss on the Bond at the time of defeasance.

The Code contains a number of provisions relating to the taxation of securities such as the 2015B Bonds (including, but not limited to the tax treatment of and accounting of interest, premium, original issue discount and market discount thereon, gain from the sale, exchange of other disposition thereof and withholding tax on income therefrom) that may affect the taxation of certain owners, depending on their particular tax situations.

The federal tax discussion set forth above is included for general information only and may not be applicable depending upon an Owner's particular situation. Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the 2015B Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not U.S. persons.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on employee plans subject to Title I of ERISA ("ERISA Plans"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements under Title I, Part 4 of ERISA, including, but not limited to, the requirements of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to Title I of ERISA but are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons" (each a "Party in Interest")) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A Party in Interest who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The fiduciary of a Plan that proposes to purchase and hold any 2015B Bonds should consider, among other things, whether such purchase and holding may involve (a) the direct or indirect extension of credit to a Party in Interest, (b) the sale or exchange of any property between a Plan and a Party in Interest and (c) the transfer to, or use by or for the benefit of, a Party in Interest, of any Plan assets within the meaning of 29 CFR Sec. 2510.3-102 as modified by ERISA Section 3(42). Depending on the identity of the Plan fiduciary making the decision to acquire or hold 2015B Bonds on behalf of a Plan and other factors, U.S. Department of Labor Prohibited Transaction Class Exemption ("PTCE") 75-1 (relating to certain broker-dealer transactions), PTCE 84-14 (relating to transactions effected by independent "qualified professional asset managers"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by an insurance company general account), or PTCE 96-23 (relating to transactions directed by certain "in-house asset managers") (collectively, the "Class Exemptions") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code generally provide for a statutory exemption from the prohibitions of Section 406(a) of ERISA and Section 4975 of the Code for certain transactions between Plans and persons who are Parties in interest solely by reason of providing services to such Plans or that are affiliated with such service providers, provided generally that such persons are not fiduciaries (or affiliates of such fiduciaries) with respect to the "plan assets" of any Plan involved in the transaction and that certain other conditions are satisfied.

By its acceptance of a 2015B Bond, each Beneficial Owner will be deemed to have represented and warranted that either (a) no "plan assets" of any Plan have been used to purchase such 2015B Bond, or (b) the Underwriters are not a Party in Interest with respect to the "plan assets" of any Plan used to purchase such 2015B Bond, or (c) the purchase and holding of such 2015B Bonds is exempt from the prohibited transaction restrictions of ERISA and Section 4975 of the Code pursuant to a statutory exemption or an administrative class exemption.

Each Plan fiduciary (and each fiduciary for a governmental or church plan subject to the rules similar to those imposed on Plans under ERISA) should consult with its legal advisor concerning an investment in any of the 2015B Bonds.

CONTINUING DISCLOSURE UNDERTAKING

The University is covenanting for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data (the "Annual Disclosure Report") by not later than nine months following the end of the University's fiscal year (which currently would be March 31, 2016, for the report for the 2015 Fiscal Year), and to provide notices of the occurrence of certain enumerated events. The Annual Disclosure Report and notices of material events are to be filed with the Municipal Securities Rulemaking Board. The nature of the information to be contained in the Annual Disclosure Report and in notices of material events is set forth in "APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants are made by the University to assist the purchasers of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The Continuing Disclosure Certificate to be executed in connection with the issuance of the Bonds is the University's first continuing disclosure undertaking.

OTHER BOND INFORMATION

Ratings

A rating of "Aa3" has been assigned to the Bonds by Moody's Investors Service. Such rating reflects only the views of the rating organization and an explanation of the significance of the rating may be obtained from the rating agency. There is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of the agency, circumstances so warrant. Any such downward revision or withdrawal of any of the rating could have an adverse effect on the market price of the Bonds.

Financial Advisor

Public Financial Management, Inc., Seattle, Washington (the "Financial Advisor"), has acted as financial advisor to the University in connection with the issuance of the Bonds. The Financial Advisor is not obliged to undertake, and has not undertaken, an independent verification of, nor has assumed responsibility for the accuracy, completeness or fairness of the information obtained in this Official Statement. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Underwriting

The 2015A Bonds are being purchased by the Underwriters at an aggregate price of $46,983,754.84, which purchase price is the aggregate principal amount of the 2015A Bonds ($41,040,000.00) plus original issue premium of $6,074,330.40 and less Underwriters' discount of $130,575.56. The 2015B Bonds are being purchased by the Underwriters at an aggregate price of $10,042,944.76, which purchase price is the aggregate principal amount of the 2015B Bonds ($10,075,000.00), less Underwriters' discount of $32,055.24.

The initial public offering price set forth on the inside cover hereof may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Bonds into unit investment trusts or money market funds, certain of which may be sponsored or managed by the purchaser, at prices lower than the public offering prices stated on the inside cover hereof.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Bonds.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate 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.

Potential Conflicts

Some or all of the fees of the Financial Advisor, Bond Counsel, Disclosure Counsel and Underwriter's Counsel are contingent upon the sale of the Bonds. Pacifica Law Group LLP is serving as Bond Counsel and Disclosure Counsel to the University with respect to the Bonds. From time to time Bond Counsel and Disclosure Counsel may serve as counsel to the Underwriters, and to other parties involved with the Bonds with respect to transactions other than the issuance of the Bonds. Orrick, Herrington & Sutcliffe LLP, Portland, Oregon, is serving as counsel to the Underwriters and serves as bond counsel to the State on certain University-Paid Bonds and State-Paid Bonds.

Independent Auditor

The University's annual financial statements as of June 30, 2014 and June 30, 2013, and for the years then ended, included as APPENDIX C to this Official Statement, have been audited by CliftonLarsonAllen LLP, independent auditors, as stated in their report appearing therein.

Official Statement

All forecasts, estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not intended to be construed as a contract or agreement between the University and the purchasers or holders of any of the Bonds.

At the time of the delivery of the Bonds, one or more officials of the University will furnish a certificate stating that, to the best of his or her knowledge and belief at the time of the sale or delivery of the Bonds, this Official Statement and information furnished by the University supplemental thereto did not and do not contain any untrue statements of material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading in any material respect.

The University has authorized the execution and delivery of this Official Statement.

OREGON STATE UNIVERSITY

By: /s/ W. Glenn Ford
Vice President for Finance and
Administration

APPENDIX A

OREGON STATE UNIVERSITY

History and Mission

Founded in 1868 the University's mission statement sets forth its commitment to teaching, research, and outreach and engagement to promote economic, social, cultural and environmental progress for the people of Oregon, the nation and the world.

The University is the only university in the State to hold both the Carnegie Foundation's top designation for research institutions and a Community Engagement classification. University programs and faculty are located in every county of the State and the University partners with school districts, community colleges and other private and public universities in Oregon to provide statewide access to educational programs.

The University serves as the State's only Land Grant university and the University is one of only two U.S. universities to have Land Grant, Sea Grant, Space Grant and Sun Grant designations. A Land Grant university is an institution that has been designated by its state legislature or Congress to receive the benefits of the Morrill Acts of 1862 and 1890, under which public lands were granted to states. The proceeds from the sale of these lands are invested to provide support for colleges of agriculture and mechanical arts. The University receives federal and State Land Grant appropriations, largely for its Extension Service, Forest Research Laboratory, and Agricultural Experiment Station. Under its Sea Grant, Space Grant and Sun Grant designations, the University receives federal and state grant funding for research and education projects to support the health of coastal communities and marine ecosystems, research on bio-based technologies for energy and commercial purposes, and research on space science topics.

Campuses

The University is comprised of a main campus in Corvallis, Oregon and a branch university campus in Bend, Oregon ("OSU-Cascades"). The University also operates the Hatfield Marine Science Center in Newport, Oregon; its Ecampus (for online learning); 15 Agricultural Experiment Stations; county extension offices in all of Oregon's 36 counties; and the Forest Research Laboratory.

The University's main campus in Corvallis encompasses 400 acres and includes a historic district, listed on the National Register of Historic Places.

OSU-Cascades presently offers "two-plus-two" academic programs by offering classes to juniors, seniors and graduate students, while Central Oregon Community College offers classes to freshmen and sophomore students. Beginning fall 2015, OSU-Cascades will offer classes to freshmen and sophomores and the University has plans to build educational buildings and residence halls on a new campus in Bend, Oregon. OSU-Cascades is the only baccalaureate and graduate degree granting institution based in Central Oregon.

The University's Hatfield Marine Science Center ("HMSC") is a marine studies research laboratory located in Newport, on the Oregon coast. HMSC is a resource for scientists visiting from other universities and marine science students. HMSC currently hosts collaborative research and education programs from seven University colleges, six State and federal agencies, and multiple national and international universities on HMSC's 49-acre campus. HMSC's Visitor Center, which was established at the University in 1971, is operated by Oregon Sea Grant and is one of 33 programs within the National Oceanic and Atmospheric Administration's Sea Grant College Program, which was authorized by Congress in 1968. The Visitor Center provides a site for public and K-12 education.

Ecampus is the online distance learning education unit of the University. Ecampus offers undergraduate degrees, graduate programs and online minors. Online courses are taught by University faculty and carry requirements for reading, research, and examinations that are similar to on-campus courses. U.S. News and World Report recently ranked the University's Ecampus 5th on its 2015 list of the country's best online bachelor's programs.

Academic Programs

The University offers more than 200 undergraduate and 100 graduate degree programs through its 11 colleges: Agricultural Sciences, Business, Earth Ocean and Atmospheric Sciences, Education, Engineering, Forestry, Liberal Arts, Pharmacy, Public Health and Human Sciences, Science, and Veterinary Medicine. The University's Honors College is one of the few degree-granting honors programs in the country, and students in the program can earn an Honors Degree from any of the University's 11 colleges. The University's Graduate School serves students in fields including engineering, forestry, oceanography, agriculture, life sciences, liberal arts, health and human sciences, environmental sciences, business and education.

Beginning in 2008, the University created four academic divisions, each representing a combination of colleges: Earth Systems Science (Agricultural Sciences; Earth, Ocean and Atmospheric Sciences; Forestry), Health Sciences (Pharmacy; Public Health and Human Sciences; Veterinary Medicine), Business and Engineering (Business; Engineering), and Arts and Sciences. The divisional structure has led to several collaborations and programs, including a graduate program in Comparative Health Sciences, and to sharing resources among colleges within a division, such as in advising and operations. OSU offers the only Pharmacy, Veterinary Medicine and Public Health degree programs in the State.

Research

The University is the State's second largest public research university as measured by grant and contract awards, after the Oregon Health & Science University. The University is distinguished for both scholarly achievement and the direct impact of applied development. The University's Research Agenda, integrated with the University's Strategic Plan, guides faculty inquiry in the University's three Signature Areas of Distinction, as defined by the University: Advancing the Science of Sustainable Earth Ecosystems; Improving Human Health and Wellness; and Promoting Economic Growth and Social Progress.

Research is a part of all of the University's academic colleges and centers. The University's Research Office includes offices for Commercialization and Corporate Development, Post-Award Administration, Research Integrity, Sponsored Programs, and Incentive Programs.

The University is pursuing a strategy to grow revenues from industry funding, licensing, and commercialization. The Office of Commercialization and Corporate Development leads the University's industry–sponsored research efforts and the commercialization of University innovations by evaluating markets, developing an intellectual property protection strategy and executing research, confidentiality, materials transfer, licensing and other industry agreements.

Governance

The University is governed by a 15-member Board of Trustees (the "Board"). With the exception of the President of the University, who serves as an *ex-officio* non-voting member of the Board, Trustees are appointed by the Governor of the State (the "Governor") with the consent of the State Senate. Officers of the Board include a Chair and Vice Chair, both of whom are elected by the Board and hold office for two years, or until replaced by a successor. Except for a student, faculty, and non-faculty staff member of the Board, each Trustee holds their office for a four-year term. The term of office of each student, faculty, and non-faculty staff member of the Board is two years. The initial terms of certain members appointed to the Board have been adjusted so that approximately one-half of the members are appointed biennially. The following briefly identities Board members.

Name	Position	Vocation
Patricia Reser(1)	Chair	Chairman of the Board, Reser's Fine Foods, Inc.
Darald Callahan(1)	Vice Chair	retired President, Chevron Chemical Co.
Mark Baldwin(1)(2)	Non-Faculty University Staff Member	University analyst and programmer
Patricia Bedient(1)	Member	Chief Financial Officer/Executive Vice President, Weyerhaeuser Co.
Rani Borkar	Member	Vice President/General Manager, Intel Corp.
Michele Longo Eder(1)	Member	Attorney; Member, NOAA Marine Fisheries Advisory Committee
Elson Floyd(1)	Co-Chair of Board Finance and Audit Committee	President, Washington State University
Orcilia Forbes	Member	retired Vice President, the University
Paul Kelly, Jr.	Member	retired Attorney; Member, Oregon State Board of Higher Education
Brenda McComb(1)(2)	University Faculty Member	Dean, University Graduate School
Edward J. Ray	Member (*Ex Officio*)	University President
Laura Naumes(1)	Member	Vice President, Naumes Inc.
Taylor Sarman(1)(2)	Student Member	President, Associated Students of the University
Kirk Schueler	Co-Chair of the Finance and Audit Committee	President, Schueler Consulting Services, LLC
Michael G. Thorne	Member	Owner/Farmer, Thorne family farm

(1) Term expires June 30, 2015.
(2) Faculty, Non-Faculty Staff, and Student members of the Board serve a two-year term.
Source: The University.

Powers and University Property

The University is a public university of the State and an "independent public body with statewide purposes and missions and without territorial boundaries." The Board is granted all of the powers, rights and duties expressly conferred upon it by law, or that are implied by law or incident to such powers.

The Board is vested with broad powers and specific duties and rights, including establishing a process for determining tuition and enrollment fees, provided that any increase in total undergraduate resident tuition and mandatory enrollment fees at the University may not exceed five percent annually unless approved by the State's Higher Education Coordination Commission ("HECC") or the State's Legislative Assembly. The Board is authorized to spend all available moneys without appropriation or expenditure limitation approval from the Legislative Assembly, except for moneys received pursuant to ORS 352.089 related to achievement compacts, or the proceeds of State debt obligations issued by the State at the request of and for the benefit of the University. Pursuant to ORS 352.113, the Board has custody and control of all real property used for University purposes, subject to certain statutory limitations. Legal title to all real property is held in the name of the State, acting by and through the Board. The State, acting by and through the Board, also owns personal property financed with the proceeds of State Article XI-Q bonds during the term of the bonds.

Executive Management

The executive management of the University includes the President, who directs the affairs of the University; the Executive Vice President and Provost, who is the chief operating officer and chief academic officer of the University; the Vice President for Finance and Administration, who manages the finances of the University; the Vice President for OSU-Cascades; the Vice President of Research; the Vice President for University Relations and Marketing; and the University General Counsel. In addition, the Associate Vice President for Finance and Administration leads the University's team on capital financing and debt management activities.

Edward J. Ray, President. Dr. Ray became the University's President on July 31, 2003. He received the 2013 CASE District VIII Leadership Award. He serves on boards of the American Council on Education and the Association of American Colleges and Universities (AAC&U). He was elected vice-chair of the board of directors of the AAC&U for 2014 and will chair the board in 2015. Dr. Ray recently served as chair of the CEO Group of the Pac-12 Conference and the Enforcement Working Group for the National Collegiate Athletic Association ("NCAA"). His nearly three-year term as the NCAA's Executive Committee chair ended in August 2012. Dr. Ray was a member of the economics faculty at Ohio State from 1970–2003, serving as economics department chair from 1976 to 1992. He served as associate provost from May 1992 until May 1993, senior vice provost and chief information officer from 1993–1998, and executive vice president and provost from 1998–2003. Dr. Ray received his undergraduate degree in mathematics from Queens College (CUNY) and both his master's in economics and his doctorate in economics from Stanford University.

Sabah Randhawa, Executive Vice President and Provost. Dr. Randhawa was named Executive Vice President and Provost in May 2005 after serving as interim provost. As the University's second ranking administrator, Dr. Randhawa serves as the chief operating officer and chief academic officer, reporting directly to the President. Dr. Randhawa has held a number of administrative positions at the University including Vice Provost for Academic Affairs and International Programs, Interim Dean for the College of Business, Associate Dean for Operations in the College of Engineering, and Department Head for Industrial and Manufacturing Engineering. Dr. Randhawa joined the University faculty as an assistant professor in 1983 and became a full professor in 1995. He holds a bachelor of science degree in chemical engineering from the University of Engineering & Technology, Pakistan, a master's in industrial engineering from the University and his doctorate in industrial engineering from Arizona State University.

Glenn Ford, Vice President for Finance and Administration. Mr. Ford joined the University as Vice President for Finance and Administration in July 2013. Previously, he served as the Vice President for Finance and Administration/Chief Financial Officer and Treasurer at Linfield College, where he oversaw the financial management of all components of the institution. Mr. Ford's career in higher education leadership also includes 22 years of experience in university finance and administration at three public Land Grant research universities (Utah State University, Washington State University and the University of Idaho). Mr. Ford has a bachelor of science degree in Forest Products and a master's in business administration from the University of Idaho.

Rebecca ("Becky") Johnson, Vice President, OSU-Cascades. Dr. Johnson was appointed as Vice President for OSU-Cascades in May 2009, after serving as its interim leader since December 2008. Dr. Johnson serves as the executive of the campus, reporting directly to the Provost and Executive Vice President of the University. Prior to coming to OSU-Cascades, Dr. Johnson had built a nearly 25-year career at the University, most recently as Vice Provost for Academic Affairs and International Programs. Dr. Johnson joined the University as an assistant professor and now holds the rank of full professor in the Department of Forest Resources, College of Forestry. She received a bachelor of arts degree in economics from the University of Wisconsin-Madison and a master's and doctorate degree in agricultural economics from Michigan State University.

Ron Adams, Interim Vice President of Research. The University named Dr. Adams as Interim Vice President for Research, effective July 1, 2014. For the past three years, Dr. Adams, former dean of the College of Engineering at the University, served as executive associate vice president for research at the University and was responsible for increasing the University's partnerships with industry and for commercializing more of the University's research discoveries. Prior to his appointment as executive associate vice president, Dr. Adams was the engineering dean for 13 years. Before returning to the University as dean, after previously serving on the faculty, Dr. Adams worked at Tektronix for more than 14 years, including serving as vice president of technology. Dr. Adams earned his bachelor of science and doctorate degrees from the University and his master's from the Massachusetts Institute of Technology.

Steve Clark, Vice President of University Relations and Marketing. Mr. Clark came to the University in July 2011 from serving as the president and publisher of the Portland Tribune and metro-area Community Newspapers Inc. In addition to long-standing private sector and civic engagement in state economic development, transportation and land use matters, Mr. Clark is active with community engagement and volunteerism. He also served as a member of the College of Liberal Arts' Dean's Council at the University, and has been a sponsor of the Austin Family Business Program Excellence Awards, the University's College of Business Alumni and

Business Partner Awards, and the University's College of Engineering Oregon Stater Awards. Clark has a bachelor's degree in journalism from the University.

Rebecca Gose, General Counsel. Ms. Gose was appointed as the University's General Counsel as of April 1, 2015 and has been a part of the University's Office of General Counsel for nearly five years. Prior to coming to the University, Ms. Gose worked as a litigation attorney at Munger, Tolles & Olson in San Francisco, and clerked for the Honorable David M. Ebel on the federal Tenth Circuit Court of Appeals in Denver. Ms. Gose graduated *summa cum laude* with her bachelor of arts degree from the University of Colorado at Boulder, and received her juris doctor degree from the University of California at Berkeley.

Michael Green, Associate Vice President for Finance and Administration. Mr. Green has been with the University since January 2014. Before coming to the University, Mr. Green worked for the OUS Chancellor's Office for 23 years, serving in the Internal Audit Department for four years, then as Manager of Accounting for two years, as Controller for seven years, and as the OUS Associate Vice Chancellor for Finance and Administration and Controller for 10 years. Mr. Green is a member of the board and Treasurer of Oregon State Credit Union, a local financial institution with $930 million in assets. He also serves as a board member and the finance committee chair of a local private PreK-12 school. Mr. Green is an Oregon Certified Public Accountant and holds a bachelor of science degree in business administration from the University.

Accreditation

The University is accredited by the Northwest Commission on Colleges and Universities ("NWCCU"). The University has been continuously accredited since 1924. The University is participating in the new NWCCU seven-year accreditation cycle, which involves reporting in years one, three and seven on different standards, rather than submitting a single large report once every ten years. The University's accreditation was reaffirmed in July 2012 following the Year One Report. The University completed its Year Three Self-Study (covering resources and capacity) in March 2014. The report was accepted by the Commission in June 2014.

Admissions, Student Enrollment and Faculty Information

The following table shows graduate and undergraduate enrollments, applications, and acceptances, based on fall semester enrollment for fall 2010 through fall 2014. Headcount labeled "Undergraduates" includes enrollments in online programs through Ecampus and enrollments at HSMC, but excludes enrollments at OSU-Cascades, which is included separately.

Table A1. University Campus Enrollments, Fall Quarter

	2014	2013	2012	2011	2010
Fall Quarter Enrollment (Headcount)					
Undergraduates					
Full-time	18,477	18,486	17,795	17,111	16,383
Part-time	5,426	4,675	4,017	3,510	3,176
OSU-Cascades					
Full-time	237	194	162	175	119
Part-time	575	590	500	465	455
Total Undergraduates	24,715	23,945	22,474	21,261	20,133
Graduates and Professionals	5,151	4,916	4,720	4,480	4,306
Total Undergraduates, Graduates, and Professionals	29,866	28,861	27,194	25,741	24,439
Matriculation					
Applications	26,265	24,856	22,585	21,803	20,393
Admitted	17,361	16,828	14,974	14,564	14,092
Percent Applicants Admitted	66.1%	67.7%	66.3%	66.8%	69.1%
Enrolled	7,997	7,550	7,057	6,816	6,879
Enrolled Percent of Admissions	46.1%	44.9%	47.1%	46.8%	48.8%

Source: The University, Institutional Research Department.

International Student Recruitment and Support Programs. The University's international student enrollment headcount for Fall Quarter 2014 was 3,202, which was 10.7 percent of the University's total undergraduate, graduate and professional students. The University, the Oregon State University Foundation ("OSUF"), INTO University Partnerships Limited and INTO Oregon State University, Inc. entered into agreements to create INTO OSU in 2008. INTO OSU provides academic preparation, English language training, admissions, recruiting and student services for international students interested in attending the University. INTO OSU provides accommodations and services to INTO OSU students at the International Living-Learning Center on the University's Corvallis campus. Under agreements with INTO OSU, the University pays service, matriculation and other fees, and the University receives rent for academic space, housing and dining revenue generated by INTO OSU students, tuition with respect to INTO OSU students who matriculate into the University, and reimbursements for teaching and other services the University provides to INTO OSU students. INTO OSU has increased the number and percentage of international students at the University in recent years, and the University has long-term (35 years if not earlier terminated) agreements with INTO OSU to continue the initiative. If the INTO OSU agreements were terminated, the University may contract with another provider of recruitment and support services for international students.

The following shows the number of full and part-time instructional faculty, percentage tenured, and degree status.

Table A2. Instructional Faculty, Tenured and Degrees

	Fall Quarter				
	2014	**2013**	**2012**	**2011**	**2010**
Instructional Faculty					
Full-time	1,111	982	945	893	825
Part-time	485	434	400	657	547
Total	1,596	1,416	1,345	1,550	1,372
Percent Tenured	58.0%	57.0%	59.6%	47.2%	52.7%
Percent of Total with Ph.D., other Doctorate	75.7%	75.4%	77.3%	67.9%	64.3%

Source: The University, Institutional Research Department.

HISTORICAL FINANCIAL RESULTS

Statement of Revenues, Expenses and Changes in Net Position

Table A3 provides revenues, expenses, and changes in net position of the University for five years. The table provides both supplementary information for the University as represented in the OUS audited financial reports and data from the University's audited financial report. The data for fiscal years 2013 and 2014 was individually audited and is from the University's 2014 Annual Financial Report. The data for fiscal years 2010–2012 for the University was not individually audited, but was included on Supplementary Schedules of the OUS Annual Financial Reports. As supplementary information, the financial data for fiscal years 2010–2012 was subjected to the auditing procedures applied in the audit of the OUS Annual Financial Reports.

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Table A3. Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ending June 30 (000's)

(*Compilation of University Audited Annual Financials, 2013–2014 and Supplementary Schedules from the OUS Audited Annual Financial Reports, 2010–2012*)

	2014[(1)]	2013[(1)]	2012[(2)]	2011[(3)]	2010[(3)]
OPERATING REVENUES					
Student Tuition and Fees[(4)]	$ 263,975	$ 228,436	$ 202, 358	$ 180,759	$ 152,581
Federal Grants and Contracts	158,291	165,544	166,811	163,401	149,670
State and Local Grants and Contracts	6,786	6,994	7,167	5,173	6,960
Nongovernmental Grants and Contracts	22,114	18,928	19,708	20,436	21,354
Educational Department Sales and Services	33,704	35,402	31,770	28,659	27,177
Auxiliary Enterprises Revenues[(4)]	128,820	124,421	109,139	102,755	91,873
Other	8,186	7,655	9,189	5,927	5,252
Total Operating Revenues[(5)]	621,876	587,380	546,142	507,110	454,867
OPERATING EXPENSES					
Instruction	243,734	218,010	192,750	171,954	154,394
Research	179,745	179,196	172,976	167,352	156,928
Public Service	77,820	75,395	81,588	80,207	77,866
Academic Support	61,925	56,501	52,767	46,846	40,297
Student Services	26,370	25,319	24,119	21,576	19,522
Auxiliary Programs	144,018	129,770	119,013	109,535	105,433
Operation and Maintenance of Plant	30,805	30,653	30,353	26,846	23,802
Institutional Support	61,523	56,572	51,947	50,115	40,470
Student Aid	30,547	28,326	26,257	25,484	23,526
Other	54,938	46,559	46,720	35,527	33,996
Total Operating Expenses[(5)]	911,425	846,301	798,490	735,442	676,234
Operating Loss	(289,549)	(258,921)	(252,348)	(228,332)	(221,367)
NON-OPERATING REVENUES (EXPENSES)					
Government Appropriations	161,590	150,487	143,027	167,277	171,644
Financial Aid Grants	45,197	43,193	41,231	36,828	35,161
Investment Activity	17,291	15,591	7,603	12,345	7,760
Gain (Loss) on Sale of Assets, Net	(158)	(66)	92	452	(150)
Interest Expense	(25,453)	(27,141)	(26,743)	(21,670)	(17,376)
Other	43,768	43,127	41,741	37,982	50,473
Total Net Non-operating Revenues[(5)]	242,235	225,191	206,951	233,214	247,512
Income (Loss) Before Other Revenues	(47,314)	(33,730)	(45,397)	4,882	26,145
Debt Service Appropriations	16,696	19,250	15,896	11,437	11,020
Capital Grants and Gifts	24,739	17,105	21,126	9,796	12,128
Changes to Permanent Endowments	766	238	140	--	--
Transfers within the OUS	(4,491)	(2,352)	(5,856)	2,057	855
Total Net Other Revenues[(5)]	37,710	34,241	31,306	23,290	24,003
Increase (Decrease) in Net Position[(5)]	(9,604)	511	(14,091)	28,172	50,148
NET POSITION					
Beginning Balance[(6)]	481,296	480,785	494,876	502,896	452,748
Ending Balance	$ 471,692	$ 481,296	$ 480,785	$ 531,068	$ 502,896

FOOTNOTES TO TABLE ON PREVIOUS PAGE

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(1) 2013 and 2014 numbers are from the University's 2014 Annual Financial Report.

(2) 2012 numbers are from the 2012 Supplementary Schedules from the OUS 2013 Annual Financial Report.

(3) 2010 and 2011 numbers are from the 2010 and 2011 Supplementary Schedules from the OUS 2011 Annual Financial Report.

(4) Net of allowances.

(5) Totals may not foot due to rounding.

(6) In 2013 it was determined that the State needed to recognize a Pre-SLGRP liability. The State allocates the portion of liability based on salaries and wages to all proprietary funds and the government-wide reporting fund in the State's Comprehensive Annual Financial Report. As such, the beginning net position balance for 2012 was restated. Prior years have not been restated. See footnote 8 of the University's 2014 Annual Financial Report (in APPENDIX C) for further information.

Source: The University's 2014 Annual Financial Report; Supplementary Schedules from the OUS Annual Financial Reports, 2011 and *2013.*

Overview of University Revenues

Funding for the major activities of the University comes from a variety of sources including tuition and fees, financial aid programs, federal and state appropriations, grants, private and government contracts, donor gifts, and investment earnings. Revenues are also generated through recovery of costs associated with federal grants and contract activities, which serve to offset related administrative and facilities costs at the University.

General Revenues

As described under the heading "SECURITY FOR THE BONDS—General Revenues," General Revenues include tuition and fees, charges, rents, and other operating revenue of the University, except as specifically excluded. The following items are specifically excluded: Student Building Fees and Student Incidental Fees; Grant and Contract Revenue; amounts required to be transferred to the State Treasurer for deposit for University-Paid State Bonds next coming due (and without duplication, amounts required to be paid to the State Treasurer for University-Paid State Bonds next coming due); and amounts that otherwise are restricted in their use by law, regulation, and contract.

Student Tuition and Fees. Student Tuition and Fees (excluding Student Building Fees) represents a significant component of General Revenues. The University received approximately $264 million in Student Tuition and Fees in fiscal year 2014, of which approximately 95% represented tuition. Student Tuition and Fees increased $36 million, or 16%, in 2014 compared to 2013, primarily as a result of higher tuition and fee rates and a 4% enrollment increase.

Resident and non-resident tuition and fee rates for the 2011–2012 through 2015–2016 academic years (for students taking 15 credit hours per quarter for undergraduate and 12 credit hours per quarter for graduate) are displayed in Table A4. These numbers include the Student Building Fee and Student Incidental Fee, which are excluded from General Revenues.

Table A4. Corvallis Campus Tuition and Fees – Academic Year

	Undergraduate Students[1]		Graduate Students[1]	
Academic Year	Resident	Non-Resident	Resident	Non-Resident
2015–2016	$ 10,107	$ 28,647	$ 13,722	$ 22,524
2014–2015	9,122	26,294	13,379	21,425
2013–2014[2]	8,322	23,514	13,110	20,643
2012–2013	8,139	22,323	12,846	19,758
2011–2012	$ 7,744	$ 21,460	$ 12,397	$ 19,012

(1) Tuition amounts vary depending on degree program.
(2) Rates for academic year 2013–14 are as of fall semester. Rates were decreased for winter and spring quarters as described below.
Source: Oregon University System Fee Books; the University.

While State funding to the University has increased slightly over the last few years, it is still significantly lower than the level of State contribution that existed prior to the last recession. This lower level of State support, combined with rising expenses, particularly labor costs, has put increasing pressure on the University to raise tuition. ORS 352.102 grants the University governing authority with respect to student tuition and fees.

The governing board of each public university is vested with broad powers and specific duties and rights, including establishing a process for determining tuition and enrollment fees, and the collection, management and expenditure of revenues derived from tuition and enrollment fees. Any increase in total tuition and mandatory enrollment fees for resident undergraduate students at a public university may not exceed five percent annually unless the governing board of the university receives approval from the HECC or the Legislative Assembly. The University plans to seek approval for undergraduate resident tuition increases for the 2015–16 academic year.

In fiscal year 2014 and fiscal year 2015, the Legislative Assembly increased State operating support specifically to limit increases in resident undergraduate tuition. This resulted in an average tuition rate increase of 2.2% in fiscal year 2014. At its meeting on March 19, 2015, the Board approved tuition increases for fiscal year 2016, effective fall 2015. The average increase in resident, undergraduate tuition will be 7.6% for fiscal year 2016, subject to HECC approval.

Auxiliary Enterprises Revenues. Auxiliary Enterprises Revenues (except for Student Incidental Fees) are included in, and are a significant component of, General Revenues. Auxiliary Enterprises Revenues include revenues of the University's housing and food services, parking services, intercollegiate athletics programs, and other auxiliary enterprises. The University received $129 million in Auxiliary Enterprises Revenues in fiscal year 2014.

Other University Financial Information

Grant and Contract Revenues. The University received $282 million in Grant and Contract Revenues in fiscal year 2014. A summary of Grant and Contract Revenues in 2013 and 2014 is provided in Table A5 below. Grant and Contract Revenues are excluded from General Revenues.

Table A5. Grant and Contract Revenues
For the Fiscal Years Ending June 30

	2014	2013
Federal	$ 158,291,000	$ 165,544,000
State and Local	6,786,000	6,994,000
Nongovernmental	22,114,000	18,928,000
State Appropriations	49,566,000	48,427,000
Financial Aid Grants	45,197,000	43,193,000
Total Grants and Contracts	$ 281,954,000	$ 283,086,000

Source: The University's 2014 Annual Financial Report and the University accounting system. Rounded to thousands.

The University's research portfolio is supported by a number of other sources in addition to those shown above. These include Federal and State Appropriations, largely for the Extension Service, Forest Research Laboratory, and Agricultural Experiment Station;, awards from the Agricultural Research Foundation (a University-affiliated Foundation supported by industry and private gifts in support of agriculture); and other government and private entities. The total research awards in fiscal years 2013 and 2014 are shown in Table A6. Grant and Contract Revenues are excluded from General Revenues.

Table A6. Externally Funded Awards
For the Fiscal Years Ending June 30

	2014	2013
Federal Agencies	$ 170,548,000	$ 153,777,000
State of Oregon	8,196,000	6,468,000
Industry	7,235,000	7,137,000
Local Government	930,000	989,000
Other States	359,000	363,000
Non Profit	2,404,000	3,569,000
University-Affiliated Foundation	6,786,000	4,544,000
Private Foundation	4,787,000	4,512,000
Foreign Government	979,000	851,000
Federal Appropriations	9,263,000	8,030,000
State Appropriations	49,566,000	48,427,000
Research Cooperatives	2,297,000	2,029,000
Annual Total:	$ 263,350,000	$ 240,696,000

Source: The University's Research Office Statistics Report—Externally Funded Awards, Fiscal Years 2013 and 2014. Rounded to thousands.

State Funding; HECC Coordination. The HECC was created by the Legislative Assembly in 2011 and has responsibility for submitting a comprehensive biennial funding request to the Governor for all post-secondary institutions, which includes the University. The HECC is also responsible for allocating and distributing the appropriations that the Legislative Assembly makes to institutions.

Pursuant to ORS 352.089 each public university must submit its biennial funding request to the office designated by HECC, which will coordinate the requests and submit to HECC a consolidated funding request that HECC submits to the Governor on behalf of all public universities. ORS 352.089(4) provides that a funding request submitted by a public university and appropriations from the Legislative Assembly to a public university may include: funding for education and general operations, statewide public services, state-funded debt service, capital improvements, deferred maintenance, special initiatives and investments; provided, however, that any moneys appropriated to pay debt service for State bonds must be held by the State Treasurer pursuant to an agreement entered into by the State Treasurer and the University.

The Legislative Assembly is currently considering increases in funding for higher education for the 2015–2017 biennium. The Governor's proposed budget included a recommendation for an approximate 5% increase in state funding, but the Co-Chairs of the Ways and Means Committee have suggested a budget with a greater than 8% increase. Although the University cannot predict the final outcome or amount of funding to be approved for the 2015–2017 biennium, both proposals provide more state support than the University has received from the State budget for the last several years.

At its April 9, 2015 meeting, the HECC approved a revised allocation model for the distribution of state funding to be appropriated to the State's public universities. The revised model would shift the basis for State funding distribution from one that was predominantly enrollment based to one that will be predominantly outcomes based. The HECC's approved allocation model is to be implemented in the 2015-17 biennium, as part of a four year gradual transition period to the new allocation model. Under the model, the proportion of the funding is to shift from 20% outcomes based/80% enrollment based to 60% outcomes based/40% enrollment based. The University cannot predict the amount of State funding to be provided to the University for the 2015-2017 biennium or future biennia, however the model incorporates certain stop-loss provisions intended to prevent any institution from experiencing any dramatic decrease compared to a prior year.

See APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY (FISCAL YEARS ENDED JUNE 30, 2014 AND 2013) for additional information relating to appropriations.

Table A7 shows State appropriations to the University over the last five years. State appropriations are not included in General Revenues. See "Outstanding University Obligations" for a discussion of State-Paid Bonds for which the University seeks debt service appropriations by the State.

Table A7. State Appropriations to the University by Type
(000s)

	Fiscal Year				
	2014	**2013**	**2012**	**2011**	**2010**
Operating Appropriations	$144,122	$134,191	$127,971	$136,640	$146,451
Debt Service Appropriations	16,696	19,250	15,896	11,437	11,020
Total Appropriations	$160,818	$153,441	$143,867	$148,077	$157,471

Source: The University; compiled from the University's accounting system.

University Expenditures. Operating expenses increased $65 million in fiscal year 2014, or 8%, over fiscal year 2013, to $911 million. The 2014 increase resulted from higher expenses in all categories, with the biggest overall increases in Instruction and Auxiliary programs. Operating expenses increased $48 million in 2013, or 6%, over 2012, to $846 million. The 2013 increase resulted from higher expenses in most categories, with the biggest overall increases in Instruction and Auxiliary programs. See APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY (FISCAL YEARS ENDED JUNE 30, 2014 AND 2013).

University Capital Assets. At June 30, 2014, the University had $1.5 billion in capital assets, less accumulated depreciation of $655 million, for net capital assets of $890 million. At June 30, 2013, the University had $1.4 billion in capital assets, less accumulated depreciation of $608 million, for net capital assets of $789 million. During fiscal year 2014, $29 million in construction projects were completed and placed into service.

University Net Position. As of June 30, 2014, the University had a total net position of approximately $472 million, a decrease of two percent from Fiscal Year 2013. Investment in buildings, improvements and land was approximately $312 million as of June 30, 2014, net of related debt. The unrestricted net position equaled 8.6 percent of total net position at the end of Fiscal Year 2014. As was noted in the University's June 30, 2014 financial report, $32 million of unrestricted net position was used to repay the OUS Internal Bank loans, the proceeds of which were used to provide interim funding of capital projects. Approximately $27 million of Bond proceeds will be used to reimburse the University's interim funding of capital projects.

Cash and Investments. The University's operating assets are invested pursuant to an investment policy approved by the Board. The investment policy's primary objectives, in priority order, are safety, liquidity, and return on investment. Permitted investments include investment pools managed by the Oregon State Treasury, U.S. Treasuries, U.S. Agency Obligations, Municipal Obligations, Banker's Acceptances, Time Deposits, Negotiable Certificates of Deposit, Commercial Paper, Corporate Notes, Asset-backed Securities, and Money Market Mutual Funds. Pursuant to State law, the University administers the Public University Fund (P.U.F.) on behalf of all participating public universities in Oregon. The P.U.F. is managed by the Oregon State

Treasurer pursuant to the P.U.F. Investment Policy that is approved by the Board and the Oregon Investment Council. Currently, the University invests its operating assets in the P.U.F. The P.U.F. Investment Policy objectives are to provide adequate liquidity for participant universities and to manage the portfolio to maximize total return over a long-term horizon within desired risk parameters.

The P.U.F. portfolio is invested in three allocations: the short-term allocation is invested in the Oregon Short Term Fund with the objective of principal preservation; the intermediate term allocation is invested in the Oregon Intermediate Term Pool with the objective of higher total return versus the short-term portfolio as measured over a three-year trailing period; and the long-term allocation is invested in the P.U.F. Long-Term Pool, with the objective of higher total return versus the benchmark index over a five-year trailing period. Table A8 shows total cash, cash equivalents and investments as of June 30 for years 2013 and 2014.

Table A8. University Cash, Cash Equivalents and Investments
For the Fiscal Years ending June 30 (000s)

Cash and Cash Equivalents	**2014**	**2013**
Current Cash and Cash Equivalents	$ 115,303	$ 82,756
Long-term Cash and Cash Equivalents	33,756	52,104
Total Cash and Cash Equivalents	149,059	134,860
Investment Types		
State Treasury Intermediate Term Pool	17,115	33,744
State Treasury—Individual Investments	44,147	62,068
Endowments—Diversified Pool	37,757	32,664
Endowments—Land	2,693	2,139
Total Investments(1)	101,712	130,615
Total Cash, Cash Equivalents and Investments(1)	$ 250,771	$ 265,475

(1) Totals may not foot due to rounding.
Source: The University's 2014 Annual Financial Report.

At its March 18, 2015 meeting, the University's Finance and Administration Committee authorized University management to move the management of the University's endowment and quasi-endowment assets from the Oregon State Treasury to OSUF. OSUF will invest the University endowment and quasi-endowment assets pursuant to its Endowment Fund & Pooled Investment Program (the "Program") policy.

Gifts and Fundraising; Capital Campaign. Under policies approved by the Board, individual university foundations may be established to provide assistance in fund raising, public outreach and other support for the mission of the University. There are two foundations affiliated with the University: OSUF and the Agricultural Research Foundation, (collectively the "Foundations"), both of which make significant annual contributions to the University. Each foundation is a legally separate, tax-exempt entity with an independent governing board. Although the University does not control the timing or amount of receipts from the foundations, the majority of resources or income thereon that each foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by each foundation can only be used by, or for the benefit of, the University, the foundations are considered component units of the University and are discretely presented in the financial statements. See APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY (FISCAL YEARS ENDED JUNE 30, 2014 AND 2013).

The University, working with the OSUF, completed its first comprehensive campaign on December 31, 2014 (the "Campaign"), with a total of $1.05 billion in gifts, grants and pledge fundraising. More than 106,000 donors, representing all 50 states and 58 nations, contributed to this Campaign.

OSUF is working with the University to increase support for initiatives tied to the University's Strategic Plan. Presently these strategic fundraising initiatives include plans to advance marine studies, accelerate forestry education and research on advanced wood products, and renovate the Valley Football Center, which serves a number of University athletics programs.

Student Financial Aid. A summary of aid delivered to students in 2013 and 2014 is provided below.

Table A9. Student Financial Aid[1]

Funding Source	**FY 2014**[2]	**Percent of Total**	**FY 2013**[2]	**Percent of Total**
Federal	$ 160,027,328	70.1%	$ 156,006,849	70.5%
State	8,504,436	3.7	7,625,376	3.4
Institutional	38,392,726	16.8	40,596,544	18.3
Private/Other	21,438,847	9.4	17,160,562	7.8
Total[7]	$ 228,363,337	100.0%	$ 221,389,331	100.0%
Programs[3]				
Grants[4]	$ 52,294,207	22.9%	$ 53,315,140	24.1%
Scholarships	39,173,543	17.2	37,266,437	16.8
Employment	839,247	0.4	931,487	0.4
Loans[5][6]	136,056,340	59.6	129,876,267	58.7
Total[7]	$ 228,363,337	100.0%	$ 221,389,331	100.0%

(1) Excluded from General Revenues.
(2) Fiscal year data is based on academic term, although transaction date could be outside of fiscal year.
(3) Parent loans and veterans/foreign government/AmeriCorps benefits are excluded.
(4) Federal research grant based support (graduate fellowships, graduate health benefits), student support and employment grants through CAMP or TRIO/SSS are excluded.
(5) Graduate student PLUS loans are included.
(6) Student alternate loans (non-federal or institution based) are included.
(7) Totals may not foot due to rounding.

Source: The University; Institutional Research Department.

Outstanding University Obligations

The State has previously issued general obligation bonds and certificates of participation for the benefit of the University and made certain loans to the University, under applicable authorizing provisions of the State constitution and statutes. The University is responsible for paying the debt service on University-Paid State Bonds, and the University is responsible for requesting State appropriations to pay State-Paid Bonds. The obligations of the University with respect to University-Paid State Bonds are established under a schedule provided to the University by the State Treasurer as required by Oregon law and pursuant to the Agreement for Debt Management. The schedule may be amended from time to time in connection with future issues of University-Paid State Bonds. The University may request the State issue, for the benefit of the University, University-Paid State Bonds.

The University is responsible for paying the debt service for University-Paid State Bonds issued pursuant to ORS 351.379, from the University's legally available revenues. As of June 30, 2014, the University is obligated to make payments with respect to University-Paid State Bonds as shown in table A10 below. As shown in the table, the University also participates in the State Energy Loan Program ("SELP") and has certain obligations with respect to capital leases.

Table A10. University-Paid Obligations
(as of June 30, 2014)[1]

	General Obligation Bonds of the State [2]			Other General Obligations		
Fiscal Year	XI-F(1)[3]	XI-Q	COPs	SELP	Capital Leases	Total[4]
2015	$ 26,296,997	$ 241,046	$ 1,606,598	$ 312,629	$ 115,000	$ 28,572,270
2016	28,645,827	237,434	1,605,754	279,075	115,000	30,883,089
2017	29,014,882	231,922	1,610,711	279,075	0	31,136,591
2018	28,683,759	586,237	1,234,297	279,075	0	30,783,368
2019	28,696,022	587,370	505,986	204,566	0	29,993,943
2020–2024	128,875,127	2,940,700	989,825	570,137	0	133,375,789
2025–2029	117,463,716	1,765,822	82,000	570,137	0	119,881,675
2030–2034	97,441,618	0	0	413,405	0	97,855,023
2035–2039	61,190,006	0	0	0	0	61,190,006
2040–2044	28,850,656	0	0	0	0	28,850,656
Total[4]	$ 575,158,610	$ 6,590,531	$ 7,635,171	$ 2,908,099	$ 230,000	$ 592,522,411

(1) The University is contractually obligated to make these payments to the State, which reflect principal and interest on bonds and other issued general obligations issued by the State.
(2) The table does not reflect changes in debt service resulting from the issuance of the University portion of State of Oregon General Obligation Bonds, 2015 Series A and B, which refund certain University-Paid State Bonds, and State of Oregon General Obligation Bonds 2015 Series F, G, H, and I, which refund certain University-Paid State Bonds.
(3) The schedule for University-Paid State bonds will be amended from time to time to reflect the results of refundings, if any, and to reflect University obligations in connection with future bonds, if any, requested by the University.
(4) Totals may not foot due to rounding.

Source: The University, Master Debt Allocation file amortization schedules; Office of the State Treasurer.

The State is responsible for paying the debt service on certain State bonds issued for the University's benefit from appropriations ("State-Paid Bonds"). State-Paid Bonds include State lottery revenue bonds, Article XI-G bonds, certain Article XI-Q bonds, and certain COPS. Under the Agreement for Debt Management, the University is required to submit funding requests to the HECC for biennial budget appropriations sufficient to pay debt service on State-Paid Bonds issued for the benefit of the University. The University has no further obligation with respect to payment beyond submitting such appropriations requests.

State Treasurer Approval of Cashflow Sufficiency

If the University desires to remain eligible to request future University-Paid State Bonds, the State Treasurer must review and approve all plans of the University to issue revenue bonds including this issuance of the Bonds. The scope of the State Treasurer's approval is limited by statute to consideration of periodic cash flow projections and other information necessary to determine the sufficiency of the cash flow of the University to pay University-Paid State Bonds and to pay debt service on the University's revenue bonds. The University has received confirmation that the State Treasurer, pursuant to ORS 351.369, has reviewed and approved the University's plans to issue the Bonds. As part of that review, the State Treasurer considered the periodic cash flow projections and other information submitted by the University to the State Treasurer to determine that the University will have sufficient cash flow to pay: (i) loans from state agencies to the University that were funded with State Bonds (as defined in ORS 352.059); (ii) State Bonds issued for the benefit of the University pursuant to Articles XI-F(1) and XI-Q of the Oregon Constitution and ORS 283.085 to 283.092 and (iii) the Bonds.

In the event that the University requests additional University-Paid State Bonds, the University's obligations to pay debt service to the State will increase to amounts greater than those described in Table A10 to reflect such additional University-Paid State Bonds.

If the University determines to issue revenue bonds in the future without State Treasurer approval, under current State law, the University would thereupon lose its eligibility to receive proceeds of bonds issued by the State under Articles XI-F(1) or XI-Q or other State bonds or loans that are intended to be repaid in whole or part with University revenues or other money under the control of the University.

Bond Payments and University-Paid State Bond Payments

As described above, the University is obligated to make payments with respect to University-Paid State Bonds when due from legally available revenues of the University. ORS 351.379(3) provides that payments with respect to University-Paid State Bonds are to be paid on or before the dates specified from legally available revenue on a *pari passu* basis with the payment of the Bonds. The Oregon Attorney General issued an opinion on October 1, 2014 concluding that there is no parity of liens under ORS 371.379 because the University may not include in any pledge to bondholders any of the amounts required to pay University-Paid State Bonds. The opinion states that the *pari passu* language relates only to the timing of bond payments and requires universities to time payments to the State Treasurer for University-Paid State Bonds and payments of University revenue bonds roughly equally within a fiscal period to prevent universities from achieving a "de facto" payment priority.

The Resolution excludes from the definition of General Revenues the amounts required to be paid or deposited with the State Treasurer to pay University-Paid State Bonds when due (see table entitled "UNIVERSITY GENERAL REVENUES"), and establishes principal and interest payment dates for the Bonds so that payments to the State Treasurer with respect to University-Paid State Bonds and payments to Bondholders are disbursed roughly equally within a fiscal period.

Labor Relations

The University employs 12,257 people (including student workers), with the unrepresented employee population representing the majority of the workforce at 72%. Of the 28% represented employees, the Coalition of Graduate Employees, American Federation of Teachers Local 6069 ("CGE") part-time student employee population accounts for 16% of the workforce, while the Service Employees International Union, Local 503, Oregon Public Employees Union ("SEIU") primary employees represent 12% of the workforce.

The University labor force includes 4,245 unrepresented faculty members and other unrepresented employees, including 4,515 unrepresented part-time student employees. The represented workforce includes employee members of two collective bargaining agreements; one with primary employees and a second contract representing graduate assistants.

Graduate Teaching Assistants and Graduate Research Assistants include 1,989 students, working no more than 0.49 FTE and represented by CGE. The CGE contract is a four-year contract, which includes a mid-contract reopener of four articles for each party to the agreement and two additional articles under consultation. The current CGE contract is scheduled to expire on June 30, 2016. The University and CGE jointly agreed to participate in Interest Based Bargaining when bargaining the last three contracts. No work slowdowns were experienced in the last three rounds of negotiations.

The University's 1,508 primary classified employees are represented by SEIU. The SEIU contract is a two-year contract, set to expire on June 30, 2015, and currently under traditional negotiations. The SEIU collective bargaining agreement includes a combined agreement with all seven public universities, previously identified as the OUS. Three universities now have separate boards governing operations (the University, Portland State University, and the University of Oregon), with the remaining four universities (Oregon Institute of Technology, Southern Oregon University, Eastern Oregon University, and Western Oregon University) establishing their own boards in July 2015. While each institution is, or will be, separately governed, they negotiate as a single employer with SEIU. SEIU-represented employees did not strike in the last several rounds of negotiations. The last SEIU strike was in the mid-1990s.

PENSION AND RETIREMENT BENEFITS

Pension Plans

The University offers various retirement plans to qualified employees as described below.

Oregon Public Employees Retirement System. The University is one of many participants in the statewide Oregon Public Employees' Retirement System ("PERS" or "System"). The Public Employees Retirement Board (the "Retirement Board") administers PERS and is responsible for setting policies and for providing administrative direction to PERS as required by Chapters 238 and 238A of the ORS. The three PERS pension programs are composed of two defined benefit programs and one program that is similar to a defined contribution plan.

Employees hired by a PERS-participating employer before January 1, 1996 are known as "Tier 1" participants. The retirement benefits applicable to Tier 1 participants are based primarily on a defined benefit model. Employees hired by a PERS-participating employer on or after January 1, 1996 and before August 29, 2003 are known as "Tier 2" participants. The Tier 2 program also provides a defined benefit but with lower expected costs to employers than under the Tier 1 benefit. Employees hired by a PERS-participating employer on or after August 29, 2003 are participants in a successor retirement program to the Tier 1 and Tier 2 retirement programs (the "T1/T2 Pension Programs") known as the Oregon Public Service Retirement Plan ("OPSRP"), composed of a pension program and an Individual Account Program. The OPSRP defined benefit component is part of the single cost-sharing defined benefit plan administered by PERS. See Note 13 in APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY (FISCAL YEARS ENDED JUNE 30, 2014 AND 2013).

Oregon statutes require an actuarial valuation of PERS by a competent actuary at least once every two years. Currently, actuarial valuations are performed annually, but only valuations as of the end of each odd-numbered year are used to determine annual required employer contribution rates. Valuations are released approximately one year after the valuation date. The current PERS actuary is Milliman, Inc. ("Milliman"). The actuarial valuations are based on actuarial methods and assumptions adopted by the Retirement Board. Milliman released its valuation report for the System as of December 31, 2012 (the "2012 System Report") on December 13, 2013 and its valuation report for the System as of December 31, 2013 (the "2013 System Report") on September 29, 2014.

For purposes of participation in PERS, University employees are considered employees of the State. All references to "the State" in this section refer to the status of University employees as part of the State for purposes of PERS. In connection with the T1/T2 Pension Programs, the State is pooled with certain local governments and community college districts (the "State and Local Government Rate Pool" or "SLGRP"). Because OPSRP's assets and liabilities are pooled on a program-wide basis, the State is pooled with all Oregon local governments in connection with OPSRP. The PERS actuary released the State's individual 2012 valuation report as of December 31, 2012 (the "2012 State Valuation") on December 27, 2013 and the State's individual valuation report as of December 31, 2003 (the "2013 State Valuation") on October 2, 2014. These annual valuation reports provide the State's portion of the unfunded actuarial liabilities of the SLGRP and OPSRP based on the State's proportionate share of SLGRP and System covered payroll, respectively, as of the valuation date.

Table A11 provides summary information regarding the System's, and the State's portion of, the market value of assets and actuarial value of liabilities, Unfunded Actuarial Liabilities (UALs), and funded ratios of PERS pension plans for the past five years.

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Table A11. Summary of System and State Funding Levels
($ In Millions)

Calendar Year	SYSTEM[1] Market Value of Assets[2]	SYSTEM Actuarial Value of Liability	SYSTEM Unfunded Actuarial Liability	SYSTEM Funded Ratio	STATE Market Value of Assets[3]	STATE Actuarial Value of Liability	STATE Unfunded Actuarial Liability	STATE Funded Ratio
2013[4]	$60,014.1	$62,593.6	$2,579.5	95.9%	$16,212.3	$16,699.9	$487.6	97.1%
2012[4]	54,784.1	60,405.2	5,621.1	90.7	14,532.1	15,713.6	1,181.5	92.5
2011	50,168.2	61,198.4	11,030.2	82.0	13,208.2	15,660.0	2,451.8	84.3
2010	51,583.6	59,329.5	7,745.9	86.9	13,529.8	15,116.4	1,586.5	89.5
2009	48,729.2	56,810.6	8,081.4	85.8	13,014.7	14,771.7	1,757.0	88.1

(1) System funding levels composed of Tier 1 and Tier 2 and Oregon Public Service Retirement Plan ("OPSRP") pensions but excluding retiree healthcare subsidies of RHIA and RHIPA.
(2) Includes proceeds of pension bonds issued by Oregon local governments and the State.
(3) Includes proceeds of $2 billion State Pension Bonds issued by the State in 2003. The Judge Retirement Program is not included in these numbers. The PERS actuary reported that as of December 31, 2013 the Judge Retirement Program has an unfunded actuarial liability (surplus) of ($17.8) million and a funded ratio of 108%.
(4) Reflects the legislative changes of the 2013 PERS Bills (defined below) and the changes by the PERS Board that are discussed below under "— Changes to PERS."
Source: PERS Actuarial Valuations.

The funded status of the System and the State as reported by Milliman will change over time depending on a variety of factors, including the market performance of the securities in which the Oregon Public Employees Retirement Fund is invested, future changes in compensation and benefits of covered employees, demographic characteristics of members, methodologies and assumptions used by the actuary in estimating the assets and liabilities of PERS, and other actions taken by the Retirement Board and the Legislative Assembly.

During the 2013 Legislative Session and a special session of the Legislative Assembly called by the Governor that concluded on October 2, 2013 (the "2013 Special Session"), the Legislative Assembly enacted Senate Bills 822, 861 and 862 (the "2013 PERS Bills"), that together: limit annual benefits cost of living adjustments ("COLAs") for PERS retirees, eliminate a benefit increase for out-of-state retirees based on Oregon income tax, exclude salary increases given to pay for insurance costs from the final average salary used to calculate pension benefits, and reduce legislators' participation in PERS. The 2013 PERS Bills are expected to reduce the amount of future benefit payments from the System and reduce the unfunded actuarial liability of the System by approximately $5 billion. After enactment of the 2013 PERS Bills, the Retirement Board reduced employer contribution rates by 4.28% of payroll on a system-wide average basis for the 2013–2015 biennium.

In addition to legislative actions, in 2013 the PERS Board made other adjustments that were estimated by PERS to increase the unfunded actuarial liability of the System by approximately $2.5 billion (the "2013 Board Changes"). The 2013 Board Changes include reducing the assumed earnings rate of the investment fund from 8.00% to 7.75% and changing the actuarial cost method used to allocate benefit costs over a member's working lifetime from Projected Unit Credit to Entry Age Normal.

The 2013 PERS Bills have been challenged in the Oregon courts. If the 2013 PERS Bills are overturned as a result of legal challenges, the unfunded actuarial liability of the System may increase by as much as $5 billion, and employer contribution rates in future biennia may be increased.

In 2003, the Legislative Assembly authorized State general obligation bonds of $2 billion to offset the State's portion of the retirement system's unfunded pension liability. The Oregon Department of Administrative Services coordinates the debt service assessments to PERS employers to cover the bond debt service payments. PERS employers, including the University, are assessed a percentage of PERS-covered payroll to fund the payments. The assessment rate is adjusted biennially over the life of the 24-year debt repayment schedule. The payroll assessment for the pension obligation bonds began in May 2004 and is currently at a rate of 6.7%. Additional information on the University's payroll assessment for the pension obligation bonds can be found in Note 13 of the University's Audited Financial Statements. See APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY (FISCAL YEARS ENDED JUNE 30, 2014 AND 2013).

PERS issues a separate, publicly available financial report that contains audited financial statements and required supplementary information. The report includes ten-year historical trend information showing the progress made in accumulating sufficient assets to pay benefits when due. That report may be obtained by writing to Fiscal Services Division, PERS, 11410 SW 68th Parkway, Tigard, OR 97223, or by linking to:

Oregon.gov/pers/pages/section/financial_reports/financials.aspx.

Optional Retirement Plan. The 1995 Oregon Legislature enacted legislation that authorized the OUS to offer a defined contribution retirement plan as an alternative to PERS. The Board appointed a Retirement Plan Committee to administer the Option Retirement Plan ("ORP") and established trustees to manage plan assets placed with mutual funds and insurance companies. Beginning April 1, 1996, the ORP was made available to University unclassified faculty and staff who are eligible for PERS membership. Employees choosing the ORP may invest the employee and employer contributions in one or multiple investment companies. See Note 13 in APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY (FISCAL YEARS ENDED JUNE 30, 2014 AND 2013).

Teacher's Insurance and Annuity Association/College Retirement Equities Fund. Eligible unclassified employees may participate in the Teachers Insurance and Annuity Association and College Retirement Equities Fund ("TIAA-CREF") retirement program, a defined contribution plan, on all salary in excess of forty-eight hundred dollars per calendar year. Employee contributions are directed to PERS on the first forty-eight hundred dollars. The employer contribution to TIAA-CREF is an amount sufficient to provide an annuity pension equal to the employee's contributions. To participate in this retirement option, employees must have been hired on or before September 9, 1995. This plan was closed to new enrollment at the time the ORP started in 1996. See Note 13 in APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY (FISCAL YEARS ENDED JUNE 30, 2014 AND 2013).

Supplemental Retirement Plan. The University maintains an IRC Section 414(d) cash balance defined benefit plan to provide a specific benefit value to the University president upon separation. The 414(d) plan is qualified under IRC Section 401(a) as a governmental plan. As of June 30, 2014, the plan was fully funded. See Note 13 in APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY (FISCAL YEARS ENDED JUNE 30, 2014 AND 2013).

Other Post-Employment Benefits

During the year ended June 30, 2014, the University participated in a defined benefit postemployment health care plan as a part of the OUS. The University now participates independently as described below.

Plan Description. The University participates in a defined benefit postemployment healthcare plan, administered by the Public Employees Benefit Board ("PEBB"), which offers medical, dental and vision benefits to eligible retired state employees and their beneficiaries. The PEBB plan is an agent multiple-employer postemployment healthcare plan. Chapter 243 of the ORS assigns PEBB the authority to establish and amend the benefit provisions of the PEBB plan. As the administrator of the PEBB plan, PEBB has the authority to determine postretirement benefit increases and decreases. PEBB does not issue a separate, publicly available financial report.

The PEBB plan allows the University employees retiring under PERS or OPSRP to continue their healthcare on a self-pay basis until eligible for Medicare, usually at age 65. This plan creates an "implicit rate subsidy" because the healthcare insurance premiums paid by the University for its employees is based on a blended premium of both employees and retirees combined, which is a higher premium than would have been paid for employees alone.

For funding, funded status and other information, see Note 14 in APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY (FISCAL YEARS ENDED JUNE 30, 2014 AND 2013).

Risk Management

Effective as of July 1, 2014, the OUS Risk Fund (in which the University was a participant) was transferred to the Public University Risk Management and Insurance Trust (the "Trust"). The Trust is a separate legal entity, which operates for the benefit of the participating universities. The University is required to participate in the Trust until June 30, 2015. At that time, membership in the Trust becomes optional. Management of the following risks has been transferred from the Fund to the Trust:

- Real property loss for university owned building, equipment, automobiles, and other types of property
- Tort Liability claims brought against the University, its officers, employees or agents
- Worker's compensation and employers liability
- Crime, Fiduciary
- Specialty lines of business including marine, medical practicums, international travel, fine art, aircraft, camps, clinics and other items

The University intends to continue its participation in the Trust for the foreseeable future.

APPENDIX B

COPY OF THE RESOLUTION
(ATTACHED)

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RESOLUTION NO. 15-04

BOARD OF TRUSTEES OF OREGON STATE UNIVERSITY

GENERAL REVENUE BONDS, 2015

A RESOLUTION OF THE BOARD OF TRUSTEES OF OREGON STATE UNIVERSITY, AUTHORIZING THE ISSUANCE OF ONE OR MORE SERIES OF GENERAL REVENUE BONDS OF THE UNIVERSITY IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED $57,500,000 FOR THE PURPOSE OF FINANCING THE ACQUISITION OF AND IMPROVEMENTS TO UNIVERSITY FACILITIES AND TO PAY THE COSTS OF ISSUANCE OF SUCH BONDS; PROVIDING FOR THE DISPOSITION OF THE PROCEEDS OF SALE OF SUCH BONDS; AND DELEGATING AUTHORITY TO THE AUTHORIZED UNIVERSITY REPRESENTATIVE TO APPROVE THE NUMBER OF SERIES, THE SERIES DESIGNATION, FINAL PRINCIPAL AMOUNTS, DATE OF THE BONDS, DENOMINATIONS, INTEREST RATES, PAYMENT DATES, REDEMPTION PROVISIONS, AND MATURITY DATES FOR THE BONDS UNDER THE TERMS AND CONDITIONS SET FORTH HEREIN.

ADOPTED: MARCH 19, 2015

PREPARED BY
PACIFICA LAW GROUP LLP
SEATTLE, WASHINGTON

RESOLUTION NO. 15-04

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* This Table of Contents is provided for reference only and does not constitute a part of this Resolution for which it is provided.

RESOLUTION NO. 15-04

BOARD OF TRUSTEES OF OREGON STATE UNIVERSITY

A RESOLUTION OF THE BOARD OF TRUSTEES OF OREGON STATE UNIVERSITY, AUTHORIZING THE ISSUANCE OF ONE OR MORE SERIES OF GENERAL REVENUE BONDS OF THE UNIVERSITY IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED $57,500,000 FOR THE PURPOSE OF FINANCING THE ACQUISITION OF AND IMPROVEMENTS TO UNIVERSITY FACILITIES AND TO PAY THE COSTS OF ISSUANCE OF SUCH BONDS; PROVIDING FOR THE DISPOSITION OF THE PROCEEDS OF SALE OF SUCH BONDS; AND DELEGATING AUTHORITY TO THE AUTHORIZED UNIVERSITY REPRESENTATIVE TO APPROVE THE NUMBER OF SERIES, THE SERIES DESIGNATION, FINAL PRINCIPAL AMOUNTS, DATE OF THE BONDS, DENOMINATIONS, INTEREST RATES, PAYMENT DATES, REDEMPTION PROVISIONS, AND MATURITY DATES FOR THE BONDS UNDER THE TERMS AND CONDITIONS SET FORTH HEREIN.

WHEREAS, Oregon Revised Statutes ("ORS") 352.107(1)(b) authorizes Oregon State University (the "University") to borrow money for the needs of the University in such amounts, at such times, and upon such terms as may be determined by the University acting through its Board of Trustees (the "Board"); and

WHEREAS, ORS 351.374(1) authorizes the University to issue revenue bonds for any lawful purpose of the University in accordance with ORS chapter 287A; and

WHEREAS, the University Debt Policy provides that the University may use debt or other financing agreements to meet its strategic objectives and, pursuant to Section V of the Debt Policy, the Board must authorize all new debt issuances; and

WHEREAS, the University now desires to authorize the issuance of one or more series of general revenue bonds in an aggregate principal amount not to exceed $57,500,000 (the "Bonds") to finance the acquisition of and improvements to University facilities and to pay costs of issuance for such bonds as provided herein; and

WHEREAS, the Board wishes to delegate authority to the Vice President for Finance and Administration of the University, or his or her designee (each, an "Authorized University Representative"), for a limited time, to approve the number of series, the series designation, the final principal amounts, the dated date(s), the denominations, the interest rates, the payment dates, the tax status, the redemption provisions, and the maturity dates for the bonds as provided by this Resolution;

NOW, THEREFORE, the Board resolves as follows:

Section 1. Definitions and Interpretation of Terms. As used in this Resolution, the following words shall have the following meanings, unless a different meaning clearly appears from the context:

Additional Bonds means bonds, leases, interest rate swaps, and other contractual obligations issued by the University and expressly secured by a pledge of General Revenues on a parity with the pledge securing the payment of the principal of and interest on the Bonds.

Authorized University Representative means the Vice President for Finance and Administration of the University, or his or her designee.

Beneficial Owner means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediary).

Board means the Board of Trustees of the University.

Bond Act means, together, chapters 287A, 351 and 352 ORS, in each case as amended from time to time.

Bond Fund means the special fund(s) for the payment of the principal of and interest on the Bonds as required pursuant to Section 10 hereof.

Bond Purchase Contract means the purchase contract relating to the Bonds between the University and the Representative.

Bond Register means the registration records for the Bonds maintained by the Registrar.

Bond Registrar means the financial institution selected by the Authorized University Representative pursuant to Section 4 of this Resolution for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, effecting transfer of ownership of the Bonds, and paying interest on and principal of the Bonds.

Bonds mean the Oregon State University General Revenue Bonds, 2015[___], authorized to be issued by this Resolution.

Bond Year means each one-year period that ends on the date selected by the University. The first and last Bond Years may be short periods. If no day is selected by the University before the earlier of the final maturity date of any series of Tax-Exempt Bonds or the date that is five years after the date of issuance of any Tax-Exempt Bonds, Bond Years end on each anniversary of the date of issue and on the final maturity date of the Tax-Exempt Bonds.

Code means the Internal Revenue Code of 1986, as amended, and shall include all applicable regulations and rulings relating thereto, to the extent applicable to the Tax-Exempt Bonds.

Commission means the Securities and Exchange Commission.

Continuing Disclosure Certificate means the certificate of the University undertaking to provide ongoing disclosure to assist the Underwriters in complying with the Rule.

Debt Management Agreement means the Agreement for Debt Management among the University, the State Treasurer, the Oregon University System, the Higher Education Coordinating Commission, and Department of Administrative Services dated as of July 1, 2014, as it may be amended from time to time.

DTC means The Depository Trust Company of New York, as depository for the Bonds, or any successor or substitute depository for the Bonds.

Federal Tax Certificate means the certification of the University executed and delivered in connection with the issuance of Tax-Exempt Bonds.

General Revenues means tuition, charges, rents, and other operating revenue of the University, except as specifically excluded below. The following items are excluded:

(a) Student Building Fees and Student Incidental Fees;

(b) Grant and Contract Revenue;

(c) Amounts required to be transferred to the State Treasurer for deposit for University-Paid State Bonds next coming due, and without duplication, amounts required to be paid to the State Treasurer for University-Paid State Bonds next coming due; and

(d) Amounts that otherwise are restricted in their use by law, regulation, and contract.

For clarity, the University notes that moneys received by the University from taxes collected by the State and gifts are not operating revenues of the University and are therefore not included in the definition of General Revenue. Unrestricted net assets, to the extent that they were received as ***General Revenues***, would be includable and available to pay obligations secured by ***General Revenues***. Upon the addition or deletion of any income, revenues, or receipts from General Revenues pursuant to Section 11, this definition of General Revenues shall be deemed to be amended accordingly without further action by the University.

Government Obligations means direct obligations of the United States of America, obligations the principal of and interest on which are unconditionally guaranteed by the United States of America and bank certificates of deposit secured by the obligations, and bonds, debentures, notes, certificates of participation or other obligations issued by a federal agency or other instrumentality of the federal government.

Grant and Contract Revenue means revenue from grants and contracts, whether restricted or unrestricted, including for illustrative purposes the following items identified in the University's financial statements: federal grants and contracts, state and local grants and contracts, and nongovernmental grants and contracts.

Letter of Representations means the Blanket Letter of Representations from the University to DTC.

Net Proceeds, when used with reference to any series of Tax-Exempt Bonds, means the principal amount of such Tax-Exempt Bonds, plus accrued interest and original issue premium, if any, and less original issue discount, if any.

Official Statement means the Official Statement of the University pertaining to the sale of the Bonds, in either preliminary or final form.

ORS means the Oregon Revised Statutes, as now in existence or hereafter amended, or any successor codification of the laws of the State.

Private Person means any natural person engaged in a trade or business or any trust, estate, partnership, association, company or corporation.

Private Person Use means the use of property in a trade or business by a Private Person if such use is other than as a member of the general public. Private Person Use includes ownership of the property by the Private Person as well as other arrangements that transfer to the Private Person the actual or beneficial use of the property (such as a lease, management or incentive payment contract or other special arrangement) in such a manner as to set the Private Person apart from the general public. Use of property as a member of the general public includes attendance by the Private Person at public meetings or business rental of property to the Private Person on a short-term basis in accordance with regulations under the Code if the rental paid by such Private Person is the same as the rental paid by any Private Person who desires to rent the property. Use of property by nonprofit community groups or community recreational groups is not treated as Private Person Use if such use is incidental to the governmental uses of property, the property is made available for such use by all such community groups on an equal basis and such community groups are charged only a *de minimis* fee to cover custodial expenses.

Project Fund means the fund or account designated by the Authorized University Representative for the deposit of Bond proceeds, including any account or subaccounts therein authorized to be created pursuant to Section 8 of this Resolution for the purpose of holding a portion of the proceeds of the Bonds.

Projects have the meaning given in Section 2 of this Resolution.

Registered Owner means the person in whose name a Bond is registered on the Bond Register. For so long as the University utilizes the book-entry system for the Bonds, DTC shall be deemed to be the Registered Owner.

Representative means Citigroup Global Markets Inc. as representative of the Underwriters under the Bond Purchase Contract.

Resolution means this Resolution authorizing the issuance of the Bonds, adopted by the Board.

Rule means the Commission's Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time.

State means the State of Oregon.

State Treasurer means the Treasurer of the State.

Student Building Fee means the separate fee charged by the Board to students for the use of buildings, structures and projects under the Board's control. The Student Building Fee is in addition to tuition and other fees charged to students.

Student Incidental Fee means the separate fee charged by the Board to students pursuant to a request by the recognized student government under a process established by the student government. The recognized student government allocates the Student Incidental Fees collected for purposes pursuant to the process established by the student government.

Taxable Bonds means any Bonds determined to be issued on a taxable basis pursuant to Section 14.

Tax-Exempt Bonds mean any Bonds determined to be issued on a tax-exempt basis under the Code pursuant to Section 14.

Underwriters mean Citigroup Global Markets Inc., Morgan Stanley & Co. LLC, and any other firm that may be selected by the Authorized University Representative.

University means Oregon State University, a public university of the State, the main campus of which is located at Corvallis, Oregon.

University-Paid State Bonds means the payments to be made by the University representing its share of debt service to be paid when due on bonds or other obligations issued by the State for the benefit of the University established by the schedule of outstanding state bonds prepared under ORS 351.379(3) and evidenced by the Debt Management Agreement entered into pursuant to ORS 352.135(2).

Vice President for Finance and Administration means the Vice President for Finance and Administration of the University or the successor to such officer.

Interpretation. In this Resolution, unless the context otherwise requires:

(a) The terms "hereby," "hereof," "hereto," "herein, "hereunder" and any similar terms, as used in this Resolution, refer to this Resolution as a whole and not to any particular article, section, subdivision or clause hereof, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of this Resolution;

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(d) Any headings preceding the text of the several articles and sections of this Resolution, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Resolution, nor shall they affect its meaning, construction or effect; and

(e) All references herein to "articles," "sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof.

Section 2. Findings; Authorization of Projects. The Board hereby finds that it is in the public interest for the University to issue the Bonds to finance a portion of the costs of acquiring, developing, constructing, improving, and equipping facilities owned by the University (collectively, the "Projects").

Section 3. Authorization of Bonds and Description of Bonds. For the purpose of paying and/or reimbursing the University for all or a portion of the costs of the Projects and paying costs of issuing the Bonds, the Board hereby authorizes the sale and issuance of general revenue bonds (the "Bonds"). The Bonds shall be general revenue bonds of the University; shall be designated the "Oregon State University General Revenue Bonds, 2015[___]", with such additional series designation or other designation as determined to be necessary by the Authorized University Representative; shall be dated as of their date of delivery; shall be fully registered as to both principal and interest; shall be in the denomination of $5,000 each, or any integral multiple thereof, provided that no Bond shall represent more than one maturity; shall be numbered separately in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification; and shall bear interest from their date payable on the dates and at rates set forth in the Bond Purchase Contract; and shall mature on the dates and in the principal amounts set forth in the Bond Purchase Contract and as approved by the Authorized University Representative pursuant to Section 14. The Bonds of any of the maturities may be combined and issued as term bonds, subject to mandatory redemption as provided in the Bond Purchase Contract.

Section 4. Registration, Transfer and Payment of Bonds.

(a) *Bond Registrar/Bond Register.* The Authorized University Representative is hereby authorized to appoint as Bond Registrar a bank or trust company qualified by law to perform the duties described herein. The University shall cause a Bond Register to be maintained by the Bond Registrar. So long as any Bonds remain outstanding, the Bond Registrar shall make all necessary provisions to permit the exchange or registration or transfer of Bonds at its principal corporate trust office. The Bond Registrar may be removed at any time at the option of the Authorized University Representative upon prior notice to the Bond Registrar and a successor Bond Registrar appointed by the Authorized University Representative. No resignation or removal of the Bond Registrar shall be effective until a successor shall have been appointed and until the successor Bond Registrar shall have accepted the duties of the Bond Registrar hereunder. The Bond Registrar is authorized, on behalf of the University, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds and this Resolution and to carry out all of the Bond Registrar's powers and duties under this Resolution. The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication of the Bonds.

(b) *Registered Ownership.* The University and the Bond Registrar, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes (except as provided in any University Continuing Disclosure Certificate), and neither the University nor the Bond Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in Section 4(h) hereof, but such Bond may be transferred as herein provided. All such payments made as described in Section 4(h) shall be valid and shall satisfy and discharge the liability of the University upon such Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letters of Representations.* The Bonds initially shall be held in fully immobilized form by DTC acting as depository. To induce DTC to accept the Bonds as eligible for deposit at DTC, the University has executed and delivered to DTC a Blanket Issuer Letter of Representations. Neither the University nor the Bond Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Bonds in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice which is permitted or required to be given to Registered Owners under this Resolution (except such notices as shall be required to be given by the University to the Bond Registrar or to DTC (or any successor depository)), or any consent given or other action taken by DTC (or any successor depository) as the Registered Owner. For so long as any Bonds are held in fully-immobilized form hereunder, DTC, its nominee or its successor depository shall be deemed to be the Registered Owner for all purposes hereunder, and all references herein to the Registered Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Bonds.

If any Bond shall be duly presented for payment and funds have not been duly provided by the University on such applicable date, then interest shall continue to accrue thereafter on the unpaid principal thereof at the rate stated on such Bond until it is paid.

(d) *Use of Depository.*

(1) The Bonds shall be registered initially in the name of "Cede & Co.", as nominee of DTC, with one Bond maturing on each of the maturity dates for the Bonds in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such immobilized Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the Authorized University Representative pursuant to subsection (2) below or such substitute depository's successor; or (C) to any person as provided in subsection (4) below.

(2) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Authorized University Representative to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Authorized University Representative may hereafter appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) In the case of any transfer pursuant to clause (A) or (B) of subsection (1) above, the Bond Registrar shall, upon receipt of all outstanding Bonds of a series, together with a written request on behalf of the Authorized University Representative, issue a single new Bond for each maturity then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the Authorized University Representative.

(4) In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (B) the Authorized University Representative determines that it is in the best interest of the Beneficial Owners of the Bonds that such owners be able to obtain such bonds in the form of Bond certificates, the ownership of such Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held in fully-immobilized form. The Authorized University Representative shall deliver a written request to the Bond Registrar, together with a supply of definitive Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt by the Bond Registrar of all then outstanding Bonds of a series together with a written request on behalf of the Authorized University Representative to the Bond Registrar, new Bonds shall be issued in the appropriate denominations and registered in the names of such persons as are requested in such written request.

(e) *Registration of Transfer of Ownership or Exchange; Change in Denominations.* The transfer of any Bond may be registered and Bonds may be exchanged, but no transfer of any such Bond shall be valid unless it is surrendered to the Bond Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Bond Registrar. Upon such surrender, the Bond Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, maturity, and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and cancelled Bond. Any Bond may be surrendered to the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, maturity, and interest rate, in any authorized denomination. The Bond Registrar shall not be obligated to register the transfer or to exchange any Bond during the 15 days preceding any interest payment or principal payment date any such Bond is to be redeemed.

(f) *Bond Registrar's Ownership of Bonds.* The Bond Registrar may become the Registered Owner of any Bond with the same rights it would have if it were not the Bond Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as member of, or in any other capacity with respect to, any committee formed to protect the right of the Registered Owners of Bonds.

(g) *Registration Covenant.* The University covenants that, until all Bonds have been surrendered and canceled, it will maintain a system for recording the ownership of each Bond that complies with the provisions of Section 149 of the Code.

(h) *Place and Medium of Payment.* Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be calculated on the basis of a year of 360 days and twelve 30-day months. For so long as all Bonds are in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. In the event that the Bonds are no longer in fully immobilized form, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the fifteenth day of the month preceding the interest payment date, or upon the written request of a Registered Owner of more than $1,000,000 of Bonds (received by the Bond Registrar at least 15 days prior to the applicable payment date), such payment shall be made by the Bond Registrar by wire transfer to the account within the continental United States designated by the Registered Owner. Principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the principal office of the Bond Registrar.

Section 5. Redemption and Purchase.

(a) *Mandatory Redemption of Term Bonds and Optional Redemption, if any.* The Bonds of a series shall be subject to optional redemption on the dates, at the prices and under the terms set forth in the Bond Purchase Contract approved by the Authorized University Representative pursuant to Section 14 of this Resolution. The Bonds of a series shall be subject to mandatory redemption to the extent, if any, set forth in the Bond Purchase Contract and as approved by the Authorized University Representative pursuant to Section 14 of this Resolution.

(b) *Purchase of Bonds.* The University reserves the right to purchase any of the Bonds offered to it at any time at a price deemed reasonable by the Authorized University Representative.

(c) *Selection of Bonds for Redemption.* For as long as the Bonds are held in book-entry only form, the selection of particular Bonds within a series and maturity to be redeemed shall be made in accordance with the operational arrangements then in effect at DTC. If the Bonds are no longer held in book-entry only form, the selection of such Bonds to be redeemed and the surrender and reissuance thereof, as applicable, shall be made as provided in the following provisions of this subsection (c) or otherwise as provided in the Bond Purchase Contract. Except as otherwise provided in the Bond Purchase Contract, if the University redeems at any one time fewer than all of the Bonds having the same series and maturity date, the particular Bonds or portions of Bonds of such series and maturity to be redeemed shall be selected by lot (or in such manner determined by the Bond Registrar) in increments of $5,000. In the case of a Bond of a denomination greater than $5,000, the University and the Bond Registrar shall treat each Bond as representing such number of separate Bonds each of the denomination of $5,000 as is obtained by dividing the actual principal amount of such Bond by $5,000. In the event that only a portion of the principal sum of a Bond is redeemed, upon surrender of such Bond at the principal office of the Bond Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Bond or Bonds of like maturity and interest rate in any of the denominations herein authorized.

(d) *Notice of Redemption.*

(1) Official Notice. For so long as the Bonds are held in book-entry only form, notice of redemption (which notice may be conditional on the receipt of sufficient funds for redemption or otherwise) shall be given in accordance with the operational arrangements of DTC as then in effect, and neither the University nor the Bond Registrar will provide any notice of redemption to any Beneficial Owners. Thereafter (if the Bonds are no longer held in book-entry only form), notice of redemption shall be given in the manner hereinafter provided. Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption (which redemption may be conditioned by the Bond Registrar on the receipt of sufficient funds for redemption or otherwise) shall be given by the Bond Registrar on behalf of the University by mailing a copy of an official redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Register or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar.

All official notices of redemption shall be dated and shall state:

(A) the redemption date;

(B) the redemption price;

(C) if fewer than all outstanding Bonds are to be redeemed, the identification by maturity (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed;

(D) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date;

(E) any conditions to redemption; and

(F) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Bond Registrar.

On or prior to any redemption date, unless such redemption has been rescinded, the University shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date. The University retains the right to rescind any redemption notice and the related optional redemption of Bonds by giving notice of rescission to the affected registered owners at any time on or prior to the scheduled redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and the Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

(2) Effect of Notice; Bonds Due. If an unconditional notice of redemption has been given as aforesaid, or if the conditions to redemption have been satisfied or waived, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Bond Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. All Bonds which have been redeemed shall be canceled and destroyed by the Bond Registrar and shall not be reissued.

(3) Additional Notice. In addition to the foregoing notice, further notice shall be given by the University as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the Bonds as originally issued; (C) the rate of interest borne by each Bond being redeemed; (D) the maturity date of each Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Bonds being redeemed. Each further notice of redemption may be sent at least 20 days before the redemption date to each party entitled to receive notice pursuant to any University Continuing Disclosure Certificate and to the Underwriters and with such additional information as the University shall deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Bonds.

(4) Amendment of Notice Provisions. The foregoing notice provisions of this Section 5, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended without the consent of owners of the Bonds in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

Section 6. Form of the Bonds. The Bonds shall be in substantially the following form, with appropriate or necessary insertions, depending upon the omissions and variations as permitted or required hereby:

[DTC LANGUAGE]

UNITED STATES OF AMERICA

NO. ________ $________

OREGON STATE UNIVERSITY
GENERAL REVENUE BONDS, 2015[____] [TAXABLE] [TAX-EXEMPT]

INTEREST RATE: % MATURITY DATE: CUSIP NO.:

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

Oregon State University (the "University"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount specified above, unless redeemed prior thereto as provided herein, together with interest on such Principal Amount from __________, 20___, or the most recent date to which interest has been paid or duly provided for, at the Interest Rate set forth above payable ________ 1, 20__, and semiannually thereafter on each _____ 1 and ___________ 1 until payment of the principal sum has been made or duly provided for. Both principal of and interest on this bond are payable in lawful money of the United States of America. For so long as the bonds of this issue are held in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company ("DTC") referred to in the Blanket Issuer Letter of Representations (the "Letter of Representations") from the University to DTC.

This bond is one of an authorized issue of general revenue bonds of the University of like date and tenor, except as to number, interest rate and date of maturity, in the aggregate principal amount of $__________, issued pursuant to Resolution No. _____ of the University, passed on ___________, 2015 (the "Bond Resolution"), to finance and/or reimburse the University for costs of acquiring, developing, constructing, improving and equipping facilities owned or operated by the University and to pay costs of issuance of the Bonds, as further provided in the Bond Resolution. [Pursuant to the Bond Resolution, the University also has authorized the issuance of its General Revenue Bonds, 2015[____][(Taxable)] in the aggregate principal amount of $_____________ for this purpose.]

The bonds of this issue are subject to redemption prior to their stated maturities as provided in the Bond Resolution.

This bond is payable solely from General Revenues of the University, and the University does hereby pledge and bind itself to set aside from such General Revenues, and to pay into the Bond Fund described in the Bond Resolution the various amounts required by the Bond Resolution to be paid into and maintained in such Bond Fund, all within the times provided by the Bond Resolution.

[The bonds of this issue are not private activity bonds and are <u>not</u> "qualified tax exempt obligations" eligible for investment by financial institutions within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.]

Reference is made to the Bond Resolution as more fully describing the covenants with and the rights of Registered Owners of the bonds or registered assigns and the meanings of capitalized terms appearing on this bond which are defined in such Resolution.

The issuance of the Bonds has been authorized by the Bond Resolution duly adopted by the University pursuant to the laws of the State of Oregon. This Bond shall not constitute or become an indebtedness, or a debt or liability of the State of Oregon, the Legislative Assembly of the State of Oregon, or any county or city, or other subdivision of the State of Oregon or of any other political subdivision or body corporate and politic within the State of Oregon (other than the University, but only to the extent provided in the Bond Resolution) and neither the State of Oregon, the Legislative Assembly of the State of Oregon, nor any county or city or other subdivision of the State of Oregon (other than the University, but only to the extent provided in the Bond Resolution), shall be liable hereon; nor shall this Bond constitute the giving, pledging or loaning of the faith and credit of the State of Oregon, the Legislative Assembly of the State of Oregon, or any county or city, or other subdivision of the State of Oregon or of any other political subdivision or body corporate and politic within the State of Oregon but shall be payable solely from the funds pledged herefor. Neither the State of Oregon, the Legislative Assembly of the State of Oregon, any political subdivision or body corporate and politic within the State of Oregon other than the University shall in any event be liable for the payment of the principal of, premium, if any, or interest on this Bond or for the performance of any pledge, mortgage, obligation or agreement of any kind whatsoever undertaken by the University. No breach of any such pledge, obligation or agreement shall impose any pecuniary liability upon the State of Oregon or any charge upon its general credit or against its taxing power. The University has no taxing powers. The issuance of this Bond shall not, directly or indirectly or contingently, obligate the State of Oregon, or any political subdivision of the State of Oregon, nor empower the University to levy or collect any form of taxes or assessments therefor or to create any indebtedness payable out of taxes or assessments or make any appropriation for the payment of this Bond and such appropriation or levy is prohibited. Nothing in the Act shall be construed to authorize the University to create a debt of the State of Oregon within the meaning of the Constitution or statutes of the State of Oregon.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication hereon shall have been manually signed by the Bond Registrar.

It is hereby certified, recited and represented that the issuance of this bond and the Bonds of this issue is duly authorized by law; that all acts, conditions and things required to exist and necessary to be done or performed precedent to and in the issuance of this bond and the Bonds of this issue to render the same lawful, valid and binding have been properly done and performed and have happened in regular and due time, form and manner as required by law; that all acts, conditions and things necessary to be done or performed by the University or to have happened precedent to and in the execution and delivery of the Bond Resolution have been done and performed and have happened in regular and due form as required by law; that due provision has been made for the payment of the principal of and premium, if any, and interest on this bond and the Bonds of this issue and that the issuance of this bond and the Bonds of this issue does not contravene or violate any constitutional or statutory limitation.

IN WITNESS WHEREOF, Oregon State University has caused this bond to be executed and delivered with the manual or facsimile signatures of the Chair and Secretary of the Board of Trustees or the Vice President for Finance and Administration of the University.

OREGON STATE UNIVERSITY

(SEAL)

By ______________________________
Chair, Board of Trustees

By ___________________________
Secretary, Board of Trustees or
Vice President for Finance and Administration

The Certificate of Authentication for the Bonds shall be in substantially the following form and shall appear on each Bond:

AUTHENTICATION CERTIFICATE

This bond is one of the Oregon State University General Revenue Bonds, 2015[__] described in the within-mentioned Bond Resolution.

Registrar

By ______________________________
Authorized Signatory

Date______________________________

Section 7. Execution of the Bonds. The Bonds of each series shall be executed on behalf of the University with the manual or facsimile signature of the Chair of the Board and shall be attested by the manual or facsimile signature of the Secretary of the Board or the Vice President for Finance and Administration of the University.

Only Bonds that bear a Certificate of Authentication substantially in the form set forth in Section 6, manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this Resolution. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered and are entitled to the benefits of this Resolution.

In case either of the officers of the University who shall have executed the Bonds shall cease to be such officer or officers of the University before the Bonds so signed shall have been authenticated or delivered by the Bond Registrar, or issued by the University, such Bonds may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the University as though those who signed the same had continued to be such officers of the University. Any Bond may also be signed and attested on behalf of the University by such persons as at the actual date of execution of such Bond shall be the proper officers of the University although at the original date of such Bond any such person shall not have been such officer.

Section 8. Disposition of Bond Proceeds. The Authorized University Representative is hereby authorized and directed to create one or more special funds or accounts of the University (collectively the "Project Fund"). The proceeds of the Bonds shall be paid into the Project Fund. The money on deposit in the Project Fund shall be utilized to pay or reimburse the University for costs of the Projects and costs incidental thereto, and for costs of issuance for the Bonds, to the extent designated by the Authorized University Representative.

All or part of the proceeds of the Bonds may be temporarily invested in or with such institutions or in such obligations as may now or hereafter be permitted to the University.

In the event that it shall not be possible or practicable to accomplish all of the Projects, the University may apply the proceeds of the Bonds to pay the costs of such portion thereof or such other projects as the Authorized University Representative shall determine to be in the best interests of the University.

Any part of the proceeds of the Bonds remaining in the Project Fund after all costs referred to in this section have been paid may be used to acquire, construct, equip and make other improvements to the facilities of the University subject to the limitations of this Resolution or may be transferred to the Bond Fund for the uses and purposes therein provided, subject to any applicable limitations set forth in the Federal Tax Certificate.

Section 9. Tax Covenants. The University covenants that it will not take or permit to be taken on its behalf any action that would adversely affect the exemption from federal income taxation of the interest on any Tax-Exempt Bonds and will take or require to be taken such acts as may reasonably be within its ability and as may from time to time be required under applicable law to continue the exemption from federal income taxation of the interest on such Tax-Exempt Bonds.

(a) *Arbitrage Covenant.* Without limiting the generality of the foregoing, the University covenants that it will not take any action or fail to take any action with respect to the proceeds of sale of the Tax-Exempt Bonds or any other funds of the University which may be deemed to be proceeds of any Tax-Exempt Bonds pursuant to Section 148 of the Code and the regulations promulgated thereunder which, if such use had been reasonably expected on the dates of delivery of the Tax-Exempt Bonds to the initial purchasers thereof, would have caused the Tax-Exempt Bonds to be treated as "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code. The University will comply with the requirements of Section 148 of the Code and the applicable regulations thereunder throughout the term of the Tax-Exempt Bonds.

(b) *Private Person Use Limitation for Tax-Exempt Bonds.* The University covenants that for as long as any Tax-Exempt Bonds are outstanding, it will not permit:

(1) More than 10% of the Net Proceeds of the Tax-Exempt Bonds to be allocated to any Private Person Use; and

(2) More than 10% of the principal or interest payments on the Tax-Exempt Bonds in a Bond Year to be directly or indirectly: (A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to

be used for any Private Person Use, or (B) derived from payments (whether or not made to the University) in respect of property, or borrowed money, used or to be used for any Private Person Use.

The University further covenants that, ***if***:

(3) More than five percent of the Net Proceeds of the Tax-Exempt Bonds are allocable to any Private Person Use; and

(4) More than five percent of the principal or interest payments on the Tax-Exempt Bonds in a Bond Year are (under the terms of this Resolution or any underlying arrangement) directly or indirectly:

(A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or

(B) derived from payments (whether or not made to the University) in respect of property, or borrowed money, used or to be used for any Private Person Use,

then, (i) any Private Person Use of the Projects described in subsection (3) hereof or Private Person Use payments described in subsection (4) hereof that is in excess of the five percent limitations described in such subsections (3) or (4) will be for a Private Person Use that is related to the state or local governmental use of the Projects funded by the proceeds of the Bonds, and (ii) any Private Person Use will not exceed the amount of Net Proceeds of the Tax-Exempt Bonds allocable to the state or local governmental use portion of the Projects to which the Private Person Use of such portion of the Projects funded by the proceeds of the Tax-Exempt Bonds relate. The University further covenants that it will comply with any limitations on the use of the Projects funded by the proceeds of the Tax-Exempt Bonds by other than state and local governmental users that are necessary, in the opinion of its bond counsel, to preserve the tax exemption of the interest on the Tax-Exempt Bonds.

(c) *Modification of Tax Covenants*. The covenants of this section are specified solely to assure the continued exemption from regular income taxation of the interest on the Bonds. To that end, the provisions of this section may be modified or eliminated without any requirement for formal amendment thereof upon receipt of an opinion of the University's bond counsel that such modification or elimination will not adversely affect the tax exemption of interest on any Bonds.

(d) *No Designation under Section 265(b)*. The University does not designate the Tax-Exempt Bonds issued pursuant to this Resolution as "qualified tax-exempt obligations" for investment by financial institutions under Section 265(b) of the Code.

Section 10. Bond Fund. The Bonds shall be general revenue obligations of the University, payable from General Revenues and secured as provided herein. The University hereby establishes a special fund of the University designated as the "Bond Fund", which may consist of one or more funds or account established or maintained for this purpose. The University covenants to deposit into the Bond Fund from General Revenues on or prior to each interest payment date, redemption date and maturity date an amount sufficient to pay the interest on the Bonds then coming due and the principal of the Bonds maturing or subject to redemption and redemption premium, if any. Such payments shall be made in sufficient time to enable the Bond Registrar to pay interest on and/or principal of and redemption price of the Bonds to the Registered Owners, when due. Net income earned on investments in the Bond Fund, if any, shall be deposited in the Bond Fund.

Section 11. Sources of Security.

(a) *Pledge of General Revenues*. The Bonds shall be payable solely from and secured by a pledge of General Revenues and the money and investments deposited into the Bond Fund. The Bonds shall not constitute an indebtedness or obligation of the State, and are not a charge upon revenue or property of the State. The Registered Owners of the Bonds shall have no right to require the State, nor has the State any obligation or legal authorization, to levy any taxes or appropriate or expend any of its funds for the payment of the principal thereof or the interest or any premium thereon. The University has no taxing power.

The University hereby pledges General Revenues to the payment of the principal of and interest on the Bonds when due. The Bonds shall be equally and ratably payable from and secured by a pledge of General Revenue, without preference, priority or distinction because of date of issue or otherwise from General Revenues.

Pursuant to ORS 287A.310, this pledge shall be valid and binding from the time of the adoption of this Resolution. The amounts so pledged and hereafter received by the University shall immediately be subject to the lien of this pledge without any physical delivery, filing or any other act. Except as provided in this Resolution, the lien of this pledge shall be superior to all other claims and liens whatsoever to the fullest extent permitted by ORS 287A.310.

(b) *Pari Passu with University-Paid State Bonds*. The Bond Act provides for full payment of State debt obligations evidenced by the University's obligations to make University-Paid State Bonds from legally available funds. On and after the date that amounts are transferred to the State Treasurer for deposit to be credited against the University-Paid State Bonds next coming due, and on and after the date amounts, if any, are paid to the State Treasurer to pay without duplication University-Paid State Bonds next coming due, such amounts are no longer part of the definition of General Revenues available to pay the principal of and interest on the Bonds. Until such date, the University-Paid State Bonds are payable on a *pari passu* basis with the Bonds subject to and to the extent provided in the Bond Act.

(c) *All Bonds Have Equal Claim on General Revenues*. The Bonds and any Additional Bonds shall be equally and ratably payable, without preference, priority or distinction because of date of issue or otherwise from General Revenues.

(d) *Additions to General Revenues*. The University reserves the right to include in General Revenues, at its sole option, in the future, other sources of revenue or income excluded in the definition of General Revenues. The addition of General Revenues shall be evidenced by a certificate executed by the Authorized University Representative identifying the items to be added. To the extent required under the Continuing Disclosure Certificate of the University, the

University will file notice regarding any addition of General Revenues consistent with the requirements of Rule 15c2-12 and the applicable Continuing Disclosure Certificate.

(e) *Deletions from General Revenues.* The University reserves the right to remove, at its sole option, in the future, any revenues from General Revenues, so long as no more than 10% of General Revenues (based on the University's most recent audited financial statements) are removed in any fiscal year. The removal of General Revenues shall be evidenced by a certificate executed by the Authorized University Representative identifying the items to be deleted. To the extent required under the Continuing Disclosure Certificate of the University, the University will file notice regarding any removal of General Revenues consistent with the requirements of Rule 15c2-12 and the applicable Continuing Disclosure Certificate.

(f) *Additional Bonds.* The University shall have the right to issue one or more series of Additional Bonds for University purposes as permitted under the Bond Act or otherwise under State law. The University reserves the right to issue obligations payable from or secured by a pledge of General Revenues that is subordinate to the pledge and lien on General Revenues as set forth in Section 11(a) of this Resolution for the Bonds and any Additional Bonds to the extent permitted under the Bond Act or otherwise under State law. Nothing herein shall restrict the University's right to enter into obligations in connection with University-Paid State Bonds or any other obligations that are not secured by a pledge of General Revenues.

(g) *Refunding Bonds.* The University shall have the right to issue bonds, including Additional Bonds, to refund or advance refund any Bonds or other obligations as permitted under the Bond Act or otherwise under State law.

Section 12. Covenant of the University. So long as any Bonds are Outstanding, the University covenants to pay or cause to be paid the principal of and the interest on all outstanding Bonds on the dates, at the places, from the sources of funds and in the manner, all as provided herein.

Section 13. Defeasance. In the event that the University, in order to effect the payment, retirement or redemption of any Bond, sets aside in the Bond Fund or in another special account, cash or noncallable Government Obligations, or any combination of cash and/or noncallable Government Obligations, in amounts and maturities which, together with the known earned income therefrom, are sufficient to redeem or pay and retire such Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or noncallable Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Fund for the payment of the principal of and interest on such Bond. The owner of a Bond so provided for shall cease to be entitled to any lien, benefit or security of this Resolution except the right to receive payment of principal, premium, if any, and interest from the Bond Fund or such special account, and such Bond shall be deemed to be not outstanding under this Resolution.

The University shall give written notice of defeasance to the owners of all Bonds so provided for within 20 days of the defeasance and to each party entitled to receive notice in accordance with any related Continuing Disclosure Certificate.

Section 14. Sale of the Bonds; Official Statement.

(a) The Board has determined that it would be in the best interest of the University to delegate to the Authorized University Representative for a limited time the authority to approve the final interest rates, maturity dates, redemption terms and principal maturities for the Bonds. The Authorized University Representative may also determine whether the Bonds shall be issued in one or more series and to determine whether the Bonds (or the Bonds of a series) shall be issued as Taxable Bonds or Tax-Exempt Bonds.

(b) The Bonds shall be sold to the Underwriters pursuant to the terms of one or more Bond Purchase Contracts. Subject to the terms and conditions set forth in this Section 14, the Authorized University Representative is hereby authorized to enter into such Bond Purchase Contracts for the issuance and sale of the Bonds in one or more series upon the approval by the Authorized University Representative of the final interest rates, maturity dates, aggregate principal amounts, principal maturities, and redemption rights set forth therein for the Bonds in accordance with the authority granted by this section so long as:

(1) the aggregate principal amount of the Bonds does not exceed $57,500,000;

(2) the final maturity date for the Bonds is no later than April 1, 2045; and

(3) the true interest cost for the Bonds (in the aggregate) does not exceed 5.25%.

(c) *Report to Board; Expiration of Authority.* Following the sale of the Bonds, the Authorized University Representative shall provide a report to the Board, describing the final terms of the Bonds approved pursuant to the authority delegated in this section.

The authority granted to the Authorized University Representative by this Section 14 shall expire December 31, 2015. If a Bond Purchase Contract has not been accepted by such date, the authorization for the issuance of the Bonds shall be rescinded, and the Bonds shall not be issued nor their sale approved unless such Bonds shall have been re-authorized by resolution of the Board. The resolution re-authorizing the issuance and sale of such Bonds may be in the form of a new resolution repealing this Resolution in whole or in part or may be in the form of an amendatory resolution approving a bond purchase contract or establishing terms and conditions for the authority delegated under this Section 14.

(d) *Delivery of Bonds; Documentation.* Upon the passage and approval of this Resolution, the proper officials of the University, including the Authorized University Representative, are authorized and directed to undertake all action necessary for the prompt execution and delivery of the Bonds to the Underwriters and further to execute and deliver all closing certificates and documents required to effect the closing and delivery of the Bonds.

(e) *Preliminary and Final Official Statements.* The Authorized University Representative is authorized to ratify and to approve for purposes of the Rule, including compliance with Section (b)(1) of the Rule, on behalf of the University, an Official Statement for each series (and any preliminary Official Statement) and any supplement thereto relating to the issuance and sale of each series of the Bonds and the distribution of each series of the Bonds pursuant thereto with such changes, if any, as may be deemed by him or her to be appropriate.

Section 15. Undertaking to Provide Ongoing Disclosure. The Authorized University Representative is authorized to, in his or her discretion, execute and deliver one or more Continuing Disclosure Certificates in order to assist the Underwriters for Bonds in complying with Section (b)(5) of the Rule.

Section 16. Establishment of Additional Accounts and Subaccounts. The University reserves the right, to be exercised in its sole discretion, to establish such additional accounts within the funds established pursuant to this Resolution, and subaccounts within such accounts, as it deems necessary or useful for the purpose of identifying more precisely the sources of payments herein and disbursements therefrom; provided that the establishment of any such account or subaccount does not alter or modify any of the requirements of this Resolution with respect to a deposit or use of money or result in commingling of funds not permitted hereunder.

Section 17. Lost or Destroyed Bonds. If any Bonds are lost, stolen or destroyed, the Bond Registrar may authenticate and deliver a new Bond or Bonds of like amount, maturity and tenor to the Registered Owner upon the owner paying the expenses and charges of the Bond Registrar and the University in connection with preparation and authentication of the replacement Bond or Bonds and upon his or her filing with the Bond Registrar and the University evidence satisfactory to both that such Bond or Bonds were actually lost, stolen or destroyed and of his or her ownership, and upon furnishing the University and the Bond Registrar with indemnity satisfactory to both.

Section 18. No Recourse Against Individuals. No Registered Owner shall have any recourse for the payment of any part of the principal of, premium, if any, or redemption price, if any, of or interest on the Bonds, or for the satisfaction of any liability arising from, founded upon, or existing by reason of, the issuance or ownership of such Bonds against any past, present or future officer, director, trustee, employee or agent of the University or any past, present or future officer, director, trustee or member of the Board in their individual capacities.

Section 19. General Authorization; Ratification of Prior Acts. The Chair of the Board and Authorized University Representative, and other appropriate officers of the University are authorized to take any actions and to execute and deliver documents as in their judgment may be necessary or desirable in order to carry out the terms of, and complete the transactions contemplated by, this Resolution. All acts taken pursuant to the authority of this Resolution but prior to its effective date are hereby ratified.

Section 20. Severability. If any provision in this Resolution is declared by any court of competent jurisdiction to be contrary to law, then such provision shall be null and void and shall be deemed separable from the remaining provisions of this Resolution and shall in no way affect the validity of the other provisions of this Resolution or of the Bonds.

Section 21. Amendments. This Resolution may be amended or supplemented by a supplemental resolution without the consent of any Beneficial Owner or Registered Owner for any one or more of the following purposes:

A. To cure any ambiguity or formal defect or omission in this Resolution;

B. To add to the covenants and agreements of the University in this Resolution, other covenants and agreements to be observed by the University that are not contrary to or inconsistent with this Resolution as in effect;

C. To authorize issuance of Additional Bonds or subordinate obligations payable from or secured by General Revenues;

D. To modify, amend or supplement this Resolution or any supplemental resolution to qualify under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of any Bonds for sale under the securities laws of any of the states of the United States of America;

E. To modify, alter, amend or supplement this Resolution in such manner as shall preserve the tax-exempt status of interest on the Tax-Exempt Bonds originally issued on tax-exempt basis;

F. To confirm, as further assurance, any pledge or lien created under this Resolution;

G. To make any change that, in the reasonable judgment of the University, does not materially and adversely affect the rights of the Beneficial Owners or Registered Owners of any outstanding Bonds; or

H. To modify any of the provisions of the Bond Authorization or any supplemental resolution in any other respect whatever, as long as the modification shall take effect only after all affected outstanding Bonds cease to be outstanding.

This Resolution may be amended or supplemented for any other purpose only upon consent of the Registered Owners of not less than fifty one percent (51%) in aggregate principal amount of the Bonds outstanding; provided, however, that no amendment shall be valid without the consent of the Registered Owners of 100 percent (100%) of the aggregate principal amount of the Bonds outstanding that: extends the maturity of any Bond, reduces the rate of interest upon any Bond, extends the time of payment of interest on any Bond, reduces the amount of principal payable on any Bond, or reduces any premium payable on any Bond, without the consent of the affected Registered Owner; or reduces the percent of Registered Owners required to approve amendments to the Resolution.

Section 22. Benefit of Resolution. The covenants and agreements in this Resolution regarding the Bonds are made for the benefit of the Beneficial Owners of the Bonds and shall be enforceable by those Beneficial Owners.

Section 23. Effective Date. This Resolution shall take effect immediately upon adoption by the Board.

Moved by Kirk Schueler

Seconded by Patty Bedient

Dated this 19th day of March, 2015.

CERTIFICATE

I, the undersigned, Secretary of the Board of Trustees (the "Board") of Oregon State University (the "University") and keeper of the records of the Board of the University, DO HEREBY CERTIFY:

1. That the attached resolution is a true and correct copy of Resolution No. 15-04 of the University (herein called the "Resolution"), as finally passed at a regular meeting of the Board of the University held on the 19th day of March, 2015, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a quorum of the Board was present throughout the meeting and a legally sufficient number of members of the Board voted in the proper manner for the passage of said Resolution; that all other requirements and proceedings incident to the proper adoption or passage of said Resolution have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the University this 20th of March, 2015.

Secretary

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APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY
(FISCAL YEARS ENDED JUNE 30, 2014 AND 2013)

(ATTACHED)

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Oregon State University

A member of the Oregon University System

2014 Annual Financial Report

Oregon State UNIVERSITY

Oregon State University
2014 Annual Report

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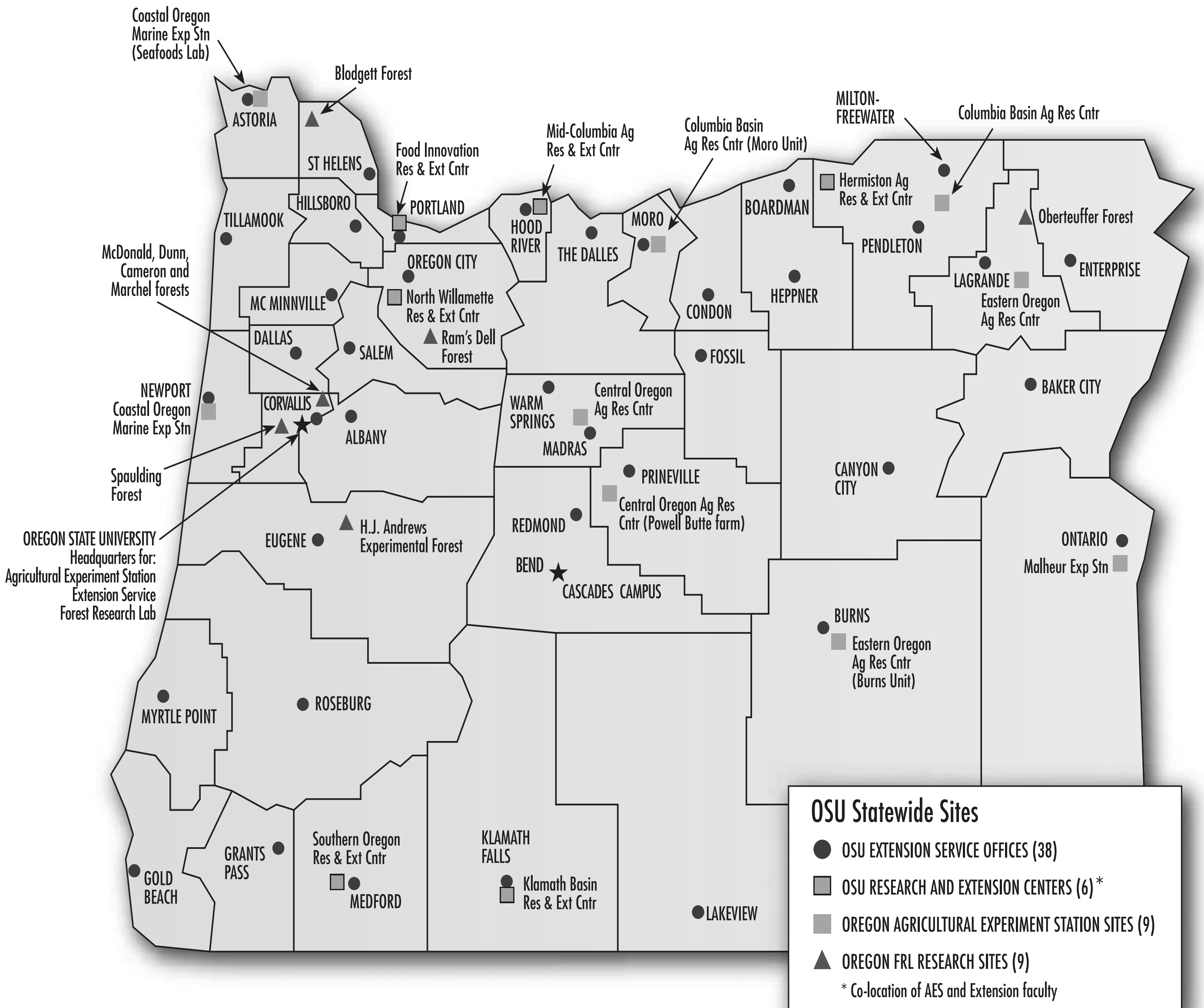
State Board of Higher Education

Oregon State University Executive Officers

Oregon State University (OSU) is a comprehensive, public, research-intensive university and, through the 2014 fiscal year, a member of the Oregon University System (OUS). It serves as the State's land-, sea-, space- and sun-grant institution - one of only two universities with all such designations in the country. OSU programs and faculty are located in every county of the State and are dedicated to providing solutions for the State's greatest challenges. OSU considers the State its campus and works in partnership with many school districts, Oregon's community colleges and other OUS institutions to provide access to high-quality educational programs. Meanwhile, strong collaborations with industry, state and federal agencies drive OSU's research enterprise.



MISSION

As a land grant institution committed to teaching, research, and outreach and engagement, Oregon State University promotes economic, social, cultural and environmental progress for the people of Oregon, the nation and the world. This mission is achieved by producing graduates competitive in the global economy, supporting a continuous search for new knowledge and solutions, and maintaining a rigorous focus on academic excellence, particularly in three Signature Areas: Advancing the Science of Sustainable Earth Ecosystems; Improving Human Health and Wellness; and Promoting Economic Growth and Social Progress.

VISION

To best serve its mission, Oregon State University will be among the Top 10 land grant institutions in America and will be recognized as a premier international public research university.

GOALS

Strategic Plan 3.0 expands Oregon State's strategic goals to focus on:

- Success that transforms our learners and our world.
- Leadership that integrates scholarship, creativity and collaboration throughout learning and discovery.
- Expansion of the university's diversity, reach and service across Oregon, throughout the nation and around the world.

OSU Strategic Plan: **http://oregonstate.edu/leadership/strategicplan/**

President Edward J. Ray

I am pleased to report again this year that the financial picture of Oregon State University is very strong thanks to the collective efforts of many. Oregon State's strategic planning process that will guide the university through 2018 is complete, and we are confident that this remarkable university community will continue to propel OSU in a powerful and fiscally responsible manner.

Oregon State achieved many major accomplishments this past year. The most sweeping change was responding to the decision to pursue a new governance model with the appointment of an independent board of trustees by Oregon Governor John Kitzhaber. OSU worked with the state and other public universities over the past year to put in place the policies and procedures necessary to operate as an independent university beginning July 1, 2014. This fall, we opened Tebeau Hall, a new student residence hall, and Austin Hall, the new home of the College of Business. We have also broken ground on the Lonnie B. Harris Black Cultural Center and the Asian Pacific Cultural Center. The Campaign for OSU stood at $1.06 billion as of June 30, 2014, with six more months until the official close of the campaign. The original campaign goal was $625 million, which was increased to $850 million and finally, $1 billion. More than $182 million has been raised for student scholarships, fellowships and awards.

While accomplishing these milestones, Oregon State continues to move to the front ranks of international and comprehensive research land grant universities in America. We have a strong and diverse leadership team, who worked with the university's faculty to complete Strategic Plan 3.0.

Our enrollment of Oregon residents remains strong, and growth in resident students at Oregon State accounted for nearly all of the growth at Oregon's public universities last year. As Oregon's statewide university, OSU is strongly committed to help achieve the state's 40-40-20 educational attainment goals. This ambitious plan calls for 40 percent of adult Oregonians to hold a bachelor's or advanced degree; 40 percent to have an associate's degree or a meaningful postsecondary certificate; and all remaining adult Oregonians to hold a high school diploma or equivalent by the year 2025. To help achieve 40-40-20, I have outlined a plan to maintain OSU's 25 percent enrollment share among Oregon's public universities. The plan calls for 28,000 students to be enrolled at our Corvallis campus; 3,000-5,000 students at our OSU-Cascades campus in Bend; up to 500 students at a proposed Marine Studies campus in Newport; and up to 7,000 degree-seeking students enrolled at Oregon State entirely online.

As part of this effort, the Oregon University System Board has endorsed four-year programs in established degree areas to be offered at our OSU-Cascades branch campus by fall 2015. This campus will serve students who want to remain in Central Oregon and attend a four-year college and will provide out-of-state and international students with an alternative to our Corvallis campus. With the strong support of the Board, the Governor and key legislators, the Legislature approved $20 million in state bonds, to be combined with private gifts and Cascades Campus reserves to fund the early development of a separate campus for OSU-Cascades. We have acquired 56 acres for the site of this campus and are working with the City of Bend and various stakeholders to begin construction of the first facilities on the site. The proposal for a Marine Studies campus emerged from a study authored by our Office of Research. I am moving this initiative forward through active conversations with many partners along the coast and throughout Oregon. Meanwhile, Oregon State's Ecampus distance learning program has expanded to offer more than 35 degrees and programs. It is one of the nation's top-ranked programs for online education.

On the financial front, Oregon State had many successes in 2014. The Campaign for OSU raised more than $100 million for the fourth consecutive year and external research awards reached $285 million. The University closed fiscal year 2014 with a fund balance of more than 8 percent of revenue. In the past fiscal year, Oregon State's growing research enterprise achieved its second highest level of funding ever to support work in public health, the environment, advanced engineering and projects to help develop Oregon's and the nation's economy. Our university-industry partnerships produced $37 million last year, an OSU record; royalty revenues reached $6 million. Tuition rates and college affordability continue to be a key concern among OSU leadership, students and their families. The 2013 Oregon Legislature approved $15 million in funding to reduce proposed resident undergraduate tuition rate increases at the state's public universities for the 2013-14 academic year to an average of 3.5 percent. Meeting in a September 2013 special session, the Legislature authorized additional funds to reduce resident undergraduate tuition rate increases for winter and spring terms to an average of 2.0 percent and to freeze undergraduate tuition rate increases for the 2014-15 academic year. It is noteworthy that prior to those tuition buy-down actions, the Fiske Guide to Colleges had identified Oregon State as a "best buy" university for both 2013 and 2014.

OSU's commitment to move to the front ranks of international and comprehensive land grant universities in America remains a top priority. We intend to climb the quality ladder in every dimension in which we operate, and to demonstrate that excellence is achieved through diversity. Over the past five years, OSU has attracted more Oregon high school valedictorians and salutatorians than any other university in the state. We completed the first year of a long-term effort known as the First-Year Experience program to raise retention rates for all first-time students and attain a higher six-year graduation rate. We have completed a plan to hire up to 50 new tenure-track faculty positions in key strategic disciplines and areas of student need in the next year.

We provided a faculty salary increase of 3 percent this January and another 3 percent in July, totaling a 6 percent increase in calendar year 2014. We also implemented a new classification and compensation system for our unclassified employees outside the professorial ranks and completed a review of salary structure and needs for non-tenure track faculty.

Through our partnership with INTO OSU, international student enrollment last year reached more than 10 percent, up from 5 percent in 2007. Founded in 2008, INTO OSU is an initiative to increase the number of international students at OSU and to improve the overall level of service that the University provides these students. This is one piece of our strategy to become a leading international public university. We are working with INTO on programs for the new Bend campus and on approaches to broaden student participation in Study Abroad opportunities.

With regard to facilities, the Centro Cultural César Chávez is now open, as is Eena Haws, the Native American Longhouse and cultural center. The new campus bookstore has been a tremendous success, and the renovation of the Memorial Union and construction of the Student Experience Center are nearing completion. Our new track and field and basketball practice facilities are also open for use. We anticipate bond sales in the next year to contribute to construction of a new $65 million classroom building and Johnson Hall, a $40 million chemical, biological and environmental engineering building. Meanwhile, our Collaboration Corvallis partnership with the city of Corvallis is progressing and continues to bolster the strong relationship between OSU and the Corvallis community. A newly-hired director of Corvallis community relations is further helping our students learn to be even better neighbors.

We will continue to practice sound financial management and work to ensure that cost does not become a barrier to our students' completion of their college degrees. The issue of stable funding for the university's Statewide programs — the OSU Extension Service, our Forest Research labs and many agricultural experiment stations located throughout Oregon — remains unresolved and will need to be addressed in a responsible and timely manner.

As Oregon's statewide university for 146 years, we look to our strong record of service and heritage and exciting future as we move closer to our sesquicentennial in 2018. We will continue to build on the momentum of the past decade, moving toward even greater success for our students and those we serve throughout Oregon, the nation and the world.

Edward J. Ray

Edward J. Ray

INDEPENDENT AUDITORS' REPORT

Members of the Board

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Oregon State University (the University), an institution of higher education of the Oregon University System (the System), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Oregon State Foundation, which represents 96 percent of the assets, 98 percent of the net assets, and 95 percent of revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit 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 financial statements are free from material misstatement. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards.*

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 (A), the financial statements present only the University, and do not purport to, and do not, present fairly the financial position of the System as of June 30, 2014 and 2013, the changes in its financial position, or its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 (A), effective July 1, 2014, the University became an independent public body separate from the System due to the passing of Senate Bill 270.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 – 17 and the schedule of funding progress of Other Post Employment Benefits on page 46 be presented 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 an 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 Information

The Message from the President has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Greenwood Village, Colorado
December 19, 2014

Introduction

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Oregon State University (OSU) for the years ended June 30, 2014, 2013 and 2012. OSU is comprised of a main campus in Corvallis and a branch campus in Bend, along with the Hatfield Marine Science Center in Newport, Ecampus, and Extension Service, Agricultural Experiment Stations and Forest Research Laboratories throughout the State.

Annual Full Time Equivalent Student Enrollment Summary

	2014	2013	2012	2011	2010
Corvallis	**21,844**	21,634	21,102	20,359	19,035
Cascades	**541**	479	474	442	403
Ecampus	**3,684**	3,030	2,464	2,168	1,828
Total	**26,069**	25,143	24,040	22,969	21,266

Understanding the Financial Statements

The MD&A focuses on OSU as a whole and is intended to foster a greater understanding of OSU's financial activities. Since this presentation includes summarized formats, it should be read in conjunction with the financial statements that have the following six components:

Independent Auditor's Report presents an unmodified opinion rendered by CliftonLarsonAllen LLP, an independent certified public accounting firm, on the fairness in presentation of the financial statements.

Statement of Net Position (SNP) presents a snapshot of OSU's assets, deferred outflows, liabilities and deferred inflows under the accrual basis of accounting at the end of each fiscal year presented. The SNP helps the reader understand the types and amounts of assets available to support operations, how much OSU owes to vendors and bondholders, and OSU's net position, delineated based upon availability for future expenditures.

Statement of Revenues, Expenses, and Changes in Net Position (SRE) presents OSU's revenues and expenses categorized between operating, nonoperating and other related activities. The SRE reports OSU's operating results for each fiscal year presented.

Statement of Cash Flows (SCF) provides information about OSU's sources and uses of cash during the fiscal year. The SCF classifies sources and uses of cash into four categories (cash provided (used) by: operating activities, noncapital financing activities, capital and related financing activities and investing activities).

Notes to the Financial Statements (Notes) provide additional information to clarify and expand on the financial statements.

Component Units, comprised of two supporting foundations, are combined and reported separately in the OSU financial statements and in Notes 2 and 19.

The MD&A provides an objective analysis of OSU's financial activities based on currently known facts, decisions, and conditions. The analysis is about OSU as a whole and is not broken out by individual campuses, schools, colleges or divisions. The MD&A discusses the current and prior year results in comparison to the respective year's prior year. Unless otherwise stated, all years refer to the fiscal year ended June 30.

Statement of Net Position

The term "Net Position" refers to the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, and is an indicator of OSU's current financial condition. Changes in net position that occur over time indicate improvement or deterioration in OSU's financial condition. The following chart summarizes OSU assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position (in millions):

Condensed Statement of Net Position

As of June 30,	**2014**	2013	2012
Current Assets	**$ 237**	$ 186	$ 184
Noncurrent Assets	**156**	204	197
Capital Assets, Net	**890**	789	766
Total Assets	**$ 1,283**	$ 1,179	$ 1,147
Deferred Outflows of Resources	**$ 11**	$ 11	$ 7
Current Liabilities	**$ 162**	$ 126	$ 132
Noncurrent Liabilities	**660**	583	541
Total Liabilities	**$ 822**	$ 709	$ 673
Deferred Inflows of Resources	**$ -**	$ -	$ -
Net Investment in Capital Assets	**$ 312**	$ 302	$ 312
Restricted - Nonexpendable	**4**	3	3
Restricted - Expendable	**115**	101	93
Unrestricted	**41**	75	73
Total Net Position	**$ 472**	$ 481	$ 481

Total Assets

Total Assets increased $104 million, or 9 percent, during the year ended 2014. During 2013, Total Assets increased $32 million, or 3 percent.

<u>Comparison of fiscal year 2014 to fiscal year 2013</u>

Current Assets increased $51 million, or 27 percent.

- Current cash and cash equivalents increased $33 million due to the conversion of some investments to cash prior to the university governance changes effective July 1, 2014.

- Accounts receivable increased $18 million. Increases in receivables related to student tuition and housing revenues, athletics revenues and other receivables of $25 million were slightly offset by a decrease in federal grants and contracts receivable of $6 million and an increase in allowances for bad debt of $1 million.

Noncurrent Assets decreased $48 million, or 24 percent.

- Year-end cash balances in capital construction funds and agency funds for student groups and campus organizations decreased $18 million compared to the prior year mainly due to decreased cash on hand at year-end restricted for capital construction.
- Investments decreased $29 million due to a change in the OUS investment strategy that resulted from the change in university governance effective July 1, 2014.
- Notes Receivable decreased $1 million.

Capital Assets, Net increased $101 million, or 13 percent. See detailed information on Capital Assets in this MD&A for details on this change.

Deferred Outflows of Resources was relatively unchanged.

<u>Comparison of fiscal year 2013 to fiscal year 2012</u>

Current Assets increased $2 million, or 1 percent.

- Current cash and cash equivalents increased $4 million.
- Accounts receivable increased $5 million. Increases to receivables related to student tuition and housing revenues, auxiliary operations, federal grants and contracts and other receivables of $10 million were offset by decreases in receivables from component units and state, other government and private gifts, grants and contracts of $3 million along with a $2 million increase in the allowances for bad debt.
- Collateral from Securities Lending decreased $7 million.

Noncurrent Assets increased $7 million, or 4 percent.

- Year-end cash balances in capital construction funds and agency funds for student groups and campus organizations decreased by $3 million.
- Investments increased $11 million as a result of the investment strategy employed by the OUS.

Capital Assets, Net increased $23 million, or 3 percent. See detailed information on Capital Assets in this MD&A for details on this change.

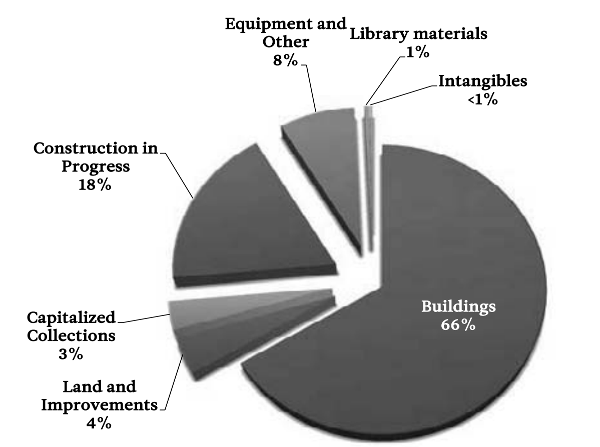
Deferred Outflows of Resources increased $4 million, or 57 percent, due to an increase in the accrued gain/loss on refunding of previously held debt.

Capital Assets and Related Financing Activities

Capital Assets

At June 30, 2014, OSU had $1.5 billion in capital assets, less accumulated depreciation of $655 million, for net capital assets of $890 million. At June 30, 2013, OSU had $1.4 billion in capital assets, less accumulated depreciation of $608 million, for net capital assets of $789 million. During fiscal year 2014, $29 million in construction projects were completed and placed into service. OSU is committed to a comprehensive program of capital investment and facility maintenance that includes addressing current maintenance needs and minimizing OSU's deferred maintenance backlog. State, federal, private, debt, and internal OSU funding were all used to accomplish OSU's capital objectives.

2014 Capital Assets, Net $890 Million



Changes to Capital Assets
(in millions)

	2014	2013	2012
Capital Assets, Beginning of Year	**$ 1,397**	$ 1,331	$ 1,240
Add: Purchases/Construction	**155**	71	101
Less: Retirements/Disposals/Adjustments	**(6)**	(5)	(10)
Total Capital Assets, End of Year	**1,546**	1,397	1,331
Accum. Depreciation, Beginning of Year	**(608)**	(565)	(527)
Add: Depreciation Expense	**(50)**	(47)	(46)
Less: Retirements/Disposals/Adjustments	**2**	4	8
Total Accum. Depreciation, End of Year	**(656)**	(608)	(565)
Total Capital Assets, Net, End of Year	**$ 890**	$ 789	$ 766

Capital additions totaled $155 million for 2014, $71 million for 2013, and $101 million for 2012.

Accumulated depreciation at June 30, 2014 increased $48 million, which represented $50 million in depreciation and amortization expense offset by $2 million in asset retirements and adjustments. Accumulated depreciation at June 30, 2013 increased $43 million, which represented $47 million in depreciation and amortization expense offset by $4 million in asset retirements and adjustments. Depreciation expense was $50 million during 2014 compared to $47 million during 2013 and $46 million in 2012.

Capital Commitments

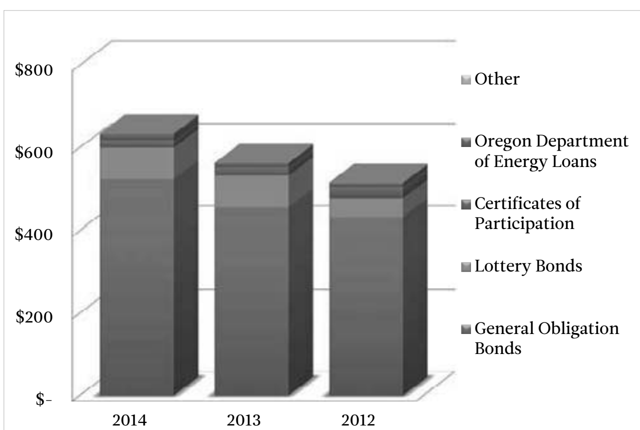
OSU has outstanding capital commitments of $196 million on partially completed and planned but not yet started construction projects authorized by the Oregon State Legislature as of June 30, 2014. See "Note 17. Commitments and Contingent Liabilities" for additional information relating to capital construction commitments.

Debt Administration

During 2014 and 2013, the OUS issued debt on behalf of OSU totaling $70 million and $98 million, respectively, with the proceeds earmarked for construction and acquisition of capital assets and for refunding outstanding debt obligations. General Obligation Bonds increased by $70 million during 2014.

Long-term Debt

(in millions)



Total Liabilities

Total Liabilities increased $113 million, or 16 percent, during 2014. During 2013, Total Liabilities increased $36 million, or 5 percent.

<u>Comparison of fiscal year 2014 to fiscal year 2013</u>

Current Liabilities increased $36 million, or 29 percent.

- Accounts payable and accrued liabilities increased $33 million mainly due to capital construction projects.
- Unearned revenues increased $2 million.
- Deposits decreased $4 million.
- The current portion of long-term liabilities increased $5 million.

Noncurrent Liabilities increased $77 million, or 13 percent, primarily due to debt issued for the construction of capital assets.

<u>Comparison of fiscal year 2013 to fiscal year 2012</u>

Current Liabilities decreased $6 million, or 5 percent.

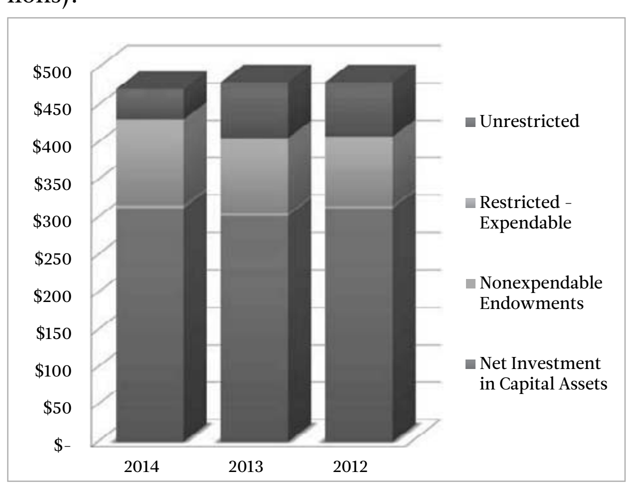
- The current portion of long-term liabilities increased $7 million as the result of increased borrowing for capital construction.
- Accounts payable decreased by $2 million.
- Deposits decreased by $4 million.
- Obligations Under Securities Lending decreased $7 million.

Noncurrent Liabilities increased $42 million, or 8 percent, primarily due to debt issued for the construction of capital assets.

Total Net Position

Changes to Total Liabilities reflected a slightly larger increase than changes to Total Assets which caused Total Net Position to decrease $9 million, or 2 percent, during 2014 compared to no change between 2012 and 2013.

As illustrated by the following graph, the make-up of net position changed between 2014, 2013 and 2012 (in millions).



Comparison of fiscal year 2014 to fiscal year 2013

Net Investment in Capital Assets increased $10 million, or 3 percent.

- A capital asset increase of $149 million was offset by a $48 million increase to accumulated depreciation and a $91 million increase to long-term debt outstanding attributable to the capital assets.

Restricted Expendable Net Assets increased $14 million, or 14 percent.

- Net assets relating to funds reserved for debt service increased by $9 million primarily because the OUS issued $70 million in new debt on OSU's behalf, which resulted in a larger amount of debt service in the sinking funds reserve.
- Net assets restricted for capital projects increased $5 million primarily as a result of an increase in the number of new construction and improvement projects.

Unrestricted Net Assets decreased $34 million, or 45 percent.

- Current year unrestricted funds expenses exceeded revenues by $2 million, resulting in a $2 million decrease in unrestricted net assets.
- During 2014, OSU was required to pay off line of credit loans with the OUS Internal Bank of $32 million which were funding construction projects that are in progress. The repayment of these loans resulted in a reduction of unrestricted net assets. The $32 million construction project expenses will be funded by a future revenue bond sale, at which time the unrestricted funds will be reimbursed.

Comparison of fiscal year 2013 to fiscal year 2012

Net Investment in Capital Assets decreased $10 million, or 3 percent.

- A capital asset increase of $66 million was offset by a $43 million increase to accumulated depreciation and a $33 million increase to long-term debt outstanding attributable to the capital assets.

Restricted Expendable Net Assets increased by $8 million, or 9 percent.

- Net assets relating to funds reserved for debt service increased by $2 million mainly due to new debt issuances that resulted in a larger amount of debt service in the sinking funds reserve.
- Net assets relating to the funding of capital projects increased less than $1 million.
- Gifts, Grants and Contracts increased $5 million due to a larger number of gifts primarily for construction and improvement projects.

Unrestricted Net Assets increased $2 million, or 3 percent.

- Unrestricted funds revenues exceeded expenses by $2 million, resulting in a $2 million increase in unrestricted net assets.

Statement of Revenues, Expenses and Changes in Net Position

Due to the classification of certain revenues as nonoperating revenue, OSU shows a loss from operations. State general fund appropriations, nonexchange grants and non-capital gifts, although considered nonoperating revenue under Governmental Accounting Standards Board (GASB) No. 35 and reflected accordingly in the nonoperating section of the SRE, are used solely for operating purposes.

The following summarizes the revenue and expense activity of OSU (in millions):

Condensed Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30,	**2014**	2013	2012
Operating Revenues	**$ 622**	$ 587	$ 546
Operating Expenses	**911**	846	798
Operating Loss	**(289)**	(259)	(252)
Nonoperating Revenues, Net of Expenses	**242**	225	207
Other Revenues, Net of Expenses	**38**	34	31
Increase (Decrease) in Net Position	**(9)**	-	(14)
Net Position, Beginning of Year	**481**	481	495
Net Position, End of Year	**$ 472**	$ 481	$ 481

Revenues

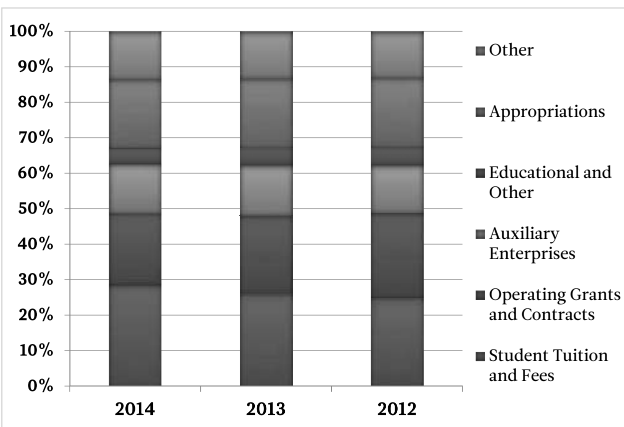
Revenues increased $53 million, or 6 percent, in 2014 over 2013.

Total Operating, Nonoperating and Other Revenues

(in millions)

For the Year Ended June 30,	2014	2013	2012
Student Tuition and Fees	**$ 264**	$ 228	$ 202
Grants and Contracts	**187**	192	194
Auxiliary Enterprises	**129**	124	109
Educational and Other	**42**	43	41
Total Operating Revenues	**622**	587	546
Appropriations	**178**	170	159
Financial Aid Grants	**45**	43	41
Investment Activity	**17**	16	8
Capital Grants and Gifts	**25**	17	21
Nonoperating and Other Items	**40**	41	36
Total Nonoperating and Other Revenues	**305**	287	265
Total Revenues	**$ 927**	$ 874	$ 811

Total Operating, Nonoperating and Other Revenues



Operating Revenues

Operating Revenues increased $35 million in 2014, or 6 percent over 2013, to $622 million. Operating revenues increased $41 million in 2013, or 8 percent over 2012. These changes are primarily due to increases in Student Tuition and Fees and Auxiliary Enterprises Revenues.

Comparison of fiscal year 2014 to fiscal year 2013

Student Tuition and Fees increased $36 million, or 16 percent.

- Higher tuition and fee rates accounted for $20 million of the increase.
- A 4 percent enrollment increase added $15 million in tuition and fees.
- Fee remissions, scholarship allowances and bad debt allowances reduced tuition and fees by $1 million less than in the prior period.

Federal, State and Nongovernmental Grants and Contracts decreased $5 million, or 3 percent.

- Federal grant and contract revenues decreased by $8 million due to decreased research and development grants and contracts.
- State grant activity was relatively unchanged.
- Nongovernmental grant activity increased $3 million due mainly to increases in commercial business grants and contracts.

Auxiliary Enterprises revenues increased $5 million, or 4 percent.

- Housing and Dining revenues increased by $5 million mainly due to increased rates and student occupancy.
- Athletics revenue was relatively unchanged.

Education and Other decreased by $1 million, or 2 percent.

Comparison of fiscal year 2013 to fiscal year 2012

Student Tuition and Fees increased $26 million, or 13 percent.

- A 5 percent enrollment increase added $10 million in tuition and fees.
- Higher tuition and fees rates accounted for $25 million of the increase.
- Fee remissions, scholarship allowances and bad debt allowances reduced tuition and fees by $9 million more than in the prior period.

Federal, State and Nongovernmental Grants and Contracts decreased $2 million, or 1 percent.

- Federal grant and contract revenues decreased by $1 million due to decreased research and development grants and contracts.
- State, local and nongovernmental grant activity decreased by $1 million.

Auxiliary Enterprise revenues increased by $15 million, or 14 percent.

- Athletic revenues increased $11 million due to increased television revenues.
- Student fee revenues for health services and incidentals increased $3 million.
- Housing revenues increased $1 million.

Educational and Other Revenues increased by $2 million, or 5 percent.

Nonoperating and Other Revenues

The increase in Nonoperating and Other Revenues of $18 million during 2014 resulted from increases in all of the related categories except Nonoperating and Other Items. The increase in Nonoperating and Other Revenues of $22 million during 2013 resulted from increases in all of the related categories except Capital Grants and Gifts.

Comparison of fiscal year 2014 to fiscal year 2013

Government Appropriations increased $8 million, or 5 percent.

- State appropriations for OSU operations increased by $10 million due to increased funding received from the State.
- Federal and county appropriations in support of the statewide public services increased $1 million.
- Debt service appropriations decreased $3 million due to lower levels of state paid debt service.

See "Note 12. Government Appropriations" for additional information relating to changes in appropriations.

Financial Aid Grants increased $2 million, or 5 percent.

Investment Activity revenues increased $1 million, or 6 percent. See "Note 10. Investment Activity" for additional information relating to these changes.

Capital Grants and Gifts increased $8 million, or 47 percent.

- Capital gifts from the OSU Foundation for various capital construction projects increased by $8 million.

Nonoperating and Other Items decreased $1 million, or 2 percent.

Comparison of fiscal year 2013 to fiscal year 2012

Government Appropriations increased $11 million, or 7 percent.

- State appropriations for OSU operations increased by $7 million due to higher funding received from the State.
- Federal and county appropriations in support of the statewide public services increased $1 million.
- Debt service appropriations increased $3 million because of higher levels of state paid debt service.

Financial Aid Grants increased $2 million, or 5 percent.

Investment Activity revenues increased $8 million, or 100 percent.

- Net appreciation of investments increased $4 million due to improved market activity.
- Royalty and tech transfer revenue increased $3 million.
- Interest earnings increased $1 million. The ability to retain interest earnings on cash balances was granted in SB 242 by the Oregon Legislature in 2011.

Capital Grants and Gifts decreased $4 million, or 19 percent.

Nonoperating and Other Items increased $5 million, or 14 percent, due to increases in gift revenues as well as increased nonoperating transfers from the OUS Chancellor's Office.

Expenses

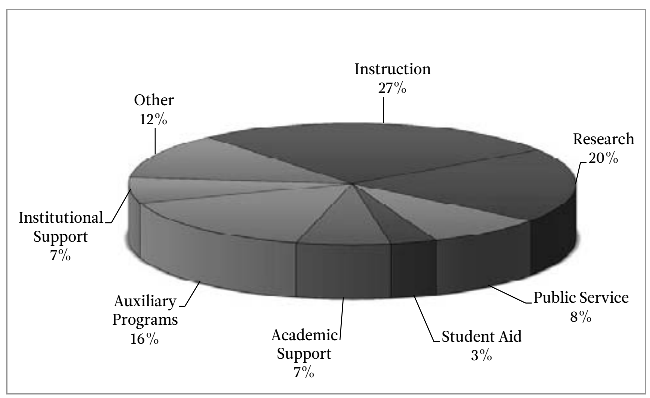
Operating Expenses

Operating Expenses increased $65 million in 2014, or 8 percent, over 2013, to $911 million. The 2014 increase resulted from higher expenses in all categories, with the biggest overall increases in instruction and auxiliary programs. Operating expenses increased $48 million in 2013, or 6 percent, over 2012 to $846 million. The 2013 increase resulted from higher expenses in most categories, with the biggest overall increases in instruction and auxiliary programs. The following charts summarize operating expenses by functional classification (in millions):

Operating Expense by Function

For the Year Ended June 30,	**2014**	2013	2012
Instruction	**$ 244**	$ 218	$ 193
Research	**180**	179	173
Public Service	**78**	75	81
Academic Support	**62**	56	53
Auxiliary Programs	**144**	130	119
Institutional Support	**61**	57	52
Student Aid	**31**	28	26
Other	**111**	103	101
Total Operating Expenses	**$ 911**	$ 846	$ 798

2014 Operating Expense by Function



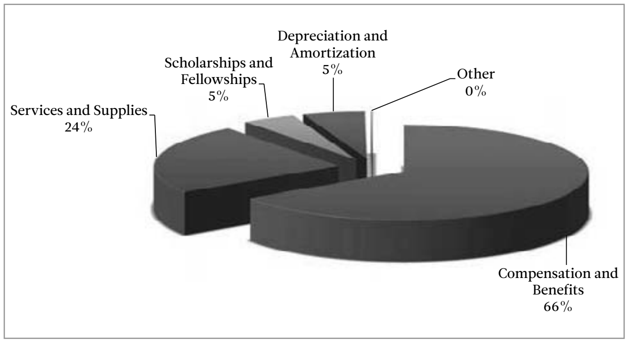
Due to the way in which expenses are incurred by OSU, variances are presented and explained by analyzing changes in the natural classification of expenses. Each natural classification analysis can be applied to several of the functional expense caption items.

The following summarizes operating expenses by natural classification (in millions):

Operating Expenses by Nature

For the Year Ended June 30,	2014	2013	2012
Compensation and Benefits	**$ 598**	$ 554	$ 519
Services and Supplies	**219**	204	195
Scholarships and Fellowships	**43**	40	37
Depreciation and Amortization	**50**	47	46
Other	**1**	1	1
Total Operating Expenses	**$ 911**	$ 846	$ 798

2014 Operating Expenses by Nature



Comparison of fiscal year 2014 to fiscal year 2013

Compensation and Benefits costs increased $44 million, or 8 percent.

- Salary and wage costs increased $23 million due to additional staff and faculty hires and wage increases.
- Retirement and health insurance costs increased $9 million.
- Wage costs further increased $3 million due to increased student and graduate employment.
- Fee remissions for graduate students increased $4 million.
- Other payroll expenses increased $5 million.

Services and Supplies expense increased $15 million, or 7 percent.

- This increase was experienced across many categories including utilities, rentals and leases, fees and services, assessments, and general supplies.

Scholarships and Fellowships costs increased $3 million, or 8 percent.

- Overall, scholarships and fellowships increased $3 million. The increase in scholarships and fellowships corresponds to revenue increases in state, federal and private funds, partly offset by a decrease in foundation and institutional student aid.

Depreciation and Amortization expense increased $3 million, or 6 percent, primarily due to recently constructed or refurbished buildings being placed in service.

Comparison of fiscal year 2013 to fiscal year 2012

Compensation and Benefits costs increased $35 million, or 7 percent.

- Salary and wage costs increased $20 million due to additional staff and faculty hires and wage increases.
- Retirement and health insurance costs increased $5 million.
- Wage costs further increased $2 million due to increased student and graduate employment.
- Fee remissions for graduate students increased $5 million.
- Other payroll expenses increased $3 million.

Services and Supplies expense increased $9 million, or 5 percent.

- This increase was experienced across many categories including maintenance and repairs, fees and services, travel, subcontractor, and miscellaneous other services and supplies. This was partially offset by lower general supplies and rentals and leases expenses.

Scholarships and Fellowships costs increased $3 million, or 8 percent.

- This net increase corresponds to revenue increases across almost all major categories of student financial aid - state, federal, private and institutional.

Depreciation and Amortization expense increased $1 million, or 2 percent, primarily due to recently constructed or refurbished buildings being placed in service.

Nonoperating Expenses

Comparison of fiscal year 2014 to fiscal year 2013

Interest Expense decreased by $2 million, or 6 percent.

Comparison of fiscal year 2013 to fiscal year 2012

Interest Expense was relatively unchanged.

Economic Outlook

Funding for the major activities of OSU comes from a variety of sources: tuition and fees; financial aid programs; state, federal and county appropriations; federal, foundation and other grants; private and government contracts; royalties; and donor gifts and investment earnings. Revenues are also generated through recovery of costs associated with federal grant and contract activities, which serve to offset related administrative and facilities costs.

Enrollment has grown significantly over the past several years, increasing over 22 percent from fiscal year 2010 to fiscal year 2014. Enrollment projections for fiscal year 2015 indicate continued growth. In fall term 2014, enrollment grew by approximately 1 percent at OSU's Corvallis campus; by 6 percent at the Cascades campus; and by 20 percent in online enrollments.

The Oregon State University Board of Trustees (Board of Trustees) voted to freeze undergraduate tuition rates for fiscal year 2015 for all undergraduate students and increase tuition on graduate resident and non-resident students by 2 percent and 4 percent, respectively. The tuition freeze was made possible by legislative action; with the State increasing its appropriation to the public universities in Oregon to offset the lost revenues from freezing tuition. The Board of Trustees approved continuing the phasing-out of OSU's tuition plateau that began in fiscal year 2014; accordingly, OSU's base tuition for fall term of fiscal year 2015 for a student taking 15 credit hours each term will be $7,650 annually. While this is a significant increase from OSU's fall 2013 annual tuition of $6,876, it is well below the $9,510 median tuition for peer land-grant universities.

With the budget challenges faced at the federal level, overall funding allocations may decline in future years, intensifying competition for these scarce dollars. From fiscal year 2013 to fiscal year 2014, total research and development awards improved 8 percent to $285 million and, of this, including awards from federal agencies for research and development, which improved 11 percent to $170 million. OSU is focusing its research and development strategy on diversifying this portfolio through industry partnering and by expanding research in high impact areas, such as marine studies, food/water security, sustainable energy and built infrastructure, climate change and adaptation and health promotion disease prevention and management, that are in alignment with OSU's Strategic Plan 3.0.

The volatility of state funding levels has been a significant challenge for public universities in Oregon. The State has reduced its total support to state universities by 11 percent over the last three biennia. Funding specifically for education and general purposes has decreased 18 percent over that same time period, which has caused OSU to find operating efficiencies to reduce costs, to look to build enrollments of out-of-state and international students who pay a premium tuition rate, and to increase tuition rates for all students. At the same time, OSU has experienced significant enrollment growth and the Oregon Legislature has established limits on tuition and fee increases. This limitation has put additional pressure on OSU to find ways to meet the increased demand while controlling the growth in operating costs. Lower state support, increasing costs, limits on tuition and fees, and enrollment growth create a very challenging fiscal environment. However, the outlook for state support in the 2015-17 biennium is positive as the State's economic activity continues to improve. Additionally, the establishment of the Oregon Education and Investment Board and the Higher Education Coordinating Commission has focused attention on state funding of education and how best to achieve the State's ambitious 40-40-20 goal: 40 percent of all adult Oregonians to hold a bachelor's or advanced degree; 40 percent to have an associate's degree or meaningful postsecondary certificate; and all remaining adult Oregonians to hold a high school diploma or equivalent by the year 2025.

In order to address some of these challenges, the 2013 Legislature enacted pension reforms and sweeping legislation impacting the governance of OSU, spinning it off as a separate public university with its own governing board as of July 1, 2014. While the pension reforms have resulted in reduced pension costs, it is anticipated that pension costs will continue to be a significant driver of overall costs due to the aging demographics within the State's workforce. The result of the governance changes are expected to increase philanthropic activity, provide operating flexibility, and allow for more institution-specific business choices that will help OSU compete in today's higher education marketplace.

Despite the changes in the healthcare system resulting from the Affordable Care Act, the cost of employee health insurance continues to be a budgetary challenge, with health benefit costs still averaging over 21 percent of employee pay. Employee health insurance benefit costs stayed relatively flat in fiscal year 2014 but are expected to increase 5 percent in fiscal year 2015.

Since OSU is ultimately subject to the same economic variables that affect other entities, it is not possible to predict future outcomes. Management is well aware of the challenges faced and is working diligently to continue to provide quality instruction, research and public service to its students and the citizens of the State, the nation and the world.

As of June 30,		University 2014		2013
		(In thousands)		
ASSETS				
Current Assets				
Cash and Cash Equivalents (Note 2)	**$**	**115,303**	$	82,756
Collateral from Securities Lending (Note 2)		**11,540**		11,012
Accounts Receivable, Net (Note 3)		**98,807**		81,135
Notes Receivable, Net (Note 4)		**5,196**		4,793
Inventories		**1,960**		1,893
Prepaid Expenses		**3,687**		4,313
Total Current Assets		**236,493**		185,902
Noncurrent Assets				
Cash and Cash Equivalents (Note 2)		**33,756**		52,104
Investments (Note 2)		**101,712**		130,615
Notes Receivable, Net (Note 4)		**20,341**		21,553
Capital Assets, Net of Accumulated Depreciation (Note 5)		**890,467**		789,244
Total Noncurrent Assets		**1,046,276**		993,516
Total Assets	**$**	**1,282,769**	$	1,179,418
DEFERRED OUTFLOWS OF RESOURCES	**$**	**10,456**	$	10,839
LIABILITIES				
Current Liabilities				
Accounts Payable and Accrued Liabilities (Note 6)	**$**	**62,659**	$	30,395
Deposits		**963**		5,384
Obligations Under Securities Lending (Note 2)		**11,540**		11,012
Current Portion of Long-Term Liabilities (Note 8)		**46,825**		41,708
Unearned Revenues		**39,987**		37,893
Total Current Liabilities		**161,974**		126,392
Noncurrent Liabilities				
Long-Term Liabilities (Note 8)		**659,559**		318,665
Due to Other OUS Funds and Entities		**-**		263,904
Total Noncurrent Liabilities		**659,559**		582,569
Total Liabilities	**$**	**821,533**	$	708,961
DEFERRED INFLOWS OF RESOURCES	**$**	**-**	$	-
NET POSITION				
Net Investment in Capital Assets	**$**	**312,017**	$	302,186
Restricted For:				
Nonexpendable Endowments		**4,377**		3,612
Expendable:				
Gifts, Grants and Contracts		**43,125**		42,708
Student Loans		**34,666**		34,508
Capital Projects		**24,121**		19,416
Debt Service		**12,878**		4,353
Unrestricted		**40,508**		74,513
Total Net Position	**$**	**471,692**	$	481,296

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

As of June 30,		Component Units 2014		2013
		(In thousands)		
ASSETS				
Cash and Cash Equivalents	**$**	**14,397**	$	31,426
Contributions, Pledges and Grants Receivable, Net		**35,224**		43,170
Investments (Note 2)		**625,697**		520,793
Prepaid Expenses and Other Assets		**20,195**		16,250
Property and Equipment, Net		**12,425**		12,617
Total Assets	**$**	**707,938**	$	624,256
LIABILITIES				
Accounts Payable and Accrued Liabilities	**$**	**16,781**	$	9,433
Accounts Payable to University		**9,862**		8,710
Obligations to Beneficiaries of Split-Interest Agreements		**27,734**		26,319
Total Liabilities	**$**	**54,377**	$	44,462
NET ASSETS				
Unrestricted	**$**	**16,930**	$	530
Temporarily Restricted		**283,183**		244,440
Permanently Restricted		**353,448**		334,824
Total Net Assets	**$**	**653,561**	$	579,794

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

For the Year Ended June 30,	University 2014	2013
	(In thousands)	
OPERATING REVENUES		
Student Tuition and Fees (Net of Allowances of $60,828 and $61,633, respectively)	**$ 263,975**	$ 228,436
Federal Grants and Contracts	**158,291**	165,544
State and Local Grants and Contracts	**6,786**	6,994
Nongovernmental Grants and Contracts	**22,114**	18,928
Educational Department Sales and Services	**33,704**	35,402
Auxiliary Enterprises Revenues (Net of Allowances of $4,918 and $4,530, respectively)	**128,820**	124,421
Other	**8,186**	7,655
Total Operating Revenues	**621,876**	587,380
OPERATING EXPENSES		
Instruction	**243,734**	218,010
Research	**179,745**	179,196
Public Service	**77,820**	75,395
Academic Support	**61,925**	56,501
Student Services	**26,370**	25,319
Auxiliary Programs	**144,018**	129,770
Institutional Support	**61,523**	56,572
Operation and Maintenance of Plant	**30,805**	30,653
Student Aid	**30,547**	28,326
Other	**54,938**	46,559
Total Operating Expenses (Note 11)	**911,425**	846,301
Operating Loss	**(289,549)**	(258,921)
NONOPERATING REVENUES (EXPENSES)		
Government Appropriations (Note 12)	**161,590**	150,487
Financial Aid Grants	**45,197**	43,193
Investment Activity (Note 10)	**17,291**	15,591
Gain (Loss) on Sale of Assets, Net	**(158)**	(66)
Interest Expense	**(25,453)**	(27,141)
Other	**43,768**	43,127
Total Net Nonoperating Revenues	**242,235**	225,191
Income (Loss) Before Other Revenues	**(47,314)**	(33,730)
OTHER REVENUES (EXPENSES)		
Debt Service Appropriations (Note 12)	**16,696**	19,250
Capital Grants and Gifts	**24,739**	17,105
Changes to Permanent Endowments	**766**	238
Transfers within OUS	**(4,491)**	(2,352)
Total Net Other Revenues	**37,710**	34,241
Increase (Decrease) In Net Position	**(9,604)**	511
NET POSITION		
Beginning Balance	**481,296**	480,785
Ending Balance	**$ 471,692**	$ 481,296

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

For The Year Ended June 30,		Component Units 2014		2013
		(In thousands)		
REVENUES				
Grants, Bequests and Gifts	**$**	**73,412**	$	59,874
Interest and Dividends		**14,723**		15,068
Investment Income, Net		**62,237**		27,559
Change in Value of Life Income Agreements		**4,662**		2,009
Other Revenues		**17,761**		15,204
Total Revenues		**172,795**		119,714
EXPENSES				
University Support		**69,602**		55,047
General and Administrative		**19,646**		19,733
Other Expenses		**9,780**		7,846
Total Expenses		**99,028**		82,626
Increase In Net Assets		**73,767**		37,088
NET ASSETS				
Beginning Balance		**579,794**		542,706
Ending Balance	**$**	**653,561**	$	579,794

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

For the Year Ended June 30,		University 2014		2013
		(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and Fees	**$**	**262,737**	$	233,930
Grants and Contracts		**189,915**		190,011
Educational Department Sales and Services		**33,704**		35,402
Auxiliary Enterprises Operations		**126,150**		122,450
Payments to Employees for Compensation and Benefits		**(591,607)**		(551,911)
Payments to Suppliers		**(200,462)**		(205,988)
Student Financial Aid		**(42,689)**		(39,792)
Other Operating Receipts (Payments)		**(4,817)**		4,814
Net Cash Provided (Used) by Operating Activities		**(227,069)**		(211,084)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Government Appropriations		**161,590**		148,444
Financial Aid Grants		**45,197**		43,193
Private Gifts Received for Endowment Purposes		**766**		238
Other Gifts and Private Contracts		**43,768**		43,127
Net Agency Fund Receipts (Payments)		**(4,421)**		(4,078)
Net Transfers Within OUS		**(7,269)**		15,312
Net Cash Provided (Used) by Noncapital Financing Activities		**239,631**		246,236
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Debt Service Appropriations		**16,114**		19,250
Capital Grants and Gifts		**22,699**		15,104
Bond Proceeds from Capital Debt		**113,956**		82,746
Sales of Capital Assets		**3,972**		257
Purchases of Capital Assets		**(149,205)**		(71,459)
Interest Payments on Capital Debt		**(17,276)**		(27,312)
Principal Payments on Capital Debt		**(37,979)**		(48,488)
Net Cash Provided (Used) by Capital and Related Financing Activities		**(47,719)**		(29,902)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net Sales (Purchases) of Investments		**36,947**		(17,159)
Interest Receipts on Investments and Cash Balances		**12,409**		13,011
Net Cash Provided (Used) by Investing Activities		**49,356**		(4,148)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**14,199**		1,102
CASH AND CASH EQUIVALENTS				
Beginning Balance		**134,860**		133,758
Ending Balance	**$**	**149,059**	$	134,860

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

For the Year Ended June 30,	University 2014	2013
	(In thousands)	
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	**$ (289,549)**	$ (258,921)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	**49,518**	47,061
Changes in Assets and Liabilities:		
Accounts Receivable	**(17,090)**	(2,590)
Notes Receivable	**809**	487
Inventories	**(67)**	63
Prepaid Expenses	**626**	(337)
Accounts Payable and Accrued Liabilities	**20,461**	578
Long-Term Liabilities	**6,129**	1,245
Unearned Revenues	**2,094**	1,330
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (227,069)**	$ (211,084)
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS		
Capital Assets Acquired by Gifts-in-Kind	**$ 2,040**	$ 2,001
Increase in Fair Value of Investments Recognized as a Component of Investment Activity	**4,882**	2,580
Internal Bank Loans Converted to XI-F(1) Debt	**248,744**	-

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Oregon State Board of Higher Education (Board), a citizen board appointed by the Governor with confirmation by the State Senate, governs the seven state-supported institutions of higher learning (institutions) in Oregon. These institutions are known as the Oregon University System (OUS). The law creating the Board was passed in 1929 by the Oregon Legislature and went into effect July 1, 1931. Oregon State University (OSU) is one of the seven universities that make up the OUS.

The OSU financial reporting entity is comprised of OSU and its related foundations, which are discretely presented as component units on the basic financial statements. OSU includes the main campus in Corvallis and a branch campus in Bend and receives separate appropriations for statewide activities including agricultural experiment stations, cooperative extension services and forestry research laboratories. See "Note 19. University Foundations" for additional information regarding the related foundations reported as Component Units. Organizations that are not financially accountable to OSU, such as booster and alumni organizations, are not included in the reporting entity.

OSU is also reported as one of the seven universities that make up the OUS and is reported as part of the OUS Annual Financial Report. The OUS is a part of the primary government of the State of Oregon (State) and its financial position and results are included as a proprietary (enterprise) fund in the Comprehensive Annual Financial Report (CAFR) issued by the State.

These financial statements present only OSU, including the discretely presented component units described above, and are not intended to present the financial position, changes in financial position, or, where applicable, the cash flows of the OUS as a whole in conformity with accounting principles generally accepted in the United States of America.

Senate Bill 270 was passed by the Oregon Legislature during fiscal year 2013 and established OSU as an independent public body legally separate from the OUS as of July 1, 2014. OSU will not be included in the OUS financial reporting entity starting with the fiscal year 2015 financial report. OSU will be included as a discretely presented component unit in the CAFR starting with the fiscal year 2015 financial report.

B. Financial Statement Presentation

The OSU financial accounting records are maintained in accordance with U.S. generally accepted accounting principles as prescribed in applicable pronouncements of the Governmental Accounting Standards Board (GASB). The financial statement presentation required by GASB No. 35 provides a comprehensive, entity-wide perspective of OSU assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

In preparing the financial statements, significant interfund transactions and balances between university funds have been eliminated.

Financial statements of the two university foundations are presented in accordance with generally accepted accounting principles prescribed by the Financial Accounting Standards Board (FASB).

NEWLY IMPLEMENTED ACCOUNTING STANDARDS

OSU implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for the fiscal year ended June 30, 2014. GASB No. 65 provides financial reporting guidance to reclassify, as deferred outflows or deferred inflows of resources, certain items that were previously reported as assets and liabilities and to recognize, as outflows or inflows of resources, certain items that were previously reported as assets or liabilities. As a result of the implementation, OSU reclassified $10,436,894 and $10,812,423 as of June 30, 2014 and 2013, respectively, in unamortized gain/(loss) on refundings previously reported as a liability to deferred outflows for financial statement purposes.

OSU implemented GASB Statement No. 66, *Technical Corrections–2012–an amendment of GASB Statements No. 10 and No. 62*, effective for the fiscal year ended June 30, 2014. GASB No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Government Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-1989 FASB and AICPA Pronouncements*. The adoption of GASB No. 66 did not materially impact the OSU financial statements.

Oregon Public Employees Retirement System (PERS) implemented GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, effective for the fiscal year ended June 30, 2014. GASB No. 67 improves accounting and financial reporting by state and local governments for pensions and pension plans, and therefore applies directly to PERS, and indirectly to OSU. The measurement of net pension liability in accordance with GASB No. 67 will increase liabilities for OSU as it implements GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* in fiscal year 2015.

OSU implemented GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the fiscal year ended June 30, 2014. GASB No. 70 improves the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The adoption of GASB No. 70 did not materially impact the OSU financial statements.

UPCOMING ACCOUNTING STANDARDS

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* GASB No. 68 improves accounting and financial reporting by state and local governments for pensions, and is effective for the fiscal year ending June 30, 2015. The State is currently evaluating the impact of this standard on future financial statements. Information relating to any increase in the liabilities of OSU is unavailable at this time. The adoption of GASB No. 68 is expected to have a significant negative impact on the unrestricted net position of OSU.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations.* The objective of this statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. GASB No. 69 requirements are effective for the fiscal year ending June 30, 2015. OSU is analyzing the effects of the adoption of GASB No. 69 and is uncertain of the impact on the financial statements and related reporting requirements at this time.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.* GASB No. 71 updates GASB No. 68 and refers to contributions, if any, made to a defined benefit pension plan after the measurement date of the beginning net pension liability. These requirements are effective for the fiscal year ending June 30, 2015. The adoption of GASB No. 71 is not expected to have a material impact on the OSU financial statements.

C. Basis of Accounting

For financial reporting purposes, OSU is considered a special-purpose government engaged only in business-type activities. Accordingly, the OSU financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when incurred.

D. Cash and Cash Equivalents

Cash and cash equivalents includes highly liquid investments with original maturities of three months or less. Cash and cash equivalents classified as current assets consist of: cash on hand; cash and investments held by the State in the Oregon Short-Term Fund (OSTF); cash and cash equivalents restricted for the payment of the current portion of debt service; and cash deposits, if any, of debt proceeds in investment funds held by a trustee.

E. Investments

Investments are reported at fair value as determined by market prices. Unrealized gains or losses on investments are reported as investment activity in the Statement of Revenues, Expenses, and Changes in Net Position.

All investments are classified as noncurrent assets in the Statement of Net Position.

F. Inventories

Inventories are recorded at the lower of average cost or market and consist primarily of supplies in storerooms and physical plant stores.

G. Capital Assets

Capital assets are recorded at cost on the date acquired or at fair market value on the date donated. OSU capitalizes equipment with unit costs of $5 thousand dollars or more and an estimated useful life of greater than one year. OSU capitalizes real property expenditures that increase the functionality and/or extend the useful life of the real property if total expenditures exceed the capitalization thresholds of $50 thousand to $100 thousand, depending on the type of real property. Intangible assets valued in excess of $100 thousand are capitalized. Expenditures below the capitalization threshold and repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

OSU capitalizes interest expense on projects exceeding $20 million that are partially or fully funded by XI-F(1) debt or internally generated funds. Total interest costs of $13,253,556 and $12,968,748 were incurred on XI-F(1) debt, of which $584,996 and $176,153 were capitalized for the fiscal years ended 2014 and 2013, respectively.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets; generally 15 to 50 years for buildings, 10 to 20 years for infrastructure and land improvements, 10 years for library books and 5 to 11 years for equipment. Amortization terms of intangible assets vary depending on the factors relating to the specific asset. Depreciation is not applied to museum collections, works of art or historical treasures, or library special collections.

H. Unearned Revenues

Unearned revenues include amounts received for tuition and fees, grants and contracts, lease income and auxiliary enterprises activities in which cash has been received, but revenues will be earned in subsequent fiscal year(s).

I. Compensated Absences

OSU accrues a liability for vacation leave and other compensated absences that were earned but not used during the current or prior fiscal year for which employees can receive compensation in a future period. Sick leave is recorded as an expense when paid. There is no payout provision for unused sick leave and no liability exists for terminated employees.

J. Net Position

OSU's net position is classified as follows:

NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets represents the total investment in capital assets, net of accumulated depreciation and amortization, and outstanding debt obligations related to those capital assets.

RESTRICTED – NONEXPENDABLE ENDOWMENTS
Restricted-Nonexpendable Endowments consists of endowment funds in which donors have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income. The income may either be expended or, depending on the terms of the gift instrument, added to principal.

RESTRICTED – EXPENDABLE
Restricted-Expendable includes resources which OSU is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

UNRESTRICTED
Unrestricted net assets are resources that may be used at the discretion of the Board.

When an expense is incurred that can be paid using both restricted or unrestricted resources, restricted resources are generally applied first.

K. Endowments

Oregon Revised Statutes (ORS) Section 351.130 gives OSU the authority to use the interest, income, dividends, or profits of endowments. The OUS current Board policy is to annually distribute, for spending purposes, four percent of the preceding 20-quarter moving average of the market value of the endowment funds and to maintain the purchasing power of the funds as nearly as prudent investment permits. In accordance with current board policy, the amount available for distribution during fiscal year 2015 is estimated to be $1,239,179. For the years ended June 30, 2014 and 2013, the net amount of appreciation available for authorization for expenditure was $1,900,029 and $1,444,591, respectively.

Nonexpendable Endowments on the Statement of Net Position of $4,376,903 and $3,611,393 at June 30, 2014 and 2013, respectively, represent the original corpus of true endowment funds and do not include the accumulated gains of those endowments.

L. Income Taxes

OSU is treated as a governmental entity for tax purposes. As such, OSU is generally not subject to federal and state income taxes. However, OSU remains subject to income taxes on any income that is derived from a trade or business regularly carried on and not in furtherance of the purpose for which OSU was granted exemption from income taxes. No income tax is recorded because there are no income taxes due on unrelated business income during fiscal year 2014.

M. Revenues and Expenses

OSU has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

Operating revenues and expenses generally have the characteristics of exchange transactions. These transactions can be defined as an exchange in which two or more entities both receive and sacrifice value, such as purchases and sales of goods or services. Examples of operating revenues include student tuition and fees, sales and services of auxiliary enterprises, most federal, state and local grants and contracts, and other operating revenues. Examples of operating expenses include employee compensation, benefits and related expense, scholarships and fellowships, utilities, supplies and other services, professional fees, and depreciation expenses of capital assets.

Nonoperating revenues generally have the characteristics of nonexchange transactions. In a nonexchange transaction, OSU receives value without directly giving equal value in exchange. Examples of nonoperating revenues include state appropriations, nonexchange grants, gifts, and contributions. Nonoperating expenses are defined in GASB No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, *Basic Financial Statement - and Management Discussion and Analysis - for State and Local Governments*. Examples of nonoperating expenses include interest on capital assets related to debt and bond expenses.

N. Allowances

Student tuition and fees and campus housing revenues included in auxiliary enterprises revenues are reported net of scholarship allowances. A scholarship allowance is the difference between the revenues charged to students and the amounts actually paid. OSU has two types of scholarship allowances that are netted against gross tuition and fees. Tuition and housing waivers, provided directly by OSU, amounted to $30,837,425 and $31,818,897 for the fiscal years ended 2014 and 2013, respectively. Revenues from financial aid programs (e.g., Pell Grants, Supplemental Educational Opportunity Grants, and Oregon Opportunity Grants) used for paying student tuition and fees and campus housing was estimated to be $32,228,225 and $30,789,480 for the fiscal years ended 2014 and 2013, respectively. Bad debt expense related to student accounts is also reported as an allowance against operating revenues and was estimated to be $2,680,545 and $3,554,913 for the fiscal years ended 2014 and 2013, respectively.

O. Federal Student Loan Programs

OSU receives proceeds from the Federal Direct Student Loan Program (FDSLP). Since OSU transmits these grantor supplied moneys without having administrative or direct financial involvement in the program, the activity of the FDSLP is not reported in operations. Federal student loans received by OSU students but not reported in operations were $156,456,339 and $150,790,713 for the fiscal years ended 2014 and 2013, respectively.

P. Use of Estimates

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

Q. Reclassifications

Certain amounts within the June 30, 2013 financial statements have been reclassified to conform to the June 30, 2014 presentation. The reclassifications had no effect on previously reported total net position.

2. CASH AND INVESTMENTS

Substantially all of the cash and investments of the OUS member universities, including OSU, are centrally managed by the OUS. These invested assets are managed through several commingled investment pools at the Oregon State Treasury (State Treasury). Each investment pool has a board approved investment policy and set of objectives identifying risk and return parameters for each investment pool.

In general, deposits and investment securities as described below have exposure to various risks such as credit, concentration of credit, custodial credit, interest rate and foreign currency. Although the objective of each investment pool is to preserve capital within defined risk parameters, it is likely that the value of the investment securities will fluctuate during short periods of time, and it is possible that such changes could materially affect the amounts reported in the financial statements. For more information on the OUS Portfolio risk exposure, see the OUS 2014 Annual Financial Statements at www.ous.edu/sites/default/files/cont-div/annual_financial_reptg/fy2014_afs.pdf.

A. Cash and Cash Equivalents

DEPOSITS WITH STATE TREASURY

OSU maintains the majority of its cash balances on deposit with the State Treasury. These deposits at the State Treasury are held, on a pooled basis as described above, in the Oregon Short-Term Fund (OSTF). The OSTF is a cash and investment pool for use by all state agencies. The State Treasurer invests these deposits in high-grade short-term investment securities. At the fiscal years ended June 30, 2014 and 2013, OSU cash and cash equivalents on deposit at State Treasury was $148,917,815 and $134,727,879, respectively.

Cash and Cash Equivalents are classified as current and noncurrent which include both restricted and unrestricted cash. The 2014 current portion includes $8,094,666 restricted for debt service payments. The noncurrent portion includes $1,188,001 in restricted agency funds for OSU student groups and campus organizations and $32,567,655 restricted for capital construction.

The 2013 current portion included $3,871,640 in restricted agency funds for payroll liabilities and undistributed student loans. The noncurrent portion included $1,080,712 in restricted agency funds for OSU student groups and campus organizations and $51,023,163 restricted for capital construction.

A copy of the State Treasury audited annual financial report may be obtained by writing to the Oregon State Treasury, 350 Winter St. NE, Suite 100, Salem, OR 97301-3896 or by linking to oregon.gov/treasury/AboutTreasury/Pages/Annual-Reports.aspx.

CUSTODIAL CREDIT RISK—DEPOSITS

Custodial credit risk is the risk that, in the event of a financial institution failure, cash balances will not be returned to a depositor. OSU cash balances held on deposit at the State Treasury are invested consistently, therefore custodial credit risk exposure to the State Treasury is low.

FOREIGN CURRENCY RISK—DEPOSITS

Deposits in foreign currency run the risk of changing value due to fluctuations in foreign exchange rates. State Treasury deposits are in U.S. currency and therefore not exposed to foreign currency risk. To facilitate study-abroad programs, there are some cash balances held in the local currency of other countries to pay local expenses. The aggregate foreign denominated account balances converted into U.S. dollars equaled $153,516 and $190,551 at June 30, 2014 and 2013, respectively.

To further mitigate foreign currency risks for prospective study abroad activities, OSU periodically enters into forward foreign currency contracts. At June 30, 2014 and 2013, respectively, these contracts totaled $737,202 and $996,628 and had a net fair value loss of $18,780 and $27,073. The net fair value loss is reported in Deferred Outflows on the Statement of Net Position.

June 30, 2014
(in thousands)

Notional Currency	Notional Amount	Principal Amount	Effective Date	Maturity Date	Contract Rate	Fair Value Adj
EUR	$ 437	$ 615	4/30/2014	3/31/2015	$ 1.3692	$ (17)
JPY	12,203	123	5/13/2014	3/31/2014	0.0099	(2)

June 30, 2013
(in thousands)

Notional Currency	Notional Amount	Principal Amount	Effective Date	Maturity Date	Contract Rate	Fair Value
EUR	$ 619	$ 823	5/14/2013	3/31/2014	$ 1.3295	$ (18)
	88	118	4/3/2013	7/31/2013	1.3500	(4)
JPY	5,000	55	4/3/2013	3/14/2014	0.0111	(5)

OTHER DEPOSITS

For the years ended June 30, 2014 and 2013, OSU had vault and petty cash balances of $159,390 and $159,352, respectively. Additionally, OSU had small amounts of cash relating to debt issuances invested with a fiscal agent.

B. Investments

OSU funds are invested by the State Treasury. OSU investments are managed by the OUS Treasury Management, which also develops and implements investment policy. The OUS investment policies are governed by statute, the Oregon Investment Council (Council), and the Board. In accordance with Oregon statutes, investments of those funds are managed as a prudent investor would do, exercising reasonable care, skill and caution. While the State Treasury is authorized to utilize demand deposit accounts and fixed-income investments, equity investments must be directed by external investment managers who are under contract to the Council.

Investments are all classified as noncurrent and include both restricted and unrestricted funds. At June 30, 2014, of the total $101,712,567 in investments, $40,450,672 are restricted endowments, which includes both true and quasi endowments. Quasi endowments have temporary rather than permanent donor restrictions.

At June 30, 2013, of the total $130,615,189 in investments, $34,803,257 were restricted endowments, which includes both true and quasi endowments. Quasi endowments have temporary rather than permanent donor restrictions.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities could occur in the near term and such changes could materially affect the amounts reported in the Statement of Net Position.

Significant events in domestic and international investment markets or aggressive action by the Federal Open Market Committee to influence both short and long-term interest rates contribute to price volatility. Consequently, the fair value of OSU's portion of the OUS pooled investments is exposed to price volatility which could result in a substantial change in the fair value of certain investments from the amounts reported as of June 30, 2014.

The OUS monitors endowment investments to identify any accounts for which estimated fair value is less than historical value. As of June 30, 2014, OSU had no individually named permanent endowment funds with estimated fair values that, in total, were less than their permanently restricted or historical value.

OSU's total investments were managed through the OUS investment pool. As of June 30, 2014, $17,114,943 was invested in an intermediate term pool managed by the State Treasury; $44,146,953 was in individually held investments managed by the State Treasury; $37,757,669 was invested in a diversified portfolio, managed for the benefit of pooled gifts and endowments; and $2,693,002 was separately invested endowments of OSU. As of June 30, 2013, $33,743,799 was invested in an intermediate term pool managed by the State Treasury; $62,068,133 was in individually held investments managed by the State Treasury; $32,664,535 was invested in a diversified portfolio managed for the benefit of pooled gifts and endowments; and $2,138,722 was separately invested endowments of OSU.

Investments of the OSU discretely presented component units are summarized at June 30, 2014 and 2013 as follows (in thousands):

Component Units

Fair Value at June 30,	2014	2013
Investment Type:		
Corporate Stocks, Bonds, Securities and Mutual Funds	$ 388,242	$ 320,590
Investment in Common Stock, Voting Trust and Partnerships	120,895	90,073
US Treasury Notes and Government Obligations	15,006	16,162
Money Market Funds and Certificates of Deposit	213	208
Collateralized Mortgages, Mortgage Notes and Contracts, Realty Funds	22,001	21,308
Remainder Trusts, Unitrusts and Gift Annuities	58,311	53,300
Alternative Investments	10,125	8,682
Investment Receivables	125	176
Other	10,779	10,294
Total Investments	$ 625,697	$ 520,793

CREDIT RISK

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. The OUS has an investment policy for each segment of its investment portfolio. Of these, the endowment investment policy has the least restrictive credit requirements. The policy requires fixed income securities to have an average credit quality of A/Aa or better and limits below investment grade bonds to no more than 15 percent of the bond portfolio, exclusive of guaranteed investment contracts. The policy also permits holding unrated investments such as common stock, venture capital funds, and real estate. OSU, as a member university of the OUS, follows the OUS policy on investments.

Based on these parameters, as of June 30, 2014 and 2013, approximately 80 percent and 86 percent, respectively, of investments in the OUS Pool are subject to credit risk reporting. Corporate bonds rated by the credit agencies as lower medium to high quality, indicating the issuer has a strong capacity to pay principal and interest when due, totaled $154,485,295 and $242,703,214 in fiscal years 2014 and 2013, respectively. Corporate bonds which have not been evaluated by the rating agencies totaled $79,935,027 and $55,908,393 in fiscal years 2014 and 2013, respectively. The OUS Investment Pool totaled $299,160,395 and $364,716,966 at June 30, 2014 and 2013, respectively, of which OSU owned $101,712,567 or 34 percent and $130,615,189 or 36 percent, respectively.

CUSTODIAL CREDIT RISK

Custodial credit risk refers to the OUS investments that are held by others and not registered in the OUS's or the State Treasury's name. This risk typically occurs in repurchase agreements where cash is transferred to a broker-dealer in exchange for securities, but the securities are held by a separate trustee in the name of the broker-dealer. There are policy provisions governing securities lending to control this risk. See "C. Securities Lending" in this footnote for additional information.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk refers to potential losses if total investments are concentrated with one or few issuers. The OUS policy for reducing this risk in fixed income securities is that, with the exception of U.S. Government and Agency issues, no more than 10 percent of the bond portfolio, at market value, will be invested in securities of a single issuer or no more than five percent of the individual issue. For all other types of fixed income investments, not more than five percent of the market value of any investment fund was invested in any single security, unless part of an index fund.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that investments may lose value due to fluctuations in foreign exchange rates. Of the total the OUS Investment Pool of $299,160,395 as of June 30, 2014, $29,969,864 in deposits and mutual funds were primarily invested in international debt and international equities at June 30, 2014. Of those investments, $6,200,796 had foreign currency exchange contracts to offset the associated foreign currency risk. Of the total OUS Investment Pool of $364,716,966 as of June 30, 2013, $38,550,457 in deposits and mutual funds were primarily invested in international debt and international equities at June 30, 2013. Of those investments, $5,184,455 had foreign currency exchange contracts to offset the associated foreign currency risk. A foreign currency exchange contract is a forward contract that is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Foreign currency forward contracts are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. Risk associated with such contracts includes adverse changes in the value of the currency and the failure of the counterparty to perform.

INTEREST RATE RISK

Investments in fixed income securities are subject to the risk that changes in interest rates will adversely affect the fair value of the investments. Securities in the OUS Investment Pool held subject to interest rate risk totaling $245,840,100 and $314,356,094 had an average duration of 3.04 and 3.52 years for fiscal years 2014 and 2013, respectively. Duration measures the change in the value of a fixed income security that will result from a one percent change in interest rates.

C. Securities Lending

In accordance with the state investment policies, the State Treasurer participates in securities lending transactions. The State Treasurer has authorized its custodian to act as its agent in the lending of the OSU and OSTF's securities pursuant to a form of loan agreement, in accordance with OSTF investment policies. There were no significant violations of the provisions of securities lending agreements during the year ended June 30, 2014. Amounts reported on OSU's Statement of Net Position as Collateral From and Obligations Under Securities Lending are a percent share of the amount owned by the OUS in total.

For the years ended June 30, 2014 and 2013, the State Treasurer's securities lending agent lent short-term and fixed income securities and received as collateral U.S. dollar cash. Borrowers were required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned security. The State Treasurer did not impose any restrictions during the year on the amount of the loans that the securities lending agent made on its behalf. The State Treasurer is fully indemnified by its securities lending agent against losses due to borrower default. There were no losses during the year from the failure of borrowers to return loaned securities.

The Custodian is authorized by the Securities Lending Agreement to invest cash collateral received for the OUS securities on loan in the OSTF. At June 30, 2014, the OSTF comprised commercial paper, U.S. agency securities, time certificates of deposit (TCD), and corporate notes. The funds' rules provide that broker-dealers meet certain qualifications and that investments are delivered to and held by a third party custodian, which holds the funds' securities in the State's name.

The cash collateral of OSTF securities on loan was invested in a short-term investment fund (STIF) maintained by the custodial agent, into U.S. agency securities, and corporate notes. The investments were held by a third-party custodian in the State's name. The STIF is not rated by a nationally recognized statistical rating organization, although the STIF's portfolio rules provide minimum requirements with respect to the credit quality of the STIF.

The State Treasurer and borrowers maintain the right to terminate all securities lending transactions on demand. As a consequence, the maturities of investments made with the cash collateral generally do not match the maturities of the securities loans.

3. ACCOUNTS RECEIVABLE

Accounts Receivable, including amounts due from component units, comprised the following (in thousands):

	June 30, 2014	June 30, 2013
Student Tuition and Fees	**$ 40,056**	$ 35,249
Auxiliary Enterprises and Other Operating Activities	**9,632**	6,962
Federal Grants and Contracts	**20,223**	22,669
Component Units	**9,898**	8,709
State, Other Government, and Private Gifts, Grants and Contracts	**3,400**	3,443
Other	**21,660**	9,263
	104,869	86,295
Less: Allowance for Doubtful Accounts	**(6,062)**	(5,160)
Accounts Receivable, Net	**$ 98,807**	$ 81,135

4. NOTES RECEIVABLE

Student loans made through the Federal Perkins Loan Program comprise substantially all of the Federal Student Loans receivable at June 30, 2014 and 2013. The program is funded through interest earnings and repayment of loans. Under certain conditions, the repayment of loans can be forgiven at differing annual rates ranging from 10 to 100 percent.

Institutional and other student loans are comprised of institutional and non-federal loan programs administered by the university.

Federal Perkins loans deemed uncollectible are assigned to the U.S. Department of Education for collection. OSU has provided an allowance for uncollectible loans, which in management's opinion will absorb loans that will ultimately be written off. Notes Receivable comprised the following (in thousands):

	June 30, 2014		
	Current	**Noncurrent**	**Total**
Institutional and Other Student Loans	**$ 769**	**$ -**	**$ 769**
Federal Student Loans	**4,821**	**21,959**	**$ 26,780**
	5,590	**21,959**	**27,549**
Less: Allowance for Doubtful Accounts	**(394)**	**(1,618)**	**(2,012)**
Notes Receivable, Net	**$ 5,196**	**$ 20,341**	**$ 25,537**

	June 30, 2013		
	Current	Noncurrent	Total
Institutional and Other Student Loans	$ 157	$ 540	$ 697
Federal Student Loans	4,958	22,302	27,260
	5,115	22,842	27,957
Less: Allowance for Doubtful Accounts	(322)	(1,289)	(1,611)
Notes Receivable, Net	$ 4,793	$ 21,553	$ 26,346

5. CAPITAL ASSETS

The following schedule reflects the changes in Capital Assets (in thousands):

	Balance June 30, 2012	Additions	Transfer Completed Assets	Retire. And Adjust.	Balance June 30, 2013	**Additions**	**Transfer Completed Assets**	**Retire. And Adjust.**	**Balance June 30, 2014**
Capital Assets,									
Non-depreciable/Non-amortizable:									
Land	$ 18,272	$ -	$ -	$ (286)	$ 17,986	**$ 5,288**	**$ -**	**$ -**	**$ 23,274**
Capitalized Collections	27,365	1,501	-	-	28,866	**549**	**-**	**(912)**	**28,503**
Construction in Progress	46,430	57,368	(48,318)	527	56,007	**133,295**	**(29,206)**	**460**	**160,556**
Total Capital Assets, Non-depreciable/Non-amortizable	92,067	58,869	(48,318)	241	102,859	**139,132**	**(29,206)**	**(452)**	**212,333**
Capital Assets, Depreciable/ Amortizable:									
Equipment	181,238	11,692	3,284	(4,938)	191,276	**15,273**	**793**	**(4,761)**	**202,581**
Library Materials	82,796	420	-	(465)	82,751	**466**	**-**	**(25)**	**83,192**
Buildings	912,855	-	41,458	611	954,924	**-**	**25,652**	**(426)**	**980,150**
Land Improvements	18,260	-	2,822	(491)	20,591	**-**	**249**	**(525)**	**20,315**
Improvements Other Than Buildings	10,096	-	-	-	10,096	**-**	**337**	**-**	**10,433**
Infrastructure	23,891	-	754	-	24,645	**-**	**2,175**	**-**	**26,820**
Intangible Assets	9,976	-	-	-	9,976	**-**	**-**	**-**	**9,976**
Total Capital Assets, Depreciable/Amortizable	1,239,112	12,112	48,318	(5,283)	1,294,259	**15,739**	**29,206**	**(5,737)**	**1,333,467**
Less Accumulated Depreciation/ Amortization for:									
Equipment	(124,154)	(14,272)	-	4,356	(134,070)	**(14,483)**	**-**	**4,014**	**(144,539)**
Library Materials	(76,049)	(1,813)	-	449	(77,413)	**(1,490)**	**-**	**24**	**(78,879)**
Buildings	(330,441)	(27,451)	-	(123)	(358,015)	**(29,967)**	**-**	**(2,388)**	**(390,370)**
Land Improvements	(7,399)	(1,246)	-	-	(8,645)	**(1,207)**	**-**	**409**	**(9,443)**
Improvements Other Than Buildings	(6,450)	(694)	-	-	(7,144)	**(716)**	**-**	**-**	**(7,860)**
Infrastructure	(14,236)	(981)	-	-	(15,217)	**(1,019)**	**-**	**-**	**(16,236)**
Intangible Assets	(6,734)	(604)	-	(32)	(7,370)	**(636)**	**-**	**-**	**(8,006)**
Total Accumulated Depreciation/ Amortization	(565,463)	(47,061)	-	4,650	(607,874)	**(49,518)**	**-**	**2,059**	**(655,333)**
Total Capital Assets, Net	$ 765,716	$ 23,920	$ -	$ (392)	$ 789,244	**$ 105,353**	**$ -**	**$ (4,130)**	**$ 890,467**
Capital Assets Summary									
Capital Assets, Non-depreciable/ Non-amortizable	$ 92,067	$ 58,869	$ (48,318)	$ 241	$ 102,859	**$ 139,132**	**$ (29,206)**	**$ (452)**	**$ 212,333**
Capital Assets, Depreciable/ Amortizable	1,239,112	12,112	48,318	(5,283)	1,294,259	**15,739**	**29,206**	**(5,737)**	**1,333,467**
Total Cost of Capital Assets	1,331,179	70,981	-	(5,042)	1,397,118	**154,871**	**-**	**(6,189)**	**1,545,800**
Less Accumulated Depreciation/ Amortization	(565,463)	(47,061)	-	4,650	(607,874)	**(49,518)**	**-**	**2,059**	**(655,333)**
Total Capital Assets, Net	$ 765,716	$ 23,920	$ -	$ (392)	$ 789,244	**$ 105,353**	**$ -**	**$ (4,130)**	**$ 890,467**

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable and Accrued Liabilities comprised the following (in thousands):

	June 30, 2014	June 30, 2013
Services and Supplies	**$ 43,204**	$ 23,156
Accrued Interest	**8,772**	10
Salaries and Wages	**5,705**	4,520
Payroll Related Expenses	**66**	838
Contract Retainage Payable	**4,912**	1,871
Total	**$ 62,659**	$ 30,395

7. OPERATING LEASES

A. Receivables/Revenues

OSU receives income for land, property and equipment that is leased to non-state entities. Rental income received from leases was $2,013,119 and $2,281,894 for the years ended June 30, 2014 and 2013, respectively. The original cost of assets leased, net of depreciation, was $5,304,835 and $7,971,523 for the years ended June 30, 2014 and 2013, respectively. Minimum future lease revenue from noncancelable operating leases at June 30, 2014 were (in thousands):

For the year ending June 30,	
2015	$ 1,706
2016	1,270
2017	1,111
2018	1,023
2019	807
2020-2024	741
2025-2029	623
2030-2034	623
2035-2039	623
2040-2044	441
2045-2049	258
2050-2054	258
2055-2059	125
Total Minimum Operating Lease Revenues	$ 9,609

B. Payables/Expenses

OSU leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases and rents were $2,192,537 and $1,553,035 for the years ended June 30, 2014 and 2013, respectively.

Minimum future lease payments on operating leases at June 30, 2014 were (in thousands):

For the year ending June 30,	
2015	$ 2,057
2016	1,364
2017	965
2018	777
2019	472
2020-2024	1,106
2025-2029	689
Total Minimum Operating Lease Payments	$ 7,430

8. LONG-TERM LIABILITIES

Long-term liability activity was as follows (in thousands):

	Balance July 1, 2013	**Additions**	**Reductions**	**Balance June 30, 2014**	**Amounts Due Within One Year**	**Long-Term Portion**
Long-Term Debt						
Due to the OUS:						
General Obligation Bonds XI-F(1)	$ 43,525	**$ 337,471**	**$ -**	**$ 380,996**	**$ 13,420**	**$ 367,576**
Internal Bank Loans	263,904	**63,303**	**(327,207)**	**-**	**-**	**-**
General Obligation Bonds XI-G	130,308	**459**	**-**	**130,767**	**5,334**	**125,433**
General Obligation Bonds XI-Q	12,295	**-**	**(256)**	**12,039**	**263**	**11,776**
Certificates of Participation (COPs)	20,658	**-**	**(2,630)**	**18,028**	**1,945**	**16,083**
Lottery Bonds	78,625	**-**	**(1,319)**	**77,306**	**1,891**	**75,415**
Oregon Department of Energy Loans (SELP)	8,726	**6,711**	**(467)**	**14,970**	**650**	**14,320**
Installment Purchase	290	**-**	**(87)**	**203**	**97**	**106**
Total Long-Term Debt	558,331	**407,944**	**(331,966)**	**634,309**	**23,600**	**610,709**
Other Noncurrent Liabilities						
PERS pre-SLGRP Pooled Liability	34,697	**-**	**(892)**	**33,805**	**625**	**33,180**
Compensated Absences	23,866	**22,739**	**(19,596)**	**27,009**	**21,311**	**5,698**
Other Postemployment Benefits	6,890	**180**	**-**	**7,070**	**-**	**7,070**
Employee Deferred Compensation	100	**50**	**-**	**150**	**-**	**150**
Employee Termination	-	**4,041**	**-**	**4,041**	**1,289**	**2,752**
Early Retirement	393	**-**	**(393)**	**-**	**-**	**-**
Total Other Noncurrent Liabilities	65,946	**27,010**	**(20,881)**	**72,075**	**23,225**	**48,850**
Total Long-Term Liabilities	$ 624,277	**$ 434,954**	**$ (352,847)**	**$ 706,384**	**$ 46,825**	**$ 659,559**

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to the OUS:						
General Obligation Bonds XI-F(1)	$ 41,219	$ 14,578	$ (12,272)	$ 43,525	$ -	$ 43,525
Internal Bank Loans	244,233	28,176	(8,505)	263,904	18,742	245,162
General Obligation Bonds XI-G	135,261	18,526	(23,479)	130,308	-	130,308
General Obligation Bonds XI-Q	6,864	5,629	(198)	12,295	256	12,039
Certificates of Participation (COPs)	28,313	-	(7,655)	20,658	2,630	18,028
Lottery Bonds	45,680	37,295	(4,350)	78,625	1,319	77,306
Oregon Department of Energy Loans (SELP)	9,211	-	(485)	8,726	451	8,275
Capital Leases	2	-	(2)	-	-	-
Installment Purchase	369	-	(79)	290	88	202
Total Long-Term Debt	511,152	104,204	(57,025)	558,331	23,486	534,845
Other Noncurrent Liabilities						
PERS pre-SLGRP Pooled Liability	35,470	-	(773)	34,697	645	34,052
Compensated Absences	22,481	20,556	(19,171)	23,866	17,184	6,682
Other Postemployment Benefits	5,804	1,086	-	6,890	-	6,890
Employee Deferred Compensation	50	50	-	100	-	100
Employee Termination	425	-	(425)	-	-	-
Early Retirement	995	-	(602)	393	393	-
Total Other Noncurrent Liabilities	65,225	21,692	(20,971)	65,946	18,222	47,724
Total Long-Term Liabilities	$ 576,377	$ 125,896	$ (77,996)	$ 624,277	$ 41,708	$ 582,569

The schedule of principal and interest payments for OSU debt is as follows (in thousands):

	General Obligation Bonds					Lottery	Other	Total		
For the Year Ending June 30,	XI-F(1)	XI-G	XI-Q	SELP	COPs	Bonds	Borrowings	Payments	Principal	Interest
2015	$ 26,297	$ 10,265	$ 684	$ 1,397	$ 2,602	$ 4,736	$ 115	$ 46,096	$ 19,072	$ 27,024
2016	28,646	10,289	680	1,363	2,600	5,151	115	48,844	21,366	27,478
2017	29,015	10,317	674	1,363	2,606	5,156	-	49,131	21,740	27,391
2018	28,684	10,235	1,028	1,363	2,230	4,973	-	48,513	22,312	26,201
2019	28,695	10,210	1,029	1,288	1,501	4,883	-	47,606	23,074	24,532
2020-2024	128,875	47,135	5,154	5,991	5,966	34,285	-	227,406	124,327	103,079
2025-2029	117,464	42,569	3,978	5,991	5,059	31,709	-	206,770	137,322	69,448
2030-2034	97,441	30,208	2,210	3,134	-	17,093	-	150,086	112,562	37,524
2035-2039	61,190	23,333	884	-	-	-	-	85,407	69,162	16,245
2040-2044	28,851	6,667	-	-	-	-	-	35,518	32,307	3,211
Accreted Interest									12,442	(12,442)
									$ 595,686	$ 349,691
Total Future Debt Service	**575,158**	**201,228**	**16,321**	**21,890**	**22,564**	**107,986**	**230**	**945,377**		
Less: Interest Component of Future Payments	(220,420)	(73,752)	(5,956)	(6,920)	(5,377)	(37,239)	(27)	(349,691)		
Principal Portion of Future Payments	**354,738**	**127,476**	**10,365**	**14,970**	**17,187**	**70,747**	**203**	**595,686**		
Adjusted by:										
Net Unamortized Bond Premiums (Discounts)	26,258	3,291	1,674	-	841	6,559	-	38,623		
Total Long-Term Debt	**$ 380,996**	**$ 130,767**	**$ 12,039**	**$ 14,970**	**$ 18,028**	**$ 77,306**	**$ 203**	**$ 634,309**		

The State and the OUS Board issue various debt instruments to fund capital projects at all the OUS institutions, including OSU. These debt instruments include General Obligation bonds under articles XI-F(1), XI-G, and XI-Q of the Oregon Constitution, Certificates of Participation (COPs) and Lottery bonds. In addition, OSU also borrows funds from the Oregon Department of Energy. Principal and interest amounts due relating to OSU's share of these debt issuances are payable to the OUS.

A. General Obligation Bonds XI-F(1)

XI-F(1) bonds, with effective yields ranging from 0.14 percent to 7.0 percent, are due serially through 2044. During the fiscal year ended June 30, 2014, the OUS Board issued bonded indebtedness as follows:

- $115,105,000 of Series 2013 NO XI-F(1) taxable and tax exempt bonds with an effective rate of 4.3 percent, due serially through 2044 for capital construction.
- $68,440,000 of Series 2014 CD XI-F(1) taxable and tax exempt with an effective rate of 3.6 percent, due serially through 2044 for capital construction.

OSU's portion of the 2013 NO bond sale for new money projects was a par value of $7,711,315, the proceeds of which funded the following projects:

- Cascades Campus: $4,134,524
- Cultural Centers: $3,576,791

OSU's portion of the 2014 CD bond sale for new money projects was a par value of $62,610,000, the proceeds of which funded the following projects:

- Student Experience Center: $37,290,000
- Memorial Union Renovation: $7,935,000
- Student Residence Hall: $14,845,000
- Student Resource Center: $2,540,000

During the fiscal year ended June 30, 2013, the OUS Board issued $231,970,000 of Series 2013 AB XI-F(1) taxable and non-taxable bonds with an effective rate of 2.9 percent, due serially through 2043 for capital construction and refunding.

OSU's portion of the 2013 AB bond sale for new money projects was a par value of $22,150,000, the proceeds of which funded the following projects:

- Gill Coliseum Renovation: $235,000
- Sports Performance Center: $10,580,000
- Student Residence Hall: $8,820,000
- Sackett Hall Renovation: $2,515,000

B. Internal Bank

Through June 30, 2014, the OUS managed an internal bank on behalf of the system universities. One primary role of the internal bank was to provide capital construction funding for the OUS universities, including OSU. As a result of the pending changes in university governance effective July 1, 2014 (See Note 1), the internal bank was closed, with all loans called and repaid prior to June 30, 2014. Prior to the closing of the internal bank, OSU internal bank loans due to the OUS totaled $280,648,347. Of those loans, $248,743,783 were converted to XI-F(1) debt and $31,904,564 was repaid directly to the internal bank.

C. General Obligation Bonds XI-G

XI-G bonds, with effective yields ranging from 0.25 percent to 7.0 percent, are due serially through 2042. During the fiscal year ended June 30, 2014, the State did not issue any XI-G bonds on the OUS's behalf.

During the fiscal year ended June 30, 2013, the State issued on the OUS's behalf $71,345,000 of Series 2013 CD XI-G taxable and tax exempt bonds with an effective rate of 2.8 percent that are due serially through 2037. To achieve debt service savings, $69,945,000 of the proceeds from the 2013 CD sale were used to refund a portion of the Series 2004 E, Series 2005 B and Series 2005 D bonds. OSU did not receive any new money from the 2013 CD sale. All proceeds from that sale, to the benefit of OSU, were applied to the refunding.

D. General Obligation Bonds XI-Q

XI-Q bonds, with effective yields ranging from 0.69 percent to 4.4 percent, are due serially through fiscal year 2036. During the fiscal year ended June 30, 2014, the State did not issue any XI-Q debt on the OUS's behalf.

During the fiscal year ended June 30, 2013, the State issued on the OUS's behalf, $4,542,977 of Series 2013 J XI-Q tax exempt bonds with an effective rate of 2.78 percent that are due serially through 2027 for refunding.

To achieve debt service savings, all of the proceeds allocated to the OUS from the 2013 J sale were used to partially refund 2007 A Certificates of Participation. OSU did not receive any new money from the 2013 J sale.

E. Certificates of Participation

COPs, with effective yields ranging from 2.1 percent to 6.2 percent, are due through fiscal year 2035. The State has not issued COPs on behalf of the OUS since fiscal year 2010. During 2013, Series 2007 A COPs were partially refunded by proceeds from the Series 2013 J XI-Q tax exempt bonds.

F. Lottery Bonds

Lottery bonds, with effective yields ranging from 0.48 percent to 5.3 percent, are due through fiscal year 2033. During the fiscal year ended June 30, 2014, the State did not issue any Lottery bonds on the OUS's behalf.

During the fiscal year ended June 30, 2013, the State issued $108,414,403 of Series 2013 ABC taxable and tax exempt Lottery bonds on the OUS's behalf for technology projects, capital construction and to refund previously issued bonds. The bonds had an effective rate of 3.2 percent and are due serially through 2033. OSU's portion of the 2013 ABC sale for new money projects totaled $28,102,978 par value, the proceeds of which funded the following projects:

- Deferred Maintenance Projects: $7,334,378
- Austin Hall: $20,768,600

G. Oregon Department of Energy Loans

OSU has entered into loan agreements with the State of Oregon Department of Energy (DOE) Small Scale Energy Loan Program (SELP) for energy conservation projects. OSU makes monthly loan payments (principal and interest) to the DOE in accordance with the loan agreements. SELP loans, with interest rates ranging from 2.0 percent to 6.0 percent, are due through 2033.

H. Defeased Debt

OSU participates in a debt portfolio managed by the OUS. From time to time and when fiscally appropriate, the OUS will sell bonds and use the proceeds to defease previously held debt. The portion of the refunding bonds sold noted below that benefited OSU were noted in the previous footnote sections by type of debt.

During the year ended June 30, 2014, the OUS issued no XI-F(1), XI-G, XI-Q or Lottery bonds to be used to defease previously issued debt.

During the year ended June 30, 2013, the OUS issued $196,135,000 in XI-F(1) bonds with an average interest rate of 3.2 percent to refund $184,615,000 in XI-F(1) bonds with an average interest rate of 5.1 percent. The net proceeds of the bonds were $208,711,340 (after bond premium of $13,910,772 and payment of $1,334,432 in underwriting costs).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $16,462,051. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 23 years by $25,013,623 and resulted in an economic gain of $19,773,114.

During the year ended June 30, 2013, the State issued on the OUS's behalf $69,945,000 in XI-G bonds with an average interest rate of 3.2 percent to refund $64,840,000 in XI-G bonds with an average interest rate of 5.1 percent. The net proceeds of the bonds were $71,636,007 (after bond premium of $2,173,007 and payment of $482,000 in underwriting costs).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $6,277,811. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 13 years by $9,071,840 and resulted in an economic gain of $7,130,439.

During the year ended June 30, 2013, the State issued on the OUS's behalf $4,542,977 in XI-Q bonds with an average interest rate of 5.0 percent to refund $4,675,000 in COPs with an average interest rate of 5.0 percent. The net proceeds of the bonds were $5,604,748 (after bond premium of $1,086,313 and payment of $24,542 in underwriting and issuance costs).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $733,513. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 19 years by $223,521 and resulted in an economic gain of $180,165.

During the year ended June 30, 2013, the State issued on the OUS's behalf $11,703,025 in Lottery bonds with an average interest rate of 1.7 percent to refund $10,995,188 in Lottery bonds with an average interest rate of 5.1 percent. The net proceeds of the bonds were $11,637,912 (after payment of $65,113 in underwriting costs).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $648,092. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 10 years by $1,477,920 and resulted in an economic gain of $1,418,776.

I. Financial Guarantees

The OUS, including OSU as a member university, is a governmental agency of the State. Therefore, the State is ultimately responsible for the OUS's financial obligations. As of June 30, 2014, no amounts have been paid by the State for the OUS's financial obligations, both cumulatively and during the current reporting period

J. State and Local Government Rate Pool

Prior to the formation of the PERS State and Local Government Rate Pool (SLGRP), the State and community colleges were pooled together in the State and Community College Pool (SCCP), and local government employers participated in the Local Government Rate Pool (LGRP). These two pools combined to form the SLGRP effective January 1, 2002, at which time a transitional, Pre-SLGRP Pooled Liability was created. The Pre-SLGRP Pooled Liability is essentially a debt owed to the SLGRP by the SCCP employers. The balance of the Pre-SLGRP Pooled Liability attributable to the State is being amortized over the period ending December 31, 2027. The liability is allocated by the State, based on salaries and wages, to all proprietary funds and the government-wide reporting fund in the State's Comprehensive Annual Financial Report. Interest expense was paid in the amount of $2,188,526 and $2,293,469 for June 30, 2014 and 2013, respectively. Principal payments of $891,421 and $773,704 were applied to the liability for June 30, 2014 and 2013, respectively.

K. Employee Deferred Compensation

OSU has a Section 415(m) excess benefit plan. Section 415(m) plans are unfunded plans used as a means of deferring taxation on regular pension plan contributions by public employees in excess of the limitations otherwise imposed on the OUS 403(b) plan. The 415(m) plan is offered to highly compensated employees whose contributions would otherwise be limited by Internal Revenue Code Section 415.

L. Employee Termination Liability

OSU has a severance agreement with one former employee relating to early termination of his/her employment contract. The future payout of this liability extends for three years. This liability was calculated using a discounted present value of expected future benefit payments, with a discount rate of 0.87 percent.

9. PRIOR PERIOD RESTATEMENTS

There are no prior period restatements for OSU for fiscal years 2014 or 2013.

10. INVESTMENT ACTIVITY

Investment Activity detail is as follows (in thousands):

	June 30, 2014	June 30, 2013
Interest Income	**$ 265**	$ 248
Net Appreciation of Investments	**4,882**	2,580
Royalties and Technology Transfer Income	**7,454**	9,060
Endowment Income	**1,142**	1,133
Internal Bank Investment Earnings	**2,841**	2,528
Other	**707**	42
Total Investment Activity	**$ 17,291**	$ 15,591

11. OPERATING EXPENSES BY NATURAL CLASSIFICATION

The Statement of Revenues, Expenses and Changes in Net Position reports operating expenses by their functional classification. The following displays operating expenses by natural classification (in thousands):

	June 30, 2014	June 30, 2013
Compensation and Benefits	**$ 598,148**	$ 554,534
Services and Supplies	**219,577**	203,588
Scholarships and Fellowships	**42,689**	39,792
Depreciation and Amortization	**49,518**	47,061
Other	**1,493**	1,326
Total Operating Expenses	**$ 911,425**	$ 846,301

12. GOVERNMENT APPROPRIATIONS

Government appropriations comprised the following (in thousands):

	June 30, 2014		
	General Operations	**Debt Service**	**Total**
General Fund	**$ 139,703**	**$ 11,989**	**$ 151,692**
Lottery Funding	**500**	**4,707**	**5,207**
Harvest Tax	**3,919**	**-**	**3,919**
Total State	**144,122**	**16,696**	**160,818**
Federal Appropriations	**9,273**	**-**	**9,273**
County Appropriations	**8,195**	**-**	**8,195**
Total Appropriations	**$ 161,590**	**$ 16,696**	**$ 178,286**

	June 30, 2013		
	General Operations	Debt Service	Total
General Fund	$ 130,168	$ 15,124	$ 145,292
Lottery Funding	907	4,126	5,033
Harvest Tax	3,116	-	3,116
Total State	134,191	19,250	153,441
Federal Appropriations	8,972	-	8,972
County Appropriations	7,324	-	7,324
Total Appropriations	$ 150,487	$ 19,250	$ 169,737

13. EMPLOYEE RETIREMENT PLANS

OSU, as a member university of the OUS, offers various retirement plans to qualified employees as described below.

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM/ OREGON PUBLIC SERVICE RETIREMENT PLAN

Oregon Public Employees Retirement System (System) holds assets in a pension trust and provides a statewide defined benefit retirement plan in which OSU employees are eligible to participate. The plan is administered by the Public Employees Retirement Board (Retirement Board) as required by Chapters 238 and 238A of the ORS. An employee is considered vested and eligible for retirement benefits if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment.

The State of Oregon Public Employees Retirement System (PERS) is a single cost-sharing multiple-employer defined benefit plan consisting of multiple tiers of membership. The 1995 Oregon Legislature enacted a law creating a second tier of PERS benefits. Employees hired into an eligible position prior to January 1, 1996 are enrolled in Tier One, while employees hired into an eligible position on or after January 1, 1996 but before August 29, 2003 are enrolled in Tier Two.

Tier One members are eligible for retirement with unreduced benefits at age 58 or at any age with 30 or more years of service. Employees may retire after reaching age 55; however, benefits are reduced if retirement occurs prior to age 58 with less than 30 years of service.

Tier Two members are eligible for retirement with unreduced benefits at age 60 or at any age with 30 or more years of service. Employees may retire after reaching age 55; however, benefits are reduced if retirement occurs prior to age 60 with less than 30 years of service.

PERS employee contribution requirements are established by ORS 238A.330 and are credited to an employee's account in the Individual Account Program and may be amended by an act of the Oregon Legislature. PERS employer contributions are set by the PERS Board based on actuarial valuations performed in odd numbered years. Beginning July 1, 1979, the employee's contribution rate of 6.0 percent has been paid by the employer. The employer contribution rates for Tier One and Two for the years ended June 30, 2014 and 2013 were 9.86 percent and 9.55 percent, respectively.

The Retirement Bond Debt Service Assessment was authorized by the State of Oregon Legislature in 2003 to sell general obligation bonds in the amount of $2 billion to pay a PERS unfunded actuarial liability. This action reduced the PERS contribution rate for PERS covered employers in the State actuarial pool in November 2003.

The Oregon Department of Administrative Services coordinates the debt service assessments to PERS employers to cover the bond debt service payments. PERS employers are assessed a percentage of PERS-subject payroll to fund the payments. The assessment rate is adjusted biennially over the life of the twenty-four year debt repayment schedule.

The payroll assessment for the pension obligation bond began May 2004 and is currently at a rate of 6.33 percent. Payroll assessments paid by OSU for the fiscal years ended June 30, 2014 and 2013 were $13,180,288 and $11,905,621, respectively.

The **Oregon Public Service Retirement Plan** (OPSRP) is composed of a pension program and an individual account program (IAP). OPSRP defined benefit component is part of the single cost-sharing defined benefit plan administered by PERS. IAP within the OPSRP is considered a defined contribution plan for financial reporting purposes. The 2003 Oregon Legislature enacted ORS 238.025 creating OPSRP. Employees hired into eligible positions on or after August 29, 2003 are enrolled.

OPSRP members are eligible for retirement with unreduced benefits at age 65 or age 58 with 30 or more years of service. Employees may retire after reaching age 55; however, benefits are reduced if retirement occurs prior to age 58 with less than 30 years of service.

OPSRP contribution requirements are established by ORS and may be amended by an act of the Oregon Legislature. OPSRP collects contributions from both employers and employees for the purpose of funding retirement benefits. Beginning July 1, 1979, the employee's contribution rate of 6.0 percent has been paid by the employer. The employer contribution rate for OPSRP for the years ended June 30, 2014 and 2013 were 8.14 percent and 8.05 percent, respectively.

PERS members as of January 1, 2004 have their employee contribution (paid by the employer) deposited to the defined contribution portion of the OPSRP and their employer contribution credited to the defined benefit portion of the OPSRP. They continue to retain their existing PERS accounts and other benefits associated with PERS membership.

OSU employer contributions to PERS and OPSRP for the years ended June 30, 2014 and 2013 were $18,180,320 and $16,826,750, respectively, equal to the required contributions for that year.

An actuarial valuation of the System is performed every two years to determine the level of employer contributions. The most recently completed valuation was performed as of December 31, 2013. The valuation included projected payroll growth at 3.75 percent. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. It is adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The actuarial accrued liability at December 31, 2013, for PERS and OPSRP, determined through an actuarial valuation performed as of that date, was $58.6 billion and $1.8 billion, respectively. PERS and OPSRP net assets available for benefits on that date (valued at market) were $48.1 billion and $1.2 billion, respectively. Information for the OUS, including OSU as a member university, as a stand-alone entity is not available.

The System issues a separate, publicly available financial report that contains audited financial statements and required supplementary information. The report includes ten-year historical trend information showing the progress made in accumulating sufficient assets to pay benefits when due. That report may be obtained by writing to Fiscal Services Division, PERS, 11410 SW 68th Parkway, Tigard, OR 97223, or by linking on the Internet at **oregon.gov/pers/docs/financial_reports/2014_cafr.pdf**, or by calling 1-888-320-7377 or 1-503-598-7377 (in Portland Metro area).

OPTIONAL RETIREMENT PLAN

The 1995 Oregon Legislature enacted legislation that authorized the OUS to offer a defined contribution, participant directed retirement plan as an alternative to PERS. The Board appointed a Retirement Plan Committee to administer the Optional Retirement Plan (ORP) and appointed trustees to manage plan assets. Beginning April 1, 1996, the ORP was made available to OSU unclassified faculty and staff who are eligible for PERS membership. Employees choosing the ORP may invest the employee and employer contributions in one of multiple investment companies.

The ORP consists of three tiers. Membership under ORP Tier One and Tier Two is determined using the same criteria as PERS. The third tier is determined by membership under the OPSRP. Under the ORP Tier One, Tier Two and OPSRP equivalent, the employee's contribution rate is 6.0 percent and is paid by the employer.

The employer contribution rates for the ORP are as follows:

	2014	2013
ORP Tier One	**16.50%**	16.14%
ORP Tier Two	**16.50%**	16.14%
OPSRP Equivalent	**6.42%**	6.21%

TEACHER'S INSURANCE AND ANNUITY ASSOCIATION/ COLLEGE RETIREMENT EQUITIES FUND

Eligible unclassified employees may participate in the Teacher's Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF) retirement program, a defined contribution plan, on all salary in excess of forty-eight hundred dollars per calendar year. Employee contributions are directed to PERS on the first forty-eight hundred dollars. The employer contribution to TIAA-CREF is an amount sufficient to provide an annuity pension equal to the employee's contributions. To participate in this retirement option, employees must have been hired on or before September 9, 1995. This plan was closed to new enrollment at the time the ORP started in 1996.

FEDERAL CIVIL SERVICE RETIREMENT

Some OSU Extension Service employees hold federal appointments. Prior to December 31, 1986, federal appointees were required to participate in the Federal Civil Service Retirement System (CSRS), a defined benefit plan. CSRS employees are subject to the Hospital Insurance portion of the Federal Insurance Contributions Act (FICA), CSRS employee deduction of 7.0 percent, and employer contribution of 7.0 percent, and are also eligible for optional membership in PERS.

The Federal Employees Retirement System (FERS) was created beginning January 1, 1987. Employees on federal appointment hired after December 31, 1983 were automatically converted to FERS. Other federal employees not covered by FERS had a one-time option to transfer to FERS up to December 31, 1987. New FERS employees contribute 0.8 percent with an employer contribution rate of 10.7 percent, which changed to 11.9 percent effective October 1, 2004. FERS employees are not eligible for membership in PERS and they contribute at the full FICA rate. They also participate in a Thrift Savings Plan (TSP) with an automatic employer contribution of 1.0 percent. Employees may also contribute to this plan at variable rates up to the limit set by the Internal Revenue Service, in which case the employer contributes at a variable rate up to 5.0 percent. CSRS employees are also eligible for participation in the TSP but without employer contributions.

SUPPLEMENTAL RETIREMENT PLAN (SRP)

OSU maintains an IRC Section 414(d) cash balance defined benefit plan to provide a specific benefit value to the OSU university president upon separation. The 414(d) plan is qualified under IRC Section 401(a) as a governmental plan. As of June 30, 2014, the plan was fully funded.

SUMMARY OF PENSION PAYMENTS

OSU total payroll for the year ended June 30, 2014 was $400,024,672, of which $310,231,299 was subject to retirement contributions. The following schedule lists pension payments made by OSU for the fiscal year (in thousands):

	June 30, 2014			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
PERS/OPSRP	**$ 18,180**	**5.86%**	**$ 12,090**	**3.90%**
ORP	**10,486**	**3.38**	**6,020**	**1.94**
TIAA-CREF	**56**	**0.02**	**56**	**0.02**
Federal	**374**	**0.12**	**118**	**0.04**
FERS - TSP	**108**	**0.03**	**340**	**0.11**
SRP	**138**	**0.04**	**-**	**0.00**
Total	**$ 29,342**	**9.45%**	**$ 18,624**	**6.01%**

Of the employee share, the employer paid $12,078,936 of PERS/OPSRP, $6,020,101 of ORP, and $55,990 of TIAA-CREF during the fiscal year ended June 30, 2014. The federal contributions of $117,885 represent FERS and CSRS employees, and the $340,488 represents employee contributions to the Thrift Savings Plan for FERS employees that were matched from one to five percent by the employer in fiscal year 2014.

OSU total payroll for the year ended June 30, 2013 was $373,431,861, of which $290,008,174 was subject to retirement contributions. The following schedule lists pension payments made by OSU for the fiscal year (in thousands):

	June 30, 2013			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
PERS/OPSRP	$ 16,827	5.80%	$ 11,356	3.92%
ORP	9,791	3.38	5,577	1.92
TIAA-CREF	52	0.02	52	0.02
Federal	406	0.14	123	0.04
FERS - TSP	115	0.04	356	0.12
SRP	138	0.05	-	0.00
Total	$ 27,329	9.43%	$ 17,464	6.02%

Of the employee share, the employer paid $11,337,250 of PERS/OPSRP, $5,577,259 of ORP, and $52,363 of TIAA-CREF during the fiscal year ended June 30, 2013. The federal contributions of $123,044 represent FERS and CSRS employees, and the $355,568 represents employee contributions to the Thrift Savings Plan for FERS employees that were matched from one to five percent by the employer in fiscal year 2013.

14. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

During the year ended June 30, 2014, OSU was a part of the OUS as a participant in the defined benefit postemployment health care plan.

Plan Description. OSU participates in a defined benefit postemployment healthcare plan, administered by the Public Employees Benefit Board (PEBB), which offers medical, dental and vision benefits to eligible retired state employees and their beneficiaries. The PEBB plan is an agent multiple-employer postemployment healthcare plan. Chapter 243 of the ORS assigns PEBB the authority to establish and amend the benefit provisions of the PEBB plan. As the administrator of the PEBB plan, PEBB has the authority to determine postretirement benefit increases and decreases. PEBB does not issue a separate, publicly available financial report.

The PEBB plan allows OSU employees retiring under PERS or OPSRP to continue their healthcare on a self-pay basis until eligible for Medicare, usually at age 65. This plan creates an "implicit rate subsidy" because the healthcare insurance premiums paid by OSU for its employees is based on a blended premium of both employees and retirees combined, which is a higher premium than would have been paid for employees alone.

The PEBB plan is also offered to retirees of other Oregon state agencies. Therefore, the amounts presented in this note are limited to OSU's share, estimated at 9.7 percent of the total PEBB plan costs attributable to the State. This estimated allocation was based on health insurance premiums paid by state agencies during fiscal year 2014.

Funding Policy. OSU's current policy is to pay the implicit rate subsidy on a pay-as-you-go basis. For fiscal years 2014 and 2013, OSU paid healthcare insurance premiums of $74,221,036 and $71,428,322, respectively. The portion of the insurance premiums attributable to the implicit rate subsidy was estimated to be $644,817 and $865,890 for the fiscal years ended 2014 and 2013, respectively.

Annual OPEB Cost and Net OPEB Obligation. OSU's annual OPEB expense is calculated based on OSU's annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of OSU's annual OPEB expense for the year, the amount actually contributed to the plan, and changes in OSU's net OPEB obligation (in thousands):

	June 30, 2014	June 30, 2013
Annual Required Contribution	**$ 1,246**	$ 2,165
Interest on Net OPEB Obligation	**256**	234
Adjustment to Annual Required Contribution	**(487)**	(447)
Prior Year Adjustment	**(190)**	-
Annual OPEB Cost	**825**	1,952
Contributions Made	**(645)**	(866)
Increase in Net OPEB Obligation	**180**	1,086
Net OPEB Obligation - Beginning of Year	**6,890**	5,804
Net OPEB Obligation - End of Year	**$ 7,070**	$ 6,890

The OSU annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the change in net OPEB obligation for the fiscal years ended June 30, 2014 and 2013 were as follows (in thousands):

Year Ended	Annual OPEB Cost		Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	
2014	**$**	**825**	**12%**	**$**	**7,070**
2013	$	1,952	28%	$	6,890
2012	$	1,786	31%	$	5,804

Funding Status and Funding Progress. The funded status of the OSU OPEB plan for June 30, 2014 and 2013 were as follows (in thousands):

	June 30, 2014		June 30, 2013	
Actuarial Accrued Liabilities	**$**	**10,212**	$	15,094
Actuarial Value of Plan Assets		**-**		-
Unfunded Actuarial Accrued Liability	**$**	**10,212**	$	15,094
Funded Ratio		**0.00%**		0.00%
Covered Payroll (active plan members)	**$**	**306,622**	$	286,923
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll		**3.33%**		5.26%

Actuarial valuations, prepared biennially, involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Accrual Methods and Assumptions. Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between OSU and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

	June 30, 2014	June 30, 2013
Actuarial Valuation Date	**7/1/2013**	7/1/2011
Actuarial Cost Method	**Entry Age Normal**	Entry Age Normal
Amortization Method	**Level Percentage**	Level Percentage
Amortization Period	**15 Years (open)**	15 Years (open)
Investment Rate of Return	**3.5%**	3.5%
Projected Salary Increases	**3.5%**	3.5%
Initial Healthcare Inflation Rates	**3.6% (medical), 2.2% (dental)**	4% (medical), 2.7% (dental)
Ultimate Healthcare Inflation Rates	**5.4% (medical), 5.0% (dental)**	5.5% (medical), 5% (dental)

15. FUNDS HELD IN TRUST BY OTHERS

Funds held in trust by others, for which OSU is an income beneficiary, are not recorded in the financial records. The approximate value of such trust funds at June 30, 2014 and 2013 were $1,669,042 and $1,795,403, respectively.

16. RISK FINANCING

OSU participates in the OUS Risk Management Fund managed by the OUS Office of Risk Management. The following risks have been transferred to the OUS fund:

- Real property loss for university owned building, equipment, automobiles and other types of property
- Tort liability claims brought against OSU, its officers, employees or agents
- Workers' compensation and employers liability
- Crime, Fiduciary
- Specialty lines of business including marine, medical practicums, international travel, fine art, aircraft, camps, clinics and other items.

In July of 2012, in accordance with ORS 351.096, the Oregon State Board of Higher Education Finance & Administration Committee established the OUS Risk Management Program to protect the life, safety, reputation, financial, operations, and property risks associated with the System's broad scope of enterprise activities. The OUS Office of Risk Management manages the program in a transparent manner using best practices and industry standards for risk financing including risk retention and transfer, and risk controls while supporting an enhanced culture of risk mitigation within the system. In the policy year ending June 30, 2014, risk mitigation efforts included tightening review of claims and loss prevention efforts which resulted in a decrease of $3 million in case reserves.

In addition to the OUS Office of Risk Management, the program is comprised of the Risk Oversight Committee and the Risk Council. The Risk Oversight Committee has responsibility for overseeing the strategic direction of the program and the Risk Council executes the program strategy. The Risk Oversight Committee is comprised of representatives from each of the seven OUS institutions. The financing for this program is provided through the establishment of a Risk Fund consisting of three sub-funds for Casualty, Property, and Workers' Compensation. The Risk Oversight Committee has oversight responsibility for this fund.

During the year ending June 30, 2014, the OUS Office of Risk Management purchased excess commercial general liability insurance above the self-insurance layer among other underlying coverage as noted above. The total insurable value of property was re-assessed at $9 billion and included a $500 million limit with sub-limits for business interruption, earth movement, and flood. In addition, the universities applied a membership credit of over $190 thousand towards seismic gas shut-off valves in 2013-2014 to help minimize fire damage in the event of an earthquake. The casualty program covers general tort claims as well as director's and officers, errors and omissions, and employment liability. Limits of liability for this program total $50 million and for general liability and educator's legal liability this is an excess of over $1 million in the self-insured program.

OSU is charged an assessment to cover the OUS Risk Management Fund's cost of servicing claims and payments based on the OUS Risk Allocation Model and actuarial estimates of the amounts needed to pay prior and current-year claims.

17. COMMITMENTS AND CONTINGENT LIABILITIES

Outstanding commitments on partially completed and planned but not initiated construction projects authorized by the Oregon State Legislature totaled approximately $196,422,610 at June 30, 2014. These commitments will be primarily funded from gifts and grants, bond proceeds, and other OSU funds. Refer to the table accompanying this note for projects relating to construction commitments as of June 30, 2014.

OSU is contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Management is of the opinion that the outcome of such matters will not have a material effect on the financial statements.

OSU participates in certain federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor for expenditures disallowed under terms of the grant. Management believes that disallowances, if any, will not have a material effect on the financial statements.

Unemployment compensation claims are administered by the Oregon Employment Division pursuant to ORS 657. OSU reimburses the Oregon Employment Division on a quarterly basis for actual benefits paid. Each year resources are budgeted to pay current charges. The amount of future benefit payments to claimants and the resulting liability to OSU cannot be reasonably determined at June 30, 2014.

CONSTRUCTION COMMITMENTS AS OF JUNE 30, 2014

(in thousands)	Total Commitment	Completed to Date	Outstanding Commitment
AES Animal Research	$ 2,240	$ 100	$ 2,140
Austin Hall (School of Business)	50,400	39,445	10,955
Beth Ray Academic Ctr (Student Success Ctr)	13,324	6,381	6,943
Capital Repair	26,447	21,285	5,162
Cultural Centers	4,015	621	3,394
Goss Stadium Locker Room	2,820	195	2,625
Johnson Hall (Engineering Building)	40,000	1,522	38,478
Learning Innovation Ctr (Classroom Bldg)	65,000	21,719	43,281
MU Renovation	9,578	7,583	1,995
OSU Cascade Campus	33,880	2,169	31,711
Space Improvement Program	3,000	848	2,152
Strand Agriculture Hall	6,851	2,101	4,750
Student Experience Center	42,800	20,198	22,602
Student Resource Center	4,400	31	4,369
Tebeau Hall (Student Residence Hall)	27,000	20,653	6,347
UHDS Renovations	4,650	677	3,973
Projects with <$500 thousand remaining to be spent	97,201	95,232	1,969
Project Budgets <$1 million	6,068	2,491	3,577
	$ 439,674	$ 243,251	$ 196,423

18. SUBSEQUENT EVENTS

BONDED INDEBTEDNESS

On July 29, 2014, the State issued on behalf of the OUS $13,361,369 in Lottery bonds with an average interest rate of 5.0 percent to refund $14,250,000 in Lottery bonds with an average interest rate of 5.0 percent. The net proceeds of the bonds were $15,830,517 (after payment of $65,040 in underwriting costs and bond premium of $2,534,188).

OSU's share of the refunding was $5,262,028 in new bonds to refund $5,611,992 in previously issued debt. The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $409,919. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 12 years by $623,061 and resulted in an economic gain of $517,299.

OREGON UNIVERSITY SYSTEM STRUCTURE CHANGES

Effective July 1, 2014, OSU is an independent legal entity governed by the Board of Trustees of Oregon State University. See Note 1 for additional information about this change in legal status.

RISK MANAGEMENT STRUCTURE CHANGES

Effective as of July 1, 2014, the OUS Risk Fund (see Note 16) was transferred to the Public University Risk Management and Insurance Trust (Trust). The Trust is a separate legal entity which operates for the benefit of the participating universities. Under provisions of SB 270, OSU is required to participate in the Trust until June 30, 2015. At that time, membership in the Trust becomes optional. All assets and liabilities of the previously established the OUS Risk Fund are transferred to the Trust on the effective date.

The following risks have also been transferred from the Fund to the Trust:

- Real property loss for university owned building, equipment, automobiles and other types of property
- Tort liability claims brought against OSU, its officers, employees or agents
- Workers' compensation and employers liability
- Crime, Fiduciary
- Specialty lines of business including marine, medical practicums, international travel, fine art, aircraft, camps, clinics and other items.

19. UNIVERSITY FOUNDATIONS

Under policies approved by the Board, individual university foundations may be established to provide assistance in fund raising, public outreach and other support for the mission of OSU. Each foundation is a legally separate, tax-exempt entity with an independent governing board. Although OSU does not control the timing or amount of receipts from the foundations or income thereon, the majority of resources that each foundation holds and invests are restricted to the activities of the university by the donors. Because these restricted resources held by each foundation can only be used by, or for the benefit of the University, the foundations are considered component units of OSU and are discretely presented in the financial statements.

The financial activity is reported for the years ended June 30, 2014 and 2013.

During the years ended June 30, 2014 and 2013 gifts of $59,031,942 and $47,866,749, respectively, were transferred from university foundations to OSU. Both OSU affiliated foundations are audited annually and received unmodified audit opinions.

Please see the combining financial statements for the OSU component units on the following page.

Complete financial statements for the foundations may be obtained by writing to the following:

- *Oregon State University Foundation, 850 SW 35th Street, PO Box 1438, Corvallis, OR 97339-1438*
- *Agricultural Research Foundation, 1600 SW Western Blvd, Suite 320, Corvallis, OR 97333*

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Component Units
Combining Financial Statement

Statements of Financial Position As of June 30, 2014	Oregon State University Foundation	Agricultural Research Foundation	Total Component Units
		(in thousands)	
ASSETS			
Cash and Cash Equivalents	$ 13,693	$ 704	$ 14,397
Contributions, Pledges and Grants Receivable, Net	33,181	2,043	35,224
Investments	604,263	21,434	625,697
Prepaid Expenses and Other Assets	19,835	360	20,195
Property and Equipment, Net	12,407	18	12,425
Total Assets	**$ 683,379**	**$ 24,559**	**$ 707,938**
LIABILITIES			
Accounts Payable and Accrued Liabilities	$ 9,827	$ 6,954	$ 16,781
Accounts Payable to University	4,962	4,900	9,862
Obligations to Beneficiaries of Split-Interest Agreements	27,734	-	27,734
Total Liabilities	**$ 42,523**	**$ 11,854**	**$ 54,377**
NET ASSETS			
Unrestricted Surplus (Deficit)	$ 13,319	$ 3,611	$ 16,930
Temporarily Restricted	275,060	8,123	283,183
Permanently Restricted	352,477	971	353,448
Total Net Assets	**$ 640,856**	**$ 12,705**	**$ 653,561**

Statements of Activities For the Year Ended June 30, 2014	Oregon State University Foundation	Agricultural Research Foundation	Total Component Units
REVENUES			
Grants, Bequests and Gifts	$ 65,200	$ 8,212	$ 73,412
Interest and Dividends	14,723	-	14,723
Investment Income, Net	61,125	1,112	62,237
Change in Value of Life Income Agreements	4,662	-	4,662
Other Revenues	17,761	-	17,761
Total Revenues	**163,471**	**9,324**	**172,795**
EXPENSES			
University Support	61,056	8,546	69,602
General and Administrative	19,256	390	19,646
Other Expenses	9,780	-	9,780
Total Expenses	**90,092**	**8,936**	**99,028**
Increase (Decrease) In Net Assets	**73,379**	**388**	**73,767**
NET ASSETS			
Beginning Balance	**567,477**	**12,317**	**579,794**
Ending Balance	**$ 640,856**	**$ 12,705**	**$ 653,561**

Component Units
Combining Financial Statement

Statements of Financial Position
As of June 30, 2013

	Oregon State University Foundation	Agricultural Research Foundation	Total Component Units
		(in thousands)	
ASSETS			
Cash and Cash Equivalents	$ 30,161	$ 1,265	$ 31,426
Contributions, Pledges and Grants Receivable, Net	42,019	1,151	43,170
Investments	499,486	21,307	520,793
Prepaid Expenses and Other Assets	15,784	466	16,250
Property and Equipment, Net	12,590	27	12,617
Total Assets	**$ 600,040**	**$ 24,216**	**$ 624,256**
LIABILITIES			
Accounts Payable and Accrued Liabilities	$ 3,462	$ 5,971	$ 9,433
Accounts Payable to University	2,782	5,928	8,710
Obligations to Beneficiaries of Split-Interest Agreements	26,319	-	26,319
Total Liabilities	**$ 32,563**	**$ 11,899**	**$ 44,462**
NET ASSETS			
Unrestricted Surplus (Deficit)	$ (3,912)	$ 4,442	$ 530
Temporarily Restricted	237,531	6,909	244,440
Permanently Restricted	333,858	966	334,824
Total Net Assets	**$ 567,477**	**$ 12,317**	**$ 579,794**

Statements of Activities
For the Year Ended June 30, 2013

	Oregon State University Foundation	Agricultural Research Foundation	Total Component Units
REVENUES			
Grants, Bequests and Gifts	$ 52,603	$ 7,271	$ 59,874
Interest and Dividends	15,068	-	15,068
Investment Income, Net	27,339	220	27,559
Change in Value of Life Income Agreements	2,009	-	2,009
Other Revenues	15,204	-	15,204
Total Revenues	**112,223**	**7,491**	**119,714**
EXPENSES			
University Support	48,746	6,301	55,047
General and Administrative	18,375	1,358	19,733
Other Expenses	7,839	7	7,846
Total Expenses	**74,960**	**7,666**	**82,626**
Increase (Decrease) In Net Assets	**37,263**	**(175)**	**37,088**
NET ASSETS			
Beginning Balance	**530,214**	**12,492**	**542,706**
Ending Balance	**$ 567,477**	**$ 12,317**	**$ 579,794**

Funding Status of Other Postemployment Benefits

(in thousands)

Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2010	$ -	$ 14,015	$ 14,015	0.0%	$ 248,419	5.6%
6/30/2011	-	14,593	14,593	0.0	254,043	5.7
6/30/2012	-	14,397	14,397	0.0	265,095	5.4
6/30/2013	-	15,094	15,094	0.0	286,923	5.3
6/30/2014	-	10,212	10,212	0.0	306,622	3.3

For information about the financial data included in this report, contact:

Michael J. Green
Associate Vice President for Finance and Administration
Oregon State University
236 Kerr Administration Building
Corvallis, OR 97331
541-737-2092

Oregon State University
oregonstate.edu
Office of the Vice President for Finance and Administration
640 Kerr Administration Building
Corvallis, OR 97331-2156

APPENDIX D

FORMS OF BOND COUNSEL OPINIONS

May __, 2015

Oregon State University
Corvallis, Oregon

Citigroup Global Markets Inc.

Morgan Stanley & Co. LLC

Re: Oregon State University, General Revenue Bonds, 2015A

Ladies and Gentlemen:

We have examined a certified transcript of all of the proceedings taken in the matter of the issuance by the Oregon State University (the "University") of its General Revenue Bonds, 2015, in the aggregate principal amount of $41,040,000 (the "Bonds"), issued to finance University capital projects and pay the costs of issuing the Bonds. The Bonds are issued pursuant to a resolution of the Board of Trustees of the University adopted on March 19, 2015 (the "Resolution"). Capitalized terms used in this opinion which are not otherwise defined shall have the meanings given to such terms in the Resolution.

The Bonds are subject to redemption as set forth in the Official Statement dated April 22, 2015.

Regarding questions of fact material to our opinion, we have relied on representations of the University in the Resolution and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been legally issued and constitute valid and binding obligations of the University, except to the extent that the enforcement of the rights and remedies of the owners of the Bonds may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors.

2. The Bonds are General Revenue obligations of the University. Both principal of and interest on the Bonds are payable solely from General Revenues. The University has obligated and bound itself to set aside out of General Revenues as a special fund obligation amounts sufficient to pay the principal of and interest on the Bonds as the same become due. The Bonds are equally and ratably payable, without preference, priority or distinction because of date of issue or otherwise from General Revenues. The University has reserved the right to issue Additional Bonds payable from and secured by General Revenues.

3. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Interest on the Bonds is exempt from State of Oregon personal income taxes. The opinion set forth in the preceding sentence is subject to the condition that the University comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The University has covenanted to comply with all applicable requirements. Failure to comply with certain of such covenants may cause 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 University has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material related to the Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto, or relating to the undertaking by the University to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,
PACIFICA LAW GROUP LLP

May __, 2015

Oregon State University
Corvallis, Oregon

Citigroup Global Markets Inc.

Morgan Stanley & Co. LLC

Re: Oregon State University, General Revenue Bonds, 2015B (Federally Taxable)

Ladies and Gentlemen:

We have examined a certified transcript of all of the proceedings taken in the matter of the issuance by the Oregon State University (the "University") of its General Revenue Bonds, 2015B (Federally Taxable), in the aggregate principal amount of $10,075,000 (the "Bonds"), issued to finance University capital projects and pay the costs of issuing the Bonds. The Bonds are issued pursuant to a resolution of the Board of Trustees of the University adopted on March 19, 2015 (the "Resolution"). Capitalized terms used in this opinion which are not otherwise defined shall have the meanings given to such terms in the Resolution.

The Bonds are subject to redemption as set forth in the Official Statement dated April 22, 2015.

Regarding questions of fact material to our opinion, we have relied on representations of the University in the Resolution and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been legally issued and constitute valid and binding obligations of the University, except to the extent that the enforcement of the rights and remedies of the owners of the Bonds may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors.

2. The Bonds are General Revenue obligations of the University. Both principal of and interest on the Bonds are payable solely from General Revenues. The University has obligated and bound itself to set aside out of General Revenues as a special fund obligation amounts sufficient to pay the principal of and interest on the Bonds as the same become due. The Bonds are equally and ratably payable, without preference, priority or distinction because of date

of issue or otherwise from General Revenues. The University has reserved the right to issue Additional Bonds payable from and secured by General Revenues.

3. Interest on the Bonds is exempt from State of Oregon personal income taxes.

4. Interest on the Bonds is <u>not</u> excludable from gross income for federal income tax purposes.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material related to the Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto, or relating to the undertaking by the University to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,
PACIFICA LAW GROUP LLP

APPENDIX E
BOOK-ENTRY ONLY SYSTEM

The following information has been provided by DTC. The University makes no representation regarding the accuracy or completeness thereof. Beneficial Owners should therefore confirm the following with DTC or the Direct Participants (as hereinafter defined). Language in [brackets] with ~~strike-through~~ has been deleted as permitted by DTC as it does not pertain to the Bonds.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities 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 issue of~~] the Securities, [~~each~~] in the aggregate principal amount of such issue, and will be deposited with DTC. [~~If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.~~]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity 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 the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities 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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities 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.]

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

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, on 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, 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.

[~~9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/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 Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.~~]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Undertaking (this "Undertaking") dated as of May 7, 2015, is hereby made by Oregon State University (the "University") in connection with the issuance of its General Revenue Bonds, 2015A and General Revenue Bonds, 2015B (Federally Taxable) (together the "Bonds"). The Bonds are issued pursuant to a resolution of the Board of Trustees of the University adopted on March 19, 2015 (the "Resolution").

The University covenants and agrees as follows:

SECTION 1. Purpose of the Undertaking. This Undertaking is being executed and delivered by the University for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report shall mean any Annual Report provided by the University pursuant to, and as described in, Sections 3 and 4 of this Undertaking.

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

Dissemination Agent shall mean the University, or any successor Dissemination Agent designated in writing by the University and which has filed with the University a written acceptance of such designation.

Holders shall mean the registered holders of the Bonds, as recorded in the registration books of the Registrar.

Notice Event shall mean any of the following events:

1. Principal and interest payment delinquencies;
2. Nonpayment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue service of proposed or final determines of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material or events affecting the tax status of the Bonds;

7. Modifications to the rights of Bond Owners if material;

8. Optional, contingent or unscheduled calls of any Bonds other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856, if material, and tender offers;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the Bonds, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the University;

13. The consummation of a merger, consolidation, or acquisition of the University or the sale of all or substantially all of the assets of the University, 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 to undertake such an action, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of the trustee, if material.

MSRB means the Municipal Securities Rulemaking Board or any successors to its functions.

Official Statement shall mean the Official Statement dated April 22, 2015, with respect to the Bonds.

Participating Underwriter shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

State shall mean the State of Oregon.

SECTION 3. Provision of Annual Reports.

(a) The University shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the University's fiscal year (which currently would be March 31, 2016, for the report for the 2015 Fiscal Year), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Undertaking. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Undertaking; provided that the audited financial statements of the University may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the University takes action to adjust its fiscal year, it must provide written notice of the change of fiscal year to the MSRB.

(b) Not later than fifteen (15) Business Days prior to said date, the University shall provide the Annual Report to the Dissemination Agent (if other than the University). If the University is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the University shall send a notice to the MSRB stating that the University is unable to provide the Annual Report by the date required in subsection (a), and stating when the University expects to provide the Annual Report.

(c) If the Dissemination Agent is not the University, the Dissemination Agent shall file a report with the University certifying that the Annual Report has been provided pursuant to this Undertaking and stating the date it was provided.

SECTION 4. Content of Annual Reports. The University's Annual Report shall contain or include by reference (without duplication) the following:

1. The audited financial statements of the University for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the University's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Updates to the following financial and operating data of the University to the extent the updates are not included in the audited financial statements provided under subsection 1:

- The amount of University revenue debt and other debt outstanding in that fiscal year.

- General Revenue, and General Revenue components, for that fiscal year, generally of the type provided in the table entitled "UNIVERSITY GENERAL REVENUES."

- Student enrollment information for that fiscal year, generally of the type provided in Table A1 entitled "UNIVERSITY CAMPUS ENROLLMENTS, FALL QUARTER" in APPENDIX A.

- Faculty information for that fiscal year, generally of the type provided in Table A2 entitled "INSTRUCTIONAL FACULTY, TENURED AND DEGREES" in APPENDIX A.

- Financial results for that fiscal year, generally of the type included in Table A3 entitled "STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION."

- Information regarding tuition and fees for that fiscal year, generally of the type provided in Table A4 entitled “CORVALLIS CAMPUS TUITION AND FEES-ACADEMIC YEAR” in APPENDIX A.

- Grant and contract revenues for that fiscal year, generally of the type provided in Table A5 entitled “GRANT AND CONTRACT REVENUES.”

- State appropriations to the University for such fiscal year, generally of the type included in Table A7 entitled “STATE APPROPRIATIONS TO THE UNIVERSITY BY TYPE” provided in APPENDIX A.

- Value of investments for that fiscal year, generally of the type provided in Table A8 in APPENDIX A.

- A narrative description of any material changes to the University’s investment policy during the preceding fiscal year.

- A statement if there were material changes to the University’s obligations with respect to its pension plans and a description of the University’s pension plans.

- A statement if there were material changes to the University’s obligations with respect to other post-employment benefits and a description of the University’s obligations with respect to other post-employment benefits.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the University or related public entities, which are available to the public on the MSRB’s internet website. The University shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Notice Events. The University shall give, or cause to be given, notice of the occurrence of any Notice Event with respect to the Bonds not in excess of ten business days after the occurrence of the event.

SECTION 6. Termination of Reporting Obligation. The University’s obligations under this Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the University shall give notice of such termination in the same manner as for a Notice Event.

SECTION 7. Dissemination Agent. The University may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the University pursuant to this Undertaking.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Undertaking, the University may amend this Undertaking, and any provision of this Undertaking may be waived, provided that the following conditions are satisfied:

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

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

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of the Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Undertaking, the University shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the University. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Undertaking shall be deemed to prevent the University from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Notice Event, in addition to that which is required by this Undertaking. If the University chooses to include any information in any Annual Report in addition to that which is specifically required by this Undertaking, the University shall have no obligation under this Undertaking to update such information or include it in any future Annual Report.

SECTION 10. Default. In the event of a failure of the University to comply with any provision of this Undertaking, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the University to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Undertaking in the event of any failure of the University to comply with this Undertaking shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Undertaking, and the University agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the University under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Undertaking shall inure solely to the benefit of the University, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. EMMA; Format for Filing with the MSRB. Until otherwise designated by the MSRB or the Securities and Exchange Commission, any filing required to be made with the MSRB under this Undertaking is to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org. All notices, financial information and operating data required by this Undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this Undertaking must be accompanied by identifying information as prescribed by the MSRB.

OREGON STATE UNIVERSITY

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Authorized Signer

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