New Issue | **Moody's Rating: "Aa3"**
Book-Entry Only | **(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, 2017 (Federally Taxable) (the "2017 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 making an informed investment decision.

$72,705,000
General Revenue Bonds, 2017
(Federally Taxable)

Dated: Date of Delivery   Due: April 1, 2049   Interest Rate: 3.75%   Price: 100%   CUSIP* No. 68608WAH5

Tax Status:	Interest on the 2017 Bonds is not intended to be exempt from federal income taxes. Under existing law, interest on the 2017 Bonds is exempt from Oregon personal income taxes. See "CERTAIN INCOME TAX CONSEQUENCES RELATING TO THE 2017 BONDS."
Purpose and Authority:	The University is issuing the 2017 Bonds to pay costs of University projects and to pay costs of issuance for the 2017 Bonds. The 2017 Bonds are being issued pursuant to Oregon Revised Statutes 352.087(1)(b), 352.408(1) and chapter 287A and a resolution of the Board of Trustees of the University. See APPENDIX B.
Security:	The 2017 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 2017 Bonds are to be issued on a parity with the University's outstanding Prior Bonds (as defined herein) and any Additional Bonds (as defined herein) issued on a parity with the Prior Bonds. The University also is obligated to make payments with respect to certain bonds issued by the State of Oregon on behalf of the University from legally available revenues on a *pari passu* basis with the payment of the Prior Bonds, the 2017 Bonds and any Additional Bonds. 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 2017 BONDS, OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION, OR AGREEMENT OF ANY KIND WHATSOEVER OF THE UNIVERSITY.
Interest Payment Dates:	Interest on the 2017 Bonds from their date of delivery is payable on April 1 and October 1 of each year, commencing April 1, 2018.
Registration:	The 2017 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 2017 Bonds. So long as DTC or its nominee is the registered owner of the 2017 Bonds, payments of principal of and interest on the 2017 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 2017 Bonds will be available in denominations of $5,000 each and integral multiples thereof within a maturity.
Redemption:	The 2017 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described in this Official Statement.
Closing; Settlement:	It is expected that delivery of the 2017 Bonds will be made by Fast Automated Securities Transfer through DTC in New York, New York, on or about October 31, 2017.
Legal Counsel:	The 2017 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.
Paying Agent:	U.S. Bank National Association.

Official Statement dated: October 11, 2017.

OREGON STATE UNIVERSITY
Corvallis, Oregon 97331
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Oregonstate.edu[1]

BOND COUNSEL
Pacifica Law Group LLP
Seattle, Washington

FINANCIAL ADVISOR
PFM Financial Advisors LLC
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 2017 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 two-year terms.
(3) Dr. Ray is the President of the University and serves as an ex officio, non-voting member of the Board.
(4) Position is vacant as of July 1, 2017. A recommendation has been submitted to the Governor and is pending appointment by the Governor and confirmation by the State Senate.
(5) Appointed Vice President for Finance and Administration/CFO effective November 1, 2017.

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 2017 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 2017 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.

CUSIP numbers are included in this Official Statement for convenience of the holders and potential holders of the 2017 Bonds. The CUSIP numbers were provided by CUSIP Global Services. No assurance can be given that the CUSIP numbers for the 2017 Bonds will remain the same after the date of issuance and delivery of the 2017 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 2017 Bonds.

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OFFICIAL STATEMENT

$72,705,000
General Revenue Bonds, 2017
(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, 2017 (Federally Taxable) (the "2017 Bonds").

Founded in 1868, the University is one of two universities in the State of Oregon (the "State") classified as a "Doctoral University—Highest Research Activity" under the Carnegie Classification of Institutions of Higher Education. The University conducted the most research of all comprehensive universities in Oregon as measured by contract and grant awards in fiscal year 2017. 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 statewide access to educational programs.

The University is comprised of a main campus in Corvallis, Oregon and a branch campus in Bend, Oregon (OSU-Cascades). The University also operates a leading marine science and education facility in Newport, Oregon (the Hatfield Marine Science Center, or HMSC); one of the nation's largest online learning programs (Ecampus); the Oregon Agricultural Experiment Station (OAES), headquartered in Corvallis and with 13 branches across the State; the OSU Extension Service, with offices in 34 of 36 Oregon counties; and the Forest Research Laboratory. See "APPENDIX A—OREGON STATE UNIVERSITY."

The University is issuing the 2017 Bonds pursuant to Oregon Revised Statutes ("ORS") 352.087(1)(b), 352.408(1) and chapter 287A, and a resolution of the Board of Trustees of the University (the "Board") adopted on June 2, 2017 (the "Resolution"). See "APPENDIX B—COPY OF THE RESOLUTION."

The University is issuing the 2017 Bonds to finance approved University projects and to pay costs of issuance for the 2017 Bonds. See "SOURCES AND USES OF BOND PROCEEDS."

The 2017 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 2017 BONDS—University General Revenue Obligation" and "APPENDIX B—COPY OF THE RESOLUTION." The 2017 Bonds are to be issued on a parity with the University's outstanding General Revenue Bonds, 2015A and General Revenue Bonds, 2015B (Federally Taxable) (together, the "2015 Bonds"), General Revenue Bonds, 2016A and General Revenue Bonds, 2016B (Federally Taxable) (together, the "2016 Bonds"), and General Revenue Notes issued to evidence draws on the University's line of credit ("General Revenue Notes"). The 2015 Bonds, 2016 Bonds and General Revenue Notes are referred to herein as the "Prior Bonds." The 2017 Bonds are to be issued on a parity with any additional University General Revenue bonds issued on a parity with the Prior Bonds (collectively, the "Bonds"). The University also is obligated to make payments with respect to certain bonds issued by the State on behalf of the University from legally available revenues on a *pari passu* basis with the payment of the Bonds. 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 for the 2017 Bonds (together, the "Bond Registrar").

Brief descriptions of the 2017 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. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale of the 2017 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the University since the date of this Official Statement. 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

The University is 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 borrow money for the needs of the University pursuant to ORS 352.087(1)(b), issue revenue bonds, including the 2017 Bonds, for any lawful purpose of the University pursuant to ORS 352.408(1)(a) in accordance with ORS chapter 287A, issue refunding bonds pursuant to ORS 352.408(1)(b), by reference to ORS 287A.360 to 287A.380 of the same character and tenor as the revenue bonds replaced, and enter into financing agreements and certificates of participation pursuant to ORS 352.408(2) and ORS 271.390. The 2017 Bonds will be issued pursuant to the Resolution. See "APPENDIX B—COPY OF THE RESOLUTION." Previously part of the Oregon University System ("OUS"), the University became a public university with its own governing board on July 1, 2014, pursuant to Senate Bill 270 (Chapter 768, Oregon Laws 2013), as amended. The University, along with Oregon's other public universities, is no longer governed by the OUS. The State Legislature dissolved the OUS effective July 1, 2015.

THE 2017 BONDS

General

The 2017 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 2017 Bonds will mature on April 1, in the years set forth on the inside front cover, subject to prior redemption. Interest on the 2017 Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the 2017 Bonds is payable on each April 1 and October 1, commencing April 1, 2018 until maturity or prior redemption. The 2017 Bonds will be issued as fully registered bonds in denominations of $5,000 each or any integral multiple of $5,000 within a maturity (each an "Authorized Denomination"). The 2017 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 2017 Bonds will be made in book-entry form only. If at any time the Book-Entry Only System is discontinued for the 2017 Bonds, the 2017 Bonds will be exchangeable for other fully registered certificated 2017 Bonds of the same maturity in Authorized Denominations. 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 2017 Bond is to be redeemed. See Appendices B and E.

For so long as Cede & Co. is the Registered Owner of the 2017 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 2017 Bonds are no longer in fully immobilized form, interest on the 2017 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 2017 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 2017 Bonds shall be payable upon presentation and surrender of such 2017 Bonds by the Registered Owners at the principal office of the Bond Registrar.

Optional Redemption

The 2017 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, 2027, at a redemption price equal to 100 percent of the principal amount thereof, plus interest accrued to the date fixed for redemption.

At the option of the University the 2017 Bonds also are subject to redemption as a whole or in part on any date prior to April 1, 2027, at a redemption price described below (the "Make-Whole Redemption Price").

The Make-Whole Redemption Price for the 2017 Bonds is equal to the greater of (1) 100 percent of the principal amount of the 2017 Bonds to be redeemed; or (2) the sum of the present value of the remaining scheduled payments of principal and interest on the 2017 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2017 Bonds are to be redeemed, discounted to the date on which the 2017 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 25 basis points (0.25 percent); plus, in each case, accrued interest on the 2017 Bonds to be redeemed to the date on which the 2017 Bonds are to be redeemed.

"Treasury Rate" means, with respect to any redemption date for a particular 2017 Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, truncated to the fifth decimal, assuming that the Comparable Treasury Issue is purchased on such redemption date for a price equal to the Comparable Treasury Price.

"Comparable Treasury Issue" means, with respect to any redemption date for a particular 2017 Bond, the United States Treasury security or securities that has an actual or interpolated maturity comparable to the remaining average life of such 2017 Bond, as determined by an investment banking firm or financial advisory firm retained by the University, that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of such 2017 Bond.

"Comparable Treasury Price" means, with respect to any redemption date for a particular 2017 Bond, the price of the Comparable Treasury Issue, as determined by an investment banking firm or financial advisory firm retained by the University.

Mandatory Sinking Fund Redemption

The 2017 Bonds are designated as Term Bonds subject to mandatory sinking fund redemption at a price of 100 percent of the principal amount thereof plus accrued interest to the date fixed for redemption on April 1 in the years and amounts designated below.

Date	Mandatory Sinking Fund Redemption
2048	$ 35,685,000
2049*	37,020,000

* Final maturity.

To the extent that the University shall have optionally redeemed or purchased for retirement any Term Bonds since the last scheduled mandatory redemption of such Term Bonds, the University may reduce the principal amount of the Term Bonds and maturity to be redeemed in like aggregate principal amount. Such reduction shall be done on a *pro rata* basis.

Partial Redemption; Notice of Redemption; Conditional Redemption

Selection of Bonds for Redemption. If the University elects to redeem fewer than all of the 2017 Bonds for optional redemption, the University shall select the amount and maturities to be redeemed. In no event shall any 2017 Bond be Outstanding in a principal amount that is not an Authorized Denomination. If less than all the Outstanding Bonds within a maturity are to be redeemed, the 2017 Bonds to be redeemed shall be selected in accordance with the then effective operational arrangements of DTC referred to in the Letter of Representations. If the University redeems at any one time fewer than all of the 2017 Bonds having the same maturity date, the particular 2017 Bonds or portions of 2017 Bonds of such maturity to be redeemed shall be selected on a *pro rata* pass-through distribution of principal 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 2017 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 2017 Bond or 2017 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.

Conditional Redemption; Rescission. Notice of redemption may be conditional.

The University has retained the right to rescind any redemption notice and the related optional redemption of 2017 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 2017 Bonds for which the notice of optional redemption has been rescinded shall remain outstanding. 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.

Effect of Redemption. If an unconditional notice of redemption has been given, or if the conditions to redemption have been satisfied or waived, the 2017 Bonds or portions of 2017 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 2017 Bonds or portions of 2017 Bonds shall cease to bear interest. The Registered Owners of such 2017 Bonds or portions thereof shall thereafter have no rights in respect thereof except to receive payment of the Redemption Price upon delivery of such 2017 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 2017 Bond. The failure to mail notice with respect to any 2017 Bond will not affect the validity of the proceedings for the redemption of any other 2017 Bond with respect to which notice was so mailed.

Purchase of Bonds by the University

The University reserves the right to purchase any of the 2017 Bonds offered to it at any time at a price deemed reasonable by the Authorized University Representative. The Resolution does not require that any 2017 Bonds so acquired be cancelled. See "APPENDIX B—COPY OF THE RESOLUTION."

Defeasance

In the event that the University, in order to effect the payment, retirement or redemption of any 2017 Bond, sets aside in the Bond Fund or in another special account, cash or noncallable Government Obligations (as defined below), 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 2017 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 the 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 the Resolution. See "APPENDIX B—COPY OF THE RESOLUTION."

"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 2017 Bonds, such 2017 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 2017 Bond would recognize a gain or loss on the 2017 Bond at the time of defeasance. See "CERTAIN INCOME TAX CONSEQUENCES RELATING TO THE 2017 BONDS."

SOURCES AND USES OF BOND PROCEEDS

Uses of Bond Proceeds

The proceeds from the sale of the 2017 Bonds will be used to finance approved University projects, including renovations of Gilkey Hall, the Steam Line replacement and tunnel extension, upper division and graduate student housing project, the Newport housing project, and minor capital programmatic improvements (the "Projects"), and to pay costs of issuance.

Sources and Uses of Funds

The proceeds of the 2017 Bonds are to be applied as follows (figures have been rounded):

Sources of Funds	Total
Par Amount of the 2017 Bonds	$ 72,705,000
Total Sources of Funds	$ 72,705,000
Uses of Funds	
Project Fund Deposit	$ 72,280,000
Issuance Costs[1]	425,000
Total Uses of Funds	$ 72,705,000

(1) Issuance costs include purchaser's discount, legal fees, Financial Advisor's fees, rating agency fee, additional proceeds and other costs incurred in connection with the issuance of the 2017 Bonds.

SECURITY FOR THE 2017 BONDS

University General Revenue Obligation

The 2017 Bonds are general revenue obligations of the University. The University is obligated to pay the principal of and interest on the 2017 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 pay the principal of and interest on the 2017 Bonds when due. The 2017 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 revenues 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—COPY OF THE RESOLUTION");

- 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—OTHER UNIVERSITY FINANCIAL INFORMATION—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.

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 position, to the extent received as General Revenues, would be includable and available to pay obligations secured by General Revenues.

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The following table sets forth General Revenues for each of the fiscal years 2013 through 2016. 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. Based on preliminary unaudited figures, the University expects total operating revenues of $767,634 and total General Revenues of $444,194 in Fiscal Year 2017 (rounded to thousands).

UNIVERSITY GENERAL REVENUES
For the Fiscal Years ending June 30, 2016 through 2013 (000s)

	2016(1)	2015	2014	2013
Total Operating Revenues	$ 720,580	$ 686,612	$ 621,876	$ 587,380
(Less):				
Student Building Fees	(3,355)	(3,367)	(3,322)	(3,211)
Student Incidental Fees	(25,334)	(23,682)	(22,816)	(22,778)
Federal Grants and Contracts	(176,078)	(171,063)	(158,291)	(165,544)
State and Local Grants and Contracts	(9,272)	(9,492)	(6,786)	(6,994)
Nongovernmental Grants and Contracts	(22,102)	(22,303)	(22,114)	(18,928)
Amounts required to be deposited or paid for University-Paid State Bonds(2)	(35,742)	(50,425)	(46,736)	(56,379)
Plus:				
Adjusted Beginning Unrestricted Net Position	48,994(3)	25,735(3)(4)	63,611(5)	64,246(6)
GENERAL REVENUES	$ 497,691	$ 432,015	$ 425,422	$ 377,792

(1) 2016 numbers are from the University's unaudited 2017 Annual Financial Report and include revisions from the 2016 Annual Financial Report.

(2) As described under the heading "Outstanding University Obligations" and in "APPENDIX A—OREGON STATE UNIVERSITY—OTHER UNIVERSITY FINANCIAL INFORMATION—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.

(3) Adjusted to reflect removal of Student Building Fees and Student Incidental Fees. Until fiscal year 2014, Student Building Fees were not included in Unrestricted Net Position.

(4) As was noted in the University's June 30, 2014 financial report, $32 million of unrestricted net assets were used to repay the OUS internal bank loans, the proceeds of which were used to provide interim funding of capital projects in advance of the sale of revenue bonds. $27 million of unrestricted net assets were reimbursed by the proceeds of the 2015 Bonds.

(5) Adjusted to reflect removal of Student Incidental Fees, which were included in Unrestricted Net Position for fiscal year 2014.

(6) Adjusted to reflect reclassifications made to conform to 2014 presentation and to reflect removal of Student Incidental Fees.

Source: The University.

Not a State Obligation

THE 2017 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 UNDER AND AS SET FORTH IN THE RESOLUTION. SEE "APPENDIX B—COPY OF THE 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 2017 BONDS. THE ISSUANCE OF THE 2017 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.

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 percent 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 of 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 expects to draw from time to time on General Revenue Notes evidencing the University's $50,000,000 line of credit to provide interim financing for capital projects. The University does not anticipate additional borrowing in the next 18 months. As the University refines its long-range capital forecast additional needs may be identified within this timeframe.

Payment Covenant

The University has covenanted in the Resolution to pay or cause to be paid the principal of and the interest on all outstanding 2017 Bonds on the dates, at the places, from the sources of funds and in the manner, all as provided in the Resolution. See "APPENDIX B—COPY OF THE RESOLUTION."

Interest Rate Swap Agreements

Pursuant to ORS 287A.335, the University is authorized to enter into agreements for exchange of interest rates with a counterparty, which interest rate swap agreements may be payable from General Revenues. 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 for State Issued Bonds

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, including University-Paid State Bonds and State-paid debt ("State-Paid Bonds"). The University is responsible for paying the debt service on University-Paid State Bonds. The Higher Education Coordinating Commission ("HECC"), in consultation with the Department of Administrative Services ("DAS"), submits an appropriations request for State-Paid Bonds as part of its biennial Agency Request Budget process.

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 a Restated and Amended Agreement for Debt Management, effective July 1, 2017, by and among the State, acting by and through its Office of the State Treasurer (the "State Treasurer"), HECC, DAS, and the University with respect to certain State-Paid Bonds and University-Paid State Bonds (the "Debt Management Agreement"). 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 State-Paid Bonds, see "APPENDIX A—OREGON STATE UNIVERSITY—OTHER UNIVERSITY FINANCIAL INFORMATION—OUTSTANDING UNIVERSITY OBLIGATIONS."

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DEBT SERVICE

Debt Service Schedule for General Revenue Bonds

The table below displays debt service payments on obligations issued by the University and secured by a parity lien pledge of General Revenues, including the Prior Bonds. The table excludes General Revenue Notes evidencing draws on the University's $50,000,000 line of credit drawn upon from time to time to provide interim financing for capital projects. As of September 5, 2017, $31,900,000 has been drawn and is outstanding on the line of credit. See "APPENDIX A—OREGON STATE UNIVERSITY—OTHER UNIVERSITY FINANCIAL INFORMATION—OUTSTANDING UNIVERSITY OBLIGATIONS" for a description of other obligations of the University including University-Paid State Bonds.

OREGON STATE UNIVERSITY
GENERAL REVENUE BOND DEBT SERVICE SCHEDULE

	Prior Bonds (Excluding General Revenue Notes)			2017 Bonds			
Fiscal Year[(1)]	Principal	Interest	Total Debt Service[(2)]	Principal	Interest	Total Debt Service[(2)]	Total General Revenue Bond Debt Service[(2)]
2018	—	$ 4,326,443	$ 4,326,443	—	$1,143,589	$1,143,589	$5,470,032
2019	—	4,326,443	4,326,443	—	2,726,438	2,726,438	7,052,881
2020	—	4,326,443	4,326,443	—	2,726,438	2,726,438	7,052,881
2021	—	4,326,443	4,326,443	—	2,726,438	2,726,438	7,052,881
2022	—	4,326,443	4,326,443	—	2,726,438	2,726,438	7,052,881
2023	—	4,326,443	4,326,443	—	2,726,438	2,726,438	7,052,881
2024	—	4,326,443	4,326,443	—	2,726,438	2,726,438	7,052,881
2025	—	4,326,443	4,326,443	—	2,726,438	2,726,438	7,052,881
2026	—	4,326,443	4,326,443	—	2,726,438	2,726,438	7,052,881
2027	—	4,326,443	4,326,443	—	2,726,438	2,726,438	7,052,881
2028	—	4,326,443	4,326,443	—	2,726,438	2,726,438	7,052,881
2029	—	4,326,443	4,326,443	—	2,726,438	2,726,438	7,052,881
2030	—	4,326,443	4,326,443	—	2,726,438	2,726,438	7,052,881
2031	—	4,326,443	4,326,443	—	2,726,438	2,726,438	7,052,881
2032	—	4,326,443	4,326,443	—	2,726,438	2,726,438	7,052,881
2033	—	4,326,443	4,326,443	—	2,726,438	2,726,438	7,052,881
2034	—	4,326,443	4,326,443	—	2,726,438	2,726,438	7,052,881
2035	—	4,326,443	4,326,443	—	2,726,438	2,726,438	7,052,881
2036	—	4,326,443	4,326,443	—	2,726,438	2,726,438	7,052,881
2037	—	4,326,443	4,326,443	—	2,726,438	2,726,438	7,052,881
2038	—	4,326,443	4,326,443	—	2,726,438	2,726,438	7,052,881
2039	—	4,326,443	4,326,443	—	2,726,438	2,726,438	7,052,881
2040	—	4,326,443	4,326,443	—	2,726,438	2,726,438	7,052,881
2041	—	4,326,443	4,326,443	—	2,726,438	2,726,438	7,052,881
2042	—	4,326,443	4,326,443	—	2,726,438	2,726,438	7,052,881
2043	—	4,326,443	4,326,443	—	2,726,438	2,726,438	7,052,881
2044	$23,205,000	4,326,443	27,531,443	—	2,726,438	2,726,438	30,257,881
2045	27,910,000	3,232,688	31,142,688	—	2,726,438	2,726,438	33,869,126
2046	23,195,000	1,837,188	25,032,188	—	2,726,438	2,726,438	27,758,626
2047	24,065,000	962,600	25,027,600	—	2,726,438	2,726,438	27,754,038
2048	—	—	—	$35,685,000	2,726,438	38,411,438	38,411,438
2049	—	—	—	37,020,000	1,388,250	38,408,250	38,408,250
Total[(2)]	**$98,375,000**	**$122,846,437**	**$221,221,437**	**$72,705,000**	**$84,324,964**	**$157,029,964**	**$378,251,401**

(1) Fiscal year ending June 30.
(2) Totals may not foot due to rounding.
Source: The University.

LIMITATIONS ON REMEDIES

Pursuant to ORS 287A.310 and 352.087(1)(h), 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. See "APPENDIX B—COPY OF THE RESOLUTION." A 2017 Bond owner 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 set forth in Appendix B.

If the University were to default on the payment of principal of or interest on the 2017 Bonds, payment of the principal of and accrued interest on the 2017 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 2017 Bonds, the 2017 Bond owners 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 2017 Bond owners 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 2017 Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the 2017 Bond owners.

In addition to the limitations on remedies contained in the Resolution set forth in Appendix B, the rights and obligations under the 2017 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 2017 Bonds, will be subject to limitations regarding bankruptcy, insolvency and other laws relating to or affecting creditors' rights. A complete copy of the proposed form of opinion of Bond Counsel is set forth in "APPENDIX D—FORM OF BOND COUNSEL OPINION."

STATE LEGISLATION, INITIATIVES AND REFERENDA

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 79th Legislative Assembly convened its 2017 Legislative Session on February 1, 2017 and adjourned on July 7, 2017 (the "2017 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.

LEGAL INFORMATION

No Litigation Concerning the 2017 Bonds

There is no litigation pending or, to the actual knowledge of the University, threatened questioning the validity of the 2017 Bonds or the power and authority of the University to issue the 2017 Bonds or seeking to enjoin the issuance of the 2017 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 2017 Bonds by the University are subject to the approving legal opinion of Pacifica Law Group LLP, Seattle, Washington ("Bond Counsel"). The proposed form of opinion of Bond Counsel is attached hereto as "APPENDIX D—FORM OF BOND COUNSEL OPINION."

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 INCOME TAX CONSEQUENCES RELATING TO THE 2017 BONDS

The interest on the 2017 Bonds is not intended by the University to be excluded from gross income for federal income tax purposes. Owners of the 2017 Bonds should be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2017 Bonds may have federal income tax consequences not described herein and should consult their own tax advisors with respect to federal income tax consequences of owning such 2017 Bonds. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the 2017 Bonds other than as expressly described above.

In the opinion of Bond Counsel, under existing law, interest on the 2017 Bonds is exempt from Oregon personal income taxes. The proposed form of opinion of Bond Counsel with respect to the 2017 Bonds to be delivered on the date of issuance of the 2017 Bonds is set forth in Appendix D.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Internal Revenue Code of 1986, as amended (the "Code") generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts under the Code (collectively, the "Plans") and persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any 2017 Bond. In all events investors should consult their own tax advisors in determining the federal, state, local and other tax consequences to them of the purchase, ownership and disposition of the 2017 Bonds.

CONTINUING DISCLOSURE UNDERTAKING

The University is covenanting for the benefit of the holders and beneficial owners of the 2017 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 (currently March 31, 2018 for the report for the 2017 Fiscal Year), and to provide notices of the occurrence of certain enumerated events. The Annual Disclosure Report and notices of enumerated 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 2017 Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

During the last five years the University has complied in all material respects with its prior continuing disclosure undertakings.

OTHER BOND INFORMATION

Rating

A rating of "Aa3" has been assigned to the 2017 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 2017 Bonds.

Financial Advisor

PFM Financial Advisors LLC, Seattle, Washington (the "Financial Advisor"), has acted as financial advisor to the University in connection with the issuance of the 2017 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.

Purchaser of the 2017 Bonds

The 2017 Bonds are to be purchased from the University by Bank of America Merrill Lynch. The purchase price of the 2017 Bonds is $72,497,790.75, representing the aggregate principal amount of the 2017 Bonds ($72,705,000) less purchaser's discount of $207,209.25.

Potential Conflicts

Some or all of the fees of the Financial Advisor, Bond Counsel and Disclosure Counsel are contingent upon the sale of the 2017 Bonds. Pacifica Law Group LLP is serving as Bond Counsel and Disclosure Counsel to the University with respect to the 2017 Bonds. From time to time Bond Counsel and Disclosure Counsel may serve as counsel to other parties involved with the 2017 Bonds with respect to transactions other than the issuance of the 2017 Bonds.

Independent Auditor

The University's annual financial statements as of June 30, 2016 and June 30, 2015, 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. The University has not requested that CliftonLarsonAllen LLP provide consent for inclusion of the audit report in this Official Statement, and CliftonLarsonAllen LLP has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Further, CliftonLarsonAllen LLP has not participated in any way in the preparation or review of this Official Statement.

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 2017 Bonds.

At the time of the delivery of the 2017 Bonds, one or more officials of the University will furnish a certificate to the effect that, to the best of his, her or their knowledge this Official Statement, as of its date and as of the date of delivery of the 2017 Bonds, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading (however, the University will make no representation regarding the information provided by or regarding DTC).

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

OREGON STATE UNIVERSITY

By: /s/ Michael J. Green, CPA
Interim Vice President for Finance and Administration/CFO

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 holds 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 is Oregon's Land Grant university and is one of only two U.S. universities to hold 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.

Facilities

The University is comprised of a main campus in Corvallis, Oregon and a branch campus in Bend, Oregon ("OSU-Cascades"). The University also operates the Hatfield Marine Science Center, a leading marine science and education facility in Newport, Oregon; one of the nation's largest online learning programs ("Ecampus"); the Oregon Agricultural Experiment Station ("OAES"), consisting of headquarters in Corvallis and 13 branches across the state; the OSU Extension Service, with offices in 34 of 36 Oregon counties; and the Forest Research Laboratory.

The University's main campus in Corvallis encompasses approximately 500 acres and includes a historic district, listed on the National Register of Historic Places.

OSU-Cascades branch campus offers 20 undergraduate majors and 30 undergraduate minors and options, including in computer science, energy systems engineering, kinesiology, hospitality management, and tourism, recreation and adventure leadership. OSU-Cascades also offers graduate programs in business administration, counseling, creative writing and teaching. Among its entering students are traditional first-year students, transfer students from Central Oregon Community College and other two- or four-year colleges, adults returning to college, and graduate students. OSU-Cascades expanded to a four-year university in 2015. Its new 10-acre campus opened in the 2016-2017 academic year and includes an academic center, a dining/academic building and a residential hall. The University holds 46 acres adjacent to the current 10-acre campus to be used to accommodate future expansion.

The Hatfield Marine Science Center ("HMSC") is a marine sciences research and education facility located in Newport, on the Oregon coast. HMSC is a resource for students and scientists from the University as well as those visiting from other universities and marine science laboratories around the world. HMSC currently hosts collaborative research and education programs from seven University colleges, five State and federal agencies, and multiple national and international universities on its 49-acre campus. HMSC also supports the Marine Mammal Institute ("MMI"), Coastal Oregon Marine Experiment Station ("COMES"), Cooperative Institute for Marine Resources Studies ("CIMRS") and Oregon Sea Grant ("OSG"). HMSC's Visitor Center, which was established at the University in 1971, is operated by OSG and serves 150,000 people per year. The Visitor Center and OSG also provide educational programs for up to 40,000 K-12 students annually. The University is constructing a new building at HMSC as the centerpiece of its Marine Studies Initiative ("MSI"), a University effort to advance global marine studies education and research. MSI is an interdisciplinary collaborative project of the University's 11 academic colleges, the Honors College, the Graduate School, HMSC, and the COMES and Seafood Research and

Extension Center. The University is replacing student housing at HMSC to move it out of a Tsunami Hazard Zone and to help accommodate future growth related to its MSI.

Extended Campus

The University's Division of Extended Campus is home to Ecampus, Summer Session, Open Oregon State, the Ecampus Research Unit, and Professional and Continuing Education ("PACE"). In 2017-18, the University's study abroad programs ("Office of Global Opportunities") will also be moved under the division.

Ecampus is the University's online distance learning education unit, offering online courses developed by University faculty. In 2016-2017, Ecampus served 21,400 students from all 50 states and more than 50 countries. In partnership with more than 700 University faculty partners, Ecampus delivers more than 50 degree and certificate programs as well as over 1,100 courses in 100-plus subjects. Ecampus' annual growth continues to be strong, averaging over 16 percent growth in Student Credit Hours over the last three years. *U.S. News & World Report* has ranked Ecampus in the top 10 for three consecutive years on its list of the country's best online bachelor's programs.

PACE serves more than 11,000 adult learners annually by identifying and creating lifelong learning opportunities. PACE also offers customized corporate training. Summer Session serves more than 7,000 students annually on the Corvallis campus and at HMSC. During summer term, the University offers more than 1,300 on-site courses in over 100 subjects. Open Oregon State works with University faculty to create open educational resources, such as free textbooks and other no-cost, online course materials, and the Ecampus Research Unit conducts research that aims to create an accessible and inclusive online learning environment for students at the University and nationwide.

Academic Programs

The University offers 228 degree programs (85 undergraduate, 80 masters, 61 doctorate and two professional DVM-Doctor of Veterinary Medicine and PharmD-Doctor of Pharmacy degree programs through its 11 academic colleges and graduate school. The academic colleges include: Agricultural Sciences; Business; Earth, Ocean, and Atmospheric Sciences; Education; Engineering; Forestry; Liberal Arts; Pharmacy; Public Health and Human Sciences; Science; and Veterinary Medicine. In addition, the University's Honors College is one of the few degree-granting honors programs in the country. Honors College students may earn an Honors Degree (HBA, HBFA or HBS) from eight of the University's academic colleges.

The University offers programs through 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 (Education; Liberal Arts; Science; University Honors College). The divisional structure has led to collaborative initiatives 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. The University offers the only Pharmacy, Veterinary Medicine and Public Health dual degree programs in the State.

Research

The University is one of 115 universities (81 public, 34 private) in the U.S. and two universities in Oregon that are classified as a "Doctoral University—Highest Research Activity" under the Carnegie Classification of Institutions of Higher Education. The University conducted the most research of all comprehensive universities in the State as measured by contract and grant awards in fiscal year 2017. The University's Research Agenda, integrated with the University's Strategic Plan, guides faculty inquiry in the University's three Signature Areas of Distinction: Advancing the Science of Sustainable Earth Ecosystems; Improving Human Health and Wellness; and Promoting Economic Growth and Social Progress.

Research is integrated throughout all of the University's academic colleges and centers. The University's Research Office is responsible for research administration and includes the Office for Sponsored Research and Award Administration; the Office of Commercialization and Corporate Development; and the Office of Research Integrity. The Research Office oversees 12 campus-level institutes and centers, OSG, and the University's partnerships with each of the State's three Signature Research Centers: the Oregon Nanoscience and Microtechnologies Institute (ONAMI), the Oregon Built Environment and Sustainable Technologies Center (Oregon BEST), and the Oregon Translational Research and Development Institute (OTRADI).

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. See "OTHER UNIVERSITY FINANCIAL INFORMATION," herein.

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") and confirmed by the State Senate. Three Trustees are appointed to two-year terms (the student, faculty, and non-faculty staff members of the Board), and the balance serve four-year terms. Trustees may not be appointed to serve more than two consecutive full terms.

Current membership of the Board of Trustees is shown below. A recommendation for the vacant position has been submitted to the Governor and is pending appointment and subsequent confirmation by the State Senate.

Name	Position	Vocation	Term Expiration (June 30)
Rani Borkar	Chair	Executive, Microsoft	2021
Darald W. Callahan	Vice Chair	Retired President, Chevron Chemical Co.	2019
Michael J. Bailey, Ph.D.(1)	Faculty Trustee	Professor in Computer Science	2019
Mark B. Baldwin(1)	Non-Faculty Staff Trustee	University analyst and programmer	2019
Patricia M. Bedient	Trustee	Retired Chief Financial Officer/Executive Vice President, Weyerhaeuser Co.	2019
Julia A. Brim-Edwards	Trustee	Vice President, Nike	2021
Michele Longo Eder	Trustee	Attorney; Member, NOAA Marine Fisheries Advisory Committee	2019
Paul J. Kelly, Jr.	Trustee	Retired Attorney; former Member, Oregon State Board of Higher Education (closed June 30, 2015)	2021
Laura Ernest Naumes	Trustee	Vice President, Naumes Inc.	2019
Preston Pulliams	Trustee	President, Gold Hill Associates	2019
Dr. Edward J. Ray(2)	Trustee *(Ex Officio)*	University President	N/A
Kirk E. Schueler	Trustee	Chief Executive Officer and President, Brooks Resources Corporation	2021
Michael G. Thorne	Trustee	Owner/Farmer, Thorne family farm	2021
Vacant(3)	Trustee	N/A	2019
Angel Mandujano-Guevara(1)	Student Trustee	Student	2019

(1) Faculty, non-faculty Staff, and student members of the Board serve two-year terms.
(2) Dr. Ray is the President of the University and serves as an ex officio, non-voting member of the Board.
(3) Position is vacant as of July 1, 2017. A recommendation has been submitted to the Governor and is pending appointment by the Governor and confirmation by the State Senate.

Source: The University.

Board 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 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 Provost and Executive Vice President, who is the chief operating officer and chief academic officer of the University; the Vice President and Chief Diversity Officer; the Vice President and Director of Intercollegiate Athletics; the Vice President for University Relations and Marketing; the University General Counsel; the Interim Vice President for Finance and Administration, who is the chief financial officer of the University; the Vice President for OSU-Cascades; and the Vice President for Research.

Dr. 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, Association of Public Land-grant Universities 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 chaired 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.

Dr. Edward Feser, Provost and Executive Vice President. Dr. Feser became the University's Provost in February 2017. Prior to joining the University, Dr. Feser served as Interim Vice Chancellor for Academic Affairs and Provost at the University of Illinois at Urbana-Champaign. He was Dean of the University of Illinois Urbana-Champaign College of Fine and Applied Arts; served as Davies Chair of Entrepreneurship and Head of the Division of Innovation, Management and Policy at the Manchester Business School, University of Manchester, United Kingdom, in 2011-12; as Head of the Department of Urban and Regional Planning at the University of Illinois at Urbana-Champaign from 2007 to 2011; and as Assistant Secretary for Policy, Research and Strategic Planning in the North Carolina Department of Commerce in 2003. Dr. Feser holds a professorship at the University in Public Policy in the College of Liberal Arts. He earned a Ph.D. in Regional Planning and a Master of Regional Planning from the University of North Carolina at Chapel Hill and a Bachelor of Arts in Government from the University of San Francisco. He is a Senior Research Fellow with the Center for Regional Economic Competitiveness in Arlington, Virginia.

Dr. Charlene Alexander, Vice President and Chief Diversity Officer. Dr. Alexander became the Vice President and Chief Diversity Officer in June 2017. Dr. Alexander comes to the University from Ball State University where she served as the Associate Provost for Diversity and Interim Associate Vice President for Community Engagement since 2013. Prior to becoming the Associate Provost for Diversity in 2013, Dr. Alexander directed the School Counseling program in the Department of Counseling Psychology. Dr. Alexander has been leading diversity and inclusion initiatives since 1990 while a doctoral student at the University of Nebraska-Lincoln. Dr. Alexander has completed comprehensive diversity climate assessments of the athletic department at Ball State University, chaired the NCAA Gender and Diversity self-study for the athletics Department, and established diversity and gender goals for the athletic department.

Scott Barnes, Vice President and Director of Intercollegiate Athletics. Mr. Barnes became the University's Vice President and Director of Intercollegiate Athletics in February 2017. Mr. Barnes has served as the athletics director at the University of Pittsburgh since the spring of 2015. Mr. Barnes is recognized as a national leader in intercollegiate athletics, including serving as the chair of the NCAA Men's Basketball Tournament Selection Committee for 2014-15. Prior to joining University of Pittsburgh, Mr. Barnes spent seven years as athletic director at Utah State. Prior to his tenure at Utah State, Mr. Barnes spent nearly three years at the University of Washington as senior associate athletic director for advancement. Mr. Barnes served as athletic director at Eastern Washington University from 1999 to 2005. Mr. Barnes was recognized by the National Association of Collegiate Directors of Athletics in 2014 as an NACDA athletic director of the year recipient while at Utah State. At Eastern Washington, he was awarded a regional recognition by NACDA. A native of Spokane, Washington, Mr. Barnes graduated from Fresno State University with a bachelor's degree in 1986 and a master's degree in athletics administration and physical education in 1993.

Steven Clark, Vice President for 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. Mr. Clark has a bachelor's degree in journalism from the University.

Rebecca Gose, JD, 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 J. Green, CPA, Interim Vice President for Finance and Administration/CFO. Mr. Green was named Interim Vice President for Finance and Administration/CFO effective July 1, 2016. Prior to that date he held the position of Interim Vice President for Finance effective January 4, 2016. Mr. Green has been appointed Vice President for Finance and Administration/CFO effective November 1, 2017. Mr. Green has been with the University since January 2014 as the Associate Vice President for Finance and Administration and Controller. 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 over $1 billion in assets. Mr. Green is an Oregon Certified Public Accountant and holds a bachelor of science degree in business administration from the University.

Dr. Rebecca 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.

Dr. Cynthia Sagers, Vice President for Research. Dr. Sagers has been the University's Vice President of Research since August 2015. She previously served as the Associate Vice Provost for Research and Economic Development at the University of Arkansas. Dr. Sagers joined the faculty at the University of Arkansas in 1994. Dr. Sagers served the National Science Foundation from 2010-2012 as Program Officer in the Office of International Science and Education, and the Division of Environmental Biology. In 2012, Dr. Sagers was named Associate Vice Provost for

Research and Economic Development. She earned two bachelor's degrees from the University of Iowa and a doctorate degree from the University of Utah.

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 10 years. The University's accreditation was reaffirmed in August 2011 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. In Fall 2015, the University completed its *ad hoc* evaluation, and in Spring 2019 the University will undertake its Year Seven Evaluation.

Admissions, Student Enrollment and Faculty Information

The following table shows graduate and undergraduate enrollments, applications, and acceptances, based on fall semester enrollment for fall 2012 through fall 2016. Headcount labeled "Undergraduates" includes enrollments in online programs through Ecampus and enrollments at HMSC and OSU-Cascades. Undergraduate OSU-Cascades enrollment is also reported separately.

Applications to the University in Corvallis have continued to grow as they have since 2014 with a 1.3 percent increase in applications for Fall 2017. Although new resident undergraduate enrollment has softened slightly due to recent State legislation providing for free community college for Oregon residents, the University is currently expecting a 10 percent increase in the number of confirmed non-resident freshmen for Fall 2017. The number of new transfers is up about 14 percent, with continued growth expected in future years related to the free community college legislation.

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Table A1. Enrollment and Matriculation

	Fall 2016	Fall 2015	Fall 2014	Fall 2013	Fall 2012
Fall Quarter Enrollment (Headcount)					
Undergraduates					
Full-time	18,852	18,492	18,477	18,486	17,795
Part-time	6,475	6,120	5,426	4,675	4,017
Total Undergraduates	25,327	24,612	23,903	23,161	21,812
Graduates and Professionals	5,237	5,123	5,151	4,916	4,720
Total Undergraduates, Graduates, and Professionals	30,564	29,735	29,054	28,077	26,532
Undergraduate Matriculation					
Applications	20,249	19,936	19,432	18,583	16,609
Admits	15,149	14,932	14,781	14,510	12,797
Percent Applications Admitted	74.8%	74.9%	76.1%	78.1%	77.0%
Matriculations	6,301	6,112	6,318	6,090	5,566
Matriculations Percent of Admissions	41.6%	40.9%	42.7%	42.0%	43.5%
Graduate Matriculation					
Applications	7,102	6,485	6,833	6,273	5,976
Admits	2,383	2,373	2,581	2,317	2,184
Percent Applications Admitted	33.6%	36.6%	37.8%	36.9%	36.5%
Matriculations	1,473	1,335	1,679	1,460	1,491
Matriculations Percent of Admissions	61.8%	56.3%	65.1%	63.0%	68.3%

	Fall 2016	Fall 2015	Fall 2014	Fall 2013	Fall 2012
Included in Total Undergraduates above:					
OSU-Cascades					
Full-time	327	252	237	194	162
Part-time	585	605	575	590	500
Total Undergraduates	912	857	812	784	662

Source: The University, Institutional Research Department.

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International Student Recruitment and Support Programs. The University's international student enrollment headcount for Fall Quarter 2016 was 3,529, which was 11.6 percent of the University's total undergraduate, graduate and professional students. International students enter the University's degree programs directly if they meet all admissions requirements. The University offers undergraduate and graduate Pathway programs for students who need English language support or other preparatory activity before entering a degree program. Pathway students must meet the University's progression requirements before advancing into any undergraduate or graduate degree program. First year international students reside in the University's International Living-Learning Center and various other residence halls.

In 2008, 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. INTO OSU oversees international marketing and international student recruitment activity for both direct entry students and for Pathway students. INTO OSU provides the academic preparation, English language training and student services for Pathway students.

Under agreements with INTO OSU, the University pays service, matriculation and other fees, and the University receives rent for academic space, housing and dining revenues 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. The University has long-term agreements with INTO OSU to continue the initiative.

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				
Instructional Faculty	**2016**	**2015**	**2014**	**2013**	**2012**
Full-time	1,163	1,161	1,111	982	945
Part-time	450	460	485	434	400
Total	1,613	1,621	1,596	1,416	1,345
Percent Tenured	53.1%	55.9%	58.0%	57.0%	59.6%
Percent of Total with Ph.D., other Doctorate	72.2%	73.7%	75.7%	75.4%	77.3%

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 through 2016 was individually audited and is from the University's 2014, 2015, and 2016 Annual Financial Reports. The data for fiscal year 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 year 2012 was subjected to the auditing procedures applied in the audit of the OUS Annual Financial Reports.

Table A3. Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ending June 30 (000s)
(*Compilation of University Audited Annual Financials, 2013–2016 and Supplementary Schedules from the OUS Audited Annual Financial Report, 2013*)

	2016[1]	2015[2]	2014[2]	2013[2]	2012[3]
OPERATING REVENUES					
Student Tuition and Fees[4]	$ 302,949	$ 284,360	$ 263,975	$ 228,436	$ 202,358
Federal Grants and Contracts	176,078	171,063	158,291	165,544	166,811
State and Local Grants and Contracts	9,272	9,492	6,786	6,994	7,167
Nongovernmental Grants and Contracts	22,102	22,303	22,114	18,928	19,708
Educational Department Sales and Services	46,651	42,174	33,704	35,402	31,770
Auxiliary Enterprises Revenues[4]	154,722	146,900	128,820	124,421	109,139
Other	8,806	10,320	8,186	7,655	9,189
Total Operating Revenues[5]	720,580	686,612	621,876	587,380	546,142
OPERATING EXPENSES					
Instruction	298,184	239,678	243,734	218,010	192,750
Research	208,971	180,981	179,745	179,196	172,976
Public Service	105,157	81,666	77,820	75,395	81,588
Academic Support	81,854	60,532	61,925	56,501	52,767
Student Services	32,409	27,057	26,370	25,319	24,119
Auxiliary Programs	161,825	144,213	144,018	129,770	119,013
Institutional Support	82,001	65,210	61,523	56,572	51,947
Operation and Maintenance of Plant	34,269	30,411	30,805	30,653	30,353
Student Aid	34,264	33,450	30,547	28,326	26,257
Other	54,248	56,264	54,938	46,559	46,720
Total Operating Expenses[5][6]	1,093,182	919,462	911,425	846,301	798,490
Operating Loss	(372,602)	(232,850)	(289,549)	(258,921)	(252,348)
NONOPERATING REVENUES (EXPENSES)					
Government Appropriations[7]	193,377	175,170	161,590	150,487	143,027
Financial Aid Grants	47,093	45,093	45,197	43,193	41,231
Gifts	53,751	54,578	48,061	—	—
Investment Activity[8]	11,925	14,876	17,291	15,591	7,603
Gain (Loss) on Sale of Assets, Net	(1,287)	(1,501)	(158)	(66)	92
Interest Expense[9]	(19,944)	(17,750)	(25,453)	(27,141)	(26,743)
Other	975	173	(4,293)	43,127	41,741
Total Net Nonoperating Revenues[5]	285,890	270,639	242,235	225,191	206,951
Income (Loss) Before Other Revenues	(86,712)	37,789	(47,314)	(33,730)	(45,397)
OTHER REVENUES (EXPENSES)					
Debt Service Appropriations[7]	1,084	1,100	16,696	19,250	15,896
Capital Grants and Gifts	67,614	76,587	24,739	17,105	21,126
Changes to Permanent Endowments	129	450	766	238	140
Transfers within the OUS	—	—	(4,491)	(2,352)	(5,856)
Total Net Other Revenues[5]	68,827	78,137	37,710	34,241	31,306
Increase (Decrease) in Net Position prior to Special/Extraordinary Items	(17,885)	115,926	(9,604)	511	(14,091)
SPECIAL AND EXTRAORDINARY ITEMS					
Special Item – Change in Entity[10]	21,431	224,667	—	—	—
Increase (Decrease) in Net Position after Special/Extraordinary Items	3,546	340,593	(9,604)	511	(14,091)
NET POSITION					
Beginning Balance	737,731	471,692	481,296	480,785	494,876
Change in Accounting Principle[11]	—	(74,554)	—	—	—
Beginning Balance, Restated	737,731	397,138	481,296	480,785	494,876
Ending Balance[5]	$741,277	$737,731	$ 471,692	$ 481,296	$ 480,785

Footnotes to table on the following page.

FOOTNOTES TO TABLE ON PREVIEW PAGE

(1) 2016 numbers are from the University's unaudited 2017 Annual Financial Report and include revisions from the 2016 Annual Financial Report.
(2) 2013, 2014, and 2015 numbers are from the University's 2014, 2015, and 2016 Annual Financial Reports.
(3) 2012 numbers are from the 2012 Supplementary Schedules from the OUS 2013 Annual Financial Report.
(4) Net of allowances.
(5) Totals may not foot due to rounding.
(6) Beginning with the fiscal year ended June 30, 2015, the reporting of a net pension asset, and then a net pension liability for fiscal year ended June 30, 2016, significantly affected the reported compensation and benefit expenses of the University. See Note 13 Operating Expenses by Natural Classification, Management's Discussion and Analysis and Effect of GASB Statement Nos. 68 and 71 on Expenses by Function in APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY (FISCAL YEARS ENDED JUNE 30, 2016 AND 2015).
(7) The University receives support from the State in the form of general fund and lottery appropriations. These appropriations are in support of the operations of the University and SELP debt service. The University also receives state general fund, state forest product harvest tax, federal appropriations, and county appropriations in support of operations. See Note 14 Government Appropriations in APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY (FISCAL YEARS ENDED JUNE 30, 2016 AND 2015).
(8) For Investment Activity detail, see Note 12 in APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY (FISCAL YEARS ENDED JUNE 30, 2016 AND 2015).
(9) Interest expense and debt service appropriations decreased due to the removal of State-Paid Bonds. The University will no longer receive State general fund or lottery funds for the repayment of Article XI-G, Article XI-Q, Certificates of Participation and lottery debt that is paid by the State. See Note 9 Long-Term Liabilities in APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY (FISCAL YEARS ENDED JUNE 30, 2016 AND 2015).
(10) Reflects the transfer of assets from OUS to the University on or before June 30, 2015. See Note 18 of the University's 2015 Annual Financial Report (in APPENDIX C) for further information regarding the change in entity. The change in entity also changed the allocation of bond debt held in the name of the State. DAS, State Treasury, and Department of Justice all concluded that a portion of the debt previously allocated to the OUS and the seven universities as State agencies was the responsibility of the State to repay. The University still has responsibility to repay University-Paid State Bonds. See Note 9 Long-Term Liabilities for additional information.
(11) The cumulative effect of applying GASB 68 is reported as a restatement of beginning net position as of July 1, 2014. See Note 1 Section Q of the University's 2015 Annual Financial Report for further information.

Source: The University's 2014, 2015 and 2016 Annual Financial Reports; Supplementary Schedules from the OUS Annual Financial Report, 2012.

Management Discussion of Expected 2017 Financial Results

Based on preliminary unaudited figures the University expects total operating revenues of $767,634,000, total operating expenses of $1,099,679,000 (representing an operating loss of $332,045,000), net nonoperating revenues of $295,061,000, and an ending net position balance of $754,187,000 in Fiscal Year 2017. The University's financial position has improved over the past two years with an increase to net position as of June 30, 2017 of $13 million (based on preliminary unaudited figures) and an increase of $4 million in 2016. The expected increase to net position in 2017 was due in part to an increase in unrestricted operations, which includes education, auxiliary and general business type activities, of an expected $22 million as well as an increase in net investment in capital assets of an expected $27 million. Those increases are expected to be somewhat offset by a net decrease to unrestricted net position of $40 million related to changes in net pension liability and associated deferred outflows and deferred inflows. See "PENSION AND RETIREMENT BENEFITS," herein.

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 2017 BONDS—University General Revenue Obligation," General Revenues include tuition and fees, charges, rents, and other operating revenues of the University, except as specifically excluded. The following items are specifically excluded: Student Building Fees and Student Incidental Fees; Grant and Contract Revenues; 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, or contract.

Student Tuition and Fees. Student Tuition and Fees (excluding Student Building Fees and Student Incidental Fees) represents a significant component of General Revenues. The University received approximately $303 million in Student Tuition and Fees in fiscal year 2016, of which approximately 97% percent represented tuition. Resident and non-resident tuition and fee rates for the 2013–2014 through 2017–2018 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
2017-2018	$ 10,797	$ 29,457	$ 14,601	$ 24,483
2016-2017	10,366	28,846	13,801	23,440
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

(1) Tuition amounts vary depending on degree program.
(2) Rates for academic year 2013–14 are as of fall semester.
Source: The University.

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 exceed five percent annually only if the governing board of the university receives approval from the HECC or the Legislative Assembly.

At its meeting on April 21, 2017, the Board approved tuition increases for fiscal year 2018, effective fall 2017. The Board approved a resident undergraduate tuition increase of four percent and specified that one percent of the resident tuition increase (and 0.5% of the non-resident undergraduate tuition increase of two percent) be allocated to additional need-based financial aid.

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 $154.7 million in Auxiliary Enterprises Revenues in fiscal year 2016.

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OTHER UNIVERSITY FINANCIAL INFORMATION

Grant and Contract Revenues. The University received $312.6 million in Grant and Contract Revenues in fiscal year 2016. A summary of Grant and Contract Revenues for fiscal years 2013 through 2016 is provided in Table A5 on the following page. Grant and Contract Revenues are excluded from General Revenues.

Table A5. Grant and Contract Revenues
For the Fiscal Years Ending June 30
(in 000s)

	2016	2015	2014	2013
Federal	$ 176,078	$ 171,063	$ 158,291	$ 165,544
State and Local	9,727	9,492	6,786	6,994
Nongovernmental	22,102	22,303	22,114	18,928
State Appropriations	58,082	51,689	49,566	48,427
Financial Aid Grants	47,093	45,093	45,197	43,193
Total Grants and Contracts	$ 312,627	$ 299,640	$ 281,954	$ 283,086

Source: The University's Annual Financial Reports.

The University's research portfolio is supported by a number of sources as shown below. The University's expectations with regard to future Grant and Contract Revenues are informed by its awards. Awards are received by the University over one or more fiscal years and, when received, are presented as Grant and Contract Revenues in the University's financial statements. The total research awards in fiscal years 2013 through 2017 are shown in Table A6. Fiscal year 2017 was the third consecutive year of record research revenue. The University reached its highest funding level, at $421.2 million, including $314.5 million in Federal funding. In addition to growing overall research revenue, Federal funding again exceeded non-Federal funding, representing 75 percent of the total funding in fiscal year 2017. The University has received a $122 million grant award from the National Science Foundation to build a new regional class research vessel (funding for one vessel has been appropriated to date) and expects to receive funding for two additional research vessels, all of which are expected to join the United States' University-National Oceanographic Lab System fleet. The recent increase in Federal grant funding reflects, in part, this grant award although the timing of the award does not coincide specifically to the fiscal year presentation below.

Table A6. Externally Funded Awards
For the Fiscal Years Ending June 30
(in 000s)

	2017(1)	2016	2015	2014	2013
Federal Agencies	$ 314,512	$ 212,554	$ 185,164	$ 170,548	$ 153,777
State Appropriations	60,512	58,082	51,689	49,566	48,427
State of Oregon	9,851	11,803	7,383	8,196	6,468
Federal Appropriations	8,853	9,879	9,190	9,263	8,030
Industry	8,087	4,645	7,192	7,235	7,137
Private Foundation	7,773	6,293	7,549	4,787	4,512
University-Affiliated Foundation	4,674	5,320	6,612	6,786	4,544
Non-Profit	2,979	3,041	2,376	2,404	3,569
Research Cooperatives	2,202	2,951	2,750	2,297	2,029
Other States	1,007	908	372	359	363
Local Government	481	1,247	2,215	930	989
Foreign Government	219	801	389	979	851
Annual Total	$ 421,151	$ 317,524	$ 282,880	$ 263,350	$ 240,696

(1) 2017 information is preliminary.

Source: The University's Research Office Statistics Report—Externally Funded Awards, Fiscal Years 2013 through 2017. 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 provides to institutions.

Pursuant to ORS 352.089 each public university must submit its biennial funding request to the office designated by the HECC, which coordinates the requests and submits to HECC a consolidated funding request 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 a university with a governing board under ORS 352.135(2) (e.g. under the Debt Management Agreement).

The HECC uses the Student Success and Completion Model, adopted in 2015, to allocate to the seven public universities State appropriations for the Public University Support Fund ("PUSF") The model first distributes funding for mission differentiation – individual line item funding for regional, research, and public service missions of each university. The model distributes of the remaining PUSF, 40 percent based on enrollment (three-year rolling averages of student credit hours of Oregon resident students) and 60 percent based upon completions/degrees (three-year rolling averages of completions by Oregon resident students) with additional weighting for underrepresented students and certain high-demand and high-reward fields. Most recently, the University's PUSF appropriation has equaled 30-32 percent of the total PUSF appropriation distributed to the public universities.

State funding for higher education has a somewhat volatile history. Between 2007-2009 and 2013-2015, the State reduced its total support to public universities by 11 percent. However, total funding for 2015-2017 was a 27.5 percent increase over 2013-2015. This upswing continued, although at a slower pace, with the 2017-2019 total funding increase of 14 percent over 2015-2017. Long-term pressures on State resources from heath care and retirement obligations diminish the likelihood of this trajectory continuing into 2019-2021 and beyond.

For 2017-2019, the State funded public universities' capital projects at a record level (not accounting for inflation) of $264 million. Over the last six biennia, the University has received about 28 percent of the State's total capital support for specific projects (excluding capital improvement and renewal), with individual biennial support ranging from 22.4 percent to 32.2 percent.

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 HECC seeks debt service appropriations from the State. Based on fiscal year 2017 unaudited figures, 2017 operating appropriations were $183.3 million and, based on current HECC fiscal year 2018 distributions, 2018 operating appropriations are expected to be $202.9 million.

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

	Fiscal Year				
	2016	**2015**	**2014**	**2013**	**2012**
Operating Appropriations	$ 173,861	$ 155,790	$ 144,122	$ 134,191	$ 127,971
Debt Service Appropriations	1,084[(1)]	1,100[(1)]	16,696	19,250	15,896
Total Appropriations	$ 174,945	$ 156,890	$ 160,818	$ 153,441	$ 143,867

(1) Debt service appropriations decreased due to the removal of State-Paid Bonds. The University will no longer receive State general fund or lottery funds for the repayment of Article XI-G, Article XI-Q, Certificates of Participation (COPs) and lottery debt that is now paid directly by the State. See Note 9 Long-Term Liabilities in "APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY (FISCAL YEARS ENDED JUNE 30, 2016 AND 2015)."

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

University Expenditures. Operating expenses increased $174 million in fiscal year 2016, or 19 percent, over fiscal year 2015, to $1,093 million. The 2016 increase resulted from a $146 million swing in compensation and benefit costs associated with reporting requirements under GASB Statements Nos. 68 and 71. Operating expenses increased by $8 million in 2015, or one percent over 2014, to $919 million. The 2015 increase resulted from higher expenses in most categories, with the biggest overall increases in auxiliary programs, public service and institutional support. These increases were offset by decreases in instruction, academic support and student aid. See "APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY (FISCAL YEARS ENDED JUNE 30, 2016 AND 2015)"; see also "PENSION AND RETIREMENT BENEFITS."

University Capital Assets. At June 30, 2016, the University had $1.8 billion in capital assets, less accumulated depreciation of $730 million, for net capital assets of $1.1 billion. At June 30, 2015, the University had $1.7 billion in capital assets, less accumulated depreciation of $695 million, for net capital assets of $978 million. During fiscal year 2016, $110 million in construction projects were completed and placed into service.

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 allocated among two investment pools: 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 Core Bond Fund with the objective of higher total return versus the short-term allocation over extended periods. The Core Bond Fund invests in high-quality, fixed income securities with a maturity of three years and above. Table A8 shows total cash, cash equivalents and investments as of June 30 for years 2013 through 2016, as well as preliminary and unaudited figures for 2017 (as of June 30, 2017).

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

Cash and Cash Equivalents(1)	**2017**(2)	**2016**(2, 3)	**2015**	**2014**	**2013**
Current Cash and Cash Equivalents	$62,997	$ 47,697	$ 84,341	$ 115,303	$ 82,756
Long-term Cash and Cash Equivalents	26,553	8,016	13,486	33,756	52,104
Total Cash and Cash Equivalents	89,550	55,713	97,827	149,059	134,860
Investment Types					
Fixed Income	140,453	136,481	151,543	73,251	105,639
Equities	24,331	18,987	6,361	19,421	17,362
Alternatives(4)(5)	19,859	22,319(5)	4,937	9,040	7,614
Total Investments	184,643	177,787	162,841	101,712	130,615
Total Cash, Cash Equivalents and Investments	$274,193	$ 233,500	$ 260,668	$ 250,771	$ 265,475

(1) Since fiscal year 2014, the University has implemented an investment strategy which shifted from cash and cash equivalents to investments.

(2) 2017 figures and adjusted 2016 figures are unaudited and preliminary.

(3) The method for reporting current and long-term cash and cash and cash equivalents changed in Fiscal Year 2017. The 2016 figures represent the adjusted Fiscal Year 2016 figures using the same method as for Fiscal Year 2017.

(4) Includes University-managed real estate endowments valued at $4,508, $4,692, $4,937, $2,693 and $2,139 in fiscal years 2017, 2016, 2015, 2014, and 2013, respectively.

(5) Does not include $5,450 receivable from OSU Foundation at June 30, 2015.

(6) The Fiscal Year 2016 increase to alternative investments is the result of an investment manager and strategy change for the University's endowment assets beginning July 1, 2015.

Source: The University's 2014, 2015, and 2016 Annual Financial Reports; June 30, 2017 and adjusted June 30, 2016 are unaudited.

On July 1, 2015, the University transferred the management of its endowment funds from the Oregon State Treasury to OSUF pursuant to an investment agreement between the University Board and OSUF. The University transferred $38,710,278 in cash and investments to OSUF. Real estate endowments and remainder trusts totaling $4,936,872 continued to be managed by the University. See Note 1 Organization and Summary of Significant Accounting Policies, Section M. Endowments for additional information on this change. See "APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY (FISCAL YEARS ENDED JUNE 30, 2016 AND 2015)." OSUF invests the University endowment and quasi-endowment assets pursuant to its Endowment Fund & Pooled Investment 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, 2016 AND 2015)."

The University, working with the OSUF, completed its first comprehensive campaign on December 31, 2014 (the "Campaign"), with a total of $1.14 billion in gifts, grants and pledge fundraising. More than 106,000 donors, representing all 50 states and 58 nations, contributed to this Campaign. After completing the Campaign in 2014, the OSUF provided gifts, grants and pledges totaling $122.07 million in 2016 and $132.16 million in 2017. The success of the Campaign, along with special initiatives since the Campaign (Forest Science Complex, Marine Studies Complex, Valley Football Center, and Student Success Initiative), is guiding the University in its planning for the next campaign.

OSUF is working with the University to increase support for initiatives tied to the University's Strategic Plan.

Student Financial Aid. A summary of aid delivered to students in 2013 through 2016 is provided below.

Table A9. Student Financial Aid[1]

	Fiscal Year 2016[2]		**Fiscal Year 2015**[2]		**Fiscal Year 2014**[2]		**Fiscal Year 2013**[2]	
Funding Source	**Amount**	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Total**
Federal	$152,967,130	65.0%	$154,462,451	68.3%	$ 160,027,328	70.1%	$ 156,006,849	70.5%
State	10,236,454	4.3	8,964,729	4.0	8,504,436	3.7	7,625,376	3.4
Institutional	45,671,359	19.4	38,659,828	17.1	38,392,726	16.8	40,596,544	18.3
Private/Other	26,578,170	11.3	24,195,068	10.7	21,438,847	9.4	17,160,562	7.8
Total[7]	$235,453,113	100%	$ 226,282,076	100.0%	$ 228,363,337	100.0%	$ 221,389,331	100.0%
Programs[3]								
Grants[4]	$54,193,389	23.0%	$ 51,457,453	22.7%	$ 52,294,207	22.9%	$ 53,315,140	24.1%
Scholarships	45,993,890	19.5	40,733,435	18.0	39,173,543	17.2	37,266,437	16.8
Employment	915,856	0.4	987,751	0.4	839,247	0.4	931,487	0.4
Loans[5][6]	134,349,978	57.1	133,103,437	58.8	136,056,340	59.6	129,876,267	58.7
Total[7]	$235,453,113	100.0%	$ 226,282,076	100.0%	$ 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. The HECC, in consultation with DAS, submits an appropriations request for state-paid debt as part of its biennial Agency Request Budget process. 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 Debt Management Agreement. 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 from the University's legally available revenues. As of June 30, 2017, the University is obligated to make payments with respect to University-Paid State Bonds as shown in table A10 on the following page. 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, 2017)
(000s)

Fiscal Year	Contracts Payable[(1)]	SELP	Revenue Bonds[(2)]	Other Borrowings	Total[(3)]
2018	$29,796	$1,360	$4,326	$20	$35,502
2019	29,199	1,265	4,326	3	34,793
2020	27,116	1,186	4,326	—	32,628
2021	26,467	1,185	4,326	—	31,978
2022	25,934	1,185	4,326	—	31,445
2023-2027	123,415	5,928	21,632	—	150,975
2028-2032	104,889	5,232	21,632	—	131,753
2033-2037	73,733	—	21,632	—	95,365
2038-2042	40,390	—	21,632	—	62,022
2043-2047	8,366	—	113,060	—	121,426
Total[(2)]	$489,305	$17,341	$221,218	$23	$727,887

(1) The University is contractually obligated to make these payments to the State, which reflect principal and interest on bonds and other general obligations issued by the State.
(2) Does not include debt service on the 2017 Bonds.
(3) Totals may not foot due to rounding.
Source: University; unaudited.

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. See also Note 19 Change in Entity in "APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY (FISCAL YEARS ENDED JUNE 30, 2016 AND 2015)."

State Treasurer Approval of Cash Flow 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 2017 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 352.402, has reviewed and approved the University's plans to issue the 2017 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, and repaid with University revenues, pursuant to Articles XI-F and XI-Q of the Oregon Constitution and ORS 283.085 to 283.092 and (iii) the 2017 Bonds as well as other series of General Revenue bonds and lines of credit outstanding that have already been issued by the University.

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.

In the future, if the University opts to issue revenue bonds without State Treasurer approval, the University will thereupon lose its eligibility to receive proceeds of bonds issued by the State under Articles XI-F(1) or XI-Q 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 on the previous page, the University is obligated to make payments with respect to University-Paid State Bonds when due from legally available revenues of the University. ORS 352.415(3) provides that payments with respect to University-Paid State Bonds are to be paid on or before the dates specified from legally available revenues 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 352.415 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 prohibit 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 2017 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. See "APPENDIX B—COPY OF THE RESOLUTION."

Labor Relations

As of August 1, 2017, the University employs 10,630 people (including student workers), with the unrepresented employee population representing the majority of the workforce at 73 percent. Of the 27 percent represented employees, the Coalition of Graduate Employees, American Federation of Teachers Local 6069 ("CGE") part-time student employee population accounts for 12 percent of the workforce, while the Service Employees International Union, Local 503, Oregon Public Employees Union ("SEIU") primary employees represent 15 percent of the workforce.

The University labor force includes 7,537 unrepresented faculty members and other unrepresented employees, including 3,021 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 1,299 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, 2020.

The University's 1,587 primary classified employees are represented by SEIU. The SEIU contract is set to expire on June 30, 2019 with scheduled economic reopeners. The SEIU collective bargaining agreement includes a combined agreement with all seven public universities, previously identified as the OUS. All seven universities (the University, Eastern Oregon University, Oregon Institute of Technology, Portland State University, Southern

Oregon University, University of Oregon and Western Oregon University) now have separate boards governing operations. While each institution is 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

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 before January 1, 1996 are known as "Tier 1" members. The retirement benefits applicable to Tier 1 members are based primarily on a defined benefit model. Employees hired on or after January 1, 1996 and before August 29, 2003 are known as "Tier 2" members. The Tier 2 program also provides a defined benefit but with lower expected costs to employers than under the Tier 1 benefit. Employees hired on or after August 29, 2003 are members in a successor retirement program to the Tier 1 and Tier 2 retirement programs (the "T1/T2 Pension Programs") known as Oregon Public Service Retirement Plan ("OPSRP"). OPSRP's defined benefit component is part of the single cost-sharing defined benefit plan administered by PERS. See Note 15 in "APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY (FISCAL YEARS ENDED JUNE 30, 2016 AND 2015)."

Oregon statutes require an actuarial valuation of PERS by a competent actuary at least once every two years. Under the State's current practice, 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").

For purposes of participation in PERS, University employees are considered employees of the State. In connection with the Tier 1/Tier 2 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. Milliman released the State's individual valuation report as of December 31, 2014 (the "2014 State Report") on November 12, 2015 and the State's individual valuation report as of December 31, 2015 (the "2015 State Report") on September 27, 2016. Based on Milliman's summary valuation as of December 31, 2016, presented at the PERS Board's September 29, 2017 meeting, the System's actuarial liability increased to $81.0 billion and its unfunded actuarial liability increased to $19.9 billion, for a funded status of 75%, as further described therein. The December 31, 2016 results are advisory in nature and are used by the PERS Board to indicate what 2019 – 2021 contribution rates would be, if set based on the advisory valuation, and to assess program funded status and unfunded actuarial liability.

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Table A11 provides the 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 nine years.

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

	SYSTEM[1]				STATE			
Calendar Year	Market Value of Assets[2]	Actuarial Value of Liability	Unfunded Actuarial Liability	Funded Ratio	Market Value of Assets[3]	Actuarial Value of Liability	Unfunded Actuarial Liability	Funded Ratio
2015[4]	$ 60,000.1	$ 76,196.6	$ 16,196.5	78.7%	$ 16,497.3	$ 20,845.5	$ 4,348.2	79.0%
2014[5]	61,395.1	73,458.9	12,063.8	83.6	16,889.9	19,978.2	3,088.2	84.5
2013[6]	60,014.1	62,593.6	2,579.5	95.9	16,212.3	16,699.9	487.6	97.1
2012[6]	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
2008	43,520.6	54,259.5	10,738.9	80.2	11,600.1	14,036.0	2,435.9	82.6
2007	59,327.8	52,871.2	(6,456.6)	112.2	15,769.3	13,611.1	(2,158.2)	115.9

(1) System funding levels composed of Tier 1 and Tier 2 and OPSRP pensions but excluding retiree healthcare subsidies.
(2) Includes proceeds of pension bonds issued by Oregon local governments and the State.
(3) Includes State pension bonds proceeds.
(4) Reflects the Oregon Supreme Court decision discussed below and the changes to the actuarial assumptions and methods made by the PERS Board in 2015. Also reflects the actual investment returns during 2015.
(5) Reflects the Oregon Supreme Court decision discussed below and the changes to the actuarial assumptions and methods made by the PERS Board in 2015.
(6) Reflects the 2013 legislative changes described below, showing savings that were anticipated, but will not be realized because of the 2015 PERS Ruling discussed below. Also reflects other changes made by the PERS Board in 2013.
Source: The State; PERS.

The funded status of the pension programs may change depending on the market performance of investments, future changes in compensation and benefits of covered employees, demographic characteristics of members and methodologies and assumptions used by the actuary in estimating the assets and liabilities of PERS. Additionally, the market value of the investments is determined using various sources.

In 2013, the Legislative Assembly enacted legislation (the "2013 PERS Bills") that were expected to: 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 certain salary increases from the pension benefits calculation, and reduce legislators' participation in PERS. The 2013 PERS Bills were expected to reduce future benefit payments, resulting in a reduction of the System's unfunded actuarial liability by approximately $5 billion. Lawsuits were filed challenging provisions of the 2013 PERS Bills, including the changes to the COLA adjustment and the elimination of a benefit increase for out-of-state retirees based on Oregon income tax. In April 2015, the Oregon Supreme Court announced a decision that upheld the elimination of the benefit increase for out-of-state retirees. The COLA reductions were declared unconstitutional as applied to benefits earned prior to the June 1, 2013 effective date of the 2013 PERS Bills. However, the reduced COLA could be applied to the benefits earned after the 2013 PERS Bills became effective.

During 2013, the PERS Board reduced employer contribution rates for the 2013-2015 biennium by 4.28% of payroll on a System-wide average basis, reduced the assumed earnings rate of the investment fund from 8.00% to 7.75% and changed the actuarial cost method used to allocate benefit costs over a member's working lifetime from Projected Unit Credit to Entry Age Normal.

At its July 31, 2015 meeting, the PERS Board adopted revisions to the actuarial assumptions and methods used as the basis for actuarial valuations (the "2015 Board Changes"). These 2015 Board Changes include: (a) lowering the assumed earnings rate from 7.75% to 7.50%; (b) reducing the inflation rate from 2.75% to 2.50%; (c) reducing the payroll growth rate from 3.75% to 3.50%; and (d) updating the mortality assumptions to increase projections of life expectancy. As reported by the Office of the State Treasurer, actual investment returns for the Oregon Public Employees Retirement Fund ("OPERF") for calendar year 2015 were 2.1%, substantially below the 7.5% assumed earnings rate. At its July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.2 percent effective January 1, 2018. At the September 29, 2017 PERS Board meeting, Milliman presented its summary valuation results; formal, detailed results will be presented in the forthcoming December 31, 2016 System-Wide Actuarial Valuation Report, which is an advisory valuation to be used in the preparation of advisory 2019-2021 employer-specific contribution rates.

The 2015 State Report includes State employer contribution rates for the 2017-2019 biennium adopted by the PERS Board at its September 2016 meeting. The PERS Board has indicated that it expects to issue advisory 2019-2021 contribution rates in November 2017. The PERS Board indicates that it expects to issue the System-wide actuarial valuation results as of December 31, 2017 at its July 2018 meeting, and expects to disclose and adopt employer-specific 2019-2021 contribution rates in September 2018. Based on the summary valuation, rates are expected to increase.

PERS issues a separate, publicly available financial report that contains audited financial statements and required supplementary information. The report includes 10-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:

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

At June 30, 2016, the University reported a liability of $114,747,477 for its proportionate share of the PERS net pension liability. Based on preliminary unaudited figures, the University expects to report a liability of $322,538,214 for its proportionate share of the PERS net pension liability in Fiscal Year 2017. At June 30, 2015, the University reported a net pension asset of $40,833,598 for its proportionate share of the PERS net pension asset. The net pension liability as of June 30, 2016 was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The net pension asset as of June 30, 2015 was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012.

The PERS system does not provide the University with an audited proportionate share as a separate employer; the University is a proportionate share of PERS employer state agencies which includes all state agencies. DAS calculated the University's proportionate share of all state agencies internally based on fiscal year 2015 actual contributions by the University as compared to the total for employer state agencies. The Oregon Audits Division reviewed this internal calculation. At June 30, 2016, the University's proportion was 2.0 percent of the Statewide pension plan and 7.85 percent of employer State agencies. At June 30, 2015, the University's proportionate share was 1.80 percent of the Statewide pension plan, and 7.59 percent of employer State agencies. For the year ended June 30, 2016, the University recorded total net pension expense of $112,278,073 due to the increase in net pension liability and changes to deferred inflows and deferred outflows. For the year ended June 30, 2015, the University recorded a negative total net pension expense of $37,325,401 due to the implementation of GASB Statement Nos. 68 and 71. See Note 15 in "APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY (FISCAL YEARS ENDED JUNE 30, 2016 AND 2015).

Optional Retirement Plan. The 1995 State 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 Optional Retirement Plan ("ORP") and established trustees to manage plan assets. 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 15 in "APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY (FISCAL YEARS ENDED JUNE 30, 2016 AND 2015)."

* This website is not incorporated by reference.

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 15 in "APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY (FISCAL YEARS ENDED JUNE 30, 2016 AND 2015)."

Supplemental Retirement Plan. The University maintains an IRC Section 414(d) cash balance defined benefit plan to provide a specific benefit value to the participating presidents of the State's public universities upon separation. As of June 30, 2016, the plan was fully funded. See Note 15 in "APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY (FISCAL YEARS ENDED JUNE 30, 2016 AND 2015)."

Employee Deferred Compensation Plan. The University 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 University 403(b) plan. The 415(m) plan is offered to highly compensated employees whose contributions would otherwise be limited by Code Section 415. See Note 9 Long-Term Liabilities in "APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY (FISCAL YEARS ENDED JUNE 30, 2016 AND 2015)."

Other Post-Employment Benefits

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.

Funding Policy. The University's current policy is to pay the implicit rate subsidy on a pay-as-you-go basis. For fiscal years 2016 and 2015, the University paid healthcare insurance premiums of $80.3 million and $77.2 million, respectively. The portion of the insurance premiums attributable to the implicit rate subsidy was estimated to be $478.3 and $603.7 for the fiscal years ended 2016 and, 2015, respectively.

Annual OPEB Cost and Net OPEB Obligation. The University's annual OPEB expense is calculated based on the University'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 UAL over a period not to exceed 30 years. See Note 16 Other Post-Employment Benefits (OPEB) in "APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY (FISCAL YEARS ENDED JUNE 30, 2016 AND 2015)."

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

	June 30 (000s)	
	2016	**2015**
Annual Required Contribution	$ 7,874	$ 1,318
Interest on Net OPEB Obligation	288	273
Adjustment to Annual Required Contribution	(8,520)	(520)
Annual OPEB Cost	(358)	1,071
Contributions Made	(478)	(604)
Increase in Net OPEB Obligation	(836)	467
Net OPEB Obligation – Beginning of Year	7,537	7,070
Net OPEB Obligation – End of Year	$ 6,701	$ 7,537

Source: The University's 2016 Annual Financial Report.

The funded status of the University's OPEB plan for June 30, 2016 and 2015 were as follows:

	June 30 (000s)	
	2016	**2015**
Actuarial Accrued Liabilities	$ 7,229	$ 10,390
Actuarial Value of Plan Assets	—	—
Unfunded Actuarial Accrued Liability	$ 7,229	$ 10,390
Funded Ratio	0.00%	0.00%
Covered Payroll (active plan members)	$350,225	$332,632
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	2.06%	3.12%

Source: The University's 2016 Annual Financial Report.

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.

	June 30	
	2016	**2015**
Actuarial Valuation Date	July 1, 2015	July 1, 2013
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar	Level Percentage
Amortization Period	1 Year (Open)	15 Years (Open)
Investment Rate of Return	3.5%	3.5%
Initial Healthcare Inflation Rates	5.1% (medical) 2.3% (dental)	3.6% (medical) 2.2% (dental)
Ultimate Healthcare Inflation Rates	5.0% (medical) 5.0% (dental)	5.4% (medical) 5.0% (dental)

Source: The University's 2016 Annual Financial Report.

For funding, funded status and other information, see Note 16 Other Post-Employment Benefits (OPEB) in "APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY (FISCAL YEARS ENDED JUNE 30, 2016 AND 2015)."

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. Membership in the Trust is optional and the University has elected to continue its participation in the risk management pool. 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
- Workers' compensation and employer's liability
- Crime, Fiduciary
- Specialty lines of business including marine, medical practicums, international travel, fine art, aircraft, camps, clinics and other items

The University retains risk for losses under $100,000 which is the deductible per claim not covered by insurance purchased through the Trust.

The Trust is backed by commercial policies, an excess property policy with a limit of $500 million, and a blanket commercial excess bond with a limit of $50 million. The Trust purchases commercial insurance for claims in excess of coverage provided by the self-insurance program and for other risk of loss.

The University is charged an assessment to cover the Trust's cost of servicing claims and payments based on the Risk Allocation Model and actuarial estimates of the amounts needed to pay prior and current year claims. The amount of settlements has not exceeded insurance coverage since the Trust was established in June, 2014. The University intends to continue its participation in the Trust for the foreseeable future.

In addition, the University purchases various commercial insurance policies to cover the deductible amounts of intercollegiate athletics insurance provided through the National Collegiate Athletics Association, and to provide coverage for special events and student liability.

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APPENDIX B

COPY OF THE RESOLUTION

(ATTACHED)

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RESOLUTION NO. 17-07
BOARD OF TRUSTEES OF OREGON STATE UNIVERSITY
GENERAL REVENUE BONDS, 2017/2018

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 $74,675,000 FOR THE PURPOSE OF FINANCING OR REFINANCING ALL OR A PORTION OF THE COSTS OF UNIVERSITY PROJECTS 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 DETERMINE THE METHOD OF SALE, 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: June 2, 2017

PREPARED BY
PACIFICA LAW GROUP LLP
SEATTLE, WASHINGTON

RESOLUTION NO. 17-07

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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. 17-07

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 $74,675,000 FOR THE PURPOSE OF FINANCING OR REFINANCING ALL OR A PORTION OF THE COSTS OF UNIVERSITY PROJECTS 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 DETERMINE THE METHOD OF SALE, 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”) 352.087 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 352.408(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 has previously issued its General Revenue Bonds, 2015A in the aggregate principal amount of $41,040,000 and its General Revenue Bonds, 2015B (Federally Taxable) in the aggregate principal amount of $10,075,000 (collectively, the “2015 Bonds”); and

WHEREAS, the University has previously issued its General Revenue Bonds, 2016A in the aggregate principal amount of $40,165,000 and its General Revenue Bonds, 2016B (Federally Taxable) in the aggregate principal amount of $7,095,000 (collectively, the “2016 Bonds” and together with the 2015 Bonds, the “Prior Bonds”)

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 $74,675,000 (the “Bonds”) on a parity with the pledge securing the payment of the principal of and interest on the Prior Bonds to finance or refinance all or a portion of the costs of University projects 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 or any interim officer exercising, or successor to, the functions of such office (each, an “Authorized University Representative”), for a limited time, to select the method of sale that is in the best interest of the University, 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.
(a) *Definitions.* 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.

Approved Bid means the winning bid submitted for the Bonds, if any.

Authorized University Representative means the Vice President for Finance and Administration of the University, or his or her designee or any interim officer exercising, or any successor to, the functions of such office.

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 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(s) for the purchase of all or a portion of the Bonds, if any, between the University and the Underwriter(s).

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

Bond Registrar means the bank or trust company 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, [2017/2018][Federally Taxable], authorized to be issued by this Resolution.

Code means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

Commission means the Securities and Exchange Commission.

Continuing Disclosure Certificate means the certificate of the University undertaking to provide ongoing disclosure to assist the Underwriter(s) in complying with the Rule.

Debt Management Agreement means the Restated and Amended Agreement for Debt Management among the University, the State Treasurer, the Higher Education Coordinating Commission, and Department of Administrative Services dated as of July 1, 2015, 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.

Fair Market Value means the price at which a willing buyer would purchase an investment from a willing seller in a bona fide, arm's-length transaction, except for specified investments as described in Treasury Regulation §1.148-5(d)(6), including United States Treasury obligations, certificates of deposit, guaranteed investment contracts, and investments for yield restricted defeasance escrows. Fair Market Value is generally determined on the date on which a contract to purchase or sell an investment becomes binding, and, to the extent required by the applicable regulations under the Code, the term “investment” will include a hedge.

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:

1. Student Building Fees and Student Incidental Fees;
2. Grant and Contract Revenue;
3. 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
4. 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.

General Revenue Note means any general revenue note issued pursuant to Resolution No. 17-07 of the Board.

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.

Notice of Sale means the notice of bond sale authorized to be given pursuant to Section 14 of this resolution.

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.

Permitted Investments means any legally permissible investment for University funds, but only to the extent that the same are acquired at Fair Market Value.

Prior Bonds means the 2015 Bonds, the 2016 Bonds and any General Revenue Notes issued prior to the date of the Bonds.

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 mean the design, acquisition, development, construction, improvement and/or equipping of facilities serving the needs of the University including without limitation the renovation of Gilkey Hall, the Steam Line replacement and tunnel extension, upper division and graduate student housing projects, the Newport housing project, and minor capital programmatic improvements.

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.

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.

2015 Bonds means the Oregon State University General Revenue Bonds, 2015A and General Revenue Bonds, 2015B (Federally Taxable).

2016 Bonds means the Oregon State University General Revenue Bonds, 2016A and General Revenue Bonds, 2016B (Federally Taxable).

Underwriter(s) means the initial purchaser of the Bonds, as 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 352.415(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 his or her designee or any interim officer exercising, or successor to, the functions of such office.

(b) *Interpretation*. In this Resolution, unless the context otherwise requires:

1. 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;
2. 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;
3. 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;
4. 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
5. 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, or refinance any General Revenue Notes evidencing line of credit draws for, a portion of the costs of the Projects. The Board hereby further finds that the Board intends that the Bonds be of the same character and tenor as the General Revenue Notes issued to provide interim financing of capital projects in anticipation of issuance of Bonds for University projects.

Section 3. Authorization of Bonds and Description of Bonds. For the purpose financing 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 special revenue bonds of the University; shall be designated the "Oregon State University General Revenue Bonds, [2017/2018][Federally Taxable]", 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 Approved Bid or Bond Purchase Contract; and shall mature on the dates and in the principal amounts set forth in the Approved Bid or 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 Notice of Sale, the Approved Bid or 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 Notice of Sale, Approved Bid or 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 Notice of Sale, Approved Bid or 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 Notice of Sale, Approved Bid or Bond Purchase Contract. Except as otherwise provided in the Notice of Sale, Approved Bid or 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 Underwriter(s) 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 form set forth at Exhibit A, with appropriate or necessary insertions, depending upon the omissions and variations as permitted or required hereby.

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 either 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 Exhibit A, 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.

<u>Section 8</u>. <u>Disposition of Bond Proceeds</u>. 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 finance, or refinance General Revenue Notes evidencing line of credit draws for, all or portion of the costs of the Projects, by paying or reimbursing the University for costs of the Projects and costs incidental thereto, including without limitation capitalizing interest on the Bonds, 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 Permitted Investments. Except as otherwise provided in the Federal Tax Certificate, the University covenants that all investments of amounts deposited in the Project Fund, or otherwise containing gross proceeds of the Tax-Exempt Bonds (within the meaning of Section 148 of the Code) will be acquired, disposed of, and valued (as of the date that valuation is required by the Code) at Fair Market Value.

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 as the Authorized University Representative shall determine to be in the best interests of the University, subject to any applicable limitations set forth in the Federal Tax Certificate.

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 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 will take all actions necessary to assure the exclusion of interest on the Tax-Exempt Bonds from the gross income of the Owners of the Tax-Exempt Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Tax-Exempt Bonds, including but not limited to the following:

(a) The University will assure that the proceeds of the Tax-Exempt Bonds are not used so as to cause the Tax-Exempt Bonds to satisfy the private business use tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

(b) The University will not sell or otherwise transfer or dispose of (i) any personal property components of the Project financed or refinanced with the Tax-Exempt Bonds other than in the ordinary course of an established government program under Treasury Regulation 1.141-2(d)(4) or (ii) any real property components of the Project financed or refinanced with the Tax-Exempt Bonds, unless it has received an opinion of nationally recognized bond counsel to the effect that such disposition will not adversely affect the treatment of interest on the Tax-Exempt Bonds as excludable from gross income for federal income tax purposes.

(c) The University will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the Tax-Exempt Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(d) The University will take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Tax-Exempt Bonds.

(e) The University will not take, or permit or suffer to be taken, any action with respect to the proceeds of the Tax-Exempt Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Tax-Exempt Bonds would have caused the Tax-Exempt Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(f) The University will maintain a system for recording the ownership of each Tax-Exempt Bond that complies with the provisions of Section 149 of the Code until all Tax-Exempt Bonds have been surrendered and canceled.

(g) The University will retain its records of all accounting and monitoring it carries out with respect to the Tax-Exempt Bonds for at least three years after the Tax-

Exempt Bonds mature or are redeemed (whichever is earlier); however, if the Tax-Exempt Bonds are redeemed and refunded, the University will retain its records of accounting and monitoring at least three years after the earlier of the maturity or redemption of the obligations that refunded the Tax-Exempt Bonds.

(h) The University will comply with the provisions of the Federal Tax Certificate with respect to the Tax-Exempt Bonds, which are incorporated herein as if fully set forth herein. In the event of any conflict between this Section and the Federal Tax Certificate, the provisions of the Federal Tax Certificate will prevail.

The covenants of this Section will survive payment in full or defeasance of the Tax-Exempt Bonds.

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 General Revenue Bond Fund, 2017 (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, taking into account amounts on deposit therein, 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. The University may deposit other amounts legally available for this purpose to the Bond Fund in its sole discretion and without obligation.

Net income earned on investments in the Bond Fund, if any, shall be deposited in the Bond Fund. Amounts in the Bond Fund may be temporarily invested in Permitted Investments. Except as otherwise provided in the Federal Tax Certificate, the University covenants that all investments of amounts deposited in the Bond Fund, or otherwise containing gross proceeds of the Tax-Exempt Bonds (within the meaning of Section 148 of the Code) will be acquired, disposed of, and valued (as of the date that valuation is required by the Code) at Fair Market Value.

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 and the money and investments deposited into the Bond Fund to the payment of the principal of and interest on the Bonds when due. The Prior Bonds, the Bonds and any Additional Bonds shall be equally and ratably payable from and secured by a pledge of General Revenues, and the money and investments deposited into the Bond Fund, without preference, priority or distinction because of date of issue or otherwise.

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 Prior Bonds and the Bonds subject to and to the extent provided in the Bond Act.

(c) *All Bonds Have Equal Claim on General Revenues*. The Bonds, the Prior 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, the Prior 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 Prior Bonds, the 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. 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 determine the method of sale and 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.

(a) *Competitive Bond Sale.* If the Authorized University Representative determines that all or a portion of the Bonds are to be sold at a competitive public sale, the Authorized University Representative or his or her designee shall: (1) establish the date of the public sale; (2) establish the criteria by which the successful bidder will be determined; (3) request that a good faith deposit in the amount determined to be necessary, if any, accompany each bid; (4) cause notice of the public sale to be given (the "Notice of Sale"); and (5) provide for such other matters pertaining to the public sale as he or she deems necessary or desirable. The Authorized University Representative shall cause the Notice of Sale to be given and provide for such other matters pertaining to the public sale as he or she deems necessary or desirable.

Upon the date and time established for the receipt of bids for Bonds, the Authorized University Representative or his or her designee shall open the bids and shall cause the bids to be mathematically verified. Such Bonds shall be sold to the bidder offering to purchase them at the lowest true interest cost to the University; *provided, however,* that the Authorized University Representative may reserve the right to reject any and all bids for Bonds and also may waive an irregularity or informality in any bid.

Subject to the terms and conditions set forth in this Section 14, the Authorized University Representative is hereby authorized to accept one or more Approved Bid for the Bonds in one or more series upon his or her approval of the final interest rates, maturity dates, aggregate principal amounts, principal maturities, and redemption rights set forth therein in accordance with the authority granted by this section so long as:

1. the aggregate principal amount of the Bonds does not exceed $74,675,000;
2. the final maturity date for the Bonds is no later than 32 years after their date of issuance; and
3. the true interest cost for the Bonds (in the aggregate) does not exceed 5.25%.

(b) *Negotiated Bond Sale.* If the Authorized University Representative determines that all or a portion of the Bonds are to be sold by negotiated sale, the Authorized University Representative shall solicit bond underwriting proposals and shall select the Underwriter(s) that submits the proposal that he or she determines is in the best interest of the University. The Bonds shall be sold to the Underwriter(s) 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 $74,675,000;
2. the final maturity date for the Bonds is no later than 32 years after their date of issuance; 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 June 30, 2018. If an Approved Bid or 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 Underwriter(s) 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.

<u>Section 15</u>. <u>Undertaking to Provide Ongoing Disclosure</u>. 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 Underwriter(s) for Bonds in complying with Section (b)(5) of the Rule.

<u>Section 16</u>. <u>Establishment of Additional Accounts and Subaccounts</u>. 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 make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Tax-Exempt Bonds;

(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 Trustee Patricia Bedient
Seconded by Trustee Rani Borkar
Dated this 2nd day of June, 2017.

Exhibit A
Bond Form

[DTC LANGUAGE]
UNITED STATES OF AMERICA
NO. ________ $_________
OREGON STATE UNIVERSITY
GENERAL REVENUE BONDS, [2017/2018][____] [FEDERALLY 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 ____________, 2017 (the "Bond Resolution"), to finance or refinance all or a portion of the costs of University projects 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, [2017/2018][____][(Federally 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 and secured by a pledge of General Revenues and the money and investments deposited into the Bond Fund, 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. Bonds issued pursuant to the Bond Resolution, the University's General Revenue Bonds, 2015A and General Revenue Bonds, 2015B (Federally Taxable), the University's General Revenue Bonds, 2016A and General Revenue Bonds, 2016B (Federally Taxable), General Revenue Notes, and additional bonds issued on a parity therewith, shall be equally and ratably payable from and secured by a pledge of General Revenues, and the money and investments deposited into the Bond Fund, without preference, priority or distinction because of date of issue or otherwise.

[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 or body corporate and politic within 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 Bond 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 on behalf of the University with the manual or facsimile signature of the Chair of the Board and to be attested by the manual or facsimile signature of either the Secretary of the Board or the Vice President for Finance and Administration of the University.

OREGON STATE UNIVERSITY

By ______________________________
Chair, Board of Trustees

Attested:

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, [2017/2018][Federally Taxable] described in the within-mentioned Bond Resolution.

Registrar

By ______________________________
Authorized Signatory
Date________________________________

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. 17-07 of the University (herein called the "Resolution"), as finally passed at a regular meeting of the Board of the University held on the 2nd day of June, 2017, 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 8th of June, 2017.

Secretary

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APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY
(FISCAL YEARS ENDED JUNE 30, 2016 AND 2015)

(ATTACHED)

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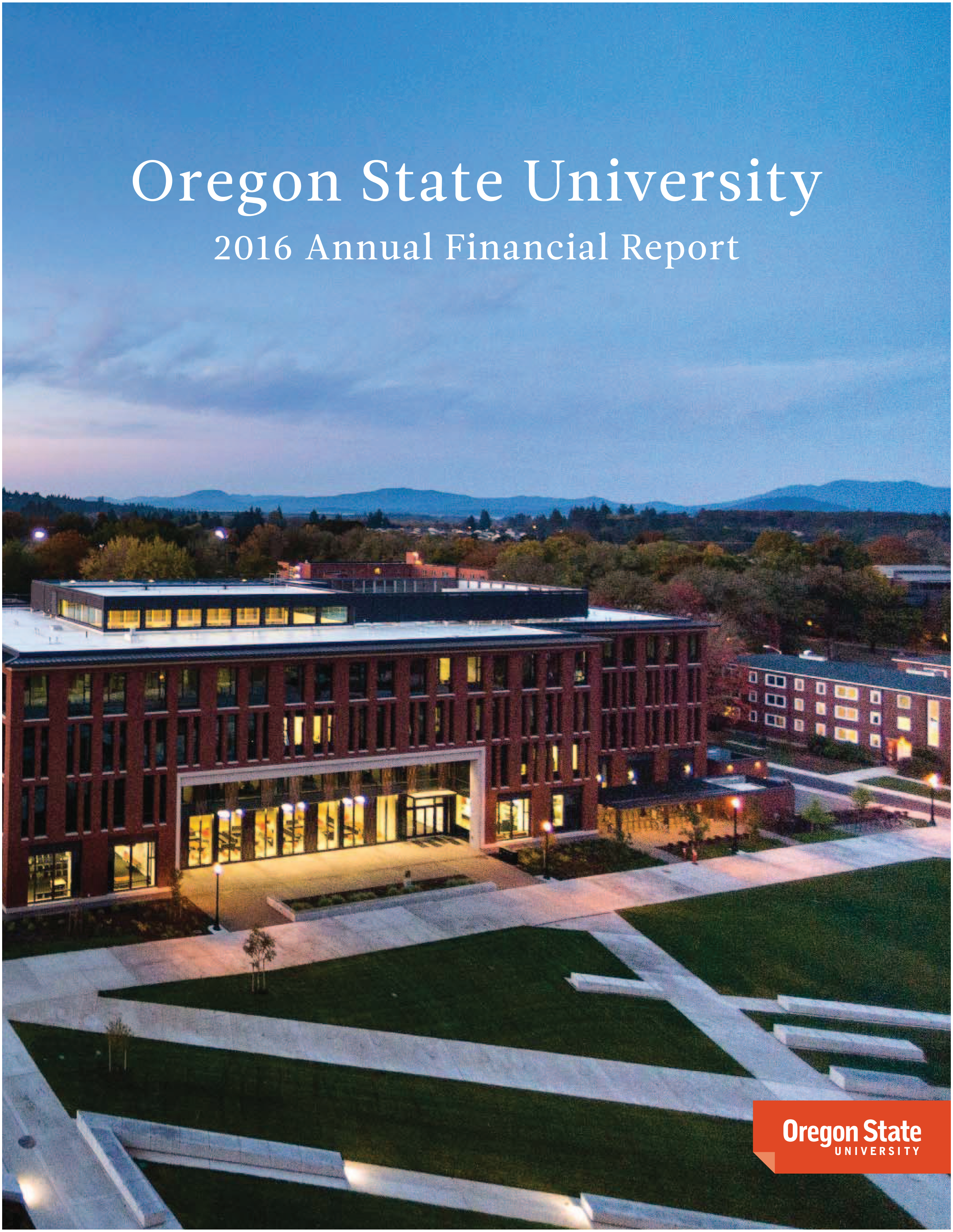
Oregon State University

2016 Annual Financial Report



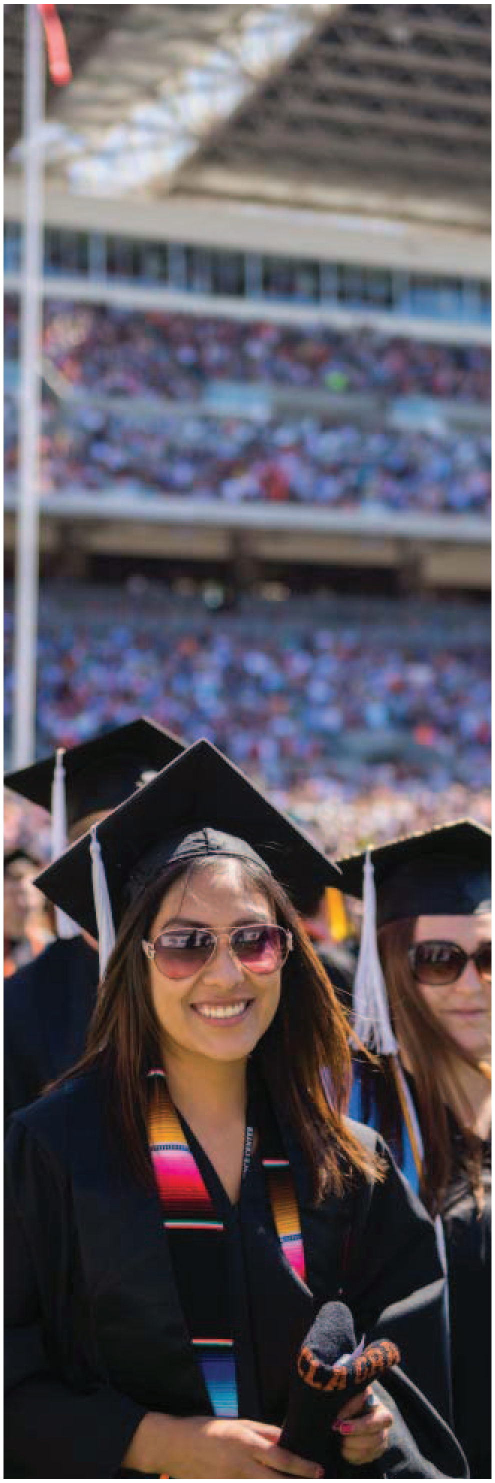
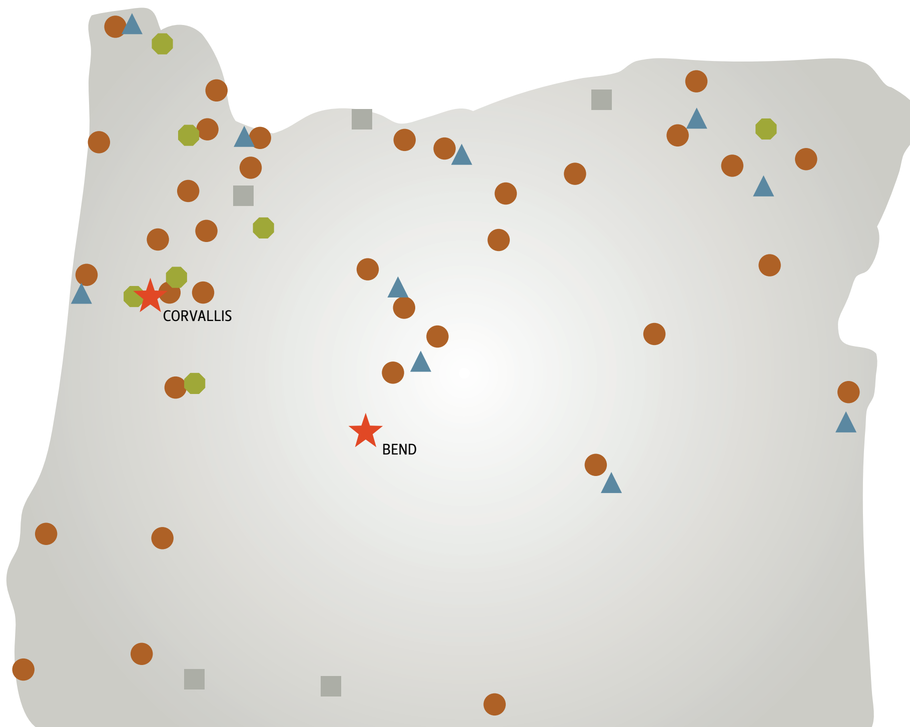


Table of Contents

OREGON'S STATEWIDE UNIVERSITY

Oregon State University is a comprehensive, internationally recognized public research university. OSU serves as the state of Oregon's land-, sea-, space- and sun-grant university and is one of only two universities in the nation with all such designations. Oregon State University programs and faculty are located in every county in Oregon and are dedicated to providing solutions for the state and world's greatest challenges. OSU considers the entire state of Oregon as its campus and works in partnership with many school districts, all of Oregon's 17 community colleges and numerous public and private universities and colleges to provide access to high-quality educational programs. Meanwhile, strong collaborations with industry, as well as state and federal agencies, help contribute to the success of the university's research enterprise.



- OSU Extension Service Locations (35)
- OSU Research and Extension Centers (5)
- OSU Campuses (2)
- Oregon Agricultural Experiment Station Sites (10)
- Forest Research Laboratory Sites (7)

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.

View OSU's Strategic Plan at:
oregonstate.edu/leadership/strategicplan

Message from 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.

An incredible momentum at Oregon State continues to propel the university to the forefront of new ideas, excellence, leadership and innovation each day. As an internationally recognized public research university, OSU's impact in the state, the nation and world furthers Oregon State's growing reputation as Oregon's leading comprehensive university.

The university achieved many major accomplishments this past year. Our Ecampus online bachelor's programs are ranked No. 7 in the country by U.S. News and World Report. For the second straight year, Oregon State also set a record in research funding—$336 million—which totaled more research dollars than the state's six other public universities combined. The university's research enterprise continues to excel to address some of the world's most pressing problems—from climate change to cancer.

After completing the $1.14 billion Campaign for OSU in 2014, the OSU Foundation has kept the momentum going with gifts totaling $122.38 million in 2016. Donor support continues to make a significant difference across the university. More than 3,800 students at Oregon State receive donor-funded scholarships and fellowships, helping recruit more high-achieving and diverse students. Donors also are boosting university research through 129 endowed faculty positions, along with investments in facilities and programs.

For the second straight year, OSU was the largest university in the state with more than 30,000 students. True to our land grant mission, 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. I have outlined a plan that calls for 28,000 students to be enrolled at our Corvallis campus by 2025; 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 7,000 or more degree-seeking students enrolled at Oregon State entirely online. Four-year degree programs were offered for the first time at our OSU-Cascades branch campus as we welcomed our first class of freshmen in fall 2015. This campus will serve students who want to remain in Central Oregon and attend a four-year college, and it will also provide resident Oregonian, out-of-state and international students with an alternative to our Corvallis campus.

Tuition rates and college affordability continue to be a key concern among OSU leadership, students and their families. Following a decade or more of declining state support for higher education, we know that on average, each Oregon resident undergraduate attending OSU has an unmet need each year of $7,256. And for students who are Pell Grant-eligible, that unmet need is $9,601 annually. These are near-impossible financial burdens for students and their families. We must find ways by 2020 to ensure that an OSU degree is an affordable reality for all qualified Oregonians.

Moving forward, Oregon State will continue to practice sound financial management and work to address cost as a barrier to access for students or an impediment to our students' completion of their college degrees.

OSU has been Oregon's statewide university for 148 years. As we move toward our 150th year of service to the state and its people, we will work toward greater accomplishments for our students and all those we serve.

Edward J. Ray

POINTS of Pride

No. 7 ONLINE DEGREE

Oregon State's Ecampus, with more than 40 undergraduate and graduate degrees and nearly 1,000 courses, continues to earn top rankings in nationwide surveys. **(U.S. News & World Report)**

No. 12 LGBTQ Friendly **(Great Value Colleges)**

No. 10 Transgender Friendly **(College Magazine)**

With high scores in campus safety, academic life, student life, housing, institutional support and other criteria, Oregon State offers a nationally ranked positive environment for lesbian, gay, bisexual, transgender and queer students.

No. 1 MID-CAREER SALARY OF ALL PUBLIC SCHOOLS IN OREGON

Oregon State graduates earn a median salary of $86,200 at mid-career, the most of any public university in the state. **(Pay Scale)**

No. 10 GREENEST UNIVERSITY

Oregon State is nationally recognized for its top-ranked programs in sustainability fields, including forestry, wildlife management, zoology, conservation biology, agricultural sciences and nuclear engineering. **(BestColleges.com)**

No. 4 COLLEGE TOWN

Ranked for its innovation, education, entertainment and livability, Corvallis is among the nation's top-10 college towns. **(College Magazine)**

BICYCLE GOLD

One of just 12 universities in the nation to earn a gold ranking, Oregon State is known for bike-friendly amenities and encouraging bicycling as an easy, healthy transportation option. **(League of American Bicyclists)**

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

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), a component unit of the State of Oregon, as of and for the years ended June 30, 2016 and 2015, 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 audits. We did not audit the 2016 financial statements of the aggregate discretely presented component units, the Oregon State University Foundation and the Agricultural Research Foundation. We did not audit the 2015 financial statements of the Oregon State University Foundation, which represents 96%, 98% and 91%, respectively, of the assets, net assets, and revenues for 2015. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Oregon State University Foundation in 2016 and 2015 and the Agricultural Research Foundation for 2016, is based solely on the reports 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 the Oregon State University Foundation and the Agricultural Research Foundation, 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, 2016 and 2015, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 9 - 20, the schedule of the University's contributions, the schedule of the University's proportionate share of the net pension liability on page 58, and the schedule of funding status of Other Post Employment Benefits on page 59 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Oregon State University's basic financial statements. The Message from the President is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 October 31, 2016, 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

Denver, Colorado
October 31, 2016

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, 2016, 2015, and 2014. 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 (FTE) Student Enrollment Summary

	2016	2015	2014	2013	2012
Corvallis	**21,658**	21,939	21,844	21,634	21,102
Cascades	**650**	600	541	479	474
Ecampus	**4,731**	4,089	3,684	3,030	2,464
Total	**27,039**	26,628	26,069	25,143	24,040

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 Auditors' 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 of resources, liabilities and deferred inflows of resources 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 of cash either provided or 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 Note 2 Cash and Investments and Note 21 University Foundations.

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. Due to rounding and presentation, summary numbers in the MD&A may differ slightly from those in the financial statement schedules. Unless otherwise stated, all years refer to the fiscal year ended June 30.

Financial Position Summary

The University's financial position has improved over the past two years with an increase to net position as of June 30, 2016 of $3 million and an increase of $266 million in 2015. The increase to net position in 2016 was primarily due to an increase in net investment in capital assets which resulted in part due to the removal of $21.4 million in premiums, discounts, and deferred gain/loss on legacy debt as per new state debt agreements. See Note 19 Change in Entity. Unrestricted net position ended the year with a negative position due primarily to the recording of the net pension liability and associated reporting requirements, which decreased unrestricted net position by $93 million. Unrestricted operations, which includes education, auxiliary and general business type activities, added $7 million to unrestricted net position. See Note 10 Unrestricted Net Position.

The largest increase in net position in 2015 was to net investment in capital assets which increased $246 million primarily due to the removal of state paid debt as part of the OSU change to an independent university. See Note 19. The first year reporting of the net pension asset and associated reporting requirements decreased unrestricted net position by $21 million while unrestricted operations increased unrestricted net position by $48 million. See Note 10.

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 important 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's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (in millions):

Condensed Statement of Net Position

As of June 30,	2016	2015	2014
Current Assets	$ 198	$ 238	$ 237
Noncurrent Assets	206	238	156
Capital Assets, Net	1,072	978	890
Total Assets	$ 1,476	$ 1,454	$ 1,283
Deferred Outflows of Resources	$ 28	$ 25	$ 11
Current Liabilities	$ 186	$ 180	$ 162
Noncurrent Liabilities	549	482	660
Total Liabilities	$ 735	$ 662	$ 822
Deferred Inflows of Resources	$ 28	$ 79	$ -
Net Investment in Capital Assets	$ 678	$ 565	$ 325
Restricted - Nonexpendable	5	5	4
Restricted - Expendable	83	107	115
Unrestricted	(25)	61	28
Total Net Position	$ 741	$ 738	$ 472

Total Assets and Deferred Outflows of Resources

Total Assets increased by $22 million, or 2 percent, during the year ended 2016 due to increases in net capital assets, investments, accounts receivable, and prepaid expenses. These increases were offset by decreases in cash and cash equivalents, notes receivable and the change from a net pension asset to a net pension liability. During 2015, Total Assets increased by $171 million, or 13 percent, due to increases in net capital assets, investments, accounts receivable and the recording of a new net pension asset resulting from the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.* These increases were slightly offset by decreases in cash and cash equivalents and notes receivable.

Comparison of fiscal year 2016 to fiscal year 2015

Current Assets decreased by $40 million, or 17 percent.

- Current cash and cash equivalents decreased by $37 million primarily due to the transfer of $27 million in endowment cash to the OSU Foundation during fiscal year 2016. These funds were held as cash at the end of fiscal year 2015 as a result of the transfer of administrative responsibility for OSU endowment investments from the Oregon University System (OUS) to the OSU Foundation on July 1, 2015.
- Accounts receivable was relatively unchanged. Increases in receivables for federal, state, and other grants, and other receivables were offset by decreases in receivables related to capital construction projects, student tuition and fees, and component units. See Note 3 Accounts Receivable for additional information.
- Current notes receivable decreased by $1 million. Receivables for federal Perkins loans decreased by $219 thousand while receivables for institutional and other student loans decreased by $557 thousand. These decreases were further compounded by an increase in the allowance for doubtful accounts of $150 thousand. See Note 4 Notes Receivable for additional information.
- Prepaid expenses increased by $4 million due to large down payments made on new research equipment funded by grants and a large year-end purchase of library materials to be received in the next year.

Noncurrent (Noncapital) Assets decreased by $32 million, or 13 percent.

- Noncurrent cash and cash equivalents decreased by $5 million mainly as the result of a decrease in cash held for capital construction and due to a large portion of noncurrent cash transferred to investments.
- Investments increased by $15 million as the result of the University converting a greater portion of cash to investments during fiscal year 2016.
- Noncurrent notes receivable decreased by almost $1 million. Receivables for federal Perkins loans decreased by $1 million while receivables for institutional and other student loans increased by $631 thousand. The net decrease in receivables was further compounded by an increase in the allowance for doubtful accounts of $447 thousand. See Note 4 for additional information.
- Net pension asset decreased by $41 million to zero. OSU recorded a net pension liability as of June 30, 2016. See Non-Current Liabilities later in this MD&A for further discussion.

Capital Assets, Net increased by $94 million, or 10 percent. See detailed information on Capital Assets in this MD&A for additional information on this change.

Deferred Outflows of Resources increased by $3 million, or 12 percent.

- Deferred outflows related to deferred gain/loss on long-term debt bond refunding decreased by $8 million, to zero, due to the removal of unamortized gain/loss associated with legacy debt per debt agreements with the State. See Note 19 Change in Entity.

- Deferred outflows related to pension expense increased by $11 million. See Note 6 Deferred Outflows and Deferred Inflows of Resources for detailed information on this change.

Comparison of fiscal year 2015 to fiscal year 2014

Current Assets decreased by less than $1 million, or less than 1 percent.

- Current cash and cash equivalents decreased by $33 million as the result of the University converting a greater portion of cash to investments during fiscal year 2015. Collectively, current cash and cash equivalents, noncurrent cash and cash equivalents, and investments increased by a net of $10 million during fiscal year 2015.
- Accounts receivable increased by $32 million due to a significant increase in receivables at year end for capital construction projects. The reason that accounts receivable related to capital construction increased so significantly is due to a change in the way that state backed bonds (XI-F(1), XI-G, XI-Q and Lottery bonds) are issued and held. Historically, when OSU was a member university of the OUS, bonds were issued by the State Board of Higher Education and the universities received cash up front for construction projects at the time of the bond sale. Now that OSU is an independent legal entity, and no longer a state agency, the State issues the bonds and holds the cash, and OSU requests reimbursement for funds after they are spent. Receivables related to federal grants and contracts also increased, offset by a decrease in other receivables and in the allowance for doubtful accounts. See Note 3 Accounts Receivable for additional information.

Noncurrent (Noncapital) Assets increased by $82 million, or 53 percent.

- Noncurrent cash and cash equivalents decreased by $18 million as the result of the University converting a greater portion of cash to investments during fiscal year 2015, combined with a decrease in cash held for capital construction which resulted from the change in the way the University receives bond proceeds from the State.
- Investments increased by $61 million as the result of the University converting a greater portion of cash to investments during fiscal year 2015.
- OSU recorded a $41 million net pension asset as a result of the implementation of GASB Statement Nos. 68 and 71 as of June 30, 2015. See Note 15 Employee Retirement Plans for additional information on this change.

Capital Assets, Net increased by $88 million, or 10 percent. See detailed information on Capital Assets in this MD&A for additional information on this change.

Deferred Outflows of Resources increased by $14 million, or 127 percent.

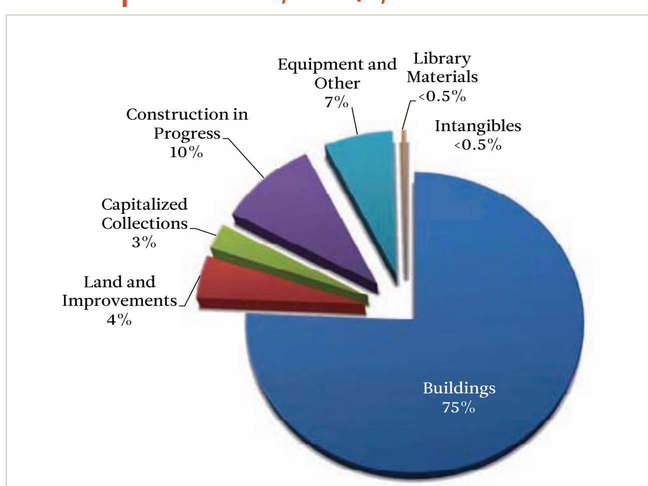
- Deferred outflows related to deferred gain/loss on long-term debt bond refunding decreased by $2 million due to the removal of state paid debt. See Note 9 Long-Term Liabilities and Note 19 Change in Entity for additional information on this change.
- OSU recorded $16 million in deferred outflows as a result of the implementation of GASB Statement Nos. 68 and 71 as of June 30, 2015. See Note 6 Deferred Outflows and Deferred Inflows of Resources for additional information on this change.

Capital Assets and Related Financing Activities

Capital Assets

At June 30, 2016, OSU had $1.8 billion in capital assets, less accumulated depreciation of $730 million, for net capital assets of $1.1 billion. At June 30, 2015, OSU had $1.7 billion in capital assets, less accumulated depreciation of $695 million, for net capital assets of $978 million. During fiscal year 2016, $110 million in construction projects were completed and placed into service as compared to $175 million in fiscal year 2015. 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 funding were all used to accomplish OSU's capital objectives.

2016 Capital Assets, Net $1,072 Million



Changes to Capital Assets
(in millions)

	2016	2015	2014
Capital Assets, Beginning of Year	**$ 1,673**	$ 1,546	$ 1,397
Add: Purchases/Construction	**146**	139	155
Less: Retirements/Adjustments	**(17)**	(12)	(6)
Total Capital Assets, End of Year	**1,802**	1,673	1,546
Accum. Depreciation, Beginning of Year	**(695)**	(656)	(608)
Add: Depreciation Expense	**(50)**	(50)	(50)
Less: Retirements/Adjustments	**15**	11	2
Total Accum. Depreciation, End of Year	**(730)**	(695)	(656)
Total Capital Assets, Net, End of Year	**$ 1,072**	$ 978	$ 890

Capital additions totaled $146 million for 2016, $139 million for 2015, and $155 million for 2014.

Accumulated depreciation at June 30, 2016 increased by $35 million, which represented $50 million in depreciation and amortization expense offset by $15 million in asset retirements and adjustments. Accumulated depreciation at June 30, 2015 increased by $39 million, which represented $50 million in depreciation and amortization expense offset by $11 million in asset retirements and adjustments. During 2015, OSU changed its estimates for real property useful lives and the capitalization threshold for certain assets. These changes decreased depreciation by $6 million for fiscal year 2015.

Debt Administration

During 2016, long-term debt held by OSU decreased by $47 million, or 10 percent, from $453 million to $406 million.

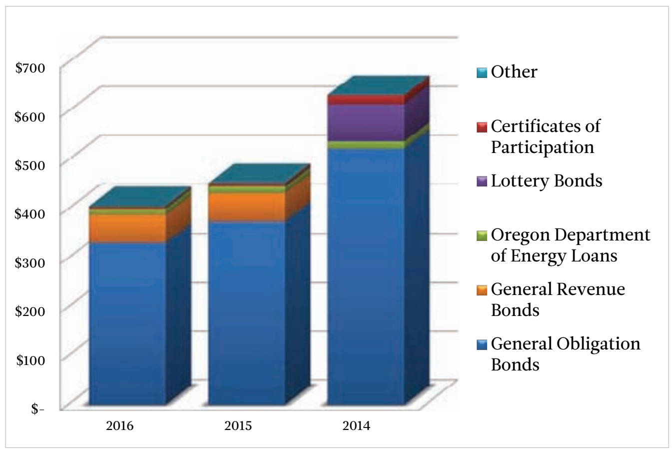
- Premiums and discounts associated with institution paid legacy debt totaling $30 million were removed in accordance with debt agreements between the State and the University.
- The State issued on behalf of OSU an additional $260 thousand (par value) of new XI-Q General Obligation Bonds earmarked for refunding outstanding COP debt obligations.
- With the $260 thousand of new bond proceeds, the State refunded on behalf of OSU $303 thousand (par value) in COPs.
- OSU made debt service principal payments totalling $15 million on outstanding long-term debt.
- OSU's remaining obligation for accreted interest on outstanding debt decreased by a net $2 million.

During 2015, long-term debt held by OSU decreased by $181 million, or 29 percent, from $634 million to $453 million.

- State paid debt totalling $225 million of General Obligation Bonds, Certificates of Participation and Lottery Bonds were removed.
- The State issued on behalf of OSU an additional $19 million (par value) of new XI-F(1) General Obligation Bonds earmarked for refunding outstanding debt obligations.
- With the $19 million of new bond proceeds, the State refunded on behalf of OSU $20 million (par value) in XI-F(1) General Obligation Bonds.
- OSU issued $51 million (par value) in General Revenue bonds with the proceeds earmarked for the construction and acquisition of capital assets.
- OSU made debt service principal payments totalling $13 million on outstanding long-term debt.
- OSU's obligation for premiums, discounts and accredited interest on outstanding debt increased by a net $7 million.

See Note 9 Long-Term Liabilities and Note 19 Change in Entity for additional information.

Long-term Debt
(in millions)



Total Liabilities and Deferred Inflows of Resources

Total liabilities increased by $73 million, or 11 percent, during 2016 primarily due to the recording of a $115 million net pension liability that was offset by the removal of $30 million in long-term debt and $15 million in principal payments. During 2015, total liabilities decreased by $160 million, or 19 percent, primarily due to the removal of state paid debt. See Note 9 and Note 19 for additional information.

Comparison of fiscal year 2016 to fiscal year 2015

Current Liabilities increased by $6 million, or 3 percent.

- Accounts payable and accrued liabilities increased by $5 million mainly due to an increase in services and supplies payable associated with capital construction projects.
- Unearned revenues increased by $8 million mainly due to an increase in summer session tuition and fees, and an increase in unearned grant and contract revenue.
- The current portion of long-term liabilities decreased by less than $1 million due mainly to the removal of premiums and discounts associated with institution paid legacy debt which would have been due in the coming year.

Noncurrent Liabilities increased by $67 million, or 14 percent.

- The noncurrent portion of long term debt decreased by $48 million. See discussion of Debt Administration earlier in this MD&A for detailed information on this change. See Note 9 Long Term Liabilities and Note 19 Change in Entity for additional information.
- OSU recorded a $115 million net pension liability as of June 30, 2016 in accordance with GASB Statement Nos. 68 and 71. See Note 15 Employee Retirement Plans for additional information.

Deferred Inflows of Resources decreased by $51 million or 65 percent. See Note 6 Deferred Outflows and Deferred Inflows of Resources for detailed information on this change.

Comparison of fiscal year 2015 to fiscal year 2014

Current Liabilities increased by $18 million, or 11 percent.

- Accounts payable and accrued liabilities increased by $15 million mainly due to an increase in the amounts held in agency funds at year-end for payroll vendor payments offset by a decrease in accrued interest payable.
- Unearned revenues increased by $4 million due to increases in summer session tuition and grants and contracts.
- Deposits increased by $2 million due mainly to funds deposited at OSU on behalf of the OUS Chancellor's Office. These funds were used to pay final invoices after the OUS was officially closed.
- The current portion of long-term liabilities decreased by $5 million as a result of the removal of state paid debt from OSU's long-term liabilities.

Noncurrent Liabilities decreased by $178 million, or 27 percent, primarily due to the removal of $225 million in state paid debt, offset by the addition of $51 million (par value) in General Revenue bonds. See Debt Administration earlier in this MD&A, as well as Notes 9 and 19 for additional information.

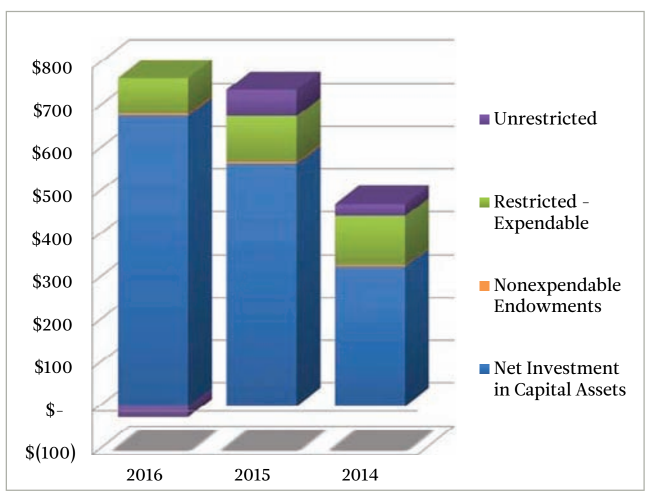
Deferred Inflows of Resources increased by $79 million as a result of the implementation of GASB Statement Nos. 68 and 71 as of June 30, 2015. See Note 6 Deferred Outflows and Deferred Inflows of Resources for additional information.

Total Net Position

Total net position (TNP) increased by $3 million, or less than one percent, during 2016. TNP benefited from a $113 million increase in net investment in capital assets, but was negatively impacted by decreases in restricted expendable net position and unrestricted net position of $24 million and $86 million, respectively. The decrease in unrestricted net position was primarily due to the recognition of a net pension liability of $115 million in 2016, which replaced a $41 million net pension asset in 2015. See Note 10 Unrestricted Net Position for more information.

TNP increased by $266 million, or 56 percent, between 2014 and 2015. Net investment in capital assets increased by $240 million; restricted expendable net position decreased by $8 million; and unrestricted net position increased by $33 million.

The graph below illustrates how the composition of net position has changed since 2014, primarily due to the removal of state paid debt, and the recognition of OSU's pension liability. (in millions)



Comparison of fiscal year 2016 to fiscal year 2015

Net Investment in Capital Assets increased by $113 million, or 20 percent.

- Capitalized acquisitions net of disposals added $129 million, which was offset by a $36 million increase to accumulated depreciation. Additionally, there was a net decrease of $20 million in long-term debt outstanding attributable to the capital assets as a result of the removal of premiums, discounts and deferred gain/loss on refundings. See Note 9 Long-Term Liabilities and Note 19 Change in Entity for additional information.

Restricted Expendable Net Position decreased by $24 million, or 22 percent.

- Net position restricted for capital projects decreased by $17 million due primarily to the spend down of gifts received for capital construction projects.
- Net position restricted for student loans decreased by $3 million due primarily to a return of contributed capital to the federal government related to the Perkins Loan program.
- Net position restricted for gifts, grants and contracts decreased by $4 million due primarily to a decrease in the market value of invested endowments.

Unrestricted Net Position decreased by $86 million, or 141 percent.

- Improved unrestricted operating performance increased unrestricted net position by $7 million.
- Changes associated with year-end liability accruals for the net pension liability decreased unrestricted net position by $93 million.

See Note 10 Unrestricted Net Position for additional information.

Comparison of fiscal year 2015 to fiscal year 2014

Net Investment in Capital Assets increased by $240 million, or 74 percent.

- Capital asset additions added $139 million, including $116 million in construction in progress and $16 million in equipment purchases. Additions were offset by $12 million in retirements related mostly to buildings and equipment.
- Capital asset increases were further offset by a net increase of $39 million to accumulated depreciation on prior and newly completed or purchased assets. See Note 5 Capital Assets for additional information.
- Additionally, there was a net decrease of $152 million in long-term debt outstanding attributable to the capital assets due to the removal of state paid debt and debt service payments made on outstanding debt, offset by the addition of new debt. See Note 9 and Note 19 for additional information.

Restricted Expendable Net Position decreased by $8 million, or 6 percent.

- Net position relating to funds reserved for debt service decreased by $9 million primarily due to the removal of state paid debt from the long-term liabilities of OSU.
- Net position restricted for gifts, grants and contracts increased by $2 million primarily due to a new $2 million quasi-endowment gift of forest land.
- Net position restricted for capital construction decreased by $1 million due to spend down of previously received bond proceeds for construction.

Unrestricted Net Position increased by $33 million, or 118 percent.

- Unrestricted net position was increased by $32 million due to the refunding of temporary internal loans made during fiscal year 2014.
- Improved unrestricted operating performance added $2 million.
- Accreted interest associated with long-term liabilities decreased by $5 million due to the removal of accreted interest associated with state paid debt, resulting in a corresponding increase in unrestricted net position.
- The release of capital project reserves from governing restrictions increased unrestricted net position by $12 million.
- Closing the OUS Chancellor's Office, which resulted in the transfer of a portion of OUS net position to OSU, increased unrestricted net position by $3 million.
- The impact of the implementation of GASB Statement Nos. 68 and 71 on pension expense decreased unrestricted net position by $21 million.

See Note 10 Unrestricted Net Position for additional information.

Statement of Revenues, Expenses and Changes in Net Position

Due to the classification of certain key revenues as nonoperating revenue, OSU shows a loss from operations. State general fund appropriations, nonexchange grants and noncapital gifts, although considered nonoperating revenue under GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities—an amendment of GASB Statement No. 34*, and reflected accordingly in the nonoperating section of the SRE, are used solely for operating purposes.

The following summarizes the revenues and expenses of OSU (in millions):

Condensed Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30,	**2016**	2015	2014
Operating Revenues	**$ 720**	$ 686	$ 622
Operating Expenses	**1,093**	919	911
Operating Loss	**(373)**	(233)	(289)
Nonoperating Revenues, Net of Expenses	**286**	271	242
Other Revenues, Net of Expenses	**69**	78	38
Increase (Decrease) in Net Position Prior to Special/Extraordinary Items	**(18)**	116	(9)
Special and Extraordinary Items	**21**	225	-
Increase (Decrease) in Net Position After Special/Extraordinary Items	**3**	341	(9)
Net Position, Beginning of Year	**738**	397	481
Net Position, End of Year	**$ 741**	$ 738	$ 472

Revenues and Special Items

Total revenues decreased by $161 million, or 13 percent, in 2016 over 2015. This decrease was attributable to the Special/Extraordinary revenue item associated with the removal of state paid debt from OSU's financial statements in 2015. When this item is excluded from the analysis in both years, total revenues increased by $43 million in 2016, due to increases of $34 million and $9 million in total operating revenues and total nonoperating revenues, respectively.

Total Operating, Nonoperating, Other Revenues and Special Items

(in millions)

For the Year Ended June 30,	**2016**	2015	2014
Student Tuition and Fees	**$ 303**	$ 284	$ 264
Grants and Contracts	**207**	203	187
Auxiliary Enterprises	**155**	147	129
Educational and Other	**55**	52	42
Total Operating Revenues	**720**	686	622
Government Appropriations	**195**	176	178
Financial Aid Grants	**47**	45	45
Gifts	**54**	54	48
Investment Activity	**12**	15	17
Capital Grants and Gifts	**68**	77	25
Nonoperating and Other Items	**1**	1	(3)
Total Nonoperating and Other Revenues	**377**	368	310
Special/Extraordinary Items	**21**	225	-
Total Revenues	**$ 1,118**	$ 1,279	$ 932

Total Operating, Nonoperating, Other Revenues and Special Items

(in millions)

Operating Revenues

Operating revenues increased by $34 million in 2016, or 5 percent, over 2015, to $720 million. The increase is due to increased revenue in most categories of operating revenue with the largest increase occurring in student tuition and fees. Operating revenues increased by $64 million in 2015, or 10 percent, over 2014. The increase is due to increased revenue in all categories of operating revenue with the largest increases occurring in student tuition and fees, federal grants and contracts, and auxiliary revenues.

Comparison of fiscal year 2016 to fiscal year 2015

Net Student Tuition and Fees increased by $19 million, or 7 percent.

- Higher tuition and fee rates accounted for $18 million of the increase. A portion of the rate increase includes the final phase-out of the tuition plateau for students taking between 12 and 15 credit hours per term.
- A 1.5 percent FTE student enrollment increase added $8 million in tuition and fees.
- Fee remissions, scholarship allowances and bad debt allowances reduced tuition and fees by $7 million more than in the prior year.

Federal, State and Nongovernmental Grants and Contracts increased by $4 million, or 2 percent.

- Federal grant and contract revenues increased by $5 million due to an increase in grants and cooperative agreements.
- State and Nongovernmental grant and contract revenues were relatively unchanged, with only a slight decrease in both categories.

Auxiliary Enterprise revenues increased by $8 million, or 5 percent.

- Housing and dining revenues increased by $1 million. An increase in meal plan revenue was somewhat offset by a decrease in room and board revenue.
- Athletics revenues increased by $5 million as the result of increases in revenues from bowl income, athletic conference TV share, sponsorships and guarantees. These increases were slightly offset by decreased ticket revenue.
- Other auxiliaries revenues increased by $2 million due mainly to an increase in student incidental fee revenue.

Educational and Other revenues increased by $3 million, or 6 percent.

- Educational department sales and services revenues increased by $4 million due mainly to increases in revenues from sales, services, workshops, lease income, surplus sales and non-athletic sponsorships.
- Other operating revenues decreased $1 million. Decreased miscellaneous revenue and reimbursements from outside entities were only slightly offset by increased insurance recoveries.

Comparison of fiscal year 2015 to fiscal year 2014

Net Student Tuition and Fees increased by $20 million, or 8 percent.

- Higher tuition and fee rates accounted for $17 million of the increase. A portion of the rate increase includes the continued phase-out of the tuition plateau for students taking between 12 and 15 credit hours per term.
- A 2.1 percent FTE student enrollment increase added $8 million in tuition and fees.
- Fee remissions, scholarship allowances and bad debt allowances reduced tuition and fees by $5 million more than in the prior year.

Federal, State and Nongovernmental Grants and Contracts increased by $16 million, or 9 percent.

- Federal grant and contract revenues increased by $13 million due to increases in research and development grants and contracts.
- State grant and contract revenues increased by $3 million primarily due to increases in state and local grants.

Auxiliary Enterprise revenues increased by $18 million, or 14 percent.

- Housing and dining revenues increased by $4 million mainly due to increases in rates and usage.
- Athletics revenues increased by $9 million due to increases in football bowl revenue share, athletic conference TV share, and sponsorship revenue.
- Student health services increased by $2 million due primarily to an increase in insurance enrollment.
- Parking services increased by $1 million due to an increase in parking permit fees.
- Other auxiliaries increased by $2 million due to increases in student incidental fees, sales and services, and miscellaneous revenue.

Educational and Other revenues increased by $10 million, or 24 percent.

- Educational department sales revenue increased by $8 million due mainly to increases in sales and services.
- Other operating revenues increased by $2 million due mainly to increases in miscellaneous revenue and reimbursements from outside entities.

Nonoperating and Other Revenues

The increase in total nonoperating and other revenues of $9 million during 2016 resulted mainly from an increase in government appropriations that was offset by decreases in capital grants and gifts. The increase in total nonoperating and other revenues of $58 million during 2015 resulted mainly from increases in capital grants and gifts and noncapital gifts. As a result of the change in governance and legal status of the University, bonds used by the university but repaid with state general funds or lottery dollars are now recorded by the university as capital grants. In fiscal year 2015, OSU recorded $34 million in capital grants from the State. See Note 1 Organization and Summary of Significant Accounting Policies and Note 9 Long-Term Liabilities for more information.

Comparison of fiscal year 2016 to fiscal year 2015

Government Appropriations increased by $19 million, or 11 percent.

- State appropriations increased by $19 million due to increased funding received in support of the operations of the university and statewide public services.
- Federal and county appropriations in support of the statewide public services were relatively unchanged; an increase in county appropriations was offset by a decrease in federal appropriations.
- Debt service appropriations from the State were relatively unchanged.

See Note 14 Government Appropriations for additional information relating to changes in appropriations.

Financial Aid Grants increased by $2 million or 4 percent due mainly to an increase in State Opportunity Grants.

Gifts were relatively unchanged. An increase in gift revenue from the OSU Foundation was offset by a decrease in commercial business gift-in-kind revenue.

Investment Activity revenues decreased by $3 million, or 20 percent. See Note 12 Investment Activity for additional information relating to these changes.

Capital Grants and Gifts decreased by $9 million or 12 percent. A decrease in capital gift revenue from the OSU Foundation was slightly offset by an increase in capital grant revenue from the State.

Nonoperating and Other Items were relatively unchanged. Prior year adjustments to fixed assets were mostly offset by a return of contributed capital to the federal government for the Perkins Loan program.

Comparison of fiscal year 2015 to fiscal year 2014

Government Appropriations decreased by $2 million, or 1 percent.

- State appropriations for OSU operations increased by $12 million due to an increase in funding received from the State.
- Federal and county appropriations in support of the statewide public services increased by $2 million.
- Debt service appropriations decreased by $16 million due to the removal of state paid debt. OSU will no longer receive general fund or lottery funds for the repayment of XI-G, XI-Q, COPs and Lottery debt which is paid by the State. See Note 9 Long-Term Liabilities for additional details on this change.

See Note 14 Government Appropriations for additional information relating to changes in appropriations.

Financial Aid Grants were relatively unchanged.

Gifts increased by $6 million, or 13 percent, due mainly to increases in gift revenue received from the OSU Foundation, other foundations and associations, and a new quasi-endowment of forest land valued at $2.12 million.

Investment Activity revenues decreased by $2 million, or 12 percent. See Note 12 Investment Activity for additional information relating to these changes.

Capital Grants and Gifts increased by $52 million, or 208 percent, due to an increase in capital gift revenue of $19 million from the OSU Foundation as well as $34 million in capital grants from the State. These increases were offset by decreases in capital gifts from other sources.

Nonoperating and Other Items increased slightly, but represent a very small portion of revenue to the university.

Special and Extraordinary Items

Comparison of fiscal year 2016 to fiscal year 2015

Special and Extraordinary Items represents continued adjustments related to the closing of the OUS Chancellor's Office and the change in legal entity for OSU. This source decreased significantly by $204 million, or 91 percent, to $21 million in fiscal year 2016 and is expected to eventually disappear as the dissolution of the OUS is fully absorbed by the University. Premiums and discounts associated with institution paid legacy debt totaling $30 million were removed from the long-term liabilities of OSU in accordance with the debt agreements between the

State and the University. Additionally, $8 million in deferred outflows of resources associated with unamortized gains/losses on refunding of the legacy debt were also removed. See Note 19 Change in Entity for additional information.

Comparison of fiscal year 2015 to fiscal year 2014

Special and Extraordinary Items increased by $225 million due mostly to OSU recording a special item of $225 million in cash and reduced liabilities. The closing of the OUS Chancellor's Office resulted in the transfer of $3 million in cash to OSU. The removal of state paid debt and deferred outflows for unamortized gain/loss associated with the debt added another $223 million. Other changes totaled a net decrease of $2 million. See Note 19 Change in Entity for additional information.

Expenses

Operating Expenses

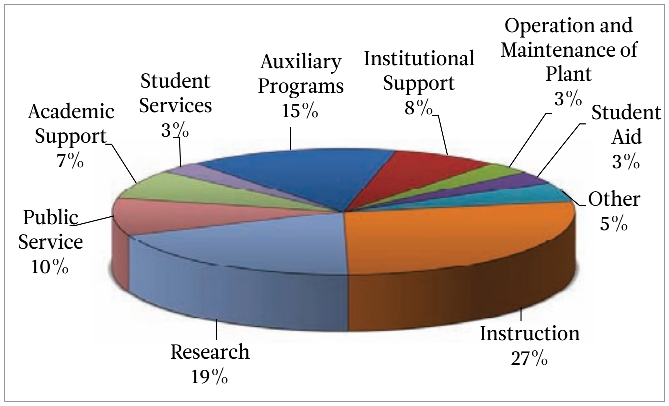
Operating expenses increased by $174 million in 2016, or 19 percent, over 2015, to $1,093 million. The 2016 increase resulted mainly from a $146 million swing in compensation and benefit costs associated with reporting requirements under GASB Statement Nos. 68 and 71. Operating expenses increased by $8 million in 2015, or 1 percent, over 2014, to $919 million. The 2015 increase resulted from higher expenses in most categories, with the biggest overall increases in institutional support and student aid. Those increases were offset by decreases in instruction, academic support and operations and maintenance of plant. An increase to true operating expenses was offset by a decrease of $53 million to compensation and benefits associated with the implementation of GASB Statement Nos. 68 and 71. See the following discussion on the effect of GASB Statement Nos. 68 and 71 on operating expenses by function.

The following table and chart summarize operating expenses by functional classification (in millions):

Operating Expenses by Function

For the Year Ended June 30,	**2016**	2015	2014
Instruction	**$ 298**	$ 240	$ 244
Research	**210**	181	180
Public Service	**105**	82	78
Academic Support	**82**	61	62
Student Services	**32**	27	26
Auxiliary Programs	**162**	144	144
Institutional Support	**82**	65	61
Operations & Maintenance of Plant	**34**	30	31
Student Aid	**34**	33	30
Other Operating Expenses	**54**	56	55
Total Operating Expenses	**$ 1,093**	$ 919	$ 911

2016 Operating Expenses by Function



Beginning with fiscal year 2015, the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68,* had a profound impact on the operating expenses reported by OSU. The following shows the effect of GASB Statement Nos. 68 and 71 on operating expenses across the functional classifications (in millions):

Effect of GASB Statement Nos. 68 and 71 on Expenses by Function

For the Year Ended June 30, 2016	As Reported	Without GASB 68/71	Difference
Instruction	$ 298	$ 270	$ 28
Research	210	196	14
Public Service	105	93	12
Academic Support	82	73	9
Student Services	32	28	4
Auxiliary Programs	162	151	11
Institutional Support	82	72	10
Operation & Maintenance of Plant	34	31	3
Student Aid	34	34	-
Other Operating Expenses	54	52	2
Total Operating Expenses	**$ 1,093**	**$ 1,000**	**$ 93**

For the Year Ended June 30, 2015	As Reported	Without GASB 68/71	Difference
Instruction	$ 240	$ 259	$ (19)
Research	181	190	(9)
Public Service	82	88	(6)
Academic Support	61	66	(5)
Student Services	27	29	(2)
Auxiliary Programs	144	149	(5)
Institutional Support	65	65	-
Operation & Maintenance of Plant	30	36	(6)
Student Aid	33	33	-
Other Operating Expenses	56	57	(1)
Total Operating Expenses	$ 919	$ 972	$ (53)

Absent the impact of GASB Statement Nos. 68 and 71 on compensation and benefits, total operating expenses for OSU would have increased by $28 million, or 3 percent, during 2016 and by $61 million, or 7 percent, during 2015.

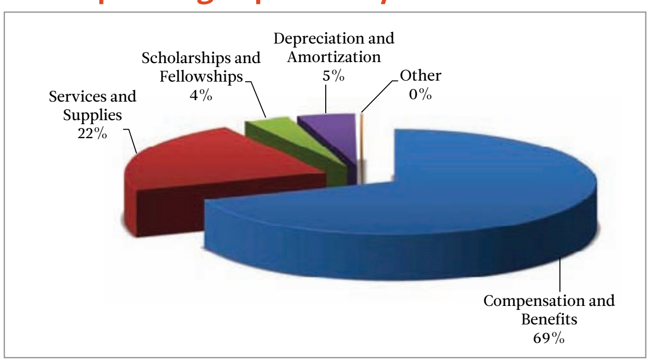
Operating Expenses by Nature

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. See Note 13 Operating Expenses by Natural Classification for additional information.

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

For the Year Ended June 30,	**2016**	2015	2014
Compensation and Benefits	**$ 759**	$ 584	$ 598
Services and Supplies	**242**	244	219
Scholarships and Fellowships	**40**	39	43
Depreciation and Amortization	**50**	50	50
Other	**2**	2	1
Total Operating Expenses	**$ 1,093**	$ 919	$ 911

2016 Operating Expenses by Nature



Comparison of fiscal year 2016 to fiscal year 2015

Compensation and Benefit costs increased by $175 million, or 30 percent.

- Salary and wage costs increased by $17 million due to additional staff and faculty hires combined with wage increases.
- Retirement and health insurance costs increased by $9 million.
- Wage costs further increased by $3 million due to increased student and graduate employment.
- Adjustments and accruals associated with the net pension liability reporting requirement of GASB Statement Nos. 68 and 71 resulted in a net increase of $146 million in compensation and benefits expense. See Note 15 Employee Retirement Plans, Change in Plan Provisions for additional information on this variance.

Services and Supplies expenses decreased by $2 million, or 1 percent.

- Increases in expenses for communications, rentals and leases, fees and services, travel and subcontract awards were offset by decreases in expenses for supplies, maintenance and repairs, and other services and supplies.

Scholarships and Fellowships costs increased by $1 million, or 3 percent.

- The increase corresponds to revenue increases in state, private, foundation and institutional student aid, partially offset by decreases in federal funds.

Comparison of fiscal year 2015 to fiscal year 2014

Compensation and Benefit costs decreased by $14 million, or 2 percent.

- Salary and wage costs increased by $30 million due to additional staff and faculty hires combined with wage increases.
- Retirement and health insurance costs increased by $9 million.
- Wage costs further increased by $3 million due to increased student and graduate employment.
- Other payroll expenses decreased by $3 million mainly due to a decrease in accrued payroll expense related to terminated employee liabilities recorded in fiscal year 2014. See Note 9 Long-Term Liabilities for additional information on this variance.
- The first year implementation of GASB Statement Nos. 68 and 71 resulted in a net decrease to compensation and benefits of $53 million. See table on previous page and Note 15 Employee Retirement Plans for additional information on this variance.

Services and Supplies expenses increased by $25 million, or 11 percent.

- This increase was experienced across many categories including general supplies, fees and services, rentals and leases, noncapital equipment and furniture and state assessments.

Scholarships and Fellowships costs decreased by $4 million, or 9 percent.

- The decrease corresponds to revenue decreases in federal and state funds, partially offset by increases in private, foundation and institutional student aid.

Depreciation and Amortization expense was relatively unchanged from the prior year. An increase in depreciation expense resulting from recently constructed or refurbished buildings being placed in service was offset by a decrease in depreciation expense resulting from the change in accounting estimate implemented by OSU during fiscal year 2015.

Nonoperating Expenses

Comparison of fiscal year 2016 to fiscal year 2015

Interest Expense increased by $2 million, or 12 percent, due primarily to the first year payment of revenue bond interest, slightly offset by a decrease in other bond interest expense.

Gain (Loss) on Sale or Disposal of Fixed Assets was relatively unchanged. Gains and losses on disposal of assets was essentially the same as the prior year.

Comparison of fiscal year 2015 to fiscal year 2014

Interest Expense decreased by $8 million, or 30 percent, due mainly to the university no longer recording interest expense related to state paid debt.

Loss on Sale or Disposal of Fixed Assets increased by $1 million, or 850 percent, due to increased disposal of assets in fiscal year 2015.

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.

Public higher education in Oregon continues to face familiar challenges – inadequate state support (despite a welcome boost in funding for the 2015-17 biennium), pressures to keep education affordable and yet improve degree completions, changing student demographics necessitating more support services, and costs associated with mandated participation in state health and retirement systems.

Enrollment changes can have the greatest impact on the operating budget. Both undergraduate and international enrollment growth have slowed, but with an increase in non-resident student enrollment and only modest decline in the resident freshmen class. OSU continues to monitor the potential impact on enrollment due to the Oregon Promise program (also known as "free community college"). Oregon Promise grants will first be available for the fall term of 2016-17.

In the research arena, federal opportunities are stagnant in many areas. However, OSU maintains its strategy to diversify its research portfolio with a focus on core strengths – marine studies; food and water security; sustainable energy and built infrastructure; climate change and adaptation; and health promotion, disease prevention and management. Technology licensing, nonprofit and industry sources all represent opportunities for further research and development expansion. Total awards have continually grown since fiscal year 2013 with record setting research funding again achieved in fiscal year 2016.

The volatility of state funding levels has been a significant challenge for public universities in Oregon. From the 2007-09 biennium through the 2013-15 biennium, the State reduced its total support to universities by 11 percent. Funding specifically for education and general purposes decreased 18 percent over that same period, which compelled OSU to seek greater operating efficiency through reduced costs; build enrollments of out-of-state and international students who pay higher tuition rates; and increase tuition rates for all students. By 2015, Oregon's economy had improved and the universities benefitted from the expected growth in the State's revenues. Total public universities' state funding for the 2015-17 biennium education and general support increased by 28% over the prior biennium. However, it is not clear that this level of state support will be sustained in the 2017-19 biennium. Elements of the State's 2013 pension reforms were subsequently overturned by the Oregon Supreme Court which will result in significantly higher pension costs for the 2017-19 biennium. In combination with increased costs for health care services, the State's funding gap for all services is projected to be about $1 billion, despite expectations for continued revenue growth and barring any changes in the State's tax structure. OSU continues to model various scenarios to be prepared for a range of possible state funding outcomes.

OSU is ultimately subject to the same economic variables that affect other entities but maintains its focus on providing quality instruction, research and public service to its students and the citizens of the State, the nation and the world.

Statements of Net Position

As of June 30,		University 2016		2015
		(In thousands)		
ASSETS				
Current Assets				
Cash and Cash Equivalents (Note 2)	$	45,000	$	82,123
Collateral from Securities Lending (Note 2)		7,247		12,747
Accounts Receivable, Net (Note 3)		131,590		131,097
Notes Receivable, Net (Note 4)		4,045		4,970
Inventories		1,925		1,915
Prepaid Expenses		8,039		4,334
Total Current Assets		**197,846**		237,186
Noncurrent Assets				
Cash and Cash Equivalents (Note 2)		10,713		15,704
Investments (Note 2)		177,787		162,841
Notes Receivable, Net (Note 4)		17,903		18,771
Net Pension Asset (Note 15)		-		40,834
Capital Assets, Net of Accumulated Depreciation (Note 5)		1,071,600		978,239
Total Noncurrent Assets		**1,278,003**		1,216,389
Total Assets	**$**	**1,475,849**	$	1,453,575
DEFERRED OUTFLOWS OF RESOURCES (Note 6)	**$**	**28,203**	$	24,873
LIABILITIES				
Current Liabilities				
Accounts Payable and Accrued Liabilities (Note 7)	$	82,877	$	78,060
Deposits		1,734		2,533
Obligations Under Securities Lending (Note 2)		7,247		12,747
Current Portion of Long-Term Liabilities (Note 9)		41,228		42,064
Unearned Revenues		52,692		44,313
Total Current Liabilities		**185,778**		179,717
Noncurrent Liabilities				
Long-Term Liabilities (Note 9)		434,306		482,208
Net Pension Liability (Note 15)		114,748		-
Total Noncurrent Liabilities		**549,054**		482,208
Total Liabilities	**$**	**734,832**	$	661,925
DEFERRED INFLOWS OF RESOURCES (Note 6)	**$**	**27,943**	$	78,792
NET POSITION				
Net Investment in Capital Assets	$	678,484	$	564,735
Restricted For:				
Nonexpendable Endowments		4,956		4,827
Expendable:				
Gifts, Grants and Contracts		41,907		45,979
Student Loans		31,862		34,744
Capital Projects		5,565		23,020
Debt Service		3,334		3,798
Unrestricted (Note 10)		(24,831)		60,628
Total Net Position	**$**	**741,277**	$	737,731

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

Statements of Financial Position

As of June 30,	Component Units 2016	2015
	(In thousands)	
ASSETS		
Cash and Cash Equivalents	$ 5,244	$ 6,850
Investments	595,871	558,352
Contributions, Pledges and Grants Receivable, Net	51,534	45,072
Assets Held-For-Sale	4,299	5,428
Assets Held Under Split-Interest Agreements	52,233	54,462
Charitable Trusts Held Outside the Foundation	15,706	14,839
Prepaid Expenses and Other Assets	3,157	2,381
Property and Equipment, Net	4,842	4,730
Total Assets	**$ 732,886**	$ 692,114
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 7,179	$ 9,227
Endowment Assets Held for OSU	42,476	-
Accounts Payable to the University	3,512	6,825
Obligations to Beneficiaries of Split-Interest Agreements	23,716	25,422
Deposits and Unearned Revenue	8,160	7,210
Long-Term Liabilities	8	-
Total Liabilities	**85,051**	48,684
NET ASSETS		
Unrestricted	(10,085)	4,436
Temporarily Restricted	272,133	264,802
Permanently Restricted	385,787	374,192
Total Net Assets	**647,835**	643,430
TOTAL LIABILITIES AND NET ASSETS	**$ 732,886**	$ 692,114

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

Statements of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30,	University 2016	University 2015
	(In thousands)	
OPERATING REVENUES		
Student Tuition and Fees (Net of Allowances of $73,333 and $65,899, respectively)	$ 302,949	$ 284,360
Federal Grants and Contracts	176,078	171,063
State and Local Grants and Contracts	9,033	9,492
Nongovernmental Grants and Contracts	22,102	22,303
Educational Department Sales and Services	46,651	42,174
Auxiliary Enterprises (Net of Allowances of $2,850 and $3,102, respectively)	154,722	146,900
Other Operating Revenues	8,765	10,320
Total Operating Revenues	**720,300**	686,612
OPERATING EXPENSES		
Instruction	297,970	239,678
Research	209,981	180,981
Public Service	104,384	81,666
Academic Support	81,854	60,532
Student Services	32,345	27,057
Auxiliary Programs	161,825	144,213
Institutional Support	82,001	65,210
Operation and Maintenance of Plant	34,269	30,411
Student Aid	34,264	33,450
Other Operating Expenses	54,248	56,264
Total Operating Expenses (Note 13)	**1,093,141**	919,462
Operating Loss	**(372,841)**	(232,850)
NONOPERATING REVENUES (EXPENSES)		
Government Appropriations (Note 14)	193,616	175,170
Financial Aid Grants	47,093	45,093
Gifts	53,751	54,578
Investment Activity (Note 12)	11,925	14,876
Gain (Loss) on Sale of Assets, Net	(1,287)	(1,501)
Interest Expense	(19,944)	(17,750)
Other Nonoperating Items	975	173
Total Net Nonoperating Revenues	**286,129**	270,639
Income (Loss) Before Other Revenues	**(86,712)**	37,789
OTHER REVENUES (EXPENSES)		
Debt Service Appropriations (Note 14)	1,084	1,100
Capital Grants and Gifts	67,614	76,587
Changes to Permanent Endowments	129	450
Total Net Other Revenues	**68,827**	78,137
Increase (Decrease) In Net Position Prior to Special/Extraordinary Items	**(17,885)**	115,926
SPECIAL AND EXTRAORDINARY ITEMS		
Special Item - Change in Entity (Note 19)	21,431	224,667
Increase (Decrease) In Net Position After Special/Extraordinary Items	**3,546**	340,593
NET POSITION		
Beginning Balance	737,731	397,138
Ending Balance	**$ 741,277**	$ 737,731

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

Statements of Activities

For the Year Ended June 30,	Component Units 2016	2015
	(in thousands)	
CHANGE IN UNRESTRICTED NET ASSETS		
REVENUES		
Grants, Bequests and Gifts	$ 6,005	$ 5,477
Interest and Dividends	3,189	3,121
Investment Income (Loss), Net	(11,297)	(9,154)
Net Assets Released From Restrictions and Other Transfers	76,420	93,730
Other Revenues	15,546	14,785
Total Revenues	**89,863**	107,959
EXPENSES		
University Support	72,561	90,162
Management, General and Development Expenses	21,900	21,273
Investment Expense	9,923	9,018
Total Expenses	**104,384**	120,453
Increase (Decrease) In Unrestricted Net Assets	**(14,521)**	(12,494)
Beginning Balance, Unrestricted Net Assets	4,436	16,930
Ending Balance, Unrestricted Net Assets	**$ (10,085)**	$ 4,436
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
REVENUES		
Grants, Bequests and Gifts	$ 66,961	$ 63,613
Interest and Dividends	10,342	11,426
Investment Income (Loss), Net	73	(4,911)
Change in Value of Life Income Agreements	(117)	(308)
Other Revenues	7,498	8,423
Net Assets Released From Restrictions and Other Transfers	(77,426)	(96,624)
Increase (Decrease) In Temporarily Restricted Net Assets	**7,331**	(18,381)
Beginning Balance, Temporarily Restricted Net Assets	264,802	283,183
Ending Balance, Temporarily Restricted Net Assets	**$ 272,133**	$ 264,802
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS		
REVENUES		
Grants, Bequests and Gifts	$ 11,511	$ 18,848
Interest and Dividends	130	159
Investment Income (Loss), Net	(49)	(530)
Change in Value of Life Income Agreements	(1,152)	(673)
Other Revenues	149	46
Net Assets Released From Restrictions and Other Transfers	1,006	2,894
Increase (Decrease) In Permanently Restricted Net Assets	**11,595**	20,744
Beginning Balance, Permanently Restricted Net Assets	374,192	353,448
Ending Balance, Permanently Restricted Net Assets	**$ 385,787**	$ 374,192
Beginning Balance	$ 643,430	$ 653,561
Increase (Decrease) In Total Net Assets	**4,405**	(10,131)
Ending Balance	**$ 647,835**	$ 643,430

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

Statements of Cash Flows

For the Year Ended June 30,	University 2016	2015
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	$ 310,418	$ 291,016
Grants and Contracts	202,470	200,454
Educational Department Sales and Services	46,651	42,174
Auxiliary Enterprise Operations	154,077	143,817
Payments to Employees for Compensation and Benefits	(666,380)	(618,663)
Payments to Suppliers	(242,804)	(249,289)
Student Financial Aid	(40,161)	(41,011)
Other Operating Receipts (Payments)	145	12,917
Net Cash Provided (Used) by Operating Activities	**(235,584)**	(218,585)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Government Appropriations	193,616	175,170
Financial Aid Grants	47,093	45,093
Private Gifts Received for Endowment Purposes	129	450
Other Gifts and Private Contracts	54,726	54,751
Net Agency Fund Receipts (Payments)	(799)	1,570
Cash Transfer Due to Reorganization	-	3,394
Net Cash Provided (Used) by Noncapital Financing Activities	**294,765**	280,428
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt Service Appropriations	1,084	1,100
Capital Grants and Gifts	82,816	42,097
Bond Proceeds from Capital Debt	704	80,288
Sales of Capital Assets	1,306	307
Purchases of Capital Assets	(147,137)	(137,220)
Interest Payments on Capital Debt	(19,729)	(19,595)
Principal Payments on Capital Debt	(17,326)	(33,775)
Net Cash Provided (Used) by Capital and Related Financing Activities	**(98,282)**	(66,798)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Sales (Purchases) of Investments	(15,270)	(62,124)
Interest Receipts on Investments and Cash Balances	12,257	15,847
Net Cash Provided (Used) by Investing Activities	**(3,013)**	(46,277)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(42,114)**	(51,232)
CASH AND CASH EQUIVALENTS		
Beginning Balance	97,827	149,059
Ending Balance	**$ 55,713**	$ 97,827

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

For the Year Ended June 30,	University 2016	2015
	(In thousands)	
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	$ (372,841)	$ (232,850)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	50,520	49,538
Changes in Assets and Liabilities:		
Accounts Receivable	(16,711)	(3,922)
Notes Receivable	1,793	1,796
Inventories	(10)	45
Prepaid Expenses	(3,705)	(647)
Pension Expense Changes Related to Net Pension Asset/(Liability)	93,201	(53,271)
Accounts Payable and Accrued Liabilities	6,361	16,762
Long-Term Liabilities	(2,571)	(362)
Unearned Revenues	8,379	4,326
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (235,584)**	$ (218,585)
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS		
Capital Assets Acquired by Gifts-in-Kind	$ 1,016	$ 1,414
Increase (Decrease) in Fair Value of Investments Recognized as a Component of Investment Activity	(332)	(971)
Removal of State Paid Debt	21,351	223,189

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Oregon State University (OSU) is a comprehensive public university governed by the Oregon State University Board of Trustees (Board), a citizen board appointed by the Governor with confirmation by the State Senate. OSU serves as the state of Oregon's land-, sea-, space- and sun-grant university.

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 Service, and Forestry Research Laboratories. See Note 21 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 a component unit of the State of Oregon (State) and is included as a discretely presented component unit in the State's Comprehensive Annual Financial Report (CAFR).

B. Financial Statement Presentation

The OSU financial accounting records are maintained in accordance with U.S. generally accepted accounting principles (GAAP) as prescribed in applicable pronouncements of the Governmental Accounting Standards Board (GASB). The financial statement presentation required by GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities—an amendment of GASB Statement No. 34*, 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 GAAP prescribed by the Financial Accounting Standards Board (FASB).

NEWLY IMPLEMENTED ACCOUNTING STANDARDS

OSU implemented GASB Statement No. 72, *Fair Value Measurement and Application*, effective for the fiscal year ended June 30, 2016. GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The adoption of GASB Statement No. 72 did not have a material impact on the OSU financial statements. OSU currently holds natural resource assets in the form of forestry endowments that are valued every five years by an external professional. The current value of the forestry endowments is approximately $4,692,074. Additionally, see Note 2, Section B Investments for the new Fair Value Measurement disclosure.

OSU implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB Statement No. 73 improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This statement establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pension. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes. The adoption of GASB Statement No. 73 did not have a material impact on the OSU financial statements.

OSU implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective June 30, 2016. GASB Statement No. 76 identifies, in the context of the current governmental financial reporting environment, the hierarchy of GAAP. The adoption of GASB Statement No. 76 did not have a material impact on the OSU financial statements.

OSU implemented GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. There was no impact resulting from the changes to the presentation of the Required Supplementary Information from the previously reported employee payroll to covered payroll.

UPCOMING ACCOUNTING STANDARDS

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. GASB Statement No. 75 improves the usefulness of information about post-employment benefits other than pensions (other post-employment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability and is effective for the fiscal year ending June 30, 2018. OSU does not currently have enough information from the PEBB actuary to determine the potential financial impact of GASB Statement No. 75. However, the adoption is expected to cause an expansion in the required note disclosures and could potentially impact the amount of the OPEB liability.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. GASB Statement No. 79 is effective for the fiscal year ending June 30, 2017. OSU is analyzing the effects of the adoption of GASB Statement No. 79 and is uncertain of the impact on the financial statements and related reporting requirements at this time.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. GASB Statement No. 81 improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement and is effective for the fiscal year ending June 30, 2018. OSU holds two remainder interest trust agreements in their quasi-endowments. OSU is analyzing the effects of the adoption of GASB Statement No. 81 and is uncertain of the impact on the financial statements and related reporting requirements at this time.

Between July 2015 and June 2016, GASB issued the following statements which do not currently apply to OSU, but could under certain circumstances: Statement No. 77, *Tax Abatement Disclosures*; Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; and Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*

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 include 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 for current operations, and cash and cash equivalents held for the payment of the current portion of debt service. Cash and cash equivalents classified as non-current assets consist of: cash held as a fiduciary agent for student groups, cash for noncurrent portion of debt service and cash deposits of debt proceeds for capital construction projects. See Note 2, Section A Cash and Cash Equivalents for disclosure of restricted portions of cash and cash equivalents.

E. Investments

Investments are reported at fair value as determined by market prices. Unrealized and realized gains or losses on investments are reported as investment activity in the Statement of Revenues, Expenses, and Changes in Net Position. See Note 12 Investment Activity for additional information. All investments are classified as noncurrent assets in the Statement of Net Position.

F. Inventories

Inventories are recorded at cost 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 $5,000 or more and an estimated useful life 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 $50,000 to $100,000, depending on the type of real property. Intangible assets valued in excess of $100,000 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 as part of the historical cost of acquiring capital assets which are funded by borrowings. Based on the rates of its debt borrowings, the university calculates a weighted composite interest rate and applies it to capital outlays to calculate capitalized interest. The amount of interest capitalized is the portion of the interest cost incurred during the assets' acquisition periods that could have been avoided if outlays for the assets had not been made. For the fiscal years ended June 30, 2016 and 2015, capitalized interest totaled $783,034 and $0, respectively. Prior to 2016, OSU's policy on capitalizing interest was to only capitalize interest on projects exceeding $20,000,000. In 2016 the policy was changed to capitalize interest on all qualifying capital projects.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. This is generally 50 years for buildings; 25 years for major renovations/additions to buildings; 10 to 20 years for infrastructure and land improvements, and 5 to 11 years for non-expendable assets. Amortization terms of intangible assets vary depending on the factors relating to the specific asset. Depreciation is not applied to land, museum collections, works of art, 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 enterprise activities in which cash has been received, but revenues will be earned in the 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. Pension

The net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, are actuarially determined at the system-wide Retirement Plan level and are allocated to employers based on their proportionate share. OSU is included in the proportionate share for all state agencies. The University's proportionate share is allocated by the Oregon State Department of Administrative Services.

K. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent the consumption of net position in one period that is applicable to future periods. Deferred inflows of resources represent the acquisition of net position that is applicable to future periods. Deferred outflows and inflows are related to defined benefit pension plans and to net fair value gain or loss on forward foreign currency contracts. See Note 2, Section A, Foreign Currency Risk-Deposits and Note 6 Deferred Outflows and Deferred Inflows of Resources.

L. 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, less 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 position represents 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.

M. Endowments

Through fiscal year 2015, Oregon Revised Statutes (ORS) Section 351.130 gave OSU the authority to use the interest, income, dividends, and profits of endowments. Historically, OSU endowment funds were invested and managed through the OUS Chancellor's Office. The State Board of Higher Education policy was to annually distribute, for spending purposes, 4.0 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 permitted.

In April, 2015, in preparation for the change in endowment asset management, the OUS transferred $33,260,766 in endowment fund cash and investments from the Higher Education Endowment Fund to OSU, and transferred $5,449,511 in alternative investments to the OSU Foundation. OSU recorded a receivable in exchange for the market value of the alternative investments through June 30, 2015. The cash was held as cash and investments at Oregon State Treasury as of June 30, 2015. Effective July 1, 2015, the University transferred the management of most of its endowment assets to the OSU Foundation pursuant to an investment agreement between the University Board and the Foundation. The University continues to manage its timber and forestry land endowments and remainder trusts.

The University endowment assets managed by the OSU Foundation are invested with the objectives of long-term capital appreciation and stable but growing income. The University Board policy is to distribute 4.5 percent of the preceding 12-quarter moving average of the endowment market value for spending purposes.

Net appreciation of endowments are included in restricted expendable gifts, grants and contracts on the Statement of Net Position.

Nonexpendable endowments on the Statement of Net Position at June 30, 2016, represents the original corpus of true endowment funds of $2,384,320 and the full non-expendable fair value of the real estate endowments of $2,572,074. Nonexpendable endowments on the Statement of Net Position at June 30, 2015, represents the original corpus of true endowment funds of $2,010,466 and the full non-expendable fair value of the real estate endowments of $2,816,870.

The University's endowments are identified and invested as follows (in thousands):

	June 30, 2016	June 30, 2015
True Endowments		
Corpus	$ 2,384	$ 2,010
Market Valuation	1,669	1,927
Real Estate	2,572	2,817
Total	6,625	6,754
Quasi-Endowments		
Corpus	18,336	12,036
Market Valuation	20,518	23,068
Real Estate	2,120	2,120
Total	40,974	37,224
Total Fair Value of Endowments	$ 47,599	$ 43,978
Invested Endowments:		
Timber and Forestry Land Held by OSU	$ 4,692	$ 4,937
Invested by OSU Foundation*	42,476	5,449
Invested in PUF	299	16,628
Invested by Oregon State Treasury	-	6,361
Total Invested Endowments	47,467	33,375
Endowment Cash in PUF	132	10,603
Total Fair Value of Endowments	$ 47,599	$ 43,978

*As of June 30, 2015, the amount shown as "Invested by OSU Foundation" was recorded as a receivable by the University, rather than included in investments at year end.

N. 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 2016.

O. 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 and benefits, scholarships and fellowships, utilities, supplies and other services, professional fees, and depreciation expense 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 government appropriations, nonexchange grants, gifts, and contributions. Nonoperating expenses are defined in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Examples of nonoperating expenses include interest on capital assets related to debt and bond expenses.

P. Allowances

Student tuition and fees and campus housing revenues included in auxiliary enterprise 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 and housing revenues. Tuition and housing waivers, provided directly by OSU, amounted to $35,914,266 and $30,856,065 for the fiscal years ended 2016 and 2015, 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 $38,258,671 and $35,869,101 for the fiscal years ended 2016 and 2015, respectively. Bad debt expense related to student accounts is also reported as an allowance against operating revenues and was estimated to be $2,010,512 and $2,275,420 for the fiscal years ended 2016 and 2015, respectively.

Q. 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. OSU disbursed federal student loans in the amount of $146,134,803 and $147,865,455 for the fiscal years ended 2016 and 2015, respectively.

R. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

2. CASH AND INVESTMENTS

At June 30, 2016 and 2015, the majority of the cash and investments of OSU were held in custody with the Oregon State Treasury (State Treasury). These invested assets are managed through several commingled investment pools by the State Treasury. The operating funds for OSU are commingled with operating cash and investments from five other Oregon public universities and referred to collectively as the Public University Fund (PUF). The investments held in the PUF are managed by the State Treasury and administered by the statutorily defined designated university. OSU is currently serving as the designated university for the PUF pool. Each underlying investment pool has an investment policy and set of objectives identifying risk and return parameters. The State Treasury invests these deposits in high grade, dollar-denominated, short and intermediate-term fixed income securities. The Oregon Investment Council (OIC) provides oversight and counsel on the investment policies, activities, and performance for each investment pool held in the PUF.

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 full disclosure regarding cash and investments held at the State Treasury, 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 **www.oregon.gov/treasury/Reports/Pages/Annual-Reports.aspx**.

A. Cash and Cash Equivalents

Cash and Cash Equivalents are classified as current and noncurrent which include both restricted and unrestricted cash and are summarized at June 30, 2016 and 2015, as follows:

(in thousands):

	June 30, 2016	June 30, 2015
Current		
Unrestricted	**$ 35,035**	$ 60,771
Restricted For:		
Endowment	**130**	10,654
Student Aid	**2,999**	4,255
Debt Service	**458**	1,478
Payroll Withholdings	**6,189**	4,793
Petty Cash	**185**	176
Foreign Currency Fair Value	**4**	(4)
Total Current	**45,000**	82,123
Noncurrent		
Restricted For:		
Capital	**9,069**	14,184
Debt Service	**1,301**	614
Student Groups and Campus Organizations	**343**	906
Total Noncurrent	**10,713**	15,704
Total	**$ 55,713**	$ 97,827

DEPOSITS WITH STATE TREASURY

OSU maintains the majority of its current cash balances on deposit with the State Treasury. These deposits are held on a pooled basis in the Oregon Short-Term Fund (OSTF). The OSTF is a cash and investment pool available for use by all state and related agencies. The State Treasurer invests these deposits in high-grade short-term investment securities. Since OSU banks through the State Treasury, the University does not have a statutory requirement to collateralize deposits but is contractually obligated through their banking agreement with the State to collateralize deposits within 24 hours of receipt. At fiscal years ended June 30, 2016 and 2015, OSU cash and cash equivalents on deposit at State Treasury were $55,523,315 and $97,655,045, respectively.

CUSTODIAL CREDIT RISK—DEPOSITS

Custodial credit risk is the risk that, in the event of a financial institution failure, cash deposits will not be returned to a depositor. The University and State do not have formal policies regarding custodial credit risk for deposits. However, banking regulations and Oregon Revised Statute (ORS) Chapter 295 establish the insurance and collateral requirements for deposits in the OSTF. OSU cash balances held on deposit at the State Treasury are invested continuously, 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 $77,637 and $141,943 at June 30, 2016 and 2015, respectively. Amounts deposited in foreign bank accounts are reported as accounts receivable on the financial statements.

To further mitigate foreign currency risks for prospective study abroad activities, OSU periodically enters into forward foreign currency contracts. At June 30, 2016 and 2015, respectively, these contracts totaled $293,711 and $780,209. Contracts at June 30, 2016, had a net fair value gain of $4,406. Contracts at June 30, 2015, had a net fair value loss of $4,340.

The net fair value gain is reported in deferred inflows of resources on the Statement of Net Position. The net fair value loss is reported in deferred outflows of resources on the Statement of Net Position.

June 30, 2016
(in thousands)

Notional Currency	Notional Amount	Principal Amount	Effective Date	Maturity Date	Contract Rate	Fair Value Adj.
EUR	**$ 239**	**$ 265**	**8/13/2015**	**9/30/2016**	**$ 1.1075**	**$ 1**
JPY	**3,394**	**29**	**8/12/2015**	**10/31/2016**	**0.0086**	**3**

June 30, 2015
(in thousands)

Notional Currency	Notional Amount	Principal Amount	Effective Date	Maturity Date	Contract Rate	Fair Value Adj.
EUR	$ 564	$ 625	4/24/2015	9/30/2015	$ 1.1135	$ 4
JPY	18,063	155	5/14/2015	10/31/2015	0.0082	(8)

OTHER DEPOSITS

For the years ended June 30, 2016 and 2015, OSU had vault and petty cash balances of $185,188 and $176,671, respectively.

B. Investments

As of June 30, 2016, all of OSU's operating funds are invested in the PUF. Additionally, the majority of the endowments are separately invested through the OSU Foundation as the investment manager. There is a small amount of endowments invested through the PUF investment pools. The OSU endowment assets are managed by the University with consultation from its investment manager. At June 30, 2015, all of OSU's operating funds and a portion of the endowments were invested in the PUF. Additionally, a portion of the endowments were separately invested through the State Treasury. Investments in the PUF are invested in either the Oregon Intermediate-Term (OIT) Pool or the Long-Term (LT) Pool.

All investments 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 OIC.

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 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, 2016 and 2015.

OSU's investments are classified and invested as follows (in thousands):

	June 30, 2016	June 30, 2015
Operating Funds		
PUF OIT Pool	**$ 82,399**	$ 83,955
PUF LT Pool	**47,921**	50,960
Total Operating Funds	**130,320**	134,915
Endowment Funds		
Invested by OSU Foundation*	**42,476**	-
Timber and Forestry Land	**4,692**	4,937
Invested by State Treasury	**-**	6,361
PUF OIT Pool	**189**	10,347
PUF LT Pool	**110**	6,281
Total Endowment Funds	**47,467**	27,926
Total Investments	**$ 177,787**	$ 162,841

*As of June 30, 2015, OSU had an additional $5,449 invested by the OSU Foundation which was recorded as a receivable by the University. See Note 1.M for additional information.

Investments of the OSU discretely presented component units are summarized at June 30, 2016 and 2015, as follows (in thousands):

Component Units

Fair Value at June 30,	**2016**	2015
Investment Type:		
Mutual Funds, Corporate Stocks and Corporate Bonds	**$ 274,425**	$ 267,270
Limited Partnerships	**167,755**	151,914
Global Bonds	**53,197**	50,275
International Equity	**40,575**	37,246
Direct Equity Holdings	**22,385**	21,597
Real Estate Held for Investments	**14,940**	6,675
Government Securities and Municipal Bonds	**12,183**	12,667
Certificates of Deposit	**208**	210
Investment Receivables	**193**	216
Other	**10,010**	10,282
Total Investments	**$ 595,871**	$ 558,352

CREDIT RISK

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. OSU has an investment policy for each segment of its investment portfolio. As of June 30, 2016, approximately 99 percent of the investments in the PUF are subject to credit risk reporting. Fixed income securities 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 $305,760,276. Fixed income securities which have not been evaluated by the rating agencies totaled $10,934,785. The PUF Investment Pools totaled $321,408,710, of which OSU owned $130,619,776, or 41 percent.

As of June 30, 2015, approximately 97 percent of the investments in the PUF were subject to credit risk reporting. Fixed income securities 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

$280,630,425. Fixed income securities which have not been evaluated by the rating agencies totaled $16,842,530. The PUF Investment Pool totaled $307,454,025, of which OSU owned $151,543,382, or 49 percent.

CUSTODIAL CREDIT RISK—INVESTMENTS

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The OIC has no formal policy regarding the holding of securities by a custodian or counterparty. For the years ended June 30, 2016 and 2015, the University's investments were exposed to custodial credit risk indirectly through the State Treasury.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk refers to potential losses if total investments are concentrated with one or few issuers. The policy for reducing this risk for fixed income securities is that, with the exception of U.S. Government and Agency issues, no more than five percent of the bond portfolio, at par value, will be invested in securities of a single issuer or no more than three percent of the individual issue. Per policy, there was no single issuer that made up more than five percent of the bond portfolio.

FOREIGN CURRENCY RISK—INVESTMENTS

Foreign currency risk is the risk that investments may lose value due to fluctuations in foreign exchange rates. Neither the PUF nor the OSU Endowment investments had reportable foreign currency risk at June 30, 2016 or 2015.

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. As of June 30, 2016, securities held in the PUF Investment Pool subject to interest rate risk totaled $316,695,061 and had an average duration of 3.0 years. As of June 30, 2015, securities held in the PUF Investment Pool subject to interest rate risk totaled $297,472,997 and had an average duration of 2.74 years. Duration measures the change in the value of a fixed income security that will result from a one percent change in interest rates.

FAIR VALUE MEASUREMENT

Investments are reported at estimated fair value as determined by State Treasury, based on a fair value hierarchy which prioritizes the input techniques used to measure fair value. The hierarchy gives the highest priority to Level 1 measurements and the lowest priority to Level 3 measurements:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted market prices that are observable for the asset, either directly or indirectly, including inputs in markets that are not considered to be active; and

Level 3 – Inputs that are unobservable. These are only used if relevant Level 1 and Level 2 inputs are not available.

Inputs are used in applying valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. In addition to the underlying reported net asset values (NAV), which generally serve as the primary valuation input, other inputs may include liquidity factors and broad credit data. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

OSU's investments in the PUF pool are not required to be leveled as per GASB Statement No. 72. OSU's investments at the OSU Foundation are all level 3 since the underlying inputs are unobservable.

As of June 30, 2016 and 2015, respectively, OSU's investment in timber and forestry land was valued at $4,692,076 and $4,936,872. This investment is a natural resource investment and is therefore required to be reported at fair value. In order to obtain the value of the timber and the land, a professional timber cruise is performed every five years, and interim valuations are conducted by professionals within the OSU College of Forestry every year-end. The periodic timber cruise and annual valuation is a level 3 input.

The following tables present the component unit investments by levels within valuation hierarchy as of June 30, 2016 and 2015:

	Assets at fair value as of June 30, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Pooled Investment Program	**$ 232,160**	**$ 13,603**	**$ 226,633**	**$ 472,396**
Investment Property	**-**	**-**	**14,940**	**14,940**
Mortgages and Contracts	**-**	**-**	**6,357**	**6,357**
Other Nonpooled Investments	**80,704**	**-**	**21,474**	**102,178**
Total Investments	**$ 312,864**	**$ 13,603**	**$ 269,404**	**$ 595,871**

	Assets at fair value as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Pooled Investment Program	$ 226,944	$ 13,830	$ 204,968	$ 445,742
Investment Property	-	-	6,675	6,675
Mortgages and Contracts	-	-	6,418	6,418
Other Nonpooled Investments	78,695	-	20,822	99,517
Total Investments	$ 305,639	$ 13,830	$ 238,883	$ 558,352

C. Securities Lending

In accordance with State investment policies, the State participates in securities lending transactions. The Treasury has, through a Securities Lending Agreement, authorized State Street Bank and Trust Company (State Street) to lend the State's securities pursuant to a form of loan agreement. Both the State and borrowers maintain the right to terminate all securities lending transactions on demand. OSU's cash on deposit with the State Treasury is subject to securities lending. There were no significant violations of the provisions of securities lending agreements during the years ended June 30, 2016 and 2015.

During the year, State Street had the authority to lend short-term fixed income and equity securities and receive as collateral U.S. dollar and foreign currency cash, U.S. government and agency securities, and foreign sovereign debt of Organization of Economic Cooperation and Development countries. Borrowers were required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned U.S. security. The custodian did not have the ability to pledge or sell collateral securities absent a borrower default, and during the year the State did impose restrictions on the amount of the loans that the custodian made on its behalf. The State Treasury is fully indemnified by the custodian against losses due to borrower default. There were no losses during the year from the failure of borrowers to return loaned securities.

State Street, as lending agent, has created a fund to reinvest cash collateral received on behalf of the OSTF and Oregon state agencies, including OSU. As permitted under the fund's Declaration of Trust (Declaration), participant purchases and redemptions are transacted at $1 per unit ("constant value") based on the amortized cost of the fund's investments. Accordingly, the securities lending collateral held and the obligation to the lending agent are both stated at constant value on the statement of net position.

The fair value of investments held by the fund is based upon valuations provided by a recognized pricing service. These funds are not registered with the Securities and Exchange Commission, but the custodial agent is subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. No income from the funds was assigned to any other funds.

The maturities of investments made with the cash collateral generally do not match the maturities of the securities loaned. Since the securities loaned are callable on demand by either the lender or borrower, the life of the loans at June 30, 2016 and 2015, is effectively one day. As of June 30, 2016 and 2015, the state had no credit risk exposure to borrowers because the amounts owed to borrowers exceeded the amounts borrowers owed to the State.

The fair value of the University's share of securities lending balances on loan as of June 30, 2016 and 2015, comprised the following (in thousands):

	June 30, 2016	June 30, 2015
Investment Type		
U.S. Treasury and Agency Securities	**$ 6,251**	$ 13,377
Domestic Fixed Income Securities	**2,102**	4,002
Total	**$ 8,353**	$ 17,379

The fair value of the University's share of total cash and securities collateral received as of June 30, 2016 and 2015, was $8,519,567 and $17,741,030, respectively. The fair value of the University's share of investments purchased with cash collateral as of June 30, 2016 and 2015, was $7,249,310 and $12,747,401, respectively.

3. ACCOUNTS RECEIVABLE

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

	June 30, 2016	June 30, 2015
Federal Grants and Contracts	**$ 39,853**	$ 30,850
Student Tuition and Fees	**36,558**	39,882
Capital Construction	**18,861**	35,079
Auxiliary Enterprises and Other Operating Activities	**9,840**	9,195
Component Units	**7,530**	12,287
State, Other Government, and Private Gifts, Grants and Contracts	**7,650**	5,110
Other	**18,683**	5,295
	138,975	137,698
Less: Allowance for Doubtful Accounts	**(7,385)**	(6,601)
Accounts Receivable, Net	**$ 131,590**	$ 131,097

4. NOTES RECEIVABLE

Student loans made through the Federal Perkins Loan Program are funded through interest earnings and repayment of loans. 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 is calculated using the cohort default rate reported to the federal government.

Institutional and Other Student Loans include loans offered through the university itself and other various non-federal loan programs.

Notes receivable comprised the following (in thousands):

	June 30, 2016		
	Current	**Noncurrent**	**Total**
Institutional and Other Student Loans	**$ 233**	**$ 630**	**$ 863**
Perkins Loans	**4,371**	**19,604**	**23,975**
	4,604	**20,234**	**24,838**
Less: Allowance for Doubtful Accounts	**(559)**	**(2,331)**	**(2,890)**
Notes Receivable, Net	**$ 4,045**	**$ 17,903**	**$ 21,948**

	June 30, 2015		
	Current	Noncurrent	Total
Institutional and Other Student Loans	$ 789	$ -	$ 789
Perkins Loans	4,590	20,655	25,245
	5,379	20,655	26,034
Less: Allowance for Doubtful Accounts	(409)	(1,884)	(2,293)
Notes Receivable, Net	$ 4,970	$ 18,771	$ 23,741

5. CAPITAL ASSETS

The following schedule reflects the changes in capital assets (in thousands):

	Balance June 30, 2014	Additions	Transfer Completed Assets	Retire. And Adjust.	Balance June 30, 2015	**Additions**	**Transfer Completed Assets**	**Retire. And Adjust.**	**Balance June 30, 2016**
Capital Assets, Non-depreciable/Non-amortizable:									
Land	$ 23,273	$ 64	$ 434	$ -	$ 23,771	**$ 7,506**	**$ -**	**$ -**	**$ 31,277**
Capitalized Collections	28,503	246	-	-	28,749	**971**	**-**	**(462)**	**29,258**
Construction in Progress	160,556	116,228	(175,023)	(167)	101,594	**112,841**	**(109,945)**	**(9)**	**104,481**
Intangible Assets in Progress	-	-	-	-	-	**144**	**-**	**-**	**144**
Total Capital Assets, Non-depreciable/Non-amortizable	212,332	116,538	(174,589)	(167)	$ 154,114	**121,462**	**(109,945)**	**(471)**	**165,160**
Capital Assets, Depreciable/Amortizable:									
Equipment	202,581	15,657	468	(8,019)	210,687	**16,426**	**762**	**(13,201)**	**214,674**
Library Materials	83,191	367	-	-	83,558	**272**	**-**	**(2,843)**	**80,987**
Buildings	980,150	1,500	165,631	(3,824)	1,143,457	**6,370**	**106,939**	**(37)**	**1,256,729**
Land Improvements	20,315	2,387	4,177	(286)	26,593	**792**	**371**	**-**	**27,756**
Improvements Other Than Buildings	10,433	2,269	-	-	12,702	**524**	**-**	**(511)**	**12,715**
Infrastructure	26,820	-	4,313	-	31,133	**626**	**1,564**	**-**	**33,323**
Intangible Assets	9,977	400	-	-	10,377	**-**	**309**	**-**	**10,686**
Total Capital Assets, Depreciable/Amortizable	1,333,467	22,580	174,589	(12,129)	1,518,507	**25,010**	**109,945**	**(16,592)**	**1,636,870**
Less Accumulated Depreciation/Amortization for:									
Equipment	(144,539)	(15,010)	-	7,245	(152,304)	**(15,754)**	**-**	**12,124**	**(155,934)**
Library Materials	(78,879)	(1,169)	-	-	(80,048)	**(928)**	**-**	**2,843**	**(78,133)**
Buildings	(390,370)	(29,518)	-	3,115	(416,773)	**(29,353)**	**-**	**(116)**	**(446,242)**
Land Improvements	(9,443)	(1,188)	-	194	(10,437)	**(1,653)**	**-**	**(526)**	**(12,616)**
Improvements Other Than Buildings	(7,860)	(814)	-	-	(8,674)	**(919)**	**-**	**474**	**(9,119)**
Infrastructure	(16,236)	(1,241)	-	(65)	(17,542)	**(1,420)**	**-**	**(18)**	**(18,980)**
Intangible Assets	(8,006)	(598)	-	-	(8,604)	**(493)**	**-**	**(309)**	**(9,406)**
Total Accumulated Depreciation/Amortization	(655,333)	(49,538)	-	10,489	(694,382)	**(50,520)**	**-**	**14,472**	**(730,430)**
Total Capital Assets, Net	$ 890,466	$ 89,580	$ -	$ (1,807)	$ 978,239	**$ 95,952**	**$ -**	**$ (2,591)**	**$ 1,071,600**
Capital Assets Summary									
Capital Assets, Non-depreciable/Non-amortizable	$ 212,332	$ 116,538	$ (174,589)	$ (167)	$ 154,114	**$ 121,462**	**$ (109,945)**	**$ (471)**	**$ 165,160**
Capital Assets, Depreciable/Amortizable	1,333,467	22,580	174,589	(12,129)	1,518,507	**25,010**	**109,945**	**(16,592)**	**1,636,870**
Total Cost of Capital Assets	1,545,799	139,118	-	(12,296)	1,672,621	**146,472**	**-**	**(17,063)**	**1,802,030**
Less Accumulated Depreciation/Amortization	(655,333)	(49,538)	-	10,489	(694,382)	**(50,520)**	**-**	**14,472**	**(730,430)**
Total Capital Assets, Net	$ 890,466	$ 89,580	$ -	$ (1,807)	$ 978,239	**$ 95,952**	**$ -**	**$ (2,591)**	**$ 1,071,600**

6. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows and inflows of resources comprised the following (in thousands):

	June 30, 2014	Additions	Reductions	June 30, 2015	**Additions**	**Reductions**	**June 30, 2016**
Deferred Outflows of Resources							
Deferred Gain/Loss on Refunding of Debt	$ 10,437	$ 1,606	$ (3,850)	$ 8,193	**$ -**	**$ (8,193)**	**$ -**
Pension Contributions Subsequent to the Measurement Date	-	15,946	-	15,946	**19,078**	**(15,946)**	**19,078**
Differences Between Pension Contributions and Proportionate Share of Contributions	-	730	-	730	**2,904**	**(697)**	**2,937**
Difference Between Expected and Actual Experience	-	-	-	-	**7,594**	**(1,406)**	**6,188**
Net Fair Value Loss on Foreign Currency Forward Contracts	19	4	(19)	4	**-**	**(4)**	**-**
Total Deferred Outflows of Resources	$ 10,456	$ 18,286	$ (3,869)	$ 24,873	**$ 29,576**	**$ (26,246)**	**$ 28,203**
Deferred Inflows of Resources							
Differences Between Pension Contributions and Proportionate Share of Contributions	$ -	$ -	$ -	$ -	**$ 4,768**	**$ (883)**	**$ 3,885**
Difference Between Projected and Actual Earnings on Pension Plan Investments*	-	78,792	-	78,792	**18,999**	**(73,737)**	**24,054**
Net Fair Value Gain on Foreign Currency Forward Contracts	-	-	-	-	**4**	**-**	**4**
Total Deferred Inflows of Resources	$ -	$ 78,792	$ -	$ 78,792	**$ 23,771**	**$ (74,620)**	**$ 27,943**

* Per GASB Statement No. 68, paragraph 33, deferred inflows of resources and deferred outflows of resources arising from the difference between projected and actual earnings on pension plan investments are netted and shown as a net deferred inflow of resources.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprised the following (in thousands):

	June 30, 2016	June 30, 2015
Services and Supplies	**$ 45,219**	$ 40,571
Payroll Related	**20,434**	18,959
Accrued Interest	**7,845**	6,927
Salaries and Wages	**6,444**	6,207
Contract Retainage	**2,935**	5,396
Total	**$ 82,877**	$ 78,060

8. OPERATING LEASES

A. Receivables/Revenues

OSU receives income for land, property and equipment that is leased to outside entities under noncancelable operating leases. Rental income received from leases was $4,391,284 and $3,819,254 for the years ended June 30, 2016 and 2015, respectively. The original cost of assets leased was $25,982,971 and $19,149,763 for the years ended June 30, 2016 and 2015, respectively. Depreciation totaled $9,231,220 and $7,127,357 for the years ended June 30, 2016 and 2015, respectively.

A significant portion of OSU's annual operating lease revenue and future lease receivables is derived from a lease between the University and INTO OSU, Inc., a separate legal entity wholly owned by INTO Incorporated. INTO Incorporated is an international corporation that partners with universities to provide study-abroad programs in multiple countries including the US, UK and China. The current lease expires in October of 2041, and encompasses the International Living-Learning Center and several smaller campus buildings.

Future minimum operating lease revenues at June 30, 2016 were (in thousands):

For the year ending June 30,	
2017	$ 4,491
2018	4,182
2019	3,890
2020	2,860
2021	2,871
2022-2026	15,173
2027-2031	16,186
2032-2036	19,261
2037-2041	22,894
2042-2046	3,069
2047-2051	1,422
2052-2056	1,336
2057-2061	91
Total Minimum Operating Lease Revenues	$ 97,726

B. Payables/Expenses

OSU leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases and rents were $2,125,290 and $1,823,845 for the years ended June 30, 2016 and 2015, respectively. Future minimum operating lease payments at June 30, 2016 were (in thousands):

For the year ending June 30,		
2017	$	1,625
2018		1,216
2019		767
2020		492
2021		358
2022-2026		1,019
2027-2031		322
Total Minimum Operating Lease Payments	$	5,799

9. LONG-TERM LIABILITIES

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

	Balance June 30, 2015	**Additions**	**Reductions**	**Balance June 30, 2016**	**Amounts Due Within One Year**	**Long-Term Portion**
Long-Term Debt						
Due to the State of Oregon:						
General Obligation Bonds XI-F(1)	$ 369,837	**$ 444**	**$ (42,868)**	**$ 327,413**	**$ 14,242**	**$ 313,171**
General Obligation Bonds XI-Q	5,445	**260**	**(902)**	**4,803**	**-**	**4,803**
Certificates of Participation (COPs)	5,711	**-**	**(2,005)**	**3,706**	**1,455**	**2,251**
Oregon Department of Energy Loans (SELP)	14,237	**-**	**(725)**	**13,512**	**744**	**12,768**
Revenue Bonds	57,160	**-**	**(202)**	**56,958**	**201**	**56,757**
Installment Purchases	169	**-**	**(169)**	**-**	**-**	**-**
Total Long-Term Debt	452,559	**704**	**(46,871)**	**406,392**	**16,642**	**389,750**
Other Noncurrent Liabilities						
PERS pre-SLGRP Pooled Liability	32,332	**-**	**(1,117)**	**31,215**	**1,117**	**30,098**
Compensated Absences	28,674	**22,098**	**(20,968)**	**29,804**	**22,047**	**7,757**
Other Post-Employment Benefits	7,537	**-**	**(836)**	**6,701**	**-**	**6,701**
Employee Termination	3,170	**18**	**(1,766)**	**1,422**	**1,422**	**-**
Total Other Noncurrent Liabilities	71,713	**22,116**	**(24,687)**	**69,142**	**24,586**	**44,556**
Total Long-Term Liabilities	$ 524,272	**$ 22,820**	**$ (71,558)**	**$ 475,534**	**$ 41,228**	**$ 434,306**

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to the State of Oregon:						
General Obligation Bonds XI-F(1)	$ 380,996	$ 23,035	$ (34,194)	$ 369,837	$ 15,175	$ 354,662
General Obligation Bonds XI-G	130,767	-	(130,767)	-	-	-
General Obligation Bonds XI-Q	12,039	-	(6,594)	5,445	79	5,366
Certificates of Participation (COPs)	18,028	-	(12,317)	5,711	1,488	4,223
Lottery Bonds	77,306	-	(77,306)	-	-	-
Oregon Department of Energy Loans (SELP)	14,970	-	(733)	14,237	710	13,527
Revenue Bonds	-	57,190	(30)	57,160	202	56,958
Installment Purchases	203	63	(97)	169	169	-
Total Long-Term Debt	634,309	80,288	(262,038)	452,559	17,823	434,736
Other Noncurrent Liabilities						
PERS pre-SLGRP Pooled Liability	33,805	-	(1,473)	32,332	1,301	31,031
Compensated Absences	27,009	21,611	(19,946)	28,674	21,176	7,498
Other Post-Employment Benefits	7,070	467	-	7,537	-	7,537
Employee Deferred Compensation	150	-	(150)	-	-	-
Employee Termination	4,041	418	(1,289)	3,170	1,764	1,406
Total Other Noncurrent Liabilities	72,075	22,496	(22,858)	71,713	24,241	47,472
Total Long-Term Liabilities	$ 706,384	$ 102,784	$ (284,896)	$ 524,272	$ 42,064	$ 482,208

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

For the Year Ending June 30,	General Obligation Bonds XI-F(1)	XI-Q	COPs	SELP	Revenue Bonds	Total Payments	Principal	Interest
2017	$ 28,946	$ 242	$ 1,597	$ 1,363	$ 2,489	$ 34,637	$ 14,682	$ 19,955
2018	28,613	597	1,221	1,364	2,489	34,284	15,214	19,070
2019	28,521	598	493	1,281	2,490	33,383	15,543	17,840
2020	26,690	599	257	1,198	2,490	31,234	13,854	17,380
2021	26,006	687	159	1,198	2,489	30,539	14,169	16,370
2022-2026	123,941	3,124	317	5,991	12,446	145,819	76,021	69,798
2027-2031	110,064	587	-	5,991	12,446	129,088	78,478	50,610
2032-2036	83,827	-	-	672	12,446	96,945	64,468	32,477
2037-2041	47,008	-	-	-	12,446	59,454	39,324	20,130
2042-2046	13,973	-	-	-	59,978	73,951	64,186	9,765
Accreted Interest							4,610	(4,610)
							$ 400,549	$ 268,785
Total Future Debt Service	**517,589**	**6,434**	**4,044**	**19,058**	**122,209**	**669,334**		
Less: Interest Component of Future Payments	(190,176)	(1,631)	(338)	(5,546)	(71,094)	(268,785)		
Principal Portion of Future Payments	**327,413**	**4,803**	**3,706**	**13,512**	**51,115**	**400,549**		
Adjusted by:								
Net Unamortized Bond Premiums (Discounts)	-	-	-	-	5,843	5,843		
Total Long-Term Debt	**$ 327,413**	**$ 4,803**	**$ 3,706**	**$ 13,512**	**$56,958**	**$ 406,392**		

The State and the University issue various debt instruments to fund capital projects at 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), Lottery bonds and Revenue bonds as authorized by ORS 351.369. In addition, OSU also borrows funds from the Oregon Department of Energy through the Small Scale Energy Loan Program (SELP). As a result of OSU becoming a component unit of the State rather than an enterprise fund of the State for financial reporting, as of July 1, 2014, all state paid bonded debt recorded by OSU as a long-term liability was removed and is now recorded by the State as the owner of the debt. As of July 1, 2015, all unamortized premiums, discounts and net gains/losses on refunding of institution paid legacy debt were also removed from OSU's financial records. OSU retains only the debt for the principal amount of bonds due to the State. See Note 19 Change in Entity for additional information. OSU requests reimbursement for capital construction costs agreed to be paid for by state paid bonds from the Department of Administrative Services (DAS) on a monthly basis. Principal and interest amounts due relating to OSU's share of XI-F(1), XI-Q, COPs and SELP are payable to the State.

A. General Obligation Bonds XI-F(1)

OSU has entered into loan agreements with the State of Oregon for repayment of XI-F(1) bonds issued by the State on behalf of OSU for capital construction and refunding of previously issued debt. OSU makes loan payments (principal and interest) to the State in accordance with the loan agreements. Loans, with interest rates ranging from 0.63 percent to 7.0 percent, are due serially through 2044.

During the fiscal year ended June 30, 2016, no new XI-F(1) bonds were issued by the State on behalf of OSU. As of July 1, 2015, $28,329,313 in premiums and discounts associated with XI-F(1) debt were removed from the long-term liabilities of OSU, as discussed previously in this note. See Note 19 for additional information.

During the fiscal year ended June 30, 2015, the State issued bonded indebtedness on behalf of OSU as follows:

- $18,570,000 Series 2015-A tax-exempt bonds with an effective rate of 4.68 percent, due serially through 2034 for refunding.

B. General Obligation Bonds XI-G

As of July 1, 2014, $130,767,170 in XI-G bonded debt was removed from the long-term liabilities of OSU. The University retained no amount of XI-G bonded debt, as discussed previously in this note. The State no longer issues XI-G bonds which result in a liability for the university. XI-G bonds received by the University from the State are recorded as capital grants.

C. General Obligation Bonds XI-Q

OSU has entered into loan agreements with the State of Oregon for repayment of XI-Q bonds issued by the State on behalf of OSU for capital construction and refunding of previously issued debt. OSU makes loan payments (principal and interest) to the State in accordance with the loan agreements.

Loans, with interest rates ranging from 3 percent to 5 percent, are due serially through 2027.

As of July 1, 2014, $6,516,058 in XI-Q bonded debt was removed from the long-term liabilities of OSU, as discussed previously in this note. The University retained $5,523,088 in liabilities associated with XI-Q legacy debt, prior to the 2015 debt service payment of $78,469. As of July 1, 2015, an additional $901,642 in premiums associated with XI-Q legacy debt were removed from the long-term liabilities of OSU, as discussed previously in this note. See Note 19 Change in Entity for additional information.

During the fiscal year ended June 30, 2016, the State issued on behalf of OSU $260,000 Series 2016-F tax-exempt bonds for the refunding of COPs.

During the fiscal year ended June 30, 2015, the State did not issue any XI-Q debt which resulted in a liability for the university.

D. Certificates of Participation

OSU has entered into loan agreements with the State of Oregon for repayment of COPs issued by the State on behalf of OSU for capital construction and refunding of previously issued debt. OSU makes loan payments (principal and interest) to the State in accordance with the loan agreements. Loans, with interest rates ranging from 3.0 percent to 5.0 percent, are due serially through 2025.

As of July 1, 2014, $10,882,066 in COPs debt was removed from the long-term liabilities of OSU, as discussed previously in this note. The University retained $7,145,359 in debt associated with COPs, prior to the 2015 debt service payment of $1,434,175. As of July 1, 2015, an additional $314,080 in premiums associated with COPs legacy debt were removed from the long-term liabilities of OSU, as discussed previously in this note. See Note 19 for additional information. The State no longer issues COPs.

E. Lottery Bonds

As of July 1, 2014, $77,305,978 in Lottery bonded debt was removed from the long-term liabilities of OSU. The University retained no amount of Lottery bonded debt, as discussed previously in this note. The State no longer issues Lottery bonds which result in a liability for the university. Lottery bonds received by the University from the State are recorded as capital grants.

F. Oregon Department of Energy Loans

OSU has entered into loan agreements with the 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 5.46 percent, are due through 2032.

G. Revenue Bonds

General Revenue bonds, with effective yields ranging from 4.15 percent to 4.36 percent, with bullet maturities, are due in fiscal years 2044 and 2045.

OSU did not issue any revenue bonds during the fiscal year ended June 30, 2016.

During the fiscal year ended June 30, 2015, OSU issued General Revenue bonds as follows:

- $41,040,000 Series 2015-A tax-exempt bonds with an effective rate of 4.15 percent, with a bullet maturity due in 2045 for the following capital construction projects:
  - Cascade Campus Expansion: $4,765,000
  - Cascade Campus Master Plan: $1,750,000
  - Classroom Building: $28,495,000
  - Nypro Building Purchase: $5,155,000
  - Space Improvement Program: $875,000
- $10,075,000 Series 2015-B taxable bonds with an effective rate of 4.36 percent with a bullet maturity due in 2044 for the following capital construction projects:
  - Space Improvement Program: $10,075,000

H. Defeased Debt

OSU participates in a debt portfolio administered by the State. From time to time and when fiscally appropriate, the State will sell bonds and use the proceeds to defease previously held debt.

During the year ended June 30, 2016, the State issued on behalf of OSU $260,000 in XI-Q bonds to refund $303,000 in COPs.

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $43,000. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 8 years by $70,618 and resulted in an economic gain of $56,933.

During the year ended June 30, 2015, the State issued on behalf of OSU $18,570,000 in XI-F(1) bonds with an average interest rate of 4.68 percent to refund $20,307,069 in XI-F(1) bonds with an average interest rate of 4.76 percent. The net bond proceeds were $22,337,901 (after payment of $121,042 in underwriting costs and bond premium of $3,888,943).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $1,605,953. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 23 years by $1,938,300 and resulted in an economic gain of $1,529,174.

The total amount of defeased debt outstanding but removed from the financial statements as of June 30, 2016 and 2015, totaled $37,348,947 and $79,244,902, respectively.

I. State and Local Government Rate Pool

Prior to the formation of the PERS State and Local Government Rate Pool (SLGRP), 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 by OSU in the amount of $2,193,806 and $2,257,653 for June 30, 2016 and 2015, respectively. Principal payments of $1,116,539 and $1,301,107 were applied to OSU's liability for June 30, 2016 and 2015, respectively. A prior period adjustment of $(172,378) was applied to OSU's SLGRP liability by the State as of June 30, 2015.

J. 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 university 403(b) plan. The 415(m) plan is offered to highly compensated employees whose contributions would otherwise be limited by Internal Revenue Code (IRC) Section 415. The University's unfunded employee deferred compensation liability was reduced to zero as of June 30, 2015.

K. Employee Termination

OSU has severance agreements with three former employees relating to early termination of their employment contracts. The future payout of this liability extends through fiscal year 2017. This liability was calculated using a discounted present value of expected future benefit payments, with a discount rate of 0.57 percent.

10. UNRESTRICTED NET POSITION

Unrestricted net position is comprised of the following (in thousands):

	June 30, 2016	June 30, 2015
University Operations	**$ 157,373**	$ 150,453
Net Pension Asset/(Liability)	**(114,748)**	40,834
Pension Related Deferred Outflows (See Note 6)	**28,203**	16,676
Pension Related Deferred Inflows (See Note 6)	**(27,939)**	(78,792)
Compensated Absences Liability (See Note 9)	**(29,804)**	(28,674)
State and Local Government Rate Pool Liability (See Note 9)	**(31,215)**	(32,332)
Other Post-Employment Benefits (See Notes 9 and 16)	**(6,701)**	(7,537)
Total Unrestricted Net Position	**$ (24,831)**	$ 60,628

11. PLEDGED GENERAL REVENUES

The University implemented a General Revenue Bond Program in 2015 to provide funding for capital construction and other related projects. As security for this debt, OSU has pledged general revenues which include student tuition and fees, auxiliary enterprise revenues, education department sales and services and other University operating revenues, with certain exclusions as shown in the table below. Net pledged general revenues is calculated by deducting excluded and restricted revenues from total operating revenues, and adding beginning unrestricted net position adjusted for the excluded items. Pledged revenues are as follows (in thousands):

	June 30, 2016	June 30, 2015
Total Operating Revenues	**$ 720,300**	$ 686,612
(Less):		
Student Building Fees	**(3,355)**	(3,367)
Student Incidental Fees	**(25,334)**	(23,682)
Federal Grants and Contracts	**(176,078)**	(171,063)
State and Local Grants and Contracts	**(9,033)**	(9,492)
Nongovernmental Grants and Contracts	**(22,102)**	(22,303)
Amounts Required to be Deposited or Paid for University-Paid State Bonds	**(36,186)**	(50,425)
Plus:		
Adjusted Beginning Unrestricted Net Position	**55,413**	25,735
General Revenues Pledged to Repay Revenue Bonds	**$ 503,625**	$ 432,015

12. INVESTMENT ACTIVITY

Investment Activity detail is as follows (in thousands):

	June 30, 2016	June 30, 2015
Royalties and Technology Transfer Income	**$ 6,536**	$ 11,492
Investment Earnings	**3,751**	3,138
Endowment Income	**1,760**	1,239
Interest Income	**293**	316
Net Appreciation (Depreciation) of Investments	**(332)**	(971)
Gain (Loss) on Sale of Assets	**(83)**	-
Other	**-**	(338)
Total Investment Activity	**$ 11,925**	$ 14,876

13. OPERATING EXPENSES BY NATURAL CLASSIFICATION

The Statement of Revenues, Expenses and Changes in Net Position reports operating expenses by their functional classification. Beginning with the fiscal year ended June 30, 2015, the reporting of a net pension asset, and then a net pension liability for fiscal year ended June 30, 2016, significantly affected the reported compensation and benefit expenses of OSU. For the fiscal year ended June 30, 2016, changes in the pension expense and associated reporting requirements increased the reported compensation and benefit expenses of OSU by $93,199,761. For the fiscal year ended June 30, 2015, change in the net pension asset and associated reporting requirement decreased reported compensation and benefit expenses by $53,270,901. The following displays operating expenses by both the functional and natural classifications (in thousands):

June 30, 2016	**Compensation and Benefits**	**Services and Supplies**	**Scholarships and Fellowships**	**Depreciation and Amortization**	**Other**	**Total**
Instruction	$ 269,787	$ 27,792	$ 366	$ 19	$ 6	**$ 297,970**
Research	148,716	57,681	2,551	-	1,033	**209,981**
Public Services	80,306	23,309	565	40	164	**104,384**
Academic Support	62,818	19,036	-	-	-	**81,854**
Student Services	26,912	5,425	6	-	2	**32,345**
Auxiliary Services	79,532	64,437	4,511	13,345	-	**161,825**
Institutional Support	60,551	21,445	5	-	-	**82,001**
Operation & Maint. of Plant	15,396	18,764	-	109	-	**34,269**
Student Aid	-	1,561	32,157	-	546	**34,264**
Other	14,704	2,537	-	37,007	-	**54,248**
Total	**$ 758,722**	**$ 241,987**	**$ 40,161**	**$ 50,520**	**$ 1,751**	**$ 1,093,141**

June 30, 2015	Compensation and Benefits	Services and Supplies	Scholarships and Fellowships	Depreciation and Amortization	Other	Total
Instruction	$ 212,101	$ 27,170	$ 393	$ 8	$ 6	$ 239,678
Research	121,915	55,637	2,428	-	1,001	180,981
Public Services	59,530	21,371	558	52	155	81,666
Academic Support	44,851	15,681	-	-	-	60,532
Student Services	19,885	6,813	6	350	3	27,057
Auxiliary Services	61,229	66,691	3,839	12,454	-	144,213
Institutional Support	43,450	21,759	1	-	-	65,210
Operation & Maint. of Plant	11,661	18,618	-	132	-	30,411
Student Aid	12	632	32,220	-	586	33,450
Other	9,791	9,931	-	36,542	-	56,264
Total	$ 584,425	$ 244,303	$ 39,445	$ 49,538	$ 1,751	$ 919,462

14. GOVERNMENT APPROPRIATIONS

OSU receives support from the State of Oregon in the form of General Fund and Lottery appropriations. These appropriations are in support of the operations of the university and SELP debt service. Appropriations for SELP debt service are based on the loan agreements between the university and the Oregon Department of Energy. Additionally, OSU receives state general fund, state forest product harvest tax (Harvest Tax), federal appropriations, and county appropriations in support of operations of the statewide public services, which include the agricultural experiment stations, cooperative extension services and forestry research laboratories. Government appropriations comprised the following (in thousands):

	June 30, 2016	June 30, 2015
General Fund - Education & General	**$ 112,373**	$ 99,925
General Fund - Statewide Public Services	**58,082**	51,689
General Fund - Debt Service	**1,084**	1,100
Lottery Funding	**515**	500
Harvest Tax	**3,130**	3,676
Total State	**$ 175,184**	$ 156,890
Federal Appropriations	**9,511**	10,878
County Appropriations	**10,005**	8,502
Total Appropriations	**$ 194,700**	$ 176,270

15. EMPLOYEE RETIREMENT PLANS

Oregon State University offers various defined benefit and defined contribution retirement plans to qualified employees as described below.

A. Public Employees Retirement Plan (PERS)

ORGANIZATION

The University participates with other state agencies in the Oregon Public Employees Retirement System (System), which is a cost-sharing multiple employer defined benefit plan. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the plan. PERS is administered in accordance with Oregon Revised Statutes (ORS) Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a). The Oregon Legislature has delegated authority to the Public Employees Retirement Board (PERS Board) to administer and manage the System.

PLAN MEMBERSHIP

The 1995 Oregon Legislature enacted Chapter 654, Section 3, Oregon Laws 1995, which has been codified into ORS 238.435. This legislation created a second tier of benefits for those who established membership on or after January 1, 1996. Memberships prior to January 1, 1996 are Tier One members. The second tier does not have the Tier One assumed earnings rate guarantee and has a higher normal retirement age of 60, compared to 58 for Tier One. Both Tier One and Tier Two are defined benefit plans.

The 2003 Legislature enacted HB 2020, codified as ORS 238A, which created the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of the Pension Program Defined Benefit (DB) and the Individual Account Program (IAP). The IAP is a defined contribution plan. Membership includes public employees hired on or after August 29, 2003.

Beginning January 1, 2004, PERS active Tier One and Tier Two members became members of IAP of OPSRP. PERS members retained their existing Defined Benefit Plan accounts, but member contributions are now deposited into the member's IAP account, not into the member's Defined Benefit Plan account. Accounts are credited with earnings and losses net of administrative expenses. OPSRP is part of PERS and is administered by the PERS Board.

PENSION PLAN REPORT

The PERS defined benefit and defined contribution retirement plans are reported as pension trust funds in the fiduciary funds combining statements and as part of the Pension and Other Employee Benefit Trust in the State of Oregon Comprehensive Annual Financial Report. PERS issues a separate, publicly available audited financial report that may be obtained by writing to the Public Employees Retirement System, Fiscal Services Division, PO Box 23700, Tigard, OR 97281-3700. The report may also be accessed online at: **www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Employers participating in the Plan are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

The requirements of this Statement incorporate provisions intended to reflect the effects of transactions and events related to pensions in the measurement of employer liabilities for pensions and recognition of pension expense and deferred outflows of resources and deferred inflows of resources related to pensions.

BASIS OF ACCOUNTING

Contributions for employers are recognized on the accrual basis of accounting. Employer contributions to PERS are calculated based on creditable compensation for active members reported by employers. Employer contributions are accrued when due pursuant to legal requirements. These are amounts normally included in the employer statements cut-off as of the fifth of the following month.

PROPORTIONATE SHARE ALLOCATION METHODOLOGY

The basis for the employer's proportion is actuarially determined by comparing the employer's projected long-term contribution effort to the Plan with the total projected long-term contribution effort of all employers. The contribution rate for every employer has at least two major components; Normal Cost Rate and Unfunded Actuarial Liability (UAL) Rate.

CHANGES IN PLAN PROVISIONS

Since the December 31, 2013 actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the *Moro* decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future system Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the benefits projected to be paid by employers compared to those developed in the prior actuarial valuation, and consequently increased plan liabilities. The employers' projected long-term contribution effort has been adjusted for the estimated impact of the *Moro* decision. In accordance with statute, a biennial review of actuarial methods and assumptions was completed in 2015 to be used for the December 31, 2014 actuarial valuation. After completion of this review and subsequent to the measurement date, the PERS Board adopted several assumption changes, including lowering the investment return assumption to 7.50%, which was effective January 1, 2016.

PENSION PLAN LIABILITY

The components of the Plan's collective net pension liability as of the measurement date of June 30, 2015 are as follows (dollars in millions):

	June 30, 2015
Total Pension Liability	$ 70,665
Plan Fiduciary Net Position	64,924
Plan Net Pension Liability	$ 5,741

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) PENSION (CHAPTER 238) PROGRAM

Pension Benefits

The PERS retirement allowance is payable monthly for life. There are 13 retirement benefit options a retiring employee may select from. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Monthly payments must be a minimum of $200 per month or the member will receive a lump-sum payment of the actuarial equivalence of benefits to which he or she is entitled.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance 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 with a participating employer. General Service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance provided one or more of the following conditions are met:

- The member was employed by a PERS employer at the time of death.
- The member died within 120 days after termination of PERS-covered employment.
- The member died as a result of injury sustained while employed in a PERS-covered job.
- The member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled due to an other than a duty-connected cause may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

Benefit Changes After Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living adjustments (COLAs). The COLA for fiscal year 2015 was capped at 1.5 percent for all benefit recipients. As a result of the *Moro* decision, the cap on the COLA will be restored to 2.0 percent for fiscal years 2016 and beyond. See Changes in Plan Provisions for more information on the decision.

OREGON PUBLIC SERVICE RETIREMENT PLAN (OPSRP DB) PENSION PROGRAM

Pension Benefits

The OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and if the pension program is terminated, the date on which termination becomes effective.

Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through COLAs. The cap on the COLAs in fiscal year 2015 and beyond will vary based on 1.25 percent on the first $60,000 of annual benefit and 0.15 percent on annual benefits above $60,000.

OREGON PUBLIC SERVICE RETIREMENT PLAN (OPSRP IAP) PENSION PROGRAM

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

CONTRIBUTIONS

PERS and OPSRP employee contribution requirements are established by ORS 238.200 and ORS 238A.330, respectively, and are credited to an employee's account in the IAP and may be amended by an act of the Oregon Legislature. PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Post-Employment Benefit Plans.

Employer contribution rates for the fiscal year ended June 30, 2016 were based on the December 31, 2013 actuarial valuation as subsequently modified by the *Moro* decision. The rates first became effective July 1, 2015. Employer contribution rates for the fiscal year ended June 30, 2015 were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates were effective July 1, 2013 through June 30, 2015. The employer contribution rates for PERS and OPSRP are as follows:

	2016	2015
PERS Tier One/Two	**13.28%**	9.86%
OPSRP	**7.31%**	8.14%

The University's required employer contributions for PERS and OPSRP for the years ended June 30, 2016 and 2015, were $22,388,658 and $19,504,260, respectively, including amounts to fund employer specific liabilities.

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), a defined benefit plan, 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 13.2 percent, which changed to 13.9 percent effective October 1, 2015. FERS employees are not eligible for membership in PERS and they contribute at the full FICA rate.

NET PENSION (ASSET) LIABILITY

At June 30, 2016, the University reported a liability of $114,747,477 for its proportionate share of the PERS net pension liability. At June 30, 2015, the University reported a net pension asset of $40,833,598 for its proportionate share of the PERS net pension asset. The net pension liability as of June 30, 2016 was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The net pension asset as of June 30, 2015 was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012. The PERS system does not provide OSU an audited proportionate share as a separate employer; the University is a proportionate share of PERS employer state agencies which includes all state agencies. The State of Oregon Department of Administrative Services (DAS) calculated OSU's proportionate share of all state agencies internally based on fiscal year 2015 actual contributions by OSU as compared to the total for employer state agencies. The Oregon Audits Division reviewed this internal calculation. At June 30, 2016, OSU's proportion was 2.0 percent of the statewide pension plan and 7.85 percent of employer state agencies. At June 30, 2015, OSU's proportionate share was 1.80 percent of the statewide pension plan, and 7.59 percent of employer state agencies.

For the year ended June 30, 2016, OSU recorded total net pension expense of $112,278,073 due to the increase in net pension liability and changes to deferred inflows and deferred outflows. For the year ended June 30, 2015, OSU recorded a negative total net pension expense of $37,325,401 due to the implementation of GASB Statement Nos. 68 and 71.

At June 30, 2016, OSU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,188	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	24,054
Changes in proportion and differences between System's contributions and proportionate share of contributions	2,937	3,885
Total	$ 9,125	$ 27,939
Net Deferred Outflow/(Inflow) of Resources before Contributions Subsequent to the Measurement Date (MD)		(18,814)
Contributions Subsequent to the MD	19,078	
Net Deferred Outflow/(Inflow) of Resources after Contributions Subsequent to the MD		$ 264

Of the amount reported as deferred outflows of resources, $19,078,312 are related to pensions resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year Ended June 30:	
2017	(10,256)
2018	(10,256)
2019	(10,256)
2020	11,532
2021	422
	$ (18,814)

DEFERRED ITEMS

Deferred items are calculated at the system-wide level and are allocated to employers based on their proportionate share. For fiscal year ending June 30, 2016, deferred items include:

- A difference between expected and actual experience, which is being amortized over 5.4 years, the remaining service lives of all plan participants including retirees. One year of this amortization is recognized in OSU's total pension expense for the fiscal year 2016.
- A net difference between projected and actual earnings which is being amortized over a closed five-year period. One year of this amortization is being recognized in OSU's total pension expense for fiscal year 2016.
- Changes in employer proportion since the prior measurement date, which is being amortized over 5.4 years, the remaining service lives of all plan participants including retirees. One year of this amortization is recognized in OSU's total pension expense for the fiscal year 2016.
- A difference between employer contributions and proportionate share of contributions, which is being amortized over 5.4 years, the remaining service lives of all plan participants including retirees. One year of this amortization is included in OSU's total pension expense for fiscal year 2016.

Actuarial Methods and Assumptions

The following methods and assumptions were used in the development of the total pension liability:

Actuarial Methods:	
Valuation Date Net Pension Liability as of 6/30/2016	December 31, 2013
Valuation Date Net Pension Asset as of 6/30/2015	December 31, 2012
Measurement Date Net Pension Liability as of 6/30/2016	June 30, 2015
Measurement Date Net Pension Asset as of 6/30/2015	June 30, 2014
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Long-Term Expected Rate of Return	7.75 percent
Discount Rate	7.75 percent
Projected Salary Increases	3.75 percent
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* decision; blend based on service
Mortality	*Healthy retirees and beneficiaries:* RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. *Active members:* Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. *Disabled retirees:* Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years.

DISCOUNT RATE

The discount rate used to measure the total pension asset/liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY ANALYSIS

The sensitivity analysis shows the sensitivity of the university's proportionate share of the net pension liability to changes in the discount rate. The following presents the university's proportionate share of the net pension (asset)/ liability calculated using the discount rate of 7.75 percent, as well as what the university's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate (in thousands):

As of:	June 30, 2016	June 30, 2015
1 % Decrease 6.75%	**$276,939**	$86,471
Current Discount Rate 7.75%	**114,748**	(40,834)
1 % Increase 8.75%	**(21,937)**	(148,503)

As discussed above, the discount rate for fiscal year ended June 30, 2017 is expected to be decreased to 7.5 percent.

DEPLETION DATE PROJECTION

GASB Statement No. 68 generally requires that a blended discount rate be used to measure the total pension liability (the actuarial accrued liability calculated using the individual entry age normal cost method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's fiduciary net position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/ Aa or higher) municipal bond rate must be used for periods where the fiduciary net position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB Statement No. 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB Statement No. 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for Oregon PERS:

- Oregon PERS has a formal written policy to calculate an actuarially determined contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100 percent funded position by the end of the amortization period if future experience follows assumption.
- GASB Statement No. 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience that might impact the plan's funded position.

Based on these circumstances, it is the independent actuary's opinion that the detailed depletion date projections outlined in GASB Statement No. 68 would clearly indicate that the fiduciary net position is always projected to be sufficient to cover benefit payments and administrative expenses.

ASSUMED ASSET ALLOCATION

Asset Class/ Strategy	Low Range	High Range	OIC Target
Cash	0.00 %	3.00 %	0.00 %
Debt Securities	15.00	25.00	20.00
Public Equity	32.50	42.50	37.50
Private Equity	16.00	24.00	20.00
Real Estate	9.50	15.50	12.50
Alternative Equity	0.00	10.00	10.00
Opportunity Portfolio	0.00	3.00	0.00
Total			100 %

LONG-TERM EXPECTED RATE OF RETURN

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the OIC investment advisors. Each asset assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. The table on the following page shows a summary of long-term expected rate of return by asset class. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at: **www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.**

Long-Term Expected Rate of Return

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00	3.70
Intermediate-Term Bonds	3.00	4.10
High Yield Bonds	1.80	6.66
Large Cap US Equities	11.65	7.20
Mid Cap US Equities	3.88	7.30
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.90
Emerging Foreign Equities	5.49	7.40
Private Equity	20.00	8.26
Opportunity Funds/Absolute Return	5.00	6.01
Real Estate (Property)	13.75	6.51
Real Estate (REITS)	2.50	6.76
Commodities	1.25	6.07
Assumed Inflation – Mean		2.75

BOND DEBT

The Retirement Bond Debt Service Assessment was authorized by the 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. The assessment rate for fiscal year 2016 was 6.7 percent through October 31, 2015. The 2016 rate was reduced to 6.0 percent effective November 1, 2015. The assessment rate for fiscal year 2015 was 6.7 percent. Payroll assessments paid by OSU for the fiscal years ended June 30, 2016 and 2015, were $13,976,968 and $14,517,234, respectively.

B. Other Retirement Plans

OPTIONAL RETIREMENT PLAN

The 1995 Oregon Legislature enacted legislation that authorized the University to offer a defined contribution retirement plan as an alternative to PERS. A Retirement Plan Committee was appointed to administer the Optional Retirement Plan (ORP) and named trustees to manage plan assets placed with mutual funds and insurance companies. Beginning April 1, 1996, the ORP was made available to University academic and administrative faculty. Employees choosing the ORP may invest the employee and employer contributions in one of two investment companies, either Fidelity or the Teacher's Insurance Annuity Association (TIAA).

The ORP consists of four tiers. Membership under ORP Tier One and Tier Two is determined using the same date of entry criteria as PERS. The third tier is determined by the date of entry applicable to the OPSRP. Employees hired on or after July 1, 2014 who elected the ORP are Tier Four members. The first contributions for Tier Four were payable January 2015, after six-months of qualifying service.

Tier Four is a departure from the other three tiers. The employee is entitled to an employer contribution plus a "match" contribution based on the employee's participation in the voluntary 403(b) investment plan. The employer contribution is fixed at 8 percent by plan rules and is unaffected by PERS rates, unlike the other tiers. The employer provides an ORP match contribution equal to 403(b) deferrals up to a 4 percent maximum. Under the ORP Tiers One, Two and Three, the employee's contribution rate is 6 percent and is paid by the employer. The employer contribution rates for the ORP are as follows:

	2016	2015
Tier One/Two	**20.45%**	16.50%
Tier Three	**7.94%**	6.42%
Tier Four	**8.00%**	8.00%

OREGON PUBLIC UNIVERSITIES 401(A) DEFINED CONTRIBUTION PLAN

Eligible ranked faculty participate in the TIAA retirement program, a defined contribution plan, on all salary in excess of $4,800 dollars per calendar year. Employee and employer contributions are directed to PERS on the first $4,800. The contribution to TIAA annuities are supplemental to PERS. 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. The legacy plan, Oregon University System 401(a) Defined Contribution Plan, document was amended and restated July 1, 2015, and the Plan Sponsor is now the Board of Trustees for the University of Oregon.

FEDERAL CIVIL SERVICE RETIREMENT

OSU Extension Service employees that hold federal appointments can also participate in a Thrift Savings Plan (TSP) with an automatic employer contribution of 1 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 percent. CSRS employees are also eligible for participation in the TSP but without employer contributions.

SUPPLEMENTAL RETIREMENT PLAN (SRP)

OSU participates in 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, 2016, the plan was fully funded.

SUMMARY OF OTHER PENSION PAYMENTS

OSU's total payroll for the year ended June 30, 2016 was $453,540,927, of which $136,990,048 was subject to defined contribution retirement plan contributions. The following schedule lists pension payments made by OSU for the fiscal year (in thousands):

	June 30, 2016			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
ORP	**$ 13,723**	**10.02%**	**$ 7,763**	**5.67%**
TIAA	**55**	**0.04**	**55**	**0.04**
FERS - TSP	**98**	**0.07**	**285**	**0.21**
SRP	**151**	**0.11**	**-**	**0.00**
Total	**$ 14,027**	**10.24%**	**$ 8,103**	**5.92%**

Of the employee share, OSU paid $7,321,660 of the ORP and $55,282 of the TIAA employee contributions on behalf of their employees during the fiscal year ended June 30, 2016. The FERS-TSP contributions of $285,164 represents employee contributions to the TSP for FERS employees that were matched from one to five percent by the employer in fiscal year 2016.

OSU's total payroll for the year ended June 30, 2015 was $432,964,198, of which $116,279,182 was subject to defined contribution retirement plan contributions. The following schedule lists pension payments made by OSU for the fiscal year (in thousands):

	June 30, 2015			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
ORP	$ 11,109	9.55%	$ 6,762	5.82%
TIAA	58	0.05	58	0.05
FERS - TSP	105	0.09	344	0.30
SRP	151	0.13	-	0.00
Total	$ 11,423	9.82%	$ 7,164	6.17%

Of the employee share, OSU paid $6,695,640 of the ORP and $57,658 of the TIAA employee contributions on behalf of their employees during the fiscal year ended June 30, 2015. The FERS-TSP contributions of $344,433 represents employee contributions to the TSP for FERS employees that were matched from one to five percent by the employer in fiscal year 2015.

16. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

OSU participates in a defined benefit post-employment 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 post-employment healthcare plan. ORS Chapter 243 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 post-retirement benefit increases and decreases. PEBB does not issue a separate, publicly available financial report.

The PEBB plan allows qualifying OSU employees retiring under PERS or OPSRP to continue their healthcare on a self-pay basis until eligible for Medicare, usually at age 65. Participating retirees pay their own monthly premiums. However, the premium amount is based on a blended rate that is determined by pooling the qualifying retirees with active employees, thus, creating an "implicit rate subsidy" under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Health care premiums priced only for retirees, who on average incur higher health care claims costs than younger active employees, would be more expensive than health care premiums that are priced to cover the average costs of both active and retirees combined. GASB Statement No. 45 states that this implicit subsidy must be included in the liabilities and costs reported on the entity's financial statements.

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 9.84 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 2016.

Funding Policy

The PEBB's funding policy provides for employer contributions in amounts sufficient to fund the cost of active employee health benefits, including the retiree rate subsidy on a pay-as-you-go basis. For fiscal years 2016 and 2015, OSU paid healthcare insurance premiums of $80,344,964 and $77,160,992, respectively. The portion of the insurance premiums attributable to the implicit rate subsidy was estimated to be $478,282 and $603,734 for the fiscal years ended 2016 and 2015, respectively.

Annual OPEB Cost and Net OPEB Obligation

The Annual Required Contribution (ARC) is the amount PEBB would be required to report as an expense for the fiscal year under GASB Statement No. 45. The ARC is equal to the Normal Cost plus an amount to amortize the Unfunded Actuarial Accrued Liability (UAAL). As of June 30, 2015, the UAAL amortization was a level percentage of payroll over a period of 15 years. The amortization period is "open" which means that on each valuation date, the amortization amount is recalculated assuming 15 years' worth of future payments. Starting with the July 1, 2015 UAAL, the amortization method is level dollar over a period of one year. Note, the ARC represents an accounting expense, but neither PEBB nor its covered agencies are required to contribute the ARC to a separate trust. Because funds are not set aside equal to the ARC each year, the Annual OPEB Cost (less actual benefit payments) will accumulate as a liability (Net OPEB Obligation) on PEBB's and OSU's Statement of Net Position.

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

	June 30, 2016	June 30, 2015
Annual Required Contribution	**$ 7,874**	$ 1,318
Interest on Net OPEB Obligation	**288**	273
Adjustment to Annual Required Contribution	**(8,520)**	(520)
Annual OPEB Cost	**(358)**	1,071
Contributions Made	**(478)**	(604)
Change in Net OPEB Obligation	**(836)**	467
Net OPEB Obligation - Beginning of Year	**7,537**	7,070
Net OPEB Obligation - End of Year	**$ 6,701**	$ 7,537

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, 2016, 2015 and 2014 were as follows (in thousands):

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	**$ (358)**	**-5%**	**$ 6,701**
2015	1,071	14%	7,537
2014	825	12%	7,070

Funding Status and Funding Progress

The funded status of the OSU OPEB plan for June 30, 2016 and 2015, were as follows (in thousands):

	June 30, 2016	June 30, 2015
Actuarial Accrued Liabilities	$ 7,229	$ 10,390
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability	$ 7,229	$ 10,390
Funded Ratio	0.00%	0.00%
Covered Payroll (active plan members)	$ 350,225	$ 332,632
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	2.06%	3.12%

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. The PEBB post-employment healthcare benefit obligation was determined as part of the actuarial valuation prepared by the PEBB consulting actuary at July 1, 2015. Significant methods and assumptions for the fiscal years ended June 30, 2016 and 2015, were as follows:

	June 30, 2016	June 30, 2015
Actuarial Valuation Date	**7/1/2015**	7/1/2013
Actuarial Cost Method	**Entry Age Normal**	Entry Age Normal
Amortization Method	**Level Dollar**	Level Percentage
Amortization Period	**1 year (open)**	15 Years (open)
Investment Rate of Return	**3.5%**	3.5%
Initial Healthcare Inflation Rates	**5.1% (medical), 2.3% (dental)**	3.6% (medical), 2.2% (dental)
Ultimate Healthcare Inflation Rates	**5.0% (medical), 5.0% (dental)**	5.4% (medical), 5.0% (dental)

17. RISK FINANCING

OSU is a member of the Public University Risk Management and Insurance Trust (Trust). The Trust is a separate legal entity which operates for the benefit of the member universities (Member). The Trust is governed by a Board of Trustees comprised of a representative of each Member. The Trustees administer an insurance program wherein the Members share risk by pooling their losses and claims and jointly purchase insurance and administrative services through the Trust. In exchange Members pay annual assessments and provide the Trustees with information or assistance as necessary for the Trustees to determine annual assessments and to purchase insurance or reinsurance. By participating, OSU transfers the following risks to the Trust:

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

OSU retains risk for losses under $100,000 which is the deductible per claim not covered by insurance purchased through the Trust.

The Trust is backed by commercial policies, an excess property policy with a limit of $500 million, and a blanket commercial excess bond with a limit of $50 million. The Trust purchases commercial insurance for claims in excess of coverage provided by the self-insurance program and for all other risk of loss.

OSU is charged an assessment to cover the Trust's cost of servicing claims and payments based on the Risk Allocation Model and actuarial estimates of the amounts needed to pay prior and current-year claims. The amount of settlements has not exceeded insurance coverage since the Trust was established in June of 2014.

In addition, the university purchases various commercial insurance policies to cover the deductible amounts of intercollegiate athletics insurance provided through the National Collegiate Athletics Association (NCAA), and to provide coverage for special events and student liability.

18. COMMITMENTS AND CONTINGENT LIABILITIES

Outstanding commitments on partially completed, and planned but not initiated construction projects totaled approximately $197,616,983 at June 30, 2016. These commitments will be primarily funded from gifts and grants, bond proceeds, and other OSU funds.

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, 2016.

19. CHANGE IN ENTITY

Senate Bill (SB) 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. Prior to July 1, 2014, OSU was a part of the OUS, an agency of the State. As a state agency some assets were held centrally by the OUS. These assets were distributed to the seven universities, including OSU, on or before the June 30, 2015 closing of the OUS. The change in entity also changed the allocation of bond debt held in the name of the State. The Oregon Department of Administrative Services, State Treasury, and Department of Justice all concluded that a portion of the debt previously allocated to the OUS and the seven universities as state agencies was the responsibility of the State to repay. OSU still has responsibility to repay XI-F(1) and SELP debt and the portions of XI-Q and COPs debt identified as institution paid debt. See Note 9 Long-Term Liabilities for additional information.

Changes in net position due to the change in entity comprised the following (in thousands):

	June 30, 2016
State Paid Debt Transferred to the State Resulting in an Increase (Decrease) in Net Position	
General Obligation Bonds XI-F (1)	**$ 28,329**
General Obligation Bonds XI-Q	**902**
Certificates of Participation	**314**
Deferred Outflows - Unamortized Gain/Loss on Refunding	**(8,193)**
Accrued Interest Payable Removed	**79**
Change in Net Position due to Change in Entity	**$ 21,431**

	June 30, 2015
Assets Transferred From the OUS Resulting in an Increase to Net Position	
Cash Refund Due to Closing of the OUS Internal Bank	$ 1,933
Cash Distribution of Student Building Fee fund previously held centrally by the OUS	1,461
	3,394
State Paid Debt Transferred to the State Resulting in an Increase (Decrease) in Net Position	
General Obligation Bonds XI-G	130,767
General Obligation Bonds XI-Q	6,516
Certificates of Participation	10,882
Lottery Bonds	77,306
Deferred Outflows - Unamortized Gain/Loss on Refunding	(2,282)
	223,189
Other Changes	
Principal and Interest Payments on Institution Debt Paid by the OUS Chancellor's Office	2,792
Lottery Accrual for State Paid Debt Reversed	(4,708)
	(1,916)
Change in Net Position due to Change in Entity	$ 224,667

20. SUBSEQUENT EVENTS

REVENUE BOND ISSUANCE

On August 25, 2016, OSU issued $47,260,000 par value of taxable and tax-exempt General Revenue bonds as follows:

- $40,165,000 Series 2016A tax-exempt bonds with an effective rate of 4.00 percent, with bullet maturities due in 2046 and 2047 for the following capital construction projects:
    - Cascade Campus Residence Hall
    - Cascade Campus Dining/Academic Center
    - IT Systems Infrastructure
- $7,095,000 Series 2016B taxable bonds with an effective rate of 3.25 percent with a bullet maturity due in 2046 for the following capital construction projects:
    - Cascade Campus Dining/Academic Center
    - IT Systems Infrastructure

21. 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, 2016 and 2015.

During the years ended June 30, 2016 and 2015, gifts of $63,186,500 and $81,359,313, respectively, were transferred from the 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 pages.

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*

Component Units
Combining Financial Statements

Statements of Financial Position
As of June 30, 2016

	Oregon State University Foundation	Agricultural Research Foundation	Total Component Units
		(in thousands)	
ASSETS			
Cash and Cash Equivalents	$ 4,494	$ 750	$ 5,244
Investments	573,246	22,625	595,871
Contributions, Pledges and Grants Receivable, Net	49,081	2,453	51,534
Assets Held-For-Sale	4,299	-	4,299
Assets Held Under Split-Interest Agreements	52,233	-	52,233
Charitable Trusts Held Outside the Foundation	15,706	-	15,706
Prepaid Expenses and Other Assets	2,913	244	3,157
Property and Equipment, Net	4,824	18	4,842
Total Assets	**$ 706,796**	**$ 26,090**	**$ 732,886**
LIABILITIES			
Accounts Payable and Accrued Liabilities	$ 7,097	$ 82	$ 7,179
Endowment Assets Held for OSU	42,476	-	42,476
Accounts Payable to the University	-	3,512	3,512
Obligations to Beneficiaries of Split-Interest Agreements	23,716	-	23,716
Deposits and Unearned Revenue	-	8,160	8,160
Long-Term Liabilities	-	8	8
Total Liabilities	**73,289**	**11,762**	**85,051**
NET ASSETS			
Unrestricted	(14,036)	3,951	(10,085)
Temporarily Restricted	262,734	9,399	272,133
Permanently Restricted	384,809	978	385,787
Total Net Assets	**633,507**	**14,328**	**647,835**
TOTAL LIABILITIES AND NET ASSETS	**$ 706,796**	**$ 26,090**	**$ 732,886**

Component Units
Combining Financial Statements

Statements of Activities
For the Year Ended June 30, 2016

	Oregon State University Foundation	Agricultural Research Foundation	Total Component Units
		(in thousands)	
CHANGE IN UNRESTRICTED NET ASSETS			
REVENUES			
Grants, Bequests and Gifts	$ 1,046	$ 4,959	$ 6,005
Interest and Dividends	3,189	-	3,189
Investment Income (Loss), Net	(12,672)	1,375	(11,297)
Net Assets Released From Restrictions and Other Transfers	73,286	3,134	76,420
Other Revenues	15,546	-	15,546
Total Revenues	**80,395**	**9,468**	**89,863**
EXPENSES			
University Support	64,035	8,526	72,561
Management, General and Development Expenses	21,559	341	21,900
Investment Expense	9,923	-	9,923
Total Expenses	**95,517**	**8,867**	**104,384**
Increase (Decrease) In Unrestricted Net Assets	**(15,122)**	**601**	**(14,521)**
Beginning Balance, Unrestricted Net Assets	1,086	3,350	4,436
Ending Balance, Unrestricted Net Assets	**$ (14,036)**	**$ 3,951**	**$ (10,085)**
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS			
REVENUES			
Grants, Bequests and Gifts	$ 63,843	$ 3,118	$ 66,961
Interest and Dividends	10,305	37	10,342
Investment Income (Loss), Net	73	-	73
Change in Value of Life Income Agreements	(117)	-	(117)
Other Revenues	7,498	-	7,498
Net Assets Released From Restrictions and Other Transfers	(74,292)	(3,134)	(77,426)
Increase (Decrease) In Temporarily Restricted Net Assets	**7,310**	**21**	**7,331**
Beginning Balance, Temporarily Restricted Net Assets	255,424	9,378	264,802
Ending Balance, Temporarily Restricted Net Assets	**$ 262,734**	**$ 9,399**	**$ 272,133**
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS			
REVENUES			
Grants, Bequests and Gifts	$ 11,511	$ -	$ 11,511
Interest and Dividends	130	-	130
Investment Income (Loss), Net	(52)	3	(49)
Change in Value of Life Income Agreements	(1,152)	-	(1,152)
Other Revenues	149	-	149
Net Assets Released From Restrictions and Other Transfers	1,006	-	1,006
Increase (Decrease) In Permanently Restricted Net Assets	**11,592**	**3**	**11,595**
Beginning Balance, Permanently Restricted Net Assets	373,217	975	374,192
Ending Balance, Permanently Restricted Net Assets	**$ 384,809**	**$ 978**	**$ 385,787**
Beginning Balance, Total Net Assets	$ 629,727	$ 13,703	$ 643,430
Increase (Decrease) In Total Net Assets	**3,780**	**625**	**4,405**
Ending Balance, Total Net Assets	**$ 633,507**	**$ 14,328**	**$ 647,835**

Component Units
Combining Financial Statements

Statements of Financial Position
As of June 30, 2015

	Oregon State University Foundation	Agricultural Research Foundation	Total Component Units
		(in thousands)	
ASSETS			
Cash and Cash Equivalents	$ 5,764	$ 1,086	$ 6,850
Investments	537,390	20,962	558,352
Contributions, Pledges and Grants Receivable, Net	42,769	2,303	45,072
Assets Held-For-Sale	5,428	-	5,428
Assets Held Under Split-Interest Agreements	54,462	-	54,462
Charitable Trusts Held Outside the Foundation	14,839	-	14,839
Prepaid Expenses and Other Assets	2,064	317	2,381
Property and Equipment, Net	4,716	14	4,730
Total Assets	**$ 667,432**	**$ 24,682**	**$ 692,114**
LIABILITIES			
Accounts Payable and Accrued Liabilities	$ 9,100	$ 127	$ 9,227
Accounts Payable to the University	3,183	3,642	6,825
Obligations to Beneficiaries of Split-Interest Agreements	25,422	-	25,422
Deposits and Unearned Revenue	-	7,210	7,210
Total Liabilities	**37,705**	**10,979**	**48,684**
NET ASSETS			
Unrestricted	1,086	3,350	4,436
Temporarily Restricted	255,424	9,378	264,802
Permanently Restricted	373,217	975	374,192
Total Net Assets	**629,727**	**13,703**	**643,430**
TOTAL LIABILITIES AND NET ASSETS	**$ 667,432**	**$ 24,682**	**$ 692,114**

Component Units
Combining Financial Statements

Statements of Activities
For the Year Ended June 30, 2015

	Oregon State University Foundation	Agricultural Research Foundation	Total Component Units
		(in thousands)	
CHANGE IN UNRESTRICTED NET ASSETS			
REVENUES			
Grants, Bequests and Gifts	$ 481	$ 4,996	$ 5,477
Interest and Dividends	3,121	-	3,121
Investment Income (Loss), Net	(9,713)	559	(9,154)
Net Assets Released From Restrictions and Other Transfers	90,930	2,800	93,730
Other Revenues	14,785	-	14,785
Total Revenues	**99,604**	**8,355**	**107,959**
EXPENSES			
University Support	81,934	8,228	90,162
Management, General and Development Expenses	20,885	388	21,273
Investment Expense	9,018	-	9,018
Total Expenses	**111,837**	**8,616**	**120,453**
Increase (Decrease) In Unrestricted Net Assets	**(12,233)**	**(261)**	**(12,494)**
Beginning Balance, Unrestricted Net Assets	13,319	3,611	16,930
Ending Balance, Unrestricted Net Assets	**$ 1,086**	**$ 3,350**	**$ 4,436**
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS			
REVENUES			
Grants, Bequests and Gifts	$ 59,594	$ 4,019	$ 63,613
Interest and Dividends	11,390	36	11,426
Investment Income (Loss), Net	(4,911)	-	(4,911)
Change in Value of Life Income Agreements	(308)	-	(308)
Other Revenues	8,423	-	8,423
Net Assets Released From Restrictions and Other Transfers	(93,824)	(2,800)	(96,624)
Increase (Decrease) In Temporarily Restricted Net Assets	**(19,636)**	**1,255**	**(18,381)**
Beginning Balance, Temporarily Restricted Net Assets	275,060	8,123	283,183
Ending Balance, Temporarily Restricted Net Assets	**$ 255,424**	**$ 9,378**	**$ 264,802**
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS			
REVENUES			
Grants, Bequests and Gifts	$ 18,848	$ -	$ 18,848
Interest and Dividends	159	-	159
Investment Income (Loss), Net	(534)	4	(530)
Change in Value of Life Income Agreements	(673)	-	(673)
Other Revenues	46	-	46
Net Assets Released From Restrictions and Other Transfers	2,894	-	2,894
Increase (Decrease) In Permanently Restricted Net Assets	**20,740**	**4**	**20,744**
Beginning Balance, Permanently Restricted Net Assets	352,477	971	353,448
Ending Balance, Permanently Restricted Net Assets	**$ 373,217**	**$ 975**	**$ 374,192**
Beginning Balance	$ 640,856	$ 12,705	$ 653,561
Increase (Decrease) In Total Net Assets	**(11,129)**	**998**	**(10,131)**
Ending Balance	**$ 629,727**	**$ 13,703**	**$ 643,430**

Required Supplementary Information (dollars in thousands)

SCHEDULE OF OREGON STATE UNIVERSITY CONTRIBUTIONS*
Public Employees Retirement System

For Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Contractually Required Contribution	$ 19,078	$ 15,945	$ 15,100	$ 13,760	$ 12,666
Contributions in Relation to the Contractually Required Contribution	19,078	15,945	15,100	13,760	12,666
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 229,248	$ 219,796	$ 202,992	$ 190,712	$ 177,807
Contributions as a Percentage of Covered Payroll	8.3%	7.3%	7.4%	7.2%	7.1%

SCHEDULE OF OREGON STATE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/(LIABILITY)*
Public Employees Retirement System

	June 30, 2016	June 30, 2015
University's Allocation of the Net Pension Asset/(Liability)	2.00%	1.80%
University's Proportionate Share of the Net Pension Asset/(Liability)	$ (114,748)	$ 40,834
University's Covered Payroll	$ 229,248	$ 219,796
University's Proportionate Share of the Net Pension Asset/(Liability) as a Percentage of Covered Payroll	50.05%	18.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/(Liability)	91.88%	103.59%

*These tables will eventually contain 10 years of data. Only the data presented above is available at this time.

Required Supplementary Information (dollars in thousands)

Funding Status of Other Post-Employment Benefits

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2012	7/1/2011	$ -	$ 14,397	$ 14,397	0.0%	$ 265,095	5.4%
6/30/2013	7/1/2011	-	15,094	15,094	0.0	286,923	5.3
6/30/2014	7/1/2013	-	10,212	10,212	0.0	306,622	3.3
6/30/2015	7/1/2013	-	10,390	10,390	0.0	332,632	3.1
6/30/2016	7/1/2015	-	7,229	7,229	0.0	350,225	2.1

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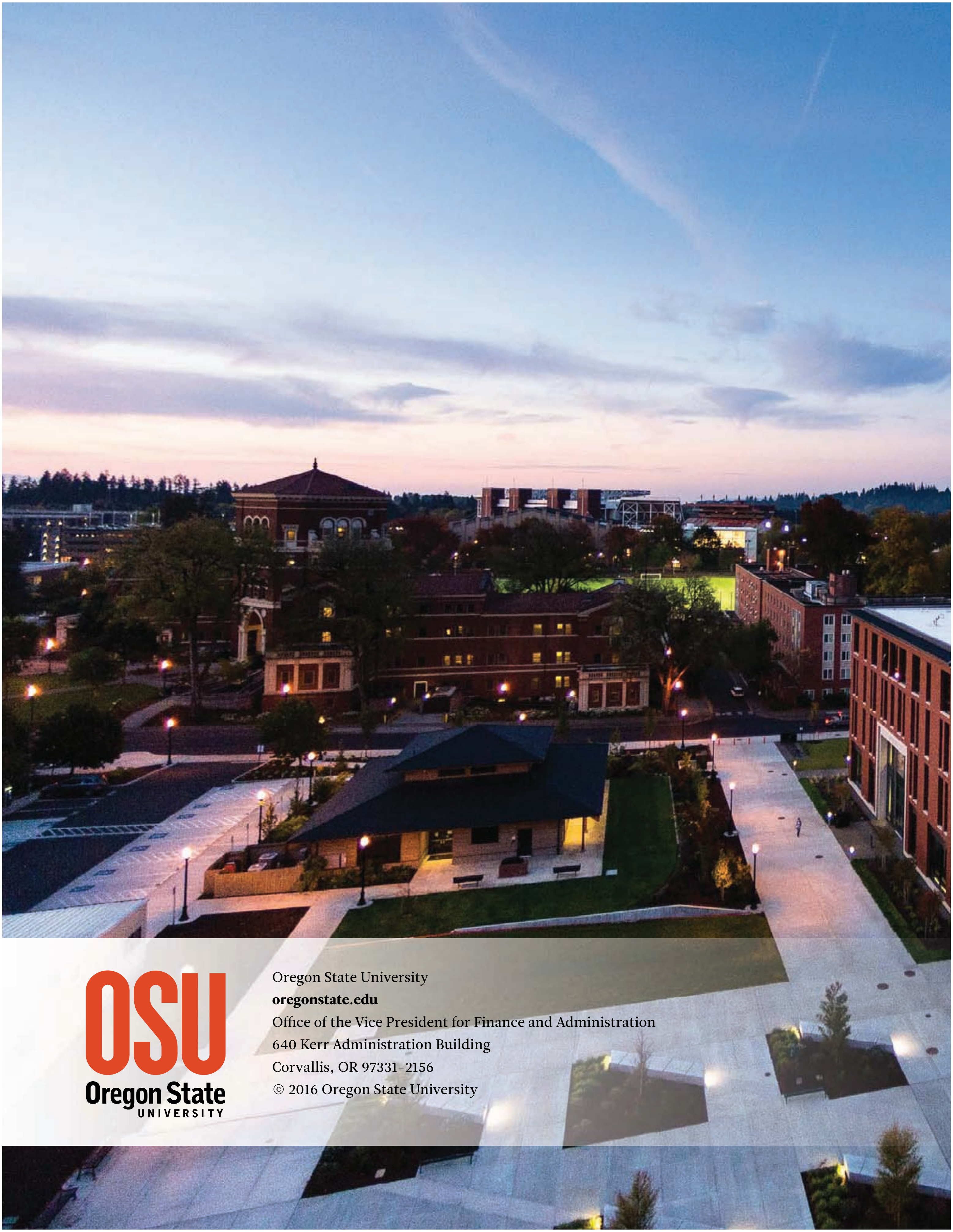
For information about the financial data included in this report, contact:

Michael J. Green
Interim Vice President for Finance/CFO
Oregon State University
640 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

FORM OF BOND COUNSEL OPINION

PACIFICA
LAW GROUP

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Seattle, WA 98101-3404
pacificalawgroup.com

October 31, 2017

Oregon State University
Corvallis, Oregon

Bank of America Merrill Lynch
New York, New York

Re: Oregon State University, General Revenue Bonds, 2017 (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, 2017 (Federally Taxable), in the aggregate principal amount of $72,705,000 (the "2017 Bonds"), issued to finance University capital projects and pay the costs of issuing the 2017 Bonds. The 2017 Bonds are issued pursuant to a resolution of the Board of Trustees of the University adopted on June 2, 2017 (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 2017 Bonds are subject to redemption as set forth in the Certificate of Award and Official Statement dated October 11, 2017.

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 2017 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 2017 Bonds may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors.

2. The 2017 Bonds are General Revenue obligations of the University. Both principal of and interest on the 2017 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 2017 Bonds as the same become due. The 2017 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 General Revenues and has previously issued General Revenue Obligations.

3. Interest on the 2017 Bonds is exempt from State of Oregon personal income taxes. Interest on the 2017 Bonds is not intended by the University to be excluded from gross income for federal income tax purposes.

Except as expressly stated above, we express no opinion regarding any tax consequences related to the ownership, sale or disposition of the 2017 Bonds, or the amount, accrual or receipt of interest on, the 2017 Bonds. Owners of the 2017 Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2017 Bonds.

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 2017 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 2017 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 affect 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.

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Undertaking (this "Undertaking") dated as of October 31, 2017, is hereby made by Oregon State University (the "University") in connection with the issuance of its General Revenue Bonds, 2017 (Federally Taxable) (the "2017 Bonds"). The 2017 Bonds are issued pursuant to a resolution of the Board of Trustees of the University adopted on June 2, 2017 (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 2017 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 of the 2017 Bonds (including persons holding 2017 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2017 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 2017 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 2017 Bonds;
7. Modifications to the rights of Bond Owners if material;
8. Optional, contingent or unscheduled calls of any 2017 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 2017 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 October 11, 2017, with respect to the 2017 Bonds.

Participating Underwriter shall mean any of the original underwriters of the 2017 Bonds required to comply with the Rule in connection with offering of the 2017 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, 2018, for the report for the 2017 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, in a timely manner, 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 "ENROLLMENT AND MATRICULATION" 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 provided 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 provided in Table A7 entitled "STATE APPROPRIATIONS TO THE UNIVERSITY BY TYPE" in APPENDIX A.

- Value of investments for that fiscal year, generally of the type provided in Table A8 entitled "UNIVERSITY CASH, CASH EQUIVALENTS AND INVESTMENTS" 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 2017 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 2017 Bonds. If such termination occurs prior to the final maturity of the 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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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