Treasury Managed Endowment Fund

BACKGROUND

In its January 15, 2015 meeting, the OSU Board of Trustees' Finance & Administration Committee (Committee) authorized staff of Oregon State University (University) to work with the Oregon State University Foundation (Foundation) to develop an investment management contract for the Foundation to manage the endowment and quasi-endowment funds of the University. One of the key reasons for exploring this opportunity is the Foundation's significant expertise in endowment investment management (the Foundation is currently managing roughly $470 million in endowment investments) and that it has the professional investment management personnel and practices necessary to manage an endowment fund. Contracting with the Foundation for endowment investment management will avoid duplicating the endowment investment management work of the Foundation at the University and place the endowment assets of the University in a solid management structure, which includes an investment committee that is made up of investment professionals with a deep interest in the success of the endowed pool. In addition, the Foundation has a successful stewardship system that will provide donors with an annual report including financial information about their endowment along with details on how their gift is making a difference to the University.

Moving the endowment investments to the Foundation, which would include an investment management fee of 150 basis points (bps), is a step to build a new long-term funding source for the Foundation, as part of the University's ongoing commitment to build a best-in-class advancement program and to prepare for the next comprehensive fundraising campaign. It also positions the Foundation to provide direct support in the amount of $376,500 per year for the following key initiatives that are critical to the University's mission:

- **OSU-Cascades Master Plan:** A Master Plan for the development of the OSU-Cascades campus is part of the University's commitment to quality and integrated long-range planning and would greatly enhance the ability to raise funds for OSU-Cascades by providing a comprehensive long-range vision for OSU-Cascades. Development of the OSU-Cascades campus remains one of OSU's highest strategic priorities to meet the State's 40-40-20 educational attainment goals. The estimated cost of the Master Plan is $2.0 million, per analysis by OSU-Cascades. It is proposed that $156,500 of the annual direct support noted above would be allocated by the University to service the bond payments for the cost of the OSU-Cascades Master Plan.

- **OSU Foundation Strategic Initiative Fund:** An OSU Foundation Strategic Initiative Fund will provide $220,000 per year to the University for 30 years. A key University initiative and a key part of the Governor's and the Higher Education Coordinating Commission's educational goals is to increase the number of degrees awarded to underrepresented students, women and Pell-eligible students. Initially the $220,000 from the OSU Foundation Strategic Initiative Fund will be allocated to a Student-Athlete Excellence Scholarship Fund to enhance OSU's ability to recruit high-quality student athletes from those key student populations. Each five (5) years beginning in January 2020, the University and the Foundation will review the purpose of the $220,000 allocation and the purpose may be adjusted upon agreement by both parties.

The Foundation continues to provide extraordinary support for the University, beyond simply managing funds, as evidenced by the successful $1.14 billion campaign. The utilization of some of the management fee income from the OSU Endowment Funds for the OSU-Cascades Master Plan and a Student-Athlete Excellence Scholarship Fund will help serve the mission of the University. In addition, funds from the investment management fee will provide the Foundation with additional funding to support operations and fund raising efforts.

ANALYSIS

An important consideration by the Committee in its support of this proposal was the fee structure under the current investment management structure versus what would be assessed by the Foundation. As was noted in the January meeting materials, presentation, and discussion by the Committee, there are several components that need to be considered together in order to comprehensively analyze the fees: the base fee structure of each, amounts that will be provided by the Foundation to the University to support strategic areas of the University, and costs currently borne by the University under the current structure. The Oregon State Treasury, which currently manages the endowment investments of the University, charges 3 bps as a management fee. In addition, the University pays the University Shared Services Enterprise $56,070 in administrative fees for accounting and reporting services that would no longer be needed if the endowment management was moved to the Foundation. As noted above, the Foundation charges 150 bps for management and other services, but has agreed that it will provide additional support to the University in the amount of $376,500 annually to support the University's need to finance the OSU-Cascades Master Plan costs in the amount of $156,500 per year and fund the Student-Athlete Excellence Scholarship Fund in the amount of $220,000 per year. The following table summarizes these components:

Analysis of Endowment Management Fees and Costs

	Treasury Managed	Foundation Managed
12/31/14 Market Value of Pooled Endowment Fund	$ 37,198,209	$ 37,198,209
Base Fee:		
Treasury 3 bps	11,159	
Foundation 150 bps		557,973
Administrative Costs:		
USSE Charges	56,070	
Total Costs	67,229	557,973
Less:		
Support for OSU-Cascades Master Plan		(156,500)
Student-Athlete Scholarship Fund		(220,000)
Net Cost	$ 67,229	$ 181,473
Calculated Net Fee (Cost as % of Market Value)	0.18%	0.49%
30-year Investment Return History	9.40%	10.30%
30-year Returns Net of Calculated Net Fee	9.22%	9.81%

While past investment performance is not a guarantee of future returns, this analysis is useful to put the differences in fees and costs in a long-term context.

PROPOSED FUND MANAGEMENT AGREEMENT

The proposed Fund Management Agreement, provided in Attachment 1, has the following key provisions:

- Allows the University to open new accounts or make additional contributions to the accounts
- Authorizes the Foundation to invest the monies in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and the Foundation's Investment Policy (described more fully below and attached)
- Allows the Foundation's Board of Trustees to modify the investment policy but must inform the University of any modifications so that the University and the Board of Trustees' Finance & Administration Committee may consider whether to terminate or renegotiate the agreement
- Authorizes the Foundation to:
    - Select and monitor the performance of investment managers, consultants, brokers, and custodians
    - Establish and revise the investment policy
    - Pool the accounts with other Foundation accounts
- Requires the Foundation to perform its duties in accordance with UPMIFA and the investment policy and requires the Foundation to exercise reasonable care, skill and caution by managing the accounts as a prudent investor would, acting in a fiduciary capacity
- Authorizes the Foundation to make distributions to the University in accordance with the Foundation's distribution schedule and in compliance with UPMIFA
- Authorizes the Foundation to charge a management fee
- Requires the Foundation to provide a report of the investments, positions, and transactions in the account quarterly or as requested by the University, but not less often than annually
- Allows for termination by either party with 90 days' written notice

The Foundation's commitment to provide additional support to the University is detailed in the Funding Agreement between the Foundation and the University provided in Attachment 2.

INVESTMENT POLICY OF THE FOUNDATION

The Foundation's current investment policy is attached as Schedule B of Attachment 1.

Staff asked investment advisor, PFM Asset Management LLC ("PFMAM"), to review the Foundation's current investment policy. Below are PFMAM's comments:

"The OSU Foundation (Foundation) Policy is concise, organized and easy-to-read. Roles and responsibilities are clear. Guidelines and restrictions appear to be modest allowing managers full discretion over portfolio investment decisions within the parameters and constraints outlined.

ASSET ALLOCATION

The asset allocation outlined in Article 4 is within industry standards for endowment and foundations. The asset class structure presented in the Foundation's Endowment Fund & Pooled Investment Program policy has significant exposure to Alternative Investments through the following asset classes: Private Equity, Real Assets, Real Return and Absolute Return. Alternative Investments, as defined in Article 7 of the Foundation's policy, are "any investment in private equity (buyouts, venture capital and special situations, non-listed and market-priced absolute return strategies (hedge funds) and non-listed and/or market priced vehicles investing in real assets (real estate, energy, natural resources, commodities, etc.)."

Below is a table showing the target asset allocation ranges and policy benchmarks for each asset class.

Foundation Asset Allocation

<table>
<tr><th>Asset Class</th><th>Target Allocation</th><th>Ranges</th><th>Policy Benchmark</th></tr>
<tr><td>Equities</td><td>38%</td><td>20%-50%</td><td>MSCI ACWI</td></tr>
<tr><td colspan="4">Equities are represented as one asset class. Typically a policy will refer to domestic and international as separate asset classes. There is no description or target suggested for how the equity asset class should be composed; i.e., what is the target allocation to US stocks vs. international stocks.</td></tr>
<tr><td>Private Equity</td><td>10%</td><td>2%-20%</td><td>S&P 500 +400 bps</td></tr>
<tr><td colspan="4">Private Equity is an alternative investment asset class. The target is similar to OST.</td></tr>
<tr><td>Real Assets</td><td>17%</td><td>0%-10%</td><td>Various</td></tr>
<tr><td colspan="4">Real Assets can include real estate and other real assets such as commodities, natural resources, etc. The OSUF Policy does not fully define the asset class. Investments may be private; i.e., private real estate trust, or public. Private or non-listed investments would be considered alternative investments.</td></tr>
<tr><td>Real Return</td><td>5%</td><td>0%-20%</td><td>CPI + 500 bps</td></tr>
<tr><td colspan="4">Real Return refers to investments designed to provide a return above inflation; i.e., treasury inflation-protected securities (TIPS) but may also include hedge funds and other non-listed investment considered to be alternative investments.</td></tr>
<tr><td>Fixed Income</td><td>13%</td><td>10%-50%</td><td>Barclays Capital Aggregate</td></tr>
<tr><td>Absolute Return</td><td>15%</td><td>5%-25%</td><td>90 Day T-Bill + 500 bps</td></tr>
<tr><td colspan="4">The Absolute Return asset class is primarily implemented through the use of hedge funds and is considered alternative investments.</td></tr>
<tr><td>Cash</td><td>2%</td><td>0%-10%</td><td>90 Day T-Bill</td></tr>
</table>

Generally the ranges for each asset class are broad allowing for management flexibility.

The Foundation's Endowment Fund & Pooled Investment Program policy articulates return expectations and criteria to monitor and review investment manager performance. In particular it defines the frequency and detail of valuation and financial information to be provided by investment manager(s) of Alternative Investments. This is important since these investments are typically private or non-listed investments with no publicly available market value.

The Foundation investment staff is aware of and attempts to monitor “environmental, social and governance (“ESG”) factors for all new investment managers under consideration, and for all existing investment managers as part of the annual due diligence process.”

In conclusion, the Foundation’s Policy defines a total portfolio objective to grow the assets over time and rank within the top 25%, over 10 year periods, in a nationally recognized universe of other endowment/foundation sponsors. The portfolio is designed to achieve these investment objectives and support a 6% spending policy, a payout of 4.5% to the University and an additional 1.5% to the Foundation for financial fundraising operations. This suggests a total portfolio return over the long run of 8.5% in order to keep pace with inflation (2.5% annual).”

STAFF RECOMMENDATION

Staff recommends that the Finance & Administration Committee authorize staff to execute a fund management agreement with the OSU Foundation with the terms and conditions as described above and in a form substantially similar to the draft Fund Management Agreement (Attachment 1), subject to execution of the separate Funding Agreement (Attachment 2). Staff is directed to report back to the Committee if the terms of the Funding Agreement are materially changed in the future.

Attachment 1

Oregon State University
Fund Management Agreement

This Fund Management Agreement (Agreement) is made effective this day of March, 2015 (Effective Date) by and between Oregon State University, an Oregon institution of higher education (University), and the Oregon State University Foundation, an Oregon nonprofit corporation (Foundation). In consideration of the representations, warranties, covenants, and agreements herein, the parties agree as follows:

ARTICLE I
Purpose; Accounts

The purpose of this Agreement is to set forth the terms and conditions pursuant to which the Foundation will provide investment fund management and custodian services with respect to certain endowment and quasi-endowment fund accounts owned by the University which are currently held in the Oregon State Treasury's Higher Education Pooled Endowment Fund and managed by the Oregon Investment Council on behalf of the Oregon University System (Accounts). The Accounts that are subject to this Agreement are described in **Schedule A**, attached. The term "Accounts" as used in this Agreement shall include the amounts transferred by the University and all future income and realized and unrealized gain earned by the Accounts as a part of the Foundation's pooled investment funds.

The University shall continue to own all funds held in the Accounts but shall transfer custody of such funds by wire transfer to the Foundation and shall deliver to the Foundation legible copies of all donor instructions, gift agreements, and related documentation of the Accounts. The University may from time to time open new Accounts with the Foundation pursuant to this Agreement and transfer custody of funds for such new Accounts and make additional contributions to Accounts previously established by transferring custody to the Foundation of such additional contributions, and the Foundation agrees to accept custody of such new Accounts and additional contributions and manage them in accordance with this Agreement.

ARTICLE II
Authority

The Foundation shall manage the funds as endowment and may invest and reinvest on behalf of the University and in the name of the University the Accounts in securities, investment pools, investment trusts, and other property without restriction; provided, however, all investment and reinvestment of the Accounts shall be in accordance with the Oregon Uniform Prudent Management of Institutional Funds Act (UPMIFA) and the Foundation' s Endowment Fund & Pooled Investment Program, a copy of which is attached as **Schedule B** (Investment Policy).

The parties acknowledge that the Board of Trustees of the Foundation may modify the Investment Policy from time to time. The Foundation shall provide the University with a copy of the Investment Policy if it is modified. If the University is not satisfied with the Investment Policy changes, the University may terminate this Agreement as provided in Article XIV and the Foundation shall continue to manage the Accounts in accordance with the previous Investment Policy until the effective date of such termination.

ARTICLE III
Management of Accounts

The Foundation shall manage the Accounts and is authorized to do the following in its sole discretion: (a) select and monitor the performance of managers, consultants, brokers, and sub-custodians who will invest the Accounts in accordance with the Investment Policy and applicable law; (b) establish and revise from time to time the Investment Policy; (c) pool the Accounts with other Foundation funds for purposes of management and investment; and (d) take all steps necessary to accomplish the purposes of this Agreement.

ARTICLE IV
Standard of Care; Scope of Liability

The Foundation does not guarantee the maintenance of the Accounts' corpus, but will use its best judgment in all investment decisions and performance of the investment management services described in this Agreement in accordance with UPMIFA, the Investment Policy, and the terms of this Agreement. In connection with the management of the funds held in the Accounts and the selection and monitoring of managers, consultants, brokers and custodians, the Foundation will exercise reasonable care, skill, and caution by managing the Accounts as a prudent investor would, acting in a fiduciary capacity and considering the purposes and distribution requirements of the Accounts The Foundation will not be liable to the University for any loss, except to the extent that a loss is due to the Foundation's failure to meet the standard of care provided above.

ARTICLE V
Distributions

The Foundation will make distributions from the Accounts to the University in accordance with the Foundation's distribution schedule as set forth in the Investment Policy and in compliance with UPMIFA.

ARTICLE VI
Transfer of Accounts upon Termination

Upon termination of this Agreement, the Foundation shall transfer to the University, or to an entity designated by the University, custody of all of the Accounts. The Foundation shall transfer custody of the Accounts within a reasonable time after termination of the Agreement, but in a manner that avoids liquidation penalties. Upon the complete delivery of the Accounts to the University, the Foundation shall have no further responsibility to perform any further investment management or custodian services described in this Agreement.

ARTICLE VII
Fees

The Foundation shall charge to the Accounts the asset management fees set forth in the Foundation's fee schedule as maintained and updated by the Foundation Board of Trustees from time to time. The Foundation shall provide at least a 120-day written notice to University before a new fee schedule is effective. The Foundation shall be responsible for all costs or expenses of any kind relating to the performance of services under this Agreement and the proper maintenance of the Accounts.

ARTICLE VIII
Reports

The Foundation will provide the University a report of the investments, positions, and transactions in the Account as soon as reasonable possible after the end of each calendar quarter or as reasonably requested by the University, but in no event less often than annually.

ARTICLE IX
Amendments

This Agreement may be amended or modified in whole or part only by an instrument signed by authorized representatives of the University and the Foundation.

ARTICLE X
Governing Law

This Agreement and the rights and obligations of the parties hereunder shall be governed and construed in accordance with the law of the State of Oregon, without regard to its principles of conflicts of laws.

ARTICLE XI
Voting of Securities

Unless otherwise agreed in writing, the Foundation will not take any action, or render any advice, with respect to the voting of proxies for securities held in the Accounts.

ARTICLE XII
Assignment

Neither party, without prior consent of the other, may assign any of its rights or obligations under this Agreement.

ARTICLE XIII
Confidentiality

All information furnished by the University to the Foundation shall be treated as confidential and shall not be disclosed to third parties, unless generally known or otherwise publicly available, and except as required by law.

ARTICLE XIV
Term, Termination

This Agreement shall become effective as of the Effective Date and shall remain in effect until terminated by mutual written agreement of the parties, or by either party by giving ninety (90) days written notice to the other, which notice shall be considered given when received by the other party.

ARTICLE XV
Relationship of the Parties

This Agreement does not create a partnership, joint venture or similar relationship between the parties. Neither party may bind the other party to third parties. The parties will not contend otherwise or try to enforce any contrary intention. Neither party will tell third parties that it is an agent, partner, or joint venturer of the other party.

ARTICLE XVI
Notices

Required communication to the other party (Notice) must be in writing. Notice is made by delivery to the other party (at its address below, with receipt acknowledged) either in person or by a next-day mail or delivery service.

If to the University, to:	Oregon State University Division of Finance & Administration 640 Kerr Administration Building Corvallis, OR 97331 Attn: VP for Finance & Administration
If to the Foundation, to:	OSU Foundation 850 SW 35th Street Corvallis, OR 97333 Attn: Chief Financial Officer

The party entitled to receive Notice may waive it in writing. Notice is effective when received.

ARTICLE XVII
Benefit

This Agreement is for the parties' benefit. Only the parties may enforce it. This Agreement is binding on the parties and their affiliates or successors.

ARTICLE XVIII
Waiver

The failure of either party to exercise any right, power or remedy provided under this Agreement or otherwise available at law or in equity, or to insist on compliance by the other party with its obligations hereunder, shall not constitute a waiver by such party of its rights under this Agreement. Any of the terms or conditions of this Agreement may be waived in writing at any time by the party that is entitled to the benefits thereof.

ARTICLE XIX
Construction; Severability

Whenever possible, each provision or portion of any provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or portion of any provision of this Agreement is held to be invalid, illegal, or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other provision or portion of any provision in such jurisdiction, and this Agreement shall be reformed, construed, and enforced in such jurisdiction as if such invalid, illegal, or unenforceable provision or portion of any provision had never been contained herein.

ARTICLE XX
Entire Agreement

This Agreement, including Schedules A and B, is the parties' entire agreement about its subject matter. It supersedes any earlier written and oral agreements and understandings about its subject matter. It does not negate any written agreement by the parties signed after the date of this Agreement.

OREGON STATE UNIVERSITY

By:

W. Glenn Ford
Vice President for Finance & Administration

Date of Signature:

OREGON STATE UNIVERSITY FOUNDATION

By:

Steve Schauble
Vice President & Chief Financial Officer

Date of Signature:

Oregon State University Endowment and Quasi-Endowment Accounts as of December 31, 2014

Name	Units	Fund	Book Value	Market Value
Burrell Endowment	656.47	604101	$5,119.28	$22,623.46
Cameron, Eliz Starker Endow	5,795.50	604102	148,146.00	199,726.33
Roth Endowment SBP Grad	25,568.64	604103	652,459.25	881,154.06
Berger, Marie Harbeck, Fund	16,852.21	607101	131,414.18	580,765.82
Holmes Scholarship Fund	872.25	607102	6,801.98	30,059.74
Pack, Chas L, Prizes	352.62	607103	2,749.80	12,152.09
Smith, Drucella, Prize	54.92	607104	428.28	1,892.67
Waldo Prize	385.54	607105	3,006.52	13,286.59
Lee, Minnie, Prize	222.07	607106	1,631.70	7,653.04
Johnson, Grace, Mem Fund	242.473	607107	1,881.70	8,356.18
Kerr Endowment Fund	718.988	607108	6,019.83	24,777.98
Rodenwald, Ben, Award Fund	104.62	607109	815.85	3,605.45
McKenzie, Gary Ag Scholarship	430.289	607110	3,953.05	14,828.75
Snellstrom Scholarship	3,087.59	607111	24,077.65	106,405.43
Collins, James Mem Fund	1,708.20	607112	13,320.89	58,868.49
Copson Scholarship Fund	711.39	607113	5,547.56	24,516.13
Hart, Floyd Scholarship	1,261.91	607114	9,840.63	43,488.31
Herman, Otto Scholarship	1,522.88	607115	11,880.83	52,481.94
Gibson Mem Scholarship	1,829.03	607116	14,159.62	63,032.57
Slater Mem Scholarship	1,347.93	607117	10,678.12	46,452.69
Aufderheide Mem Scholarship	817.838	607118	8,008.42	28,184.57
Golden, Frank & Esther Scholarship	3,329.33	607119	25,962.78	114,736.35
Herrin Scholarship	3,748.96	607120	29,235.14	129,197.76
Seen, Eva Scholarship	225.85	607121	1,761.22	7,783.31
Starker, Margaret Scholarship	753.26	607122	7,309.30	25,959.07
McKinley, Irene M. Endow	5,236.56	607123	78,462.80	180,463.70
McKinley, Irene M. Endow	5,968.14	607123	78,462.80	205,675.76
Andrews Fund	1,282.35	607124	10,000.00	44,192.72
O.S. Pharmacy Endowment	1,378.78	607125	12,300.00	47,515.92
Lindsay, Annie End.	4,920.11	607127	67,245.72	169,558.14
Robert & Marjorie Andrews Scholarship	3,477.47	607130	100,000.00	119,841.62
Izma B Conser Mem Scholarship	6,569.10	607134	211,222.15	226,386.27
True Endowments			1,683,903.05	3,495,622.91

SCHEDULE A

Name	Units	Fund	Book Value	Market Value
Foster, Lucille Scholarship	707.09	611101	4,438.72	24,367.94
McDonald, Mary Fellowship	1,084.79	611102	8,459.40	37,384.35
Wheat Research Endowment	40,426.45	611103	500,000.00	1,393,188.11
Klopfenstein Trust Fund	2,730.67	611104	38,148.11	94,105.22
Wakeham, Hubert H. Endow	97,473.94	611105	1,532,150.20	3,359,175.50
Marshall, Helene H Endow	8,866.74	611107	149,960.44	305,568.31
Elsie A. Silver Endow	5,348.44	611108	115,018.49	184,319.44
McDonald Forest Temp Endowment	270,605.72	614101	3,196,700.81	9,325,694.01
Dunn Forest Temp Endowment	164,206.52	614102	1,760,495.56	5,658,933.34
Blodgett Forest Temp Endowment	175,135.90	614103	1,995,197.39	6,035,584.84
McDonald, Mary Fund	3,710.65	614104	28,936.40	127,877.51
Rosenfeld Fund	13,510.21	614105	100,000.00	465,592.83
Christenson Bequest	2,337.08	614106	18,225.00	80,541.14
VanKirk Scholarship	3,248.26	614107	25,330.58	111,942.49
Leweaux Fund	6,877.01	614109	82,556.94	236,997.54
Klamath Basin Coop Endow	6,106.84	614110	87,000.00	210,455.65
Tifft Temp Endowment	48,732.47	614112	311,111.00	1,679,432.72
Coyle, J.J. Loan Fund	5,007.91	614113	31,618.25	172,584.07
Braley Ornith Endowment	17,949.90	614115	127,049.65	618,594.87
Hoyt Memorial	20,028.40	617101	132,530.99	690,224.61
General Scholarships	765.584	617102	6,422.32	26,383.78
Winslow Endowment	8,951.71	617103	57,825.04	308,496.46
Wood, Mabel Scholarship	2,968.44	617106	19,526.83	102,299.25
Middlekauf Endowment	20,294.26	617107	135,527.24	699,386.66
Tyson Endowment	4,059.13	617108	27,110.42	139,886.76
Copson Endowment	3,839.34	617110	29,939.98	132,312.46
Mariam Thompson Estate	11,187.99	617111	223,917.73	385,563.94
Paul Peterson Estate	11,744.78	617112	300,000.00	404,751.93
Lillian Crom Memorian Endow	4,320.14	617114	130,478.41	148,881.93
David/Jewellene Anderson Endow	15,729.03	617115	530,269.24	542,058.29
Quasi Endowments			11,705,945.14	33,702,585.95
Total Endowments			$13,389,848.19	$37,198,208.86

The Campaign for OSU
THIS AMAZING PLACE THIS HISTORIC MOMENT

Policy: Endowment Fund & Pooled Investment Program
Statement of Investment Objectives and Policy

Section: Investment

Number: 1.IC.EndowedFunds.2012.05.18

Replaces: 1.IC.EndowedFunds.2009.10.10
1.IC.EndowedFunds.2009.03.02
1.IC.EndowedFundsInvestment.2006.11.03
1.IC.EndowedFunds.2007.05.18

Authority from Resolution:	
Resolution Recording Date:	
Committee:	Board of Trustees
Minutes Number	
Scheduled Update:	
Last Review Date:	May 2014
Procedure Number:	

Contents:

Article 1: **Purpose**

The Oregon State University Foundation's mission is to strengthen the University's capacity to broaden access to high-quality higher education, push the frontiers of knowledge, contribute to Oregon's prosperity, and enhance the quality of life for the citizens of the state and the nation. It does so through advocacy, fundraising, investment management and stewardship as an independent 501(c)(3) nonprofit corporation charged with receiving and administering private gifts for the benefit of the University.

As a fiduciary of private gifts provided to support this mission, the Foundation's primary investment objective is to achieve the highest long-term total investment return on investment assets that is compatible with the Foundation's risk tolerance and time horizons and consistent with prudent investment practices.

The Board of Trustees of the Oregon State University Foundation ("Board") has adopted this Investment Policy to govern the investment of institutional funds held by the Oregon State University Foundation endowment fund and other assets commingled in the Foundation's Pooled Investment Program (herein after collectively referred to as "the Fund").

This statement is set forth in order that the Trustees of the Oregon State University Foundation, the Investment Committee, Foundation staff ("Staff"), investment consultants, investment manager(s) and the Fund beneficiaries may be made aware of the policies of the Board with regard to the investment of the Fund's assets, the investment objectives and the expectations and requirements with respect to the ongoing management of the Fund's assets.

Article 2: **The Fund**

The Fund is expected to operate in perpetuity and the investments will be invested with a long-term horizon. It is therefore important to follow coordinated endowment policies regarding fund-raising, spending and investment that will protect the principal of the Fund and produce above-average long-term total returns while maintaining a prudent level of risk.

Article 3: **Governance Roles and Allocation of Responsibilities**

This section describes and delineates the responsibilities of the key parties to the Fund's investment process.

A. OSU Foundation Board of Trustees

The OSU Foundation Board of Trustees provides performance accountability, membership oversight and governance evaluation for the Committee. The OSU Foundation Board of Trustees' responsibilities are to:

1. Approve the investment policy and changes to the investment policy.
2. Assess Fund performance against annual goals.
3. Review financial audits.
4. Review and approve final candidates for open positions as recommended by the Committee on Trustees, including appointed members, additional ex officio members, Committee Chair and Committee Vice Chair.
5. Annually review the operational performance of the Committee and its members.
6. Review and approve member de-selection recommendations as submitted by the Committee on Trustees.
7. Maintain "best in class" operations by periodically assessing Committee performance and evaluating changes in the roles and responsibilities of Committee and Staff and the structure and composition of the Committee, including the characteristics and qualifications of the Chair and Committee.
8. Address problems with Committee operations as they arise.
9. Approve a group of higher education institutions where OSU Foundation can benchmark its results with endowments similar in size.

B. OSU Foundation Investment Committee

The Committee is responsible for management of the Fund's investments. It has the authority to delegate specific investment and administrative tasks to others, including a sub-committee of the Investment Committee, pursuant to this policy. The Committee's responsibilities with respect to the Fund's assets include completing each of the duties below in a prudent manner:

1. Comply with all applicable state and federal laws, regulations, and rulings that relate to the Fund's investment management process.
2. Recommend investment policy to Board of Trustees.
3. Operate within the allocation ranges of the investment policy.
4. Establish and regularly review policies, objectives, asset allocation and guidelines for the investment of the Funds' assets.
5. Establish and periodically review the Fund's spending policy.
6. Establish and regularly review manager structure guidelines for the Fund's components.
7. Establish and comply with policies addressing issues that may result in perceived or

actual conflicts of interest (including but not limited to relationships with investment managers or other firms doing business with the Fund and receipt of gifts or entertainment above a certain dollar value from firms doing business with the Fund) and other governance issues.

8. Select qualified investment managers to manage the Fund's assets.
9. Select other service providers it deems appropriate to carry out its function, including, but not limited to, independent investment consultant(s).
10. Meet quarterly to evaluate policy compliance, review progress in achieving the Fund's goals and assess the effectiveness of the investment program.
11. Evaluate the Fund's performance and the performance of the professionals hired to assist the Committee in managing the Fund's investment program.
12. Communicate on a regular basis with the investment managers and investment consultant.
13. Periodically review and evaluate ongoing understanding and relevance of investment policies of commingled funds in which Fund assets are invested.
14. Take appropriate action if objectives are not being met or if policy and guidelines are not being followed.

C. Sub-committee

If there is a specific action required before the next regularly-scheduled Investment Committee meeting, and the President/CEO of the Foundation and the Chief Financial Officer of the Foundation together determine that calling a special meeting of the Investment Committee is not feasible or appropriate, the President/CEO and the Chief Financial Officer may call a meeting of a sub-committee of the Investment Committee. If either the President/CEO or the Chief Financial Officer is not reasonably available, the other of them acting alone may call a sub-committee meeting.

The powers of the sub-committee are limited to:

1. Acting on a recommendation to terminate asset managers or other service providers.
2. Taking other actions specifically delegated to the sub-committee by the Investment Committee.

The sub-committee will be comprised of three persons: the Chief Financial Officer (or the President/CEO if the Chief Financial Officer is not available), the Chair of the Investment Committee (or an Investment Committee member designated by the Chair), and one other member of the Investment Committee selected by the Chair of the Investment Committee who is also a Trustee of the Foundation.

The sub-committee must act by unanimous vote. Actions of the sub-committee will be promptly reported to the full Investment Committee.

D. Chair of the Committee

The Chair must be a member of the Board of Trustees. The Chair is responsible for the following duties:

1. Provide leadership in the conduct of Committee responsibilities and preside at

Committee meetings.

2. Report Committee activities and actions and Fund performance at meetings of the OSU Foundation Board of Trustees.
3. Communicate on behalf of the Committee.
4. Review member performance with the Committee on Trustees and assist in the de-selection process.
5. Participate in new member orientation sessions.
6. Collaborate with Chief Financial Officer on developing meeting agendas and meeting locations.

E. Chief Financial Officer

The Chief Financial Officer is responsible for the following duties:

1. Assist the Committee in maintaining relevant policies and procedures.
2. Coordinate contract reviews and execution.
3. Maintain day-to-day relationship management of investment program service providers.
4. Act as liaison between the Committee and investment program service providers.
5. Monitor asset allocation and rebalance as needed.
6. Provide direction letters to the investment managers, bank custodian and consultant.
7. Determine liquidity needs and communicate same to appropriate service providers.
8. Monitor manager compliance with the Fund's investment policy.
9. Provide reports to internal and external constituencies as required.
10. Develop meeting agendas and collaborate with Chair and appropriate service providers, as needed.
11. Provide orientation to new Committee members.

F. Custodian Bank

Fund assets will be held by an institution designated as the custodian bank, who shall manage, control and collect the assets of the Fund in accordance with the terms of a separate custodial agreement as well as the terms of this policy. The custodian bank for the Fund is responsible for:

1. Fulfilling all the customary fiduciary duties of a custodian in accordance with applicable state and federal laws.
2. Receiving all contributions and paying all disbursements and Fund expenses as directed by Staff.
3. Safekeeping of assets, timely settlement of securities transactions, and the daily sweep of excess cash from manager accounts into suitable cash management vehicles.
4. Accurate and timely reporting of the assets to the Staff by individual manager

account(s), investment pool, and total Fund.

5. Coordinating asset transfers as requested by the Staff.
6. Meeting with the Staff as requested.

G. Investment Managers

The manner in which the Fund's investment objectives are to be accomplished and the accountability of the investment managers in seeking to achieve the investment objectives shall be consistent with all applicable state and federal laws, regulations, and rulings.

The investment managers have discretionary authority to accomplish specific investment objectives of the Fund, subject to the guidelines set forth in this investment policy. The investment managers are responsible for the following:

1. Implementing the style and strategy for which they were hired.
2. Implementing security selection and timing decisions.
3. Providing reports and data as requested by the Committee, Staff, bank custodian and/or investment consultant.
4. Meeting with the Committee and Staff, as requested.
5. Voting proxies and providing a report at least annually on the proxy votes cast on behalf of the Foundation.

Investments in pooled funds shall be subject to the investment policy guidelines established by the respective fund managers.

H. Investment Consultant

The investment consultant is responsible for the following:

1. Assist the Committee and Staff in maintaining a relevant investment policy.
2. Evaluate and report performance of Fund assets on a quarterly basis.
3. Monitor and report any material changes in personnel, organization or investment strategy of the Funds' investment managers.
4. Proactively suggest improvements to the Fund's investment program.
5. Identify appropriate investment manager candidates.
6. Provide investment expertise and analyses, as needed by the Committee and Staff.
7. Keep the Committee informed of current investment trends, issues and material changes in the regulatory environment.
8. Evaluate investment opportunities.
9. Recommend investment strategy, asset allocation and manager allocation targets.
10. Recommend asset manager finalists.
11. Provide results of selected benchmark schools for Committee to track.
12. Provide the Committee with an assessment of plan results in comparison to policy guidelines and expectations.

I. Advisory Committee for Public Input on Investment

The OSU Foundation Board of Trustees created an advisory committee to allow a forum for public input regarding the nature of the Foundation's investments. The advisory committee is comprised of the Foundation Chief Financial Officer, the Senior Director of Communications & Stewardship, and other such Foundation staff, Trustees, or members-at-large as the Committee on Trustees may recommend. The advisory committee will make periodic reports of its meeting and activities to the Executive Committee. The Executive Committee will inform the Investment Committee with respect to any recommendations from the advisory committee.

Article 4: **Investment Policy Guidelines**

The Board does not expect to be reactive to short-term investment developments, recognizing that the needs for payout are long-term and that investment performance must be measured over a meaningful period of time. While the quantitative assessment of managerial competence will be measured over a complete market cycle, the Board anticipates the need to make interim qualitative judgments. Specific qualitative factors which will be reviewed by the Investment Committee on an ongoing basis include any fundamental changes in the manager's investment philosophy, any changes in the manager's organizational structure, financial condition and personnel, and any change, relative to peers, in the manager's fee structure.

A. Asset Allocation

The assets of the Foundation are invested in accordance with policy as approved by the Board. Based upon historic results and future expectations, equity investments are expected to produce higher total rates of return for the Fund than fixed income investments over long periods of time. In order to achieve this goal, and provide for regular income and liquidity the board has established policy ranges and a long-term target for the Fund investment mix as follows:

	Minimum	Target	Maximum
Equities	20.0%	38.0%	50.0%
Fixed Income	10.0%	13.0%	50.0%
Cash	0.0%	2.0%	10.0%
Absolute Return	5.0%	15.0%	25.0%
Private Equity	2.0%	10.0%	20.0%
Real Assets	5.0%	17.0%	25.0%
Real Return	0.0%	5.0%	20.0%

The asset mix policy and acceptable minimum and maximum ranges established by the Foundation represent a long-term view. As such rapid and significant market movements may cause the Fund's actual asset mix to fall outside the policy range. The Investment Committee must report to the Board any change in the overall investment allocation. The Board must approve an investment allocation that exceeds the maximum thresholds set forth above.

Risk

The acceptable risk profile for the Foundation should generally be to assume the lowest possible risk for the return goal desired. While negative returns in any single year may be unavoidable, over longer terms, asset allocations should be selected which are expected to achieve overall positive portfolio returns. In order to assess and monitor portfolio risk, the Investment Committee will review its asset allocation policy and asset allocation at least annually. A formal asset allocation study will be conducted every two years.

Risk can be construed to include multiple different outcomes including loss of principal, failure to meet an expected return, or volatility of investment returns around an expected mean (standard deviation). The Investment Committee's policy regarding investment risk, consistent with modern portfolio theory, is that risk cannot be eliminated but should be managed. Investment committee members, with the help of the investment consultant and investment managers, are responsible for understanding the risks inherent in various investment strategies, ensuring that they are properly compensated for these risks, and measuring and monitoring them. It should be considered in the hiring of new investment managers as well as in the continued monitoring of existing investment managers and the overall portfolio. Risk should also be considered in the selection of individual asset classes and the overall portfolio asset allocation. Most importantly, the level of overall portfolio risk taken should be consistent with the overall return objectives of the Foundation. Target risk metrics should be the same as for the target allocation, and acceptable ranges will be established around these points.

Rebalancing

Foundation Staff will rebalance the investment portfolio on an ongoing basis as new gifts to the Foundation are received, or market value fluctuations occur. Rebalancing will be addressed on ongoing basis by the CFO with consultation from the Investment Consultant. The portfolio is expected to remain within the boundaries of the ranges around the target asset allocation; however, the assets will be rebalanced to ranges that are within +20% of the current target shown in Article 4A with a 2% minimum threshold. It is understood that during the initial implementation of alternative asset classes, the allocation may fall below the established minimum range until the program can be fully established. Further, the strategic allocation to alternative asset classes may differ from the target

ranges outlined for extended periods of time, due to the illiquid nature of these asset classes.

Liquidity

Foundation staff will monitor cash flow on a regular basis, and sufficient liquidity shall be maintained to ensure spending policy is met. When withdrawals become necessary, staff will notify the investment manager(s) as far in advance as possible to allow them sufficient time to liquidate assets as necessary.

Article 5: **Relative Returns – Total Portfolio Objectives**

The investment objectives for the Foundation will be for the asset value, exclusive of contributions or withdrawals, to grow over the long run through a combination of investment income and capital appreciation. The Board is dedicated to active management and its goal is that the Foundation's total portfolio investment performance will be within the top 25% over 10 year periods of a nationally recognized universe of other endowment/foundation sponsors. In addition, the composite results will be compared to an asset mix of broad market indices:

- 38% international equities (MSCI ACWI)

- 10% private equity (Venture Economics All Private Equity Index)
- 13% fixed income (Barclays Capital Aggregate Bond Index)
- 2% cash (30 day T-Bills)
- 15% absolute return (HFR Fund of Funds Index)
- 17% real assets
- 5% real return (All Asset Composite Index)

Note: The above composite will change based on changes in the allocation of the target portfolio.

Article 6: **Benchmarks for Returns**

In addition to the Fund's total return objective and asset allocation guidelines, and any other criteria applicable to a particular investment manager, the manager or portion of marketable securities under review shall be evaluated by the Investment Committee over rolling three-year periods, or shorter appropriate market cycle identified by the Committee, against the following:

A. **U.S. Equities – Large Cap**

Equity accounts or portfolios shall be evaluated quarterly. Specific performance objectives include, but are not limited to, the following:

1. Exceed the return of the S&P 500 Index, or appropriate style index (i.e. Russell 1000 Value or Growth) by at least 1% (annualized), net of fees; and
2. Rank in the top half of a universe of equity managers possessing a similar style; and
3. Volatility to be comparable to the S&P 500 Index, or appropriate style index.

B. **U.S. Equities – Small/Mid Cap**

Small and mid-capitalization accounts will be evaluated quarterly. Specific performance objectives include, but are not limited to, the following:

1. Exceed the return of the Russell 2000 or Russell 2500 Index, or appropriate style index, by at least 1% (annualized), net of fees; and
2. Rank in the top half of a universe of equity managers possessing a similar style; and
3. Volatility to be comparable to the Russell 2000 or Russell 2500 Index, or appropriate style index.

C. **International Equities**

International equity accounts will be evaluated quarterly. Specific performance objectives include, but are not limited to, the following:

1. Exceed the return on the MSCI All Country World ex U.S. Index or MSCI EAFE Index, or appropriate style index, by at least 1% (annualized), net of fees;
2. Rank in the top half of a universe of international equity managers possessing a similar style; and
3. Volatility to be comparable to the MSCI ACW ex U. S Index or appropriate style index.

D. **Fixed Income**

Fixed income accounts will be evaluated quarterly. Specific performance objectives include, but may not be limited to, the following:

1. Exceed the return of the Barclays Capital Aggregate Bond Index by at least 0.25%

(annualized), net of fees;

2. Rank in the top half of a universe of fixed income managers; and
3. Volatility to be comparable to the Barclays Aggregate Bond Index.

E. Index Funds or Exchange Traded Funds (ETF's)

The investments in passively managed funds are not required to meet the investment performance targets stated in this document. Passively managed funds should meet the performance of the targeted benchmark before fees with minimal tracking error.

F. Real Estate

Real estate accounts shall be evaluated quarterly. Specific performance objectives may include, but may not be limited to, the following:

1. Core funds are to exceed the return of the NCREIF Property Index or NCREIF Open-End Diversified Core Equity (ODCE) Fund Index, net of fees;
2. Core Plus, Value-Added and Opportunistic Real Estate funds are to exceed the return of the NCREIF Property Index (NPI) by an appropriate risk premium (net of fees) over the most recent five-year period. This risk premium will vary depending on investment manager strategy and should be consistent with the objectives stated in the investment manager's offering documents;
3. NCREIF Townsend Blended Index, net of fees.

G. Absolute Return

Absolute Return manager(s) will be evaluated quarterly. Specific performance objectives may include, but may not be limited to, the following:

1. Exceed the 90-day T-bill return by at least 5% (annualized), net of fees;
2. Exceed the return of the HFR Fund of Funds Multi-Strategy Average, net of fees; and
3. Maintain an acceptable risk level, measured by the standard deviation of quarterly returns, of half (50%) the volatility of the broad equity market, represented by the S&P 500 Index.

H. Private Equity

Private equity manager(s) or portfolios shall be evaluated quarterly. Specific performance objectives include, but may not be limited to, the following:

1. Over the long-term (5-10 years) exceed the return of the S&P 500 Index by at least 4% (annualized), net of fees;
2. Exceed the Venture Economics All Private Equity index return.

I. Real Return Strategies

Real Return Strategy manager(s) will be evaluated quarterly. Specific performance objectives may include, but may not be limited to, the following:

1. Exceed the increase in the CPI by at least 5% (annualized), net of fees;
2. Exceed the return of the All Asset Composite index.

J. Watch List

Managers may be put on a Watch List for either performance issues, or qualitative issues.

Qualitative issues which could affect this decision include loss of key staff members, substantial loss of assets under management, substantial increase in assets under management, ownership change and style drift. Certain of these qualitative issues, for instance the loss of the sole portfolio manager, could result in an immediate recommendation to terminate the manager. Continued and persistent underperformance may result in a manager being placed on the Watch List, or a recommendation for termination. Managers are compared to their benchmarks (S&P 500, EAFE, R1KG, etc.) as well as to peer managers. If a manager underperforms its benchmark or peers for a sustained period of time, or if the underperformance, even for a short period was severe, the manager could be placed on the Watch List.

The scrutiny under which the manager operates while on the Watch List is no more severe than when not on the list. However, the act of placing the manager on the Watch List puts the manager on notice that it may be terminated. The manager thus has less flexibility while on the Watch List. Continued underperformance, even for a short period, could result in termination. A manager may be taken off the Watch List after a sustained period of out performance, or the correction of faulty qualitative issues.

Article 7: **Alternative Investments – Valuation and Controls**

The following policy shall pertain to all Alternative Investments. Alternative Investments are defined as any investment in private equity (buyouts, venture capital and special situations), non-listed and market priced absolute return strategies (hedge funds) and non-listed and/or market priced vehicles investing in real assets (real estate, energy, natural resources, commodities, etc.).

The investment manager for each Alternative Investment shall provide, in writing, the policies and procedures used in periodic portfolio valuation. These policies and procedures, along with portfolio composition, are to be reviewed with the Chief Financial Officer at least annually. At a minimum, the manager will address the following:

- Nature of underlying investments, including factors such as complexity, liquidity, volatility, and frequency of trading
- Methodology and assumptions used in valuation
- Checks and balances in place to ensure a fair valuation process

An investment manager shall notify the Chief Financial Officer immediately regarding any changes made to the valuation methodology or the assumptions used in the valuation process. The investment manager shall provide audited financial statements at least annually, and non-audited statements on at least a quarterly basis.

Article 8: **Restrictions**

The Investment Committee will allow managers to have full discretion over portfolio investment decisions within the parameters outlined below, and with the following specific restrictions: (Except for mutual funds, comingled funds or exchange traded funds where the applicable fund documents will provide for investment parameters)

A. No investment in any single issue, security, or property shall be greater than five percent (5%) of the total amount or value of that issue, security, or property.

B. Fixed Income investments shall consist of government debt instruments and/or debt instruments issued by commercial enterprises. To the extent that investments are made in corporate or municipal bonds, securities with below investment grade ratings will be limited to ten percent (10%) of the portfolio. Investment grade ratings are considered to be all rating categories above BBB or Baa, as assigned by Moody's or Standard & Poors. The overall average quality of fixed income portfolios will be maintained at AA or better.

C. Subject to the above limitations, the following are permitted investments: securities issued under Rule 144A and Yankee securities. Investments in Rule 144A securities are restricted to a maximum of ten percent (10%) of the Fund.

D. Investments in both Agency and non-Agency mortgage-backed securities, including collateralized mortgage obligations, may be made through the use of a mutual funds, dedicated direct portfolios or other means. Investments in such portfolios may include derivatives used to hedge the prepayment risk inherent in mortgage-backed securities.

E. Investments in foreign currency bonds in a U.S. fixed income portfolio, up to a maximum of twenty percent 20% of the portfolio, may be made on an opportunistic basis. The currency exposure in these securities may either be hedged or unhedged. Investments in these securities may be made through the use of an advisory mutual fund portfolio.

F. Fixed-income managers have full discretion over the allocation between long term, intermediate or cash equivalent investments subject to the above limitations, provided that the duration of any manager's portfolio shall not vary from the appropriate Barclays Capital Aggregate Bond Index by more than plus or minus 20%.

G. An investment manager investing in traditional assets shall not use derivatives to increase portfolio exposure above the level that could be achieved using only traditional assets. These same managers will not use derivatives to acquire exposure to changes in the value of assets or indices that, by themselves, would not be purchased for the Fund. Investment managers investing in Alternative Assets shall be allowed to use leverage, consistent with their strategy, which must be approved by the Investment Committee during the hiring process, and amended, if applicable.

Article 9: **Manager(s) Responsibilities**

A. **Legal Compliance.**

1. **Fiduciary Standard.** The investment manager is responsible for strict compliance with the fiduciary standards set forth in the Oregon Uniform Prudent Investor Act ("UPIA") and the Oregon Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). All transactions that use assets of the Fund shall be undertaken for the sole benefit of the Foundation.

2. **Internal Revenue Restrictions.** No investment shall be made that would jeopardize the Foundation's tax exemption under Section 501(c)(3) of the Internal Revenue Code.

B. **Evaluation Timetable.** An investment manager is expected to provide such data as is required for proper monitoring on a timely basis each quarter. In addition, the manager will provide transaction registers and portfolio valuations, including cost and market data, on a monthly basis. Data for mutual funds, comingled funds or exchange traded funds will be provided, as applicable, under the applicable fund documents.

The investment manager shall meet, by phone or in person, with the CFO and/or Investment Consultant at least annually to review:

1. The manager's actual results for the preceding forecast period compared to the previously established return goal for the reporting period.
2. The investment objectives and policy of the Fund. If the investment manager believes that the investment policy is too restrictive or should be amended in any way, the investment manager shall notify the Chief Financial Officer in writing.

Article 10: **ESG Review**

A successful, long-term investment strategy should consider a diverse portfolio of companies that are excellent corporate citizens. The Foundation's investment staff will ensure that the Foundation's investment consultants provide ratings on environmental, social, and corporate governance ("ESG") factors for all new investment managers under consideration, and for all existing investment managers as part of the annual due diligence process.

The Foundation's investment staff will report this information to the Investment Committee, and the Investment Committee will take this information into consideration when evaluating current and prospective managers, and when managing the Foundation's direct investments.

Article 11: **Conflict of Interest**

Investment Committee members are subject to the same conflict of interest policies that apply to Foundation Board members.

Article 12: **Spending Policy**

Payments are based on a three year (12 quarter) moving average of the Fund's market value. The three year average minimizes upswings and downswings in the market, helping provide a reliable stream of income to endowment programs. Currently 4.5% is the current payout rate to the University, and additional 1.5% is paid to the Foundation for financial fundraising operations of the Oregon State University Foundation.

Attachment 2

Funding Agreement between Oregon State University and OSU Foundation

This Funding Agreement ("Agreement") is made effective this day of March, 2015 (the "Effective Date") by and between Oregon State University, an Oregon institution of higher education (the "University"), and the Oregon State University Foundation, an Oregon nonprofit corporation (the "Foundation").

Background

The University and the Foundation have entered into a Fund Management Agreement dated March ___, 2015 pursuant to which the Foundation will be managing certain endowment funds owned by the University. All distributions from the endowment funds will be made to or for the benefit of the University in accordance with the restrictions on those funds.

Pursuant to a long-standing protocol between the University and the Foundation, the Foundation provides funding for key strategic priorities or initiatives of the University in response to written requests for such funding from the University President. This Agreement memorializes two such key strategic priorities and confirms the terms on which the Foundation will agree to fund those priorities.

Agreement

The parties agree as follows:

1. The Foundation will pay the University $376,500 per year to fund the following two strategic priorities:

A. OSU-Cascades Master Plan: A Master Plan for the development of the OSU-Cascades campus is part of the University's commitment to quality, integrated long-range planning and would greatly enhance the ability to raise funds for OSU-Cascades by providing a comprehensive long-range vision for OSU-Cascades. Development of the OSU-Cascades campus remains one of the University's highest strategic priorities to meet the State's 40-40-20 educational attainment goals. The University will allocate $156,500 of the annual distribution referenced in Paragraph 1 to service the bond payments for the cost of the OSU Cascades campus Master Plan. The schedule for the payments shall be agreed upon by the parties. The Foundation may elect at any time to accelerate payments to the University for this purpose; however, the total amount to be paid by the Foundation under this Paragraph 1A shall not exceed $2 million with interest thereon at the rate of 6.75 percent per annum from the Effective Date until paid in full (the "Cap"). After the Cap is reached, the payment obligation under Paragraph 1 will be reduced to $220,000 per year, unless otherwise agreed by the parties.

B. OSU Foundation Strategic Initiative Fund: An OSU Foundation Strategic Initiative Fund will provide $220,000 per year to the University for 30 years. A key University initiative and a key part of the Governor's and the Higher Education Coordinating Commission's educational goals is to increase the number of degrees awarded to underrepresented students, women and Pell-eligible students. Initially, the $220,000 from the OSU Foundation Strategic Initiative Fund will be allocated for a Student-Athlete Excellence Scholarship Fund to enhance the University's ability to recruit high quality student-athletes from those key student populations. The schedule for payments under this Paragraph 1B shall be determined by the parties. Every five years beginning January 2020, the parties will review the purpose for which the allocation is utilized under this Paragraph 1B, and the purpose may be adjusted upon agreement of the parties.

2. The purposes set forth above in Paragraph 1A and 1B are consistent with the mission and strategic priorities of the University, and are consistent with the Foundation's exempt purpose of providing private philanthropic support to enhance and support the educational mission of the University.

3. This Agreement may be amended or modified in whole or in part at any time by an agreement signed by authorized representatives of the University and the Foundation.

4. This Agreement and the rights and obligations of the parties hereunder shall be governed and construed in accordance with the laws of the State of Oregon.

5. This Agreement does not create a partnership, joint venture or similar relationship between the parties. Neither party may bind the other party to third parties. The parties will not contend otherwise or try to enforce any contrary intention. Neither party will tell third parties that it is an agent, partner, or joint venturer of the other party.

6. Required communication to the other party ("Notice") must be in writing. Notice is made by delivery to the other party either in person or by a next-day mail or delivery service.

If to the University, to:

Oregon State University
Division of Finance & Administration
640 Kerr Administration Building
Corvallis, OR 97331
Attn: VP for Finance & Administration

If to the Foundation, to:

OSU Foundation
850 SW 35th Street
Corvallis, OR 97333
Attn: Chief Financial Officer

The party entitled to receive Notice may waive it in writing. Notice is effective when received.

7. This Agreement is effective from the Effective Date and continues for a term of 30 years, expiring on March ___, 2045 unless terminated earlier upon the agreement of the parties.

8. This Agreement is for the parties' benefit. Only the parties may enforce it. This Agreement is binding on the parties and their affiliates or successors.

9. This Agreement is the parties' entire agreement about its subject matter. It supersedes any earlier written and oral agreements and understandings about its subject matter. It does not negate any written agreement by the parties signed after the date of this Agreement.

OREGON STATE UNIVERSITY	**OREGON STATE UNIVERSITY FOUNDATION**
By: ___________________________________	By: ___________________________________
W. Glenn Ford Vice President for Finance & Administration	Steve Schauble Vice President & Chief Financial Officer
Date of Signature:____________________	Date of Signature: ____________________