

Voluntary Disclosure Notice Regarding COVID-19 Impacts Oregon State University

DATED JUNE 8, 2020

Oregon State University (the “University”) is filing this Voluntary Disclosure Notice (the “Notice”) regarding the developing impacts to the University’s finances and operations as a result of the novel coronavirus (“COVID-19”) pandemic.

Nothing contained in this Notice is, or should be construed as, a representation by the University that this Notice comprises all of the information that may be material to a decision to invest in, hold, or dispose of any University bonds. This information is provided voluntarily by the University, without intention to provide any update to this information or its subject matter or to provide similar information in the future. Any obligation to do so is expressly disclaimed.

COVID-19 Pandemic

COVID-19 is currently affecting many parts of the world, including the United States and the State of Oregon (the “State”). On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States of America declared the outbreak of COVID-19 a national emergency. On March 8, 2020, Oregon’s Governor declared a state of emergency. On March 23, 2020, the Governor issued a statewide Executive Order directing everyone in Oregon to stay at home to the maximum extent possible and adding to the list of businesses temporarily closed to stem the spread of COVID-19. Oregon currently is following a phased re-opening plan.

COVID-19 has negatively affected commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide, including across the United States and in the State.

The University is providing this statement to describe some of the impacts that the COVID-19 pandemic and related orders have had on the University’s finances and operations, and to describe some of the actions that the University is taking in response. The University cannot predict the duration and extent of the COVID-19 public health emergency, or quantify the magnitude of the impact on the State and regional economy or on the other revenues and expenses of the University.

Overview

The University continues to face uncertainty with respect to the course of the COVID-19 pandemic, undergraduate and graduate enrollment and associated tuition and fees, state funding and the prospect of any additional federal emergency aid. The State has released its revenue forecast, which projects total state revenues at \$2.7 billion below expectations for the current biennium ending June 30, 2021. The forecast projects \$4.4 billion and \$3.4 billion shortfalls in the subsequent two biennia. Thus far, Governor Kate Brown has asked all public agencies and institutions to anticipate a 17% reduction in state funding for FY21. A special legislative session

to balance the state's biennial budget was first expected to occur in April, but now indications are that it is not likely to occur before August.

While domestic student enrollments for next year are tracking reasonably well under the circumstances, international student enrollments will be down significantly, given travel restrictions and delays in visa processing. Moreover, even predicting domestic enrollment is difficult given the uncertain course of COVID-19 and emerging evidence that current and prospective students are highly uncertain about their college-going plans. The University's self-supporting auxiliary units — especially University Housing and Dining Services and OSU Athletics — absorbed substantial losses in spring and will face shortfalls again in the coming year given the anticipated lower density on the University's campuses and curtailed sporting events.

Looking ahead, the University anticipates potential losses for auxiliary units to be greater than for academic and administrative units as the factors that influence auxiliaries' revenues vary widely under alternative University, local and state resumption scenarios. Auxiliary revenue is more dependent on students being on campus than academic revenues. While the University is approaching the budget challenge from a University-wide perspective, the University also will tailor budget reduction efforts for auxiliaries to their unique situations.

Financial Projections

Although the University does not yet have sufficient information to quantify the direct impact of the COVID-19 pandemic on the University's finances, it expects that University net revenues will be materially adversely affected.

In light of the evolving nature of the COVID-19 pandemic, the University has prepared preliminary forecast scenarios of revenues expected to be impacted by COVID-19. ***All information in the preliminary forecasts, including the estimates summarized below, is preliminary, unaudited and subject to change.***

The Office of Budget and Fiscal Planning has developed six financial scenarios for the University, considered by the Board at its May 29, 2020 meeting. The scenarios project FY21 shortfalls ranging from \$77 million to \$213 million for all funds, including \$30 million to \$77 million shortfalls in Corvallis Education and General funding (E&G) and \$800,000 to \$3 million in E&G shortfalls at OSU-Cascades. E&G funding is primarily composed of state funding and tuition and fees. All units have been directed to develop contingency plans for possible E&G reductions of 3%, 7% and 10% for FY21. The University's approved budget projects a \$49 million or 7.7% shortfall in Corvallis E&G revenues. This scenario assumes remote teaching for summer and modified return by fall. These figures are projections, based on unaudited figures, and should be read with the cautions appropriate to such figures during a period of particular uncertainty.

The University is taking, or anticipates taking, the following steps to close the projected \$49 million gap:

- Use fund balances of approximately \$15 million.
- Reduce capital renewal spending by delaying projects, saving approximately \$8 million.

- Reduce services and supplies spending by approximately \$6 million.
- Implement a University-wide and progressive temporary pay reduction, beginning with executive level positions, saving approximately \$12 million.
- Reduce staffing in selected areas where less work is needed and leave vacant positions unfilled over the course of the coming year, saving approximately \$8 million.

These measures within colleges, divisions and units may be adjusted in response to detailed plans from unit leaders. Discussions with United Academics of Oregon State University on the details of a temporary salary reduction plan are continuing, and the University will make a decision shortly on the scope of a salary reduction for senior executives to go into effect July 1, 2020.

The University plans to announce specific budgetary actions in mid-June 2020 to be implemented in July 2020. If necessary, the University will take further actions as the University learns more about the extent of future spread of COVID-19; the status of instruction by modality (mix of in-person, remote and online instruction); the extent to which enrollment of resident, non-resident and international students at the undergraduate, professional and graduate levels match the forecasts; and further impacts on University auxiliaries.

Federal and State COVID-19 Relief

Upon the President's emergency declaration in response to COVID-19, the University became eligible to access the FEMA Public Assistance program to support certain extraordinary operating costs incurred.

The CARES Act includes approximately \$14B to both public and private higher education institutions directly from the Department of Education. Each institution's portion of these funds is based on a share of Pell FTE and non-Pell FTE before the crisis. The University is eligible to receive \$15.6 million, half of which must be used for student grants and the remainder may be used for other institutional needs.

It is unclear whether another major relief measure will be adopted or include funding support for state governments and higher education.

Liquidity Facilities

To replace a \$50 million line of credit and continue to provide additional liquidity for University purposes the University solicited and received proposals for a bank line of credit in an aggregate principal amount of not to exceed \$10 million, and a term loan in the principal amount of \$40 million. The University executed the line of credit and the term loan on May 28, 2020.

The forecast information described in this Notice is a "forward-looking statement," speaking only as of its date. Actual results may differ materially. Furthermore, the University expects these estimates to change as actual revenue data is received and dependent on shifting variables such as the State phased re-opening plan and social distancing restrictions and other factors.

While the full impact on the University and its revenues is currently uncertain, the evolving situation will continue to be monitored and incorporated into future revenue forecasts. The University is evaluating how best to utilize fund balances or one-time resources, and the use of its reserves.

Cautionary Notes

The information in this voluntary disclosure notice has been obtained from records of the University and other sources that are considered reliable. Any statement in this notice that includes a matter of opinion, whether or not expressly so stated, is intended as such, and not as a representation of fact. The information contained in this notice is provided as of the respective dates specified herein and is subject to change without notice, and the filing of this notice shall not, under any circumstances, create any implication that there has been no change in the affairs of the University or in the other matters described herein since the dates as of which such information is provided.

This notice contains forecasts, projections, estimates and other forward-looking statements that are based on current expectations. The words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes” and analogous expressions are intended to identify forward-looking statements. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. Such risks and uncertainties include, among others, changes in regional, domestic and international political, social and economic conditions, federal, state and local statutory and regulatory initiatives, litigation, financial conditions of and changes in the higher education sector, technological change, changes at other colleges and universities, seismic events, and various other events, conditions and circumstances, many of which are beyond the control of the University.

The COVID-19 outbreak is ongoing, and its dynamic nature leads to uncertainties, including (i) the geographic spread of the virus; (ii) the severity of the disease; (iii) the duration of the outbreak; (iv) actions that may be taken by governmental authorities to contain or mitigate the outbreak; (v) the development of medical therapeutics or vaccinations; (vi) travel restrictions; (vii) the impact of the outbreak on the local or global economy, or on the higher education sector generally; (viii) whether and to what extent the Governor may order additional public health measures; and (ix) the impact of the outbreak and actions taken in response to the outbreak on University revenues, expenses and financial condition. These forward-looking statements speak only as of the date hereof and are subject to revision by the University at any time. The University disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the University’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The publication of this information does not constitute or imply any representation (i) that all of the foregoing is material to investors, (ii) regarding any other financial, operating or other information about the University or its bonds or (iii) that no other circumstances or events have occurred or that no other information exists concerning the University or its bonds that may have

a bearing on the financial condition of the University, the security for its bonds, or an investor's decision to buy, sell or hold any bonds.