OREGON HEALTH & SCIENCE UNIVERSITY

OHSU Board of Directors Meeting

December 1, 2011
SON – 358/364
1:00 p.m. – 3:00 p.m.

OREGON HEALTH & SCIENCE UNIVERSITY
BOARD OF DIRECTORS MEETING

Thursday, December 1, 2011

1:00 p.m. – 3:00 p.m.

School of Nursing, Rooms 358 & 364

1:00 p.m.	Call to Order/ Chairman's Comments	Charles Wilhoite
	President's Comments	Joe Robertson
	Approval of Minutes for October 6 and October 31 meetings **(Action)**	Charles Wilhoite
1:10 p.m.	Financial Update	Lawrence Furnstahl
1:30 p.m.	Debt Restructuring Resolution	Lawrence Furnstahl
1:50 p.m.	Governance Committee Matters	
	• Board Survey Results	Jay Waldron
	• Board Resolution Regarding Governing Documents **(Action)**	Amy Wayson
	• Board Resolution Regarding Committee Appointments **(Action)**	Jay Waldron
2:10 p.m.	Update regarding Bob and Charlene Moore Institute for Nutrition and Wellness.	Mark Richardson
2:30 p.m.	Other Business; Adjournment	Charles Wilhoite

OREGON HEALTH & SCIENCE UNIVERSITY

Oregon Health & Science University
Board of Directors Meeting
October 6, 2011

Board Members in Attendance: Charles Wilhoite, Román Hernández, Rachel Pilliod, Maria Pope, Joe Robertson, MardiLyn Saathoff, Jay Waldron, Meredith Wilson, David Yaden, Jon Yunker

Staff Presenters: Lawrence Furnstahl, Nancy Haigwood

Chair's Comments

Mr. Wilhoite welcomed attendees to the Board meeting held at the West Campus. He commented that significant work is done at the West Campus that contributes to the success of OHSU. Mr. Wilhoite mentioned the strong financial performance of the institution, even during challenging economic times, and thanked everyone for their efforts that led to good financial results. Mr. Wilhoite outlined the planned presentations at the meeting. He welcomed Jeanette Mladenovic, the new provost, to OHSU.

President's Comments

Dr. Robertson added his welcome to Board members and all present, and thanked Nancy Haigwood and her staff for hosting the meeting. He noted that the Primate Center at the West Campus is one of the best primate research centers in the world and important to the OHSU research enterprise.

Dr. Robertson outlined Dr. Mladenovic's qualifications and work experience, noting particularly her experience with curriculum development and commenting that Dr. Mladenovic will be instrumental in the success of collaborative ventures such as the Collaborative Life Sciences (CLS) Building, the partnership with Portland State University (PSU), and the trans-professional education program. Dr. Robertson thanked David Robinson for his service as interim provost, indicating that the institution is fortunate that David has agreed to stay with OHSU as executive vice provost.

Groundbreaking for the CLS Building will occur on October 13th, with plans to open portions of the building for use in the fall of 2013. On September 16th, an extraordinary gift of $25 million from Bob and Charlee Moore, the founders of Bob's Red Mill, was announced. This fourth largest gift in OHSU's history will be used to establish the Bob and Charlee Moore Institute for Nutrition and Wellness. At the Moore Institute, researchers, clinicians, educators, and community health specialists will work together to promote science-based societal changes in diet, nutrition, and health care.

Dr. Robertson noted that the project requiring the closure of Sam Jackson Park Road has been successfully completed. Via the significant efforts of many, particularly Scott Page and his facilities team, no significant disruption to the clinical enterprise occurred. Tram ridership increased from 6000 to 8000 people a day and OHSU joined the elite ranks with others recognized as large, bike-friendly organizations.

Dr. Robertson reported that Lisa Coussens, a world famous cancer researcher, is joining OHSU as the Chair of Cell and Developmental Biology in the School of Medicine and as Director of Basic Research in the OHSU Knight Cancer Institute. She holds the Hildegard Lamfrom Chair in Basic Science, created by the generous contribution of Gert Boyle and Tim and Mary Boyle. Paul Spellman has come to OHSU from the Lawrence Berkeley National Laboratory, having previously worked with Dr. Joe Gray. As reflected by these developments, the Knight Cancer Institute is ahead of schedule in its recruitment of top scientists.

Mr. Wilhoite commented that the high caliber of people recruited and retained is a sign of a very strong academic institution.

Approval of Minutes

Mr. Wilhoite asked for approval of the minutes of the June 30, 2011 Board meeting, included in the Board Docket. Upon motion duly made and seconded, the minutes were unanimously approved.

Financial Update

Mr. Furnstahl reported operating income for FY 11 at $57 million, which is $11 million less than FY 10, but is $44 million over budget. The results were affected by a one-time State allocation to OHSU of ARRA stimulus funds and gains from the self-insurance claims experience on our medical malpractice and workers compensation claims, and the PPO insurance for employees. The former accounted for $10 million while the PPO insurance added $8 million. Mr. Furnstahl also noted a $2 million adjustment related to the lag between the provision of professional services and the accrual of certain accounts receivable.

Operating revenues for FY 11 were within $4 million of the $1.913 billion budgeted. Expenses were managed to almost $50 million below budget, $36 million of which is attributable to managing vacancies and evaluating positions to ensure that they are supported by volume activity. A 6% growth in operating revenue occurred, with a slightly higher growth in operating expenses, resulting in slightly lower year-over-year operating income. Operating expenses increased this year due to the investments in consulting services and salary adjustments for clinical faculty performing above productivity benchmarks or medians.

Responding to questions from a Board member, Mr. Furnstahl attributed the difference between the budgeted and actual interest expense to a resetting of short-term variable rates on a portion of OHSU debt. He explained that over the next year or two a part of OHSU's $550 million in fixed rate bonds will be callable, allowing the debt to be restructured and interest costs reduced. We are currently taking advantage of lower interest rates with our variable rate debt, and with the termination in January, 2012 of a swap hedge that currently swaps a portion of our variable rate debt into synthetic fixed rate debt, we expect a further positive result to the bottom line. Conversely, a large amount of cash is held in short-term investments at 1%, so investment income is reduced. Responding to a Board member question, Mr. Furnstahl explained that the fixed rate hedge was put in place in 2004 and 2005 against rising interest rates, but as interest rates have fallen, OHSU currently has a negative mark-to-market of approximately $15-16 million.

Mr. Furnstahl concurred with Dr. Robertson's assessment that the greatest risk under the current monetary policy lies with PERS and the reserves. Approximately half of OHSU employees are members of the University Pension Plan, a defined contribution plan where risk and benefit resides with the employee, and half are members of PERS, is a defined contribution plan where the liability is discounted to a present value based on interest rates. With interest rates low, the discounted liability is high, necessitating significant funding. PERS funding was increased by $20 million on July 1 due to the biennium calculation and is expected to increase in the future.

Mr. Wilhoite highlighted the number of employees at OHSU. Performance and staffing are up, contributing to Oregon's economy. Dr. Robertson added that while growth was modest this year, there are 1,100 more OHSU employees in 2011 than at the end of 2008. Mr. Furnstahl noted that the 2-3% head count increase supports the 6% increase in patient revenues and 9% growth in grants and contracts.

Referring to a slide reflecting operating income and depreciation, Mr. Furnstahl commented on cash flow from operations. Hospital performance was well above budget and equal to last year and we were close to break-even in the rest of the University. Mr. Furnstahl noted Hospital performance in major indicator areas relative to certain community hospitals, explained the upward movement in grant funding, and noted the 5.5% increase in enrollment.

Referencing the balance sheet, Mr. Furnstahl highlighted the $183 million increase in net worth, attributable to $57 million in operating income, $28 million in investment returns, and nearly $100 million net gain within Foundation accounts. And Mr. Furnstahl explained the sources of the $109 million increase in operating cash flow including $30 million from Oregon University System bonds and $40 million transferred from the Foundation for the CLS Building construction.

The first two months of FY 12 are volatile as expected, but OHSU is on track with the budget, reporting $10 million in operating income. Activity and revenues are below budget, but this is not unexpected, and expenses flexed downward correspondingly. As expected, cash flow is down slightly as the majority of our annual bond principal payments are made in July.

Mr. Wilhoite thanked Mr. Furnstahl for his report and invited Nancy Haigwood to provide an overview of the Primate Center.

National Primate Research Center Update

Dr. Haigwood described her position and background and thanked the Board for visiting the Primate Center. She explained the ONPRC's relationship with the national consortium of eight primate centers around the country and its mission and goal of translational research than speeds the progression of scientific discovery, ideas, substance and concepts to application in a clinical setting. In the course of these efforts, the ONPRC takes care of animals in a humane way and trains post-doctoral fellows, veterinarians, medical students, clinicians, and PhD students. Dr. Haigwood introduced various members of the ONPRC leadership.

The ONPRC Leadership's major goals include strategic planning to enhance scientific discovery and interactions, systems thinking to optimize resource usage to support science, and diversifying funding to expand translational research. Dr. Haigwood described the state of the ONPRC from her arrival in 2007, and continued with an account of subsequent strategic planning efforts in collaboration with the School of Medicine, which efforts have resulted in important recruitments and improved facilities.

Dr. Haigwood explained that working as part of a national consortium allows for a sharing of the genetic diversity of the primate colonies, of best practices across the centers, and of limited resources in a dwindling financial landscape. Dr. Haigwood commented on major areas of scientific focus at the ONPRC, including Louis Picker's Pathobiology and Immunology group's work on the AIDS vaccine and bioterrorism agents, Dick Stouffer's Reproductive and Developmental Science Department's focus on female reproductive medicine, Shoukhrat Mitalipov's contributions in stem cell biology, and the Neuroscience Division's work in neurodegeneration and addiction.

Research is supported by the Division of Animal Resources (DAR) which includes veterinarians, animal caretakers, and behaviorists. Dr. Haigwood credited Dr. Doane and others in leadership for optimizing resources and collaboration, resulting in the growth of the colony and the increase in the number of researchers without an increase in the budget. The majority of research includes animal model work, primarily with nonhuman primates. There are 500 employees at the West Campus, of which 350 work at the Primate Center.

Dr. Haigwood reviewed some current scientific projects including an oncofertility project, neurodegeneration work conducted by Jodi McBride, a monkey model developed by Kathy Grant to study alcohol addiction, and Louis Picker's work with the CMV-based vaccine and rhesus macaques.

Dr. Haigwood mentioned the importance of systems thinking in managing the growth of the ONPRC from 3000 animals to over 4000 animals with many investigators, facilities and programs. Dr. Haigwood provided examples of the types of primate populations that must be provided for various studies, and credited Wayne Wakeland at PSU and Dave Lawrence with creating exciting business models to achieve best practices in this area. The models will be used to assign animals, determine where they live and how often they move, and to create a better electronic medical records system with bar coding. Ultimately utilization of the models will increase efficiency and result in healthier animals.

Dr. Haigwood thanked the Board for its support of the construction projects at the ONPRC including the fence on the perimeter of the ONPRC, and she outlined her goals including increasing transparency of leadership and increasing the connections to the main OHSU campus and in the community. Work continues with the Foundation and the School of Medicine to connect with the community.

Flat funding continues to challenge the ONPRC, as do reductions in NIH opportunities. Fundraising through the Foundation and public-private partnerships through Tech Transfer and Business Development are being explored. Dr. Haigwood outlined the ONPRC awards and contracts for 2010, and noted the ONPRC efforts at energy sustainability and reducing water usage. The Oregon Energy Trust provided funding to pay for a sustainability manager.

Dr. Haigwood commented that future financial success depends on increasing the percentage of awards granted, developing junior investigators, and successful fundraising. As an NIH facility, the ONPRC is required to provide resources for the primates first. However, there is capacity to increase contracts with industry, and exploration has begun on private-public partnerships. Dr. Haigwood mentioned the important role of the Tech Transfer & Business Development Department in these efforts, noting examples of relationships with industry.

Dr. Haigwood mentioned a potential research opportunity in the area of inflammatory bowel disease (IBD) that would utilize the ONPRC's data and expertise. And she concluded her remarks by commending ONPRC staff and others at OHSU for their support for the Center.

Dr. Robertson thanked Dr. Haigwood, and ONPRC partners such as the Tualatin Fire & Rescue, the City of Hillsboro, and the public safety officers. He noted that research done at the ONPRC is vital to improving the health and well-being of citizens and important not only for a fundamental understanding of the disease process, but also for maintaining safety and quality. The size and scope of the West Campus is comparable to other significant university research environments.

Responding to a question from Mr. Waldron about opportunities for private-public partnership, Dr. Haigwood mentioned the potential for investment in facilities by partners, in return for allowing them to perform research. Due to restrictions by the NIH via its funding at the ONPRC, the center may not set aside a portion of animals or space for any one entity. But certain private-public partnerships are possible that could allow private partners access to the ONPRC animals and expertise. Dr. Robertson added that the trend with Pharma is a downsizing of in-house research and a focus on the development of partnerships, including partnerships with academia. Dr. Haigwood noted that the ONPRC has been approached by several companies in this context.

Mr. Wilhoite commended Dr. Haigwood's commitment and passion towards research and thanked her for her efforts. He reiterated Dr. Robertson's comments that the research is invaluable.

Adjournment

Hearing no further business, Mr. Wilhoite adjourned the meeting at 1:50pm.

Respectfully submitted,

____
Amy M. Wayson
Board Secretary

Oregon Health & Science University
Board of Directors Meeting
October 31, 2011

Board Members in Attendance: Charles Wilhoite, Román Hernández, Rachel Pilliod, Joe Robertson, Jay Waldron, Jon Yunker
Participating by Phone: Maria Pope, MardiLyn Saathoff, Meredith Wilson, David Yaden
Staff Presenter: Lawrence Furnstahl
Guest Presenter: Drew Corrigan, KPMG

Chair's Comments

Mr. Wilhoite welcomed everyone to the Board meeting and introduced Drew Corrigan, KPMG Auditor, noting that the purpose of the meeting was to discuss the results of the audit of OHSU's Financial Statements.

President's Comments

Dr. Robertson commented that financial activity occurs within the backdrop of the institution's Strategic Plan. The Strategic Plan states a commitment to make OHSU a leader in health and science innovation for the purpose of improving the health and well-being of citizens. OHSU is on track with both the Strategic Plan and its financial goals. This is evidenced by the recent groundbreaking of the Collaborative Life Sciences (CLS) Building, a collaborative effort with OUS, Portland State University (PSU) and Oregon State University and a testimonial to the power of partnership and philanthropy. The CLS Building will bring the community together and secure the place for professional health education for the remainder of the century.

Dr. Robertson noted that a similar theme is evidenced by the PSU Strategic Alliance Advisory Committee which meets twice a year to monitor the progress of the Strategic Alliance that was formed between PSU and OHSU. An implementation committee, consisting of vice-presidents, the provost, and provost office staff from each institution, oversees work at the programmatic level and reports to the Advisory Committee for oversight.

Dr. Robertson thanked everyone at all levels for their efforts in prioritizing the mission of the institution and for achieving the past fiscal year's successful financial results.

Audit Update—Resolution 2011-10-06

Mr. Furnstahl explained that the purpose of the special Board meeting is to receive the report of KPMG on the audit of the FY 11 Financial Statements. The Board will be presented with a resolution to accept the audit so that it may be released to external entities including banks, investors, the public, and the State of Oregon. Mr. Furnstahl commented that this is the first Financial Statement audit under his direction as CFO, and involves a couple of refinements in the Statements that are intended to improve clarity - the first related to the combining statements so they match the audited statements and a second a change in the method for accounting for federal student loans. Mr. Furnstahl thanked Drew Corrigan and Sarah Opfer of KPMG for their collaboration and cooperation. He reported that KPMG's audit was conducted with real testing and auditor independence, and he invited Drew Corrigan to present the audit results.

Mr. Corrigan reported that results of the audit were discussed in detail with the Finance & Audit Committee members, and that he addressed questions in that forum. He stated that the goal is to express an unqualified opinion on the Financial Statements for OHSU and the related reporting entities. External reporting and separate audit opinions are issued for the different entities listed in the Board materials. He reported that all audits have been completed with the exception of the federal grant audit, and that the audits went smoothly with very limited adjustments. KPMG has or will be issuing clean opinions on the Financial Statements and the consolidated report. Mr. Corrigan noted that the “Agreed-upon procedures report” noted in the Audit Scope list is the only addition to audit scope for this year.

Mr. Corrigan reviewed the required communications from the external auditor, including requirements under Generally Accepted Auditing Standards. Mr. Corrigan stated that there were no material errors, illegal acts, fraud in the financial statements or other items to report in this area. There are no changes in significant accounting policies to report. Mr. Corrigan reported that the $30 million of new debt to pay for the CLS Building is the only noted non-routine transaction.

Mr. Corrigan mentioned particular audit focus on management judgments and estimates as they relate to patient accounts receivable and associated reserves, third-party reserves, self-insurance reserves, and investment valuation. Mr. Corrigan noted the two revenue reversals mentioned in the Board materials as well as a reduction in revenue related to Faculty Practice Plan revenue accrual. Mr. Corrigan commented that all adjustments are viewed as minor items.

There were no disagreements with management in performing the audit or related to accounting matters. Regarding information in documents containing audited financial statements, Mr. Corrigan noted that the A-133 audit that relates to federal grant activity will be submitted to the federal government along with the Financial Statements. Mr. Corrigan reported no difficulties encountered in performing the audit, commenting that management was very prepared for the auditors and that the process went smoothly. The auditors received a high level of cooperation and support across all levels of the organization.

Mr. Corrigan concluded by stating that there were no material weaknesses or significant deficiencies in internal controls to report, and he affirmed that the KPMG auditors are independent of OHSU.

Mr. Wilhoite reiterated that the audit was discussed at the Finance & Audit Committee meeting. OHSU had a solid year financially and the books are very clean. KPMG’s independent assessment assures that the organization is prudently managed from a financial perspective and that fiduciary responsibilities are taken seriously. Mr. Wilhoite concurred with Mr. Furnstahl and Dr. Robertson’s comments that OHSU’s success must be credited to the dedicated staff that delivers our services and the financial management of the institution. All should take pride in the positive results for FY 11.

Mr. Wilhoite asked for approval of Resolution 2011-10-06, accepting the Financial Statements and Independent Auditors’ Report for the fiscal year ending June 30, 2011. Upon motion duly made and seconded, the Resolution was unanimously adopted, with Mr. Wilhoite polling all Board members participating by telephone.

Mr. Wilhoite thanked Mr. Corrigan for KPMG’s services to OHSU.

Adjournment

Hearing no further business, Mr. Wilhoite adjourned the meeting.

Respectfully submitted,

____

Amy M. Wayson
Board Secretary

FY12 October Financial Results

OHSU Board of Directors
December 1, 2011

FY12 October YTD Financial Results

- FY12 budget calls for maintaining earnings at $57 million, against $20 million of incremental pension cost and downward pressure on government funding.
- We anticipated $16.6 million of operating income through the first four months.
- Actual results are $2.4 million off this pace, at $14.1 million, with $20 million less revenue offset by $18 million less expense. The year-to-date gap from budget closed by over $1 million between September and October.
- Much of this is timing: slower spending on federal grants at a time when the outlook for future NIH/NSF budgets is uncertain.
- The more important driver is a -7% shortfall in surgical cases, which had been budgeted to grow but instead are running -1% below last year's pace. We see a similar pattern elsewhere in the market.
- Overall patient activity is up over last year, but not as much as targeted.

OREGON HEALTH & SCIENCE UNIVERSITY

FY12 October Results (continued)

- Surgical and other high-acuity activity (such as cancer, neuroscience and neonatology) tends to impact both case mix and payer mix—reflected in a $7 million gap in patient revenues from the hospital and faculty practice plan.
- Part of the activity shortfall is offset by higher realized payment rates from commercial activity, and a temporary deferral of more severe Medicaid reductions made possible by a higher Provider Tax and federal match.
- Supplies & services are flexing downward with lower patient care volume and slower start to research spending, but so far compensation expense is not—the FY12 budget, unlike last year's, did not have as many unfilled positions to work with.
- The clinical enterprise is highly focused on accelerating growth in surgical and other high-acuity programs, as well as flexing labor and non-labor costs to activity levels.
- Compared to last year, October YTD earnings are down by $10 million, but this is largely an artifact of the pattern of booking restricted revenues and expenses last year, which smoothed out in subsequent months.

OREGON HEALTH & SCIENCE UNIVERSITY

FY12 October Results (continued)

- By unit, hospital income is $18.8 million, within $0.8 million of budget; the rest of the university is at $(4.6) million, or $1.6 million off budget through four months.
- On the balance sheet, net worth is down $15 million since June 30th, a direct result of stock market losses on endowment funds: the S&P 500 fell sharply in the first quarter before recovering somewhat in October, which cut the net worth decline in half.
- Cash & investments held at the OHSU level are down slightly, by $1.6 million since last year end.
- This is largely due to timing: the first four months includes annual principal payments on debt, plus one of two 3-payroll months. These outflows are offset by a typically slow start to spending on new capital authorizations in the FY12 budget, approved in June.

OREGON HEALTH & SCIENCE UNIVERSITY

October Earnings at $14M ($2.4m Off Budget)

October YTD (millions)	FY11 Actual	FY12 Budget	FY12 Actual	Actual - Budget	Actual / Last Year
Net patient revenues	$445.9	$477.9	$470.7	$(7.2)	6%
Grants & contracts	124.1	126.0	115.1	(10.9)	-7%
Gifts	8.2	13.7	12.7	(1.0)	55%
Net tuition & fees	15.2	16.7	16.7	0.0	10%
State appropriations	12.4	11.8	11.8	0.0	-5%
Other revenue	26.8	28.6	27.0	(1.6)	1%
Operating revenues	632.6	674.7	654.0	(20.7)	3%
Salaries & benefits	364.2	385.4	387.0	1.6	6%
Services & supplies	196.5	224.3	204.3	(20.0)	4%
Depreciation	35.2	36.1	36.6	0.5	4%
Interest	12.3	12.3	11.9	(0.4)	-3%
Operating expenses	608.2	658.1	639.8	(18.3)	5%
Operating income	$24.4	$16.6	$14.2	$(2.4)	-42%

OREGON HEALTH & SCIENCE UNIVERSITY

October YTD Surgical Activity Off Target

October YTD (millions)	FY11 Actual	FY12 Budget	FY12 Actual	Actual / Budget	Actual / Last Year
Admissions	9,436	10,046	9,951	-0.9%	5.5%
Average daily census	437	440	421	-4.3%	-3.7%
Surgical cases	9,892	10,521	9,782	-7.0%	-1.1%
Emergency visits	15,290	15,446	15,844	2.6%	3.6%
Ambulatory visits	225,976	244,433	238,019	-2.6%	5.3%
Casemix index	1.92	1.93	1.83	-5.2%	-4.7%
Outpatient share	41.3%	41.4%	42.0%	0.5%	0.7%
CMI/OP adj. admissions	30,864	33,105	31,374	-5.2%	1.7%

OREGON HEALTH & SCIENCE UNIVERSITY

October Net Worth Reflects Stock Market

(millions)	6/30/11	10/31/11	YTD Change
OHSU cash & investments	$430.0	$428.4	$(1.6)
Interest in Foundations	691.2	661.6	(29.6)
Net physical plant	1,236.6	1,228.0	(8.6)
Long-term debt	(742.0)	(726.5)	15.5
Working capital & other, net	254.3	263.7	9.4
OHSU net worth	$1,870.1	$1,855.2	$(14.9)

Operating income	*14.2*
OHSU non-operating income	*0.5*
Foundation gain (loss)	*(29.6)*
Total change in net worth	*$(14.9)*

YTD Cash Flow Reflects Principal Repaid

(millions)	Oct YTD
Operating income	$14.2
Depreciation	36.6
OHSU non-operating income	0.5
Sources of cash	51.3
Capital spending	(28.0)
Principal repayment	(15.5)
Working capital & other	(9.4)
Uses of cash	(52.9)
Operating cash flow	(1.6)
6/30/11 OHSU cash	430.0
10/31/11 OHSU cash	$428.4

OREGON HEALTH & SCIENCE UNIVERSITY

Restructuring Variable Rate Debt

OHSU Board of Directors
December 1, 2011

Introduction

- Propose restructuring approximately $210 million of OHSU variable rate debt
- Take advantage of favorable credit capacity and rates now available
- Not issuing new money at this time
- Will return later this fiscal year with plan of finance for remaining $85 million of new debt for Collaborative Life Sciences Building

OREGON HEALTH & SCIENCE UNIVERSITY

Current Debt Structure

- Today, OHSU has about $730 million of outstanding debt
- Regular principal repayments of about $18 million per year
- 72% of current debt is fixed rate, at average 5.4% interest rate
- 28% of current debt has underlying variable rate structure:
  - $130 million of auction rate notes from 1998 and 2002
  - $80 million of variable rate demand bonds from 2009
  - Most swapped into synthetic fixed rates, until 2012 or 2014

Risks & Benefits of Variable Rate Debt

- Variable rate debt provides lower cost of capital for tax-exempt borrowers than fixed rate: about 3% vs. 6% over past 3 decades
- But it carries higher risk profile: rate volatility, credit risk, liquidity/put risk, bank risk and tax policy risk
- Products to mitigate these risks (ARNs, bond insurance, swaps) all showed flaws during financial crisis
- But OHSU can manage risks by: targeting ~25% variable rate, natural hedge of large fixed-income investment portfolio, using more than one credit provider, and staggering maturity dates
- OHSU must keep at least BBB- credit rating (A1/A/A currently)

OREGON HEALTH & SCIENCE UNIVERSITY

RFP for Variable Rate Credit Capacity

- OHSU and independent financial advisor organized RFP for credit capacity, with 9 banks responding (plus RFP to 3 MBE/WBE firms)
- Propose using a combination of US Bank & Royal Bank of Canada:
  - Pricing for letter of credit fees & direct purchase options
  - Size of credit capacity offered
  - Superior credit ratings & trading performance
  - Transaction capacities & terms
- Propose Loop Capital to remarket part of bonds, based on excellent track record & low fees, consistent with OHSU diversity goals

OREGON HEALTH & SCIENCE UNIVERSITY

All-In Interest Rate Costs with New Structure

- Difficult to predict future movements in interest rates
- Short-term tax exempt rates averaged only 0.21% over last 2 years, compared to 1.46% over 5 years
- Using 5 year average rates, including credit fees:
  - New structure would average 2.0%
  - Existing structure would average 3.1%
- In summary, proposed structure accesses high-quality credit at attractive rates, while diversifying variable rate risk across banks, credit structures and maturity dates (3.5 – 5 years)

OREGON HEALTH & SCIENCE UNIVERSITY

Next Steps in Debt Structure

- Subsequent RFP to same banks to identify core partners for OHSU's fixed rate portfolio (~75% of total debt):
  - Structuring "new money" for CLSB and any future projects
  - Refunding opportunities as existing bonds become callable
  - Helping present OHSU's credit to rating agencies & investors
  - Marketing effectively to both retail & institutional investors
  - Executing transactions with demonstrated, superior pricing
- Four finalists making oral presentations at OHSU next week

OREGON HEALTH & SCIENCE UNIVERSITY

OREGON HEALTH & SCIENCE UNIVERSITY

November 21, 2011

To: Members, OHSU Board of Directors

From: Lawrence J. Furnstahl
Chief Financial Officer

Re: Resolution to Restructure Variable Rate Debt

Introduction

This memorandum describes the proposed restructuring of approximately $210 million of OHSU variable rate debt, in order to take advantage of favorable credit capacity and rates now available, and to replace old auction rate debt with a more stable structure going forward. Annual fees for credit will drop by two-thirds, from 1.80% to less than 0.60% for a three year commitment.

Following discussion of this approach with members of the Finance & Audit Committee at its October 31st meeting, I am requesting consideration of the attached resolution at the Board's December 1st meeting to implement this plan. OHSU is not issuing new money now, other than to cover legal and other costs of issuance. Later in the fiscal year, I will return with a plan of finance for the remaining $85 million of new debt for the Collaborative Life Sciences Building.

Existing Debt Structure

Today, OHSU has approximately $730 million of outstanding debt, including $30 million of OUS F-Bonds issued at the end of FY11 as part of the Collaborative Life Sciences Building project. We make regularly scheduled principal payments of about $18 million per year. About 72% of current debt is fixed rate, with an average interest rate of 5.4%.

The remaining 28% of debt has an underlying variable rate structure. Of this amount, approximately $130 million are auction rate notes issued in 1998 and 2002. The variable interest rate on these bonds was designed to be reset by periodic auctions. However during the financial crisis, the auction process in the bond market in general ceased to function. As a result, OHSU now pays a "failed auction" rate of 1.75 times an underlying variable rate index. (Note that a failed auction is in no way a default by OHSU.) While this is favorable now because of very low short-term rates, once rates rise above about 0.45%, it will become increasingly more expensive than current alternatives, due to the 1.75x multiplier. Given the current availability of bank credit with favorable terms, we propose replacing these “failed” auction rate bonds at this time, rather than waiting until interest rates rise in the future.

The remaining $80 million of OHSU variable rate debt is in more traditional variable rate demand bonds (VRDBs), which are backed by a bank letter of credit and remarketed weekly. This structure continues to function normally in the bond market, although our current letter of credit (secured in 2009 during a period of very tight availability) is quite expensive, with an annual fee of 1.80% or 2 – 3 times today’s market. Our proposal is to replace the letter of credit with a less expensive one.

Almost all of OHSU’s variable rate debt was swapped into synthetic fixed rates through interest rate swaps, which hedged against increases in rates. However, more than half of these swaps expire in January 2012, leaving approximately $90 million of synthetic fixed rate debt thereafter. This remaining swap has a call provision in April 2014; after that point we expect all of OHSU’s variable rate debt to be “natural” or un-swapped into synthetic fixed rates.

Overall Targets for Variable Rate Debt

Historically, variable rate debt has provided a lower cost of capital for tax-exempt borrowers compared to fixed rate debt (roughly 3% vs. 6% over the past three decades). Correspondingly, it carries a higher risk profile, including interest rate volatility, credit risk, liquidity/put risk, bank risk and tax policy risk. Various products had sought to provide the variable rate cost advantage while mitigating the risks—these included auction rate notes, bond insurance, and interest rate swaps—but all showed flaws during the financial crisis. However, OHSU can provide some natural hedge or protection against interest rate risk through its large portfolio of high quality shorter-term fixed income investments. We can mitigate liquidity risk through using more than one credit provider and staggering maturity dates on which the credit facilities must be renewed or replaced.

To balance the risks and rewards of variable rate debt, we are using the following guideline targets:

- Target ~25% of OHSU total debt (after FY13 issue for CLSB) in variable rate, for ~$200m of ~$800m debt level, to provide $5 – 6 million in expected annual interest expense savings over the long run.

- Use at least two high quality letter of credit providers to support the variable rate demand bonds, supplemented by selected use of direct purchase options.

- Use two remarketing agents to remarket the VRDBs on a daily or weekly basis.

- Direct purchase is an alternative to bank LOCs, where the bank simply buys the bonds directly instead of backing them with a letter of credit, receiving an index-based interest rate (such as a percent of LIBOR). This alternative is currently attractive because many banks have surplus customer deposits to invest.

- Hold approximately 3x the variable rate debt amount in fixed income investments (~$600 million), across OHSU and the Foundation.

- Traditional fixed rate debt should comprise remaining ~75% of debt portfolio.

- Structure overall level debt service (principal + interest) to preserve future borrowing capacity.

<u>Bids for Variable Rate Debt Credit Capacity</u>

To help implement this approach, we engaged Melio & Co. as OHSU's independent financial advisor (FA) to extend our capacity in analyzing, structuring and negotiating debt structure and banking relationships. Melio & Co. organized an RFP process for replacement credit capacity that nine banks responded to: Bank of America, BMO/Deutsche, Goldman Sachs/Mizuho, JP Morgan Chase, Morgan Stanley, Royal Bank of Canada, Union Bank, US Bank, and Wells Fargo. After analyzing the nine credit bank responses, we propose using a combination of US Bank and Royal Bank of Canada (RBC), based on the following criteria:

- Aggressive pricing for LOC fees and direct purchase options;
- Size of credit capacity allocated;
- Superior credit ratings and trading performance;
- Approach to tendering "failed" auction rate notes;
- Lack of over-representation in investor portfolios (usually tax-exempt money market funds);
- Terms proposed as a basis for negotiation.

For both US Bank and RBC, among other covenants, OHSU must maintain a credit rating of BBB- or higher; our current ratings of A1/A/A are well above this level. After further negotiation with the banks over the past three weeks, we recommend allocating the available credit capacity in the following way (we are still fine-tuning the exact dollar amounts):

A. $80 million, 5 year Royal Bank of Canada LOC at 0.60% annual fee (replacing the current US Bank LOC at 1.80% annual fee), backing the 2009 variable rate demand bonds. RBC would place and remarket this debt going forward. If these bonds cannot be remarketed, OHSU would have a term out provision of 367 days to refinance or repay them.

B. $30 million, 3.5 year US Bank LOC at 0.46% annual fee, backing variable rate demand bonds that would replace $30 million of "failed" auction rate notes. US Bank would act as senior manager placing this debt, with an MBE investment banking firm as co-manager.

   The MBE firm would then remarket this debt going forward. We are completing an RFP process among three pre-qualified MBE firms for the co-manager and remarketing work, consistent with OHSU's policy supporting business diversity. The three firms are Loop Capital Markets, De La Rosa & Co., and Ramirez & Co. If these bonds cannot be remarketed, OHSU would have a term out provision of 3 years to refinance or repay them.

C. $100 million, 4.5 year US Bank direct purchase funding, to replace the remaining $100 million of "failed" auction rate notes. US Bank would charge an interest rate on this debt equal to 62.67% of LIBOR + 0.49% for the first year, 62.67% of LIBOR + 0.58% for the next 1.5 years, 70% of LIBOR + 0.58% for the following year, and 75% of LIBOR + 0.58% for the final year.

   The direct purchase interest rate schedule is designed to match the remaining interest rate swap associated with this debt (which has a 62.67% of LIBOR payment stream from the counterparty) through the call date on the swap, while at the same time securing the lowest available cost of capital. There is no additional remarketing work or costs with the direct purchase structure.

   This direct purchase funding lasts for 4.5 years; at that time, OHSU must remarket or refinance the outstanding portion of the $100 million or repay it over a term out provision of three years.

Royal Bank of Canada is rated Aa1/AA-/AA with stable outlooks. US Bank is rated Aa2/AA-/AA- with negative outlook from Moody's and stable outlooks from S&P and Fitch. They are among the highest rated banks. RBC would manage the tender process for taking out the auction rate notes, with participation and input from US Bank, and with OHSU following appropriate securities law disclosure requirements.

<u>All-In Interest Rate Costs with Proposed Structure</u>

It is difficult to predict future movements in interest rates, although our financial model assumes a slow economic recovery, with the Federal Reserve keeping short term rates low for two years. Short term tax-exempt rates averaged only 0.21% over the last two years, compared to 1.46% on average over the past 5 years. LIBOR averaged 0.25% over two years, and 1.88% over 5 years.

If one takes the 5 year average rates as a benchmark, and applies them to the recommend new structure (and the existing structure for comparison), the effective annual interest rates and fees would be approximately as follows:

$80 million / 5 year VRDBs	2.1%
$30 million / 3.5 year VRDBs	2.0%
$100 million / 4.5 year direct purchase	1.8%
Weighted average rate (new structure)	2.0%
Existing VRDB structure	3.3%
Existing auction rate structure	3.0%

New Structure of OHSU Debt Post-CLSB Project

After implementing the proposed plan on variable rate debt, and issuing $85 million of new fixed rate debt for CLSB in FY13, OHSU's debt structure would include:

- 25% variable rate debt / 75% fixed rate debt
- 60% of variable rate debt with US Bank / 40% with Royal Bank of Canada
- 55% of variable rate debt in traditional LOC-backed variable rate demand bonds / 45% in direct purchase notes with US Bank
- No remaining "failed" auction rate notes outstanding
- Credit fees reduced from 1.80% per year to 0.56% on average
- 15% of variable rate debt renewing in 3.5 years
- 45% of variable rate debt renewing in 4.5 years
- 40% of variable rate debt renewing in 5 years
- Variable rate debt that is hedged through April 2014 will be completely matched with swap payments (62.67% of LIBOR), for true synthetic fixed rate.

In summary, this structure accesses high-quality credit at attractive rates, while replacing existing auction rate notes and diversifying variable rate risks across banks, credit structures and maturity dates.

Next Steps in Debt Structure

The credit banking RFP described above identified US Bank and Royal Bank of Canada as core partners for OHSU's variable rate debt portfolio (~25% of total debt). A subsequent investment banking RFP, issued at the end of October to the same banks for a December decision, will identify core partners for OHSU's fixed rate debt portfolio (~75% of total debt), including:

- Structuring "new money" debt for CLSB and any future projects;
- Identifying and structuring refunding opportunities for existing debt as bonds become callable;
- Helping present OHSU's credit to rating agencies and investors;
- Marketing effectively to both retail and institutional investors;
- Executing fixed rate debt transactions with demonstrated, superior pricing.

As with the variable rate structuring, we will be identifying MBE/WBE investment banking partners to participate and bring new perspectives, in line with OHSU's diversity objectives.

If you have any questions before the December 1st meeting, please do not hesitate to contact me.

RESOLUTION NO. 2011-12-07
OF THE BOARD OF DIRECTORS OF
OREGON HEALTH AND SCIENCE UNIVERSITY
(Bond Restructuring)

WHEREAS, Oregon Health and Science University, a public corporation of the State of Oregon (the "University"), is authorized by Oregon Revised Statutes ("ORS") 353.340 to 353.370, and applicable provisions of ORS Chapter 287A (collectively, the "Act"), to issue revenue bonds, refunding revenue bonds, direct purchase notes and other obligations to finance or refinance capital assets acquired, constructed, equipped, improved or otherwise used for educational, health care, research, public health and related lawful public purposes.

WHEREAS, pursuant to the Act and *former* ORS 288.805 to 288.945, formerly known as the Uniform Revenue Bond Act, the University has previously issued the following revenue bonds (collectively, the "Auction Rate Bonds"):

(i) Oregon Health and Science University Insured Revenue Bonds, Series 1998A (the "1998A Bonds") and 1998B (the "1998B Bonds"), originally issued in the aggregate principal amount of $107,000,000; and

(ii) Oregon Health and Science University Insured Revenue Bonds, Series 2002B (the "2002B Bonds"), originally issued in the aggregate principal amount of $50,000,000.

WHEREAS, to obtain the benefits of lower debt service costs and higher bond ratings, the University purchased municipal bond insurance policies from MBIA Insurance Corporation ("MBIA") for each series of Auction Rate Bonds (collectively, the "MBIA Insurance Policies"). On the respective issue date of each of the MBIA Insurance Policies, MBIA was rated in the highest "triple A" rating category by each of the three major rating agencies.

WHEREAS, the Auction Rate Bonds currently bear interest at auction rates determined in accordance with certain industry standard auction procedures specified in the bond indentures and other agreements governing such Auction Rate Bonds.

WHEREAS, pursuant to the Act, the University has previously issued the Oregon Health and Science University Variable Rate Demand Revenue Bonds, Series 2009B, in the original aggregate principal amount of $80,000,000 (collectively, the "2009 Bonds"), all of which are supported by a direct pay Irrevocable Letter of Credit dated June 17, 2009 (the "2009 Letter of Credit") issued by US Bank National Association ("USB") pursuant to a Reimbursement Agreement dated as of June 1, 2009 between the University and USB and related agreements and documents (collectively the "2009 Reimbursement Agreement").

WHEREAS, by its terms, the 2009 Letter of Credit will expire on June 17, 2012 and absent replacement or extension of the 2009 Letter of Credit, the 2009 Bonds must be refunded or otherwise replaced.

WHEREAS, the occurrence over the last several years of adverse conditions and developments in the financial markets related to the substantial downgrades of the formerly highly rated municipal bond insurance companies along with the fact that investors in auction rate securities did not have put rights, have caused substantial disruptions of the market for auction rate securities, including the Auction Rate Bonds, resulting in some cases in substantially higher interest rates and a desire by investors to exit the auction rate market.

WHEREAS, to manage its interest rate exposure with respect to the 2009 Bonds and the Auction Rate Bonds, the University entered into amended and restated interest rate exchange agreements with UBS AG dated as of April 1, 2009 (the “USB Interest Rate Swap”) and The Bank of New York dated December 29, 2005 (the “BNY Interest Rate Swap,” collectively with the USB Interest Rate Swap, the “Interest Rate Swaps”).

WHEREAS, by its terms the BNY Interest Rate Swap will terminate in January 2012.

WHEREAS, the University has entered into a Master Trust Indenture (“Master Trust Indenture”) dated December 1, 1995 between the University on behalf of itself and as a member of the Obligated Group, and as Obligated Group Representative, and The Bank of New York Trust Company, as successor master trustee, as currently amended and supplemented, under which the University has issued Obligations (the “Obligations”) to provide security for various University obligations, including the 2009 Bonds and the Auction Rate Bonds.

WHEREAS, representatives of the University have conferred with Melio & Company (financial advisors), Orrick, Herrington & Sutcliffe LLP (bond counsel) and others to discuss options for replacing or extending the 2009 Letter of Credit, refunding or replacing the 2009 Bonds, and relieving potential uncertainty and exposure to the potentially high interest rates on the Auction Rate Bonds.

WHEREAS, management of the University has received and reviewed proposals from various banks and recommends that the University pursue the following actions, the material financial terms of which have been described to the Board of Directors in the description by the Chief Financial Officer accompanying this Resolution (the “Restructure Summary”):

(i) Replace the 2009 Letter of Credit with one or more irrevocable direct pay letters of credit (the “RBC 2009 Bond Letter of Credit”) issued by Royal Bank of Canada or an affiliate (“RBC”) in an amount not to exceed $80,000,000;

(ii) Issue bonds, which bonds may be issued in one or more modes, or direct purchase notes to USB (collectively, the “USB Direct Purchase Notes”), to refund the 1998B Bonds and the 2002B Bonds in an aggregate amount not to exceed $110,250,000;

(iii) Issue variable rate demand revenue bonds of one or more series (the “2012 Bonds”) in an aggregate amount not to exceed $34,650,000, backed by one or more irrevocable direct pay letters of credit issued by RBC to refund the 1998 Bonds (the “RBC 2012 Bond Letter of Credit”);

(iv) Use available University cash, proceeds of the USB Direct Purchase Notes, proceeds of the 2012 Bonds, or other lawfully available sources (or any combination of such sources) to (a) refund the Auction Rate Bonds in whole or in part and/or (b) purchase in the secondary market the Auction Rate Bonds, in whole or in part, and cancel such bonds; or (c) bid for all or any part of the Auction Rate Bonds at the periodic auctions for the Auction Rate Bonds directly or through one or more broker, dealer or municipal securities dealer (“Broker-Dealers”) for or on behalf of the University;

(v) If necessary to accomplish the refunding of the Auction Rate Bonds, convert all or any portion of the Auction Rate Bonds to a different interest rate mode supported by the applicable bond indentures (including for example, a variable rate mode or a fixed rate mode) with or without obtaining additional credit enhancement such as a letter of credit or line of credit, and with or without maintaining the MBIA Insurance Policies;

(vi) Cause all or any portion of the Auction Rate Bonds to be tendered by the current bondholders and/or purchased with available University cash, proceeds of the USB Direct Purchase Notes, proceeds of the 2012 Bonds, or other lawfully available sources (or any combination of such sources), and delivered to a trust established for the benefit of the University, preserving, terminating or restructuring the MBIA Insurance Policies with respect to the Auction Rate Bonds in whole or in part;

(vii) Cause one or more of the Interest Rate Swaps to be reassigned (to other new or existing indebtedness of the University), in whole or in part, and allow the BNY Interest Rate Swap to terminate according to its terms;

(viii) Cause to be issued one or more Obligations pursuant to the Master Trust Indenture to provide security for the RBC 2009 Bond Letter of Credit, the USB Direct Purchase Notes, the 2012 Bonds, the RBC 2012 Bond Letter of Credit and any or all of the other restructuring options described in this Resolution which are implemented;

(ix) Cause the Master Trust Indenture to be amended, supplemented or restated to streamline the operation of the Master Trust Indenture and/or to implement the above described options;

(x) Select and engage one or more banks, remarketing agents, and/or underwriters to implement the above described options; and

(xi) Take such other actions as each of the Authorized Representatives (defined below) may deem necessary and appropriate to implement all or any of the above-described actions.

WHEREAS, on March 14, 2008, the staff of the Securities and Exchange Commission in a letter (the "SEC Letter") detailed the circumstances under which the SEC staff will not recommend enforcement action against the governmental bond issuers such as the University or Broker-Dealers for bidding at the periodic auctions of such governments auction rate bonds;

WHEREAS, the foregoing options for replacement of the 2009 Letter of Credit, the refunding, conversion, redemption, modification, tender or purchase of all or any of the Auction Rate Bonds, the preservation, termination or restructuring of the MBIA Insurance Policies, the reassignment of the Interest Rate Swaps, and the termination of the BNY Interest Rate Swap, are referred to herein as the "Restructuring Options." The Board of Directors desires to authorize each of the Authorized Representatives to implement any or all of the Restructuring Options, individually or in combination, as may be necessary in the judgment of the Authorized Representatives and as may otherwise benefit the University.

WHEREAS, the Board of Directors finds it advantageous and in the best interests of the University to authorize and direct the taking of certain actions as may be necessary in the judgment of the Authorized Representatives to implement the Restructuring Options, including without limitation,

(i) The obtaining of the RBC 2009 Bond Letter of Credit, the issuance of the USB Direct Purchase Notes, the issuance of the 2012 Bonds, the obtaining of the RBC 2012 Bond Letter of Credit, and/or entering into one or more letter of credit reimbursement agreements, direct note purchase agreements, loan agreements or other credit facilities (collectively, the “2012 Loans”), provided however, that the 2012 Loans and together with the 2012 Bonds (collectively, the “2012 Obligations”) not exceed $225,000,000 in aggregate principal amount;

(ii) The sale of all or any of the 2012 Bonds at a private negotiated sale;

(iii) The negotiation, preparation, execution and delivery of contracts, agreements, amendments, supplements, terminations, instruments, certificates, security agreements, financing statements and any other documents to implement the Restructuring Options, including without limitation, bond indentures, bond purchase agreements, forward delivery bond purchase agreements, remarketing agreements, direct note purchase agreements, escrow agreements, bond insurance or letters of credit or other credit enhancement agreements, reimbursement agreements, loan agreements, supplemental master trust indentures, amended and restated master trust indentures, master trust indenture obligations, trust agreements, one or more Preliminary and Final Official Statements, any agreements necessary or desirable to effect the tender or purchase of the Auction Rate Bonds, notices of redemption and/or conversion, directions, confirmations, terminations, security agreements, interest rate exchange agreements, credit facilities or other credit enhancement agreements and any necessary amendments, supplements to, restatements or terminations of the University’s existing bond indentures, master trust indentures, interest rate exchange agreements, enhancement agreements, or similar agreements executed in connection with the 2009 Bonds, the Auction Rate Bonds, the MBIA Insurance Policies, or the Interest Rate Swaps (collectively, the “Restructuring Documents”); and

(iv) The execution and delivery of one or more additional Obligations under the Master Trust Indenture on behalf of itself, as a Member of the Obligated Group, and as Obligated Group Representative in order to secure the obligations of the University with respect to the 2012 Obligations, the Restructuring Documents, and any other obligations of the University entered into in connection with the Restructuring Options.

NOW THEREFORE, be it resolved by the Board of Directors of the Oregon Health and Science University as follows:

Section 1. Implementation of Restructuring Options. The Board of Directors hereby approves the Restructuring Options and authorizes and directs the University President or the University Chief Financial Officer (each an “Authorized Representative” and collectively, the “Authorized Representatives”) to implement one or more of the Restructuring Options, individually or in combination, as may in the judgment of such Authorized Representative be in the best interests of the University and in furtherance of the purposes of this Resolution.

Section 2. Authorization of 2012 Obligations. The Board of Directors hereby authorizes and approves, if deemed in furtherance of the Restructuring Options by the Authorized Representative, the University’s issuance, sale and delivery of the 2012 Bonds and/or the University’s entering into the 2012 Loans, such 2012 Obligations not to exceed $225,000,000 in aggregate principal amount, and subject to the following:

a. The true interest cost of the 2012 Bonds shall not exceed six percent (6%) per annum for any series 2012 Bonds issued at fixed rates of interest and the maximum rate of interest for any series of 2012 Bonds issued as variable rate bonds shall not exceed twelve percent (12%) per annum.

b. Any 2012 Bonds shall be issued as fully registered bonds and dated as provided in the related bond indenture, and shall mature, bear interest, be subject to redemption, tender, bear the terms, and be issued and sold by the University as determined by one or more of the Authorized Representatives.

c. The 2012 Bonds, if any, may be sold at a private negotiated sale.

d. The execution and delivery of one or more Bond Purchase Agreements or Forward Delivery Bond Purchase Agreements by an Authorized Representative of the University shall constitute the University's approval of the purchase prices for any 2012 Bonds.

e. The Board of Directors appoints Orrick, Herrington & Sutcliffe LLP as bond counsel to the University in connection with any 2012 Bonds and as special counsel in connection with any 2012 Loans.

f. Any 2012 Loans shall be entered into pursuant to direct note purchase agreements, letter of credit reimbursement agreements, loan agreements or other financing agreements with such lenders and setting forth such terms and provisions as shall in the judgment of the Authorized Representative further the Restructuring Options and the purposes of this Resolution.

Section 3. Interest Rate Swaps. The Board of Directors hereby authorizes and directs the Authorized Representatives:

a. To evaluate assignment in whole or in part of any of the Interest Rate Swaps to other new or existing indebtedness of the University, provided that such assignment is in compliance with the Debt Risk Management Policy of the University;

b. To appoint an independent swap advisor to advise the University in connection with any existing interest rate swap agreement;

c. To identify the Interest Rate Swaps to the 2012 Obligations or other outstanding indebtedness of the University for federal tax purposes, for purposes of the Master Trust Indenture or for purposes of the Debt Risk Management Policy of the University; and

d. To make the findings required by ORS 287A.335 and the designations and filings required by the applicable Oregon Administrative Rules.

Section 4. Preparation, Execution and Delivery of Documents. The Board of Directors hereby authorizes and directs the Authorized Representatives to negotiate the terms of the 2012 Obligations, including but not limited to credit or liquidity enhancements in the form of direct-pay letters of credit, direct note purchase agreements, standby bond purchase agreements and/or bond insurance, as authorized and directed herein and further authorizes and directs the Authorized Representatives to negotiate, prepare, execute and deliver, on behalf of the University, the Restructuring Documents, as may be necessary, desirable or appropriate in the opinion of either of the Authorized Representatives to complete the transactions contemplated by this Resolution and to take all actions necessary or appropriate in the opinion of either of the Authorized Representatives to complete the transactions contemplated by the foregoing.

Section 5. Distribution of Official Statements. The Board of Directors hereby approves the use and distribution of Preliminary and Final Official Statements or other applicable disclosure documents, if any, to be prepared and approved by the members of the University's financing team in connection with the 2012 Bonds, 2012 Loans or in connection with the tender or purchase of the Auction Rate Bonds, if any, to the public, and authorizes each of the Authorized Representatives to deem the Preliminary Official Statement final as of its date pursuant to SEC Rule 15c2-12. The Board of Directors also authorizes the University and its agents to make all disclosures that are required by the SEC Letter or otherwise required by law.

Section 6. Further Actions. Each of the Authorized Representatives is authorized to take all such further actions, to execute and deliver such further instruments and documents in the name and on behalf of the University, including without limitation, the execution and delivery of any tax certificates and agreements, interest rate swap agreements, amendments, supplements, trust agreements, closing certificates, notices, disclosures, directions, termination documents, and investment agreements, and to pay all such expenses as in his or her judgment shall be necessary or advisable to fully implement the Restructuring Options and carry out the purposes of this Resolution and to take all actions necessary for the University to comply with the requirements of the SEC Letter or applicable law in connection with the University bidding at the periodic auctions of the Auction Rate Bonds or to take all actions necessary in connection with the public or private tender offer for the Auction Rate Bonds.

Section 7. Ratification of Actions. All actions previously taken or that will be taken by any director, officer, official, employee or agent of the University consistent with or reasonably contemplated by this Resolution are, and each of them is, hereby adopted, ratified, confirmed and approved in all respects as the acts and deeds of the University.

Section 8. Liability for 2012 Obligations. Neither the State of Oregon nor any agency thereof, or any political subdivision or body corporate and politic nor any municipality 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 any 2012 Obligations 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, mortgage, 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 issuance or entering into of any 2012 Obligations shall not, directly or indirectly or contingently, obligate the State of Oregon, or any other political subdivision of the State of Oregon, nor empower the University, to levy or collect any form of taxes therefor or to create any indebtedness out of taxes. Neither the Board of Directors nor the University nor any person executing any 2012 Obligations shall be liable personally on any 2012 Obligations or be subject to personal liability or accountability by reason of the issue thereof.

Section 9. Invalidity or Unenforceability. If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

This Resolution is adopted this 1st day of December, 2011, effective on December 1, 2011

Yeas ______

Nays______

Signed by the Secretary of the Board of Directors this 1st day of December, 2011.

____
Amy M. Wayson
Board Secretary

RESOLUTION 2011-12-08
OREGON HEALTH & SCIENCE UNIVERSITY
BOARD OF DIRECTORS

WHEREAS, as contemplated by the Governance Committee Charter, the members of the Governance Committee have conducted a review of the OHSU Bylaws, the Charters of the various Committees of the Board of Directors and the Governance Principles and Guidelines applicable to the Board.

WHEREAS, as a result of this review and upon the recommendation of the Secretary and members of the Governance Committee, the Board wishes to adopt certain amendments to (i) the Finance & Audit Committee Charter, (ii) the Governance Committee Charter, and (iii) the Human Resources Committee Charter.

NOW, THEREFORE, BE IT RESOLVED:

1. **Finance & Audit Committee Charter.** The Board hereby approves the amendment to the Finance & Audit Committee Charter as reflected on Exhibit A attached hereto, effective immediately.

2. **Governance Committee Charter.** The Board hereby approves the amendment to the Governance Committee as reflected on Exhibit B attached hereto, effective immediately.

3. **Human Resources Committee Charter.** The Board hereby approves the amendment to the Human Resources Committee Charter as reflected on Exhibit C attached hereto, effective immediately.

This Resolution is adopted this 1st day of December, 2011.

Yeas _____

Nays _____

Signed by the Secretary of the Board on December 1, 2011.

____
Amy M. Wayson
Board Secretary

Exhibit A

Board of Directors

Finance & Audit Committee Charter

Committee Purposes

1. Members of the OHSU Board Finance & Audit Committee will serve as advisors to the OHSU Board of Directors and will assist the Board in fulfilling its oversight responsibilities for all matters related to the long term and annual budgets, review of actual financial results and established financial performance goals, and strategic financial decisions in relation to the overall mission of the organization. The Board will consult with members of the Finance & Audit Committee as appropriate prior to making any decisions or taking any actions within the scope of the matters described above.

2. Members of the Committee also assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the quality and integrity of management's quarterly and annual financial reports and obtaining from a qualified independent public accountant adequate assurances that appropriate accounting standards and financial assumptions have been followed and that such reports comply with all applicable laws and regulations.

3. The Committee is not authorized to make decisions or recommendations to the full Board of Directors. Instead, its members are individually expected to provide recommendations to the Board from time to time as requested or as such members deem appropriate.

Committee Membership

The Finance & Audit Committee will consist of no fewer than three members who shall be appointed and replaced by the Board and serve at the pleasure of the Board. At least one member of the Finance & Audit Committee shall have experience in financial reporting and/or analysis, or the Finance & Audit Committee shall obtain the services of an individual who has such experience. The Board will designate one of its members to serve as Chair of the Committee, but if the Committee Chair is not so designated or he or she is absent or unable to serve, the members of the Committee may designate an acting Chair by majority vote of the full Committee membership.

Committee Meetings and Reports

The Committee will meet at least four times per year~~quarterly~~, and periodically as the Committee deems necessary to fulfill its responsibilities. The Committee's performance will be evaluated at least annually.

Scope of Committee Members' Oversight Regarding Financial Matters

Members of the Committee will:

- ~~Members of the Committee will~~ Review and comment on management's proposed annual operating budget and capital budget before such budgets are considered by the full Board for approval.
- ~~Members of the Committee will~~ R~~r~~eview and comment on management's long-term operating and capital budgets prepared in connection with the mission and strategic plans, financings, acquisition and other decisions that involve long-term financial planning.
- ~~Members of the Committee will~~ M~~m~~onitor the organization's performance against annual and long-term budgets, through the review of quarterly financial reports and financial forecasts.
- ~~Members of the Committee will~~ R~~r~~eview and comment on all financing and acquisition proposals of management before such proposals are considered by the full Board for approval.
- ~~Members of the Committee will~~ P~~p~~eriodically review and recommend changes to spending authority limits for the President and his designated corporate officers.
- ~~Members of the Committee will~~ P~~p~~eriodically review the organization's Investment Policy and investment performance,
- ~~Members of the Committee will~~ P~~p~~eriodically review the organization's Debt Management Policy and the organization's Debt Risk Management Policy.
- ~~Members of the Committee will understand, and~~ P~~p~~eriodically review with management, the significant financial policies of the organization, including but not limited to contracting and purchasing policies.

Scope of Committee Oversight for Audit Matters

Members of the Committee will:

- ~~Members of the Committee will~~ R~~r~~ecommend the selection of an independent audit firm, which will annually provide a written opinion and management letter on the consolidated financial statements of OHSU.

- ~~Members of the Committee will~~ R~~r~~ecommend approval of the audit scope, and nature of the assurance provided by the audit firm and its level of responsibility assumed under the auditing standards generally accepted in the United States of America.

- ~~Members of the Committee will~~ E~~e~~nsure the independence of the audit firm from their audit client both in fact and in appearance. ~~(Nov. 2000 SEC rule on audit independence) and (Independence Standards Board, 1999).~~

- ~~Members of the Committee will~~ R~~r~~eview the aggregate billings of the audit firm including the recent year-end financial statements and quarterly reviews, financial information, and any other professional fees. Disclosure is required even if non-audit services were provided.

- ~~Members of the Committee will~~ R~~r~~equire the auditor to inform them of any significant changes in accounting policies as well as the methods used to account for significant unusual transactions.

- ~~Members of the Committee will~~ R~~r~~equire the auditor to inform them about the process used by management in forming particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.

- ~~Members of the Committee will~~ R~~r~~equire the auditor to inform them of any significant adjustments arising from the audit and any uncorrected misstatements identified during the audit that were determined by management to be immaterial both individually and in aggregate.

- ~~Members of the Committee will~~ R~~r~~equire the auditor to discuss with them the auditor's judgments about the quality, not just the acceptability, of the organization's accounting principles as applied in its financial reporting.

- ~~Members of the Committee will~~ R~~r~~equire the auditor to inform them as to the auditor's responsibility for information in a document containing audited financial statements as well as of procedures performed and the results.

- ~~Members of the Committee will~~ R~~r~~equire the auditor to inform them of any significant disagreements with management, whether or not satisfactorily resolved, about matters that could affect the financial statements or the auditor's report.

- ~~Members of the Committee will~~ R~~r~~equire the auditor to inform them of any serious difficulties encountered in performing the audit.

- ~~Members of the Committee will~~ R~~r~~equire that they be adequately informed of any irregularities and illegal acts coming to the auditor's attention during the course of the audit.

- ~~Members of the Committee will~~ R~~r~~equire that they be informed of any reportable conditions (or significant deficiencies in the design or operations of the internal control structure) coming to the attention of the auditor.

- ~~Members of the Committee will~~ P~~p~~eriodically review the budget, structure, scope and results of the organization's internal audit program with the Director of the OHSU Integrity Program. Committee members will direct management to ensure that issues concerning financial controls, financial integrity and other corporate integrity issues are brought to the attention of the Committee and the full Board where appropriate.

Committee Requirements of Audit Firm.

In order to ensure the independence and integrity of the audit, the members of the Finance and Audit Committee will impose the following requirements on the audit firm:

- The partner(s) in the audit firm conducting the audit, must rotate off the audit no less often than every 7 years, and may then not participate in the audit for 2 years.

- The audit firm may not have employed the OHSU President, OHSU Chief Financial Officer~~Vice President for Finance~~, Comptroller or Hospital Chief Financial Officer in the one year period preceding the audit.

- The audit firm engagement letter must be reviewed by the members of the Committee and set out all services to be provided by the audit firm.

- The audit firm engagement letter must include a designated member of the Committee as an addressee.

- Prior to performance by the audit firm of services outside the engagement letter, which services may bear on auditor independence, management shall consult with members of the Committee.

Exhibit B

Oregon Health & Science University
Board of Directors
Governance Committee Charter

Purpose

Members of the OHSU Governance Committee will serve as advisors to the OHSU Board of Directors and will assist the Board in fulfilling its oversight responsibilities for all matters related to corporate governance. The Board will consult with members of the Governance Committee as appropriate prior to making any decisions or taking any actions within the scope of the matters described above. However, the Committee will not make recommendations as a body. Instead, its members are individually expected to provide recommendations to the Board from time to time as requested or as such members deem appropriate.

Scope

Members of the Governance Committee will assist the full Board in the following areas:

(1) Development of Board governance principles and guidelines, and periodic reviews and modifications of such governance principles and guidelines and the OHSU Bylaws;

(2) Based upon criteria set forth in the Board's governance principles, assisting the Governor of the State of Oregon with identifying individuals qualified to become Board members and, when appropriate, recommending to the Governor director nominees;

(3) Establishment of Board committees and their charters, and periodic review of the charters;

(4) Identifying the Board director nominees for each Board committee;

(5) Assessing the performance of the Board and its committees on an annual basis;

(6) ~~Unless otherwise delegated by the Board, review of the annual report of the OHSU Integrity Program Oversight Council (IPOC) reflecting the IPOC's periodical review of the OHSU Code of Conduct and its monitoring of the reporting procedures described in the Code;~~ and

(7) Such other matters pertaining to corporate governance as may be described in this Charter, as it may be amended from time to time.

Committee Membership

The Governance Committee will consist of no fewer than three members who shall be appointed and replaced by the Board and serve at the pleasure of the Board. The Board will designate one of its members to serve as Chair of the Committee, but if the Committee Chair is not designated or he or she is absent or unable to serve, Committee members may designate an acting Chair by majority vote of the full Committee membership.

Committee Meetings

The Committee will meet at least once during each fiscal year and periodically, as the Committee deems necessary to fulfill its responsibilities. The Committee will keep appropriate records of its activities. The Governance Committee's performance will be evaluated at least annually.

Exhibit C

Board of Directors

Human Resources Committee Charter

Board Chair's Authority and Role of the Committee

The Chair of the Board of Directors has been delegated the responsibility for, and will have authority to, take the following actions on behalf of the full Board:

(1) To assess the performance of the OHSU President;
(2) To periodically review the President's assessment of executive management's performance and compensation and the executive management structure;
(3) To approve the compensation plan for the OHSU President, his or her direct reports and other designated personnel, including salary structures and incentive compensation plans;
(4) To approve executive salaries and incentive compensation awards;
(5) To develop a Presidential succession plan and approve such succession plans for other OHSU executives as may be appropriate; and
(6) To advise the President and management concerning other human resources issues, including but not limited to labor relations strategies, the development of broader incentive compensation programs, and diversity initiatives.

Members of the Human Resources Committee will serve as advisors to the OHSU Board Chair. The OHSU Board Chair will consult with them as appropriate prior to making any decisions or taking any actions within the scope of the matters described above. However, the Committee will not make recommendations as a body.

Committee Membership

The Human Resources Committee will consist of no fewer than three members who shall be appointed and replaced by the Board and serve at the pleasure of the Board. The Board Chair may serve as a member of the Committee in an *ex officio* capacity. The OHSU President shall not be a member of the Committee, but may attend meetings of the Committee, other than those involving the Committee's evaluation of the performance of the President or its determination of the compensation of the President. The Board will designate one of its members to serve as Chair of the Committee, but if the Committee Chair is not designated or he or she is absent or unable to serve, Committee members may designate an acting Chair by majority vote of the full Committee membership.

Committee Meetings

The Committee will meet at least once during each fiscal year and periodically, as the Committee deems necessary to fulfill its responsibilities. The Committee will keep appropriate records of its activities. The Committee's performance will be evaluated at least annually.

Chair's Responsibilities

In addition to setting the agenda and chairing committee meetings, the Committee Chair will develop specific recommendations to the Board Chair relative to performance assessment and compensation, in consultation with other committee members. In developing these recommendations, the Committee Chair will meet and/or consult with the chairs of the Board's other committees.

THIRD AMENDED AND RESTATED BYLAWS
OF
OREGON HEALTH & SCIENCE UNIVERSITY

ARTICLE ONE
Name

The legal name of this corporation is Oregon Health and Science University ("University"), an Oregon public corporation. To the extent practical, the University shall be known as "Oregon Health & Science University" or "OHSU".

ARTICLE TWO
Purposes of Organization

The purposes for which the University is organized as a public corporation are to carry out and exercise the powers, rights and privileges expressly or impliedly conferred upon it and to pursue the missions defined for it by the Oregon Legislature.

ARTICLE THREE
Board of Directors

1. **<u>Business and Affairs</u>.** The business and affairs of the University shall be managed by the Board of Directors, which may exercise all such powers of the University as are permitted by law.

2. **<u>Number of Directors</u>.** The number of Directors of the University shall be ten (10).

3. **<u>Membership</u>.** The membership of the Board shall be as follows:

a. One representative who is a non-student member of the Oregon State Board of Higher Education;

b. Seven representatives who, in the discretion of the Governor, have experience in areas related to the University missions or that are important to the success of the University, including but not limited to higher education, heath care, scientific research, engineering and technology and economic and business development;

c. One representative who is a student enrolled at the University; and

d. The President of the University.

4. **<u>Qualifications</u>.** Members of the Board must be citizens of the United States. Except for the President, no voting member of the Board may be an employee of the University.

5. Appointment of Directors. With the exception of the President of the University, the members of the Board shall be appointed by the Governor of the State of Oregon and shall be confirmed by the Senate of the State of Oregon in the manner prescribed by law. To assist the Governor in appointing the student member, the duly organized and recognized entity of student government shall submit a list of nominees to the Governor for consideration. To assist the Governor in appointing Board members other than the student member and the President, the Board shall submit a list of nominees to the Governor for consideration whenever a vacancy on the Board occurs or is announced.

6. Terms of Directors. With the exception of the President of the University and the student member of the Board, and except as otherwise provided by law or specified in the appointment or confirmation process, the term of office of each member of the Board shall be four (4) years. The term of office of the student member shall be two (2) years, except as otherwise specified in the appointment or confirmation process. The term of office of the President of the University shall be determined by the Board. A Director may be reappointed for one (1) additional term.

7. Vacancies. A vacancy on the Board shall exist upon the death, resignation, removal or expiration of the term of any member of the Board. For any vacancy other than a vacancy of the President's position on the Board, the Governor shall appoint a successor to fill a vacancy for the unexpired term.

8. Removal. The Governor may remove a member of the Board other than the President at any time for cause, after notice and public hearing, but no more than three (3) members of the Board shall be removed within a period of four (4) years, unless it is for corrupt conduct in office. The Board may remove the President as a member of the Board in the manner, on the grounds and subject to the limitations it deems necessary and appropriate.

9. Compensation; Reimbursement of Expenses. Except for the President, Directors will not be compensated for their services as members of the Board. Upon approval by the Board, Directors may be reimbursed for expenses incurred in connection with the performance of their official duties.

ARTICLE FOUR
Meetings of the Board of Directors

1. Types of Board Meetings. "Public Meeting" of the Board of Directors is the convening of the members of the Board for a purpose for which a quorum is required in order to make a decision or to deliberate toward a decision on any matter. "Public Meeting" does not include any on-site inspection of any project or program, the attendance of members of the Board of Directors at any national, regional or state association or the convening of directors for any purpose for which a quorum is not required. A "Private Meeting" of the Board is a meeting at which the Board's decisions and deliberations concern only matters identified in Section 4 below, and those matters not requiring a quorum.

2. Compliance with Public Meetings Law. As used in these Bylaws, the term "Public Meeting" shall mean a meeting subject to the provisions of ORS 192.610 to 192.710, as the same shall be amended from time to time (the "Public Meetings Law"). All Public Meetings of the Board shall be conducted in compliance with the Public Meetings Law in effect from time to time, including without limitation those provisions relating to the location of meetings, notice, accessibility for the disabled, the conduct of meetings by means of telephonic or electronic communication, the preparation of minutes, and the provision of interpreters.

3. Quorum for Public Meetings. A quorum for the transaction of business at a Public Meeting of the Board shall be a majority of the Directors in office at the time of the meeting. A quorum is required to be present to conduct business at any Public Meeting at which the Board makes any of the following decisions but shall not otherwise be required:

a. Approval or adoption of an annual operating budget and capital expenditure plan for the University.

b. Approval of any of the following major changes to academic programs of the University:

(1) Creation, merger or closure of any degree program of the University;

(2) Creation, merger or closure of any school, college, center or institute within the University; and

(3) Creation of or significant and substantial revision of major academic policies.

c. Approval or adoption of the personnel classification structure for academic and non-academic personnel of the University.

d. Approval of any transaction involving the purchase or sale of real property by the University, except for transactions involving exigent circumstances and transactions described in Section 4(b) or 4(c) below.

e. Approval of the University's institution of condemnation proceedings.

f. Adoption, amendment or repeal of these Bylaws.

g. Any decision for which applicable law or these Bylaws require the participation of a quorum of the Board of the University.

h. Any decision as to which the Board has adopted a resolution requiring the participation of a quorum of the Board.

4. Private Board Meetings. The Public Meetings Law provides that its provisions do not apply with respect to meetings of the Board or its designated committee regarding any or all of the following matters:

a. Meetings regarding candidates for the position of president of the University;

b. Meetings regarding sensitive business, financial or commercial matters of the University not customarily provided to competitors related to financings, mergers, acquisitions or joint ventures;

c. Meetings regarding sensitive business, financial or commercial matters of the University not customarily provided to competitors related to the sale or other disposition of, or substantial change in use of, significant real or personal property; and

d. Meetings regarding sensitive business, financial or commercial matters of the University not customarily provided to competitors related to health system strategies.

Decisions on any matter at a Private Meeting shall require the approval of not less than a majority of the members of the Board.

5. Adjournment. A majority of the Directors present at a meeting that is subject to the quorum requirements of this Article, although less than a quorum, may adjourn the meeting from time to time to a different time and place before the date of the next regular meeting without further notice of any adjournment. At such adjourned meeting at which a quorum is present, any business may be transacted that might have been transacted at the meeting originally held.

6. Manner of Acting.

a. Action upon a matter for which a quorum is required shall be taken upon the approval of a majority of the Directors present at a meeting at which a quorum is present. Action upon all other matters may be taken upon the approval of a majority of the Directors present at a meeting.

b. The Board may permit any or all Directors to participate in a meeting by, or conduct the meeting through use of, any means of telephonic or other electronic communication by which all Directors participating may simultaneously hear each other or otherwise communicate with each other during the meeting. Participation in such a meeting by a Director shall constitute such Director's presence in person at the meeting. With the conduct of a Public Meeting through such telephonic or electronic means, the

Board shall make available to the public a location where the public can listen to the communication at the time it occurs by means of speakers or other devices.

7. Waiver of Notice by Director. A Director's attendance at or participation in a meeting waives any required notice of the meeting to the Director unless the Director at the beginning of the meeting, or promptly upon the Director's arrival, objects to the holding of the meeting or the transaction of business at the meeting and does not subsequently vote for or assent to action taken at the meeting. A Director may at any time waive any notice required by law or these Bylaws, with a writing signed by the Director and specifying the meeting for which notice is waived. Any such waiver of notice shall be filed with the minutes of the meeting for which notice is waived.

ARTICLE FOUR-A
Public Meeting Procedures

1. Regular Meetings. Regular Public Meetings of the Board shall be held at least once every three (3) months on such dates and at such times as specified by the Chair, and on such additional dates and at such times as specified by the Chair or a majority of the Directors then in office.

2. Special Meetings. Subject to the notice requirement described in Section 5a. below, special Public Meetings of the Board may be called at any time by the Chair and must be called by the Chair within twenty-four (24) hours after the Chair's receipt of a written request for a special Public Meeting signed by a majority of the Directors then in office and specifying the purpose of the meeting.

3. Emergency Meetings. Emergency Public Meetings of the Board may be called at any time by the Chair in instances of an actual emergency and must be called by the Chair within twenty-four (24) hours after the Chair's receipt of a written request for such a meeting signed by a majority of the Directors then in office, identifying the actual emergency and specifying the purpose of the meeting. Minutes of emergency Public Meetings shall describe the emergency justifying the emergency Public Meeting.

4. Place of Meetings. All regular Public Meetings and special Public Meetings of the Board shall be held at the University or at a location owned or controlled by the University. Emergency Public Meetings necessitating immediate action may be held at other locations.

5. Notice of Meetings.

a. To the Public. Notice of all regular Public Meetings shall be given in a manner reasonably calculated to give interested persons actual notice of the time and place of the meeting and principal subjects anticipated to be considered at the meeting. Notice of special meetings of the Board that are Public Meetings shall be given to the news media which have requested notice and to the general public, at least twenty-four (24) hours prior to the hour of the meeting. Notice of an emergency Public Meeting shall be such as is appropriate to the circumstance.

b. To the Directors. Notice of a regular, special or emergency Public Meeting must be given to each Director at least twenty-four (24) hours prior to the hour of the meeting. Notice of such a meeting may be given orally either in person or by telephone or may be delivered in writing, either personally, by mail, by electronic mail, or by facsimile transmission. If mailed other than by electronic mail, notice shall be deemed to be given three (3) days after deposit in the United States mail addressed to the Director at the Director's address on file with the Board secretary for the purpose of receiving Board correspondence, with postage thereon prepaid. If notice is sent by electronic mail or facsimile transmission, notice shall be deemed given immediately if the electronic mail notice is sent to the Director's electronic mail address or, as applicable, the Director's facsimile on file with the Board Secretary for the purpose of receiving such correspondence. Notice by all other means shall be deemed to be given when received by the Director.

6. Minutes of Meetings. The Board shall provide for the taking of written minutes of all Public Meetings, which minutes shall give a true reflection of the matters discussed at the Public Meetings and the views of the participants.

ARTICLE FOUR-B
Private Meeting Procedures

1. <u>Regular Meetings</u>. Regular Private Meetings of the Board shall be held on such dates and at such times as specified by the Chair or a majority of the Directors then in office.

2. <u>Special Meetings</u>. Special Private Meetings of the Board may be called at any time by the Chair and must be called by the Chair within twenty-four (24) hours after the Chair's receipt of a written request for a special Private Meeting signed by a majority of the Directors then in office and specifying the purpose of the meeting.

3. <u>Emergency Meetings</u>. Emergency Private Meetings of the Board may be called at any time by the Chair in instances of an actual emergency and must be called by the Chair within twenty-four (24) hours after the Chair's receipt of a written request for such a meeting signed by a majority of the Directors then in office identifying the actual emergency and specifying the purpose of the meeting. Minutes of emergency Private Meetings shall describe the emergency justifying the emergency Private Meeting.

4. <u>Notice of Meetings</u>. Notice of a regular, special or emergency Private Meeting must be given to each Director at least twenty-four (24) hours prior to the hour of the meeting. Notice of such a meeting may be given orally either in person or by telephone or may be delivered in writing, either personally, by mail, or by facsimile transmission. If mailed other than by electronic mail, notice shall be deemed to be given three (3) days after deposit in the United States mail addressed to the Director at the Director's business address, with postage thereon prepaid. If notice is sent by electronic mail or facsimile transmission, notice shall be deemed given immediately if the electronic mail notice is sent to the Director's electronic mail address or, as applicable, the Director's facsimile on file with the Board Secretary for the purpose of receiving such correspondence. Notice by all other means shall be deemed to be given when received by the Director.

5. Minutes. Minutes of all Private Meetings shall be prepared when directed by the Chair. All such minutes shall constitute and be identified as sensitive business records or financial or commercial information of the University that is not customarily provided to business competitors for purposes of the Public Records Law, ORS 192.410 through 192.505.

6. Written Consent in Lieu of Actual Meeting. Any action that is permitted to be taken by the Board at a Private Meeting may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the Directors entitled to vote on the matter. The action shall be effective on the date when the last signature is placed on the consent or at such earlier or later time as is set forth therein. Such consent, which shall have the same effect as a unanimous vote of the Directors, shall be filed with the minutes of all Private Meetings of the Board and shall constitute and be identified as sensitive business records or financial or commercial information of the University that is not customarily provided to business competitors for purposes of the Public Records Law, ORS 192.410 through 192.505.

ARTICLE FIVE
Officers

1. Officers of the University The officers of the University shall be a Chair, a Vice Chair, a President, a Secretary and such other officers and assistant officers as may be deemed necessary by the Board to conduct its business. The officers shall have such powers and duties as set out in these Bylaws, and as may be prescribed by the Board and/or by law. The Chair and Vice Chair shall not be employees of the University and shall not, as such, be considered agents of the University or authorized to bind the University.

2. Appointment and Term of Office. Each of the Chair and Vice Chair shall be members of the Board, and each of the Chair, Vice Chair and Secretary shall be appointed by the Board and shall serve at the pleasure of the Board. Each Board officer shall hold office for one (1) year, or until a successor shall have been duly appointed and qualified or until the officer's death, resignation, or removal.

3. Resignation and Removal. An officer of the Board may resign at any time by delivering written notice to the Chair and the President of the University. Any officer appointed by the Board may be removed at any time, with or without cause.

4. Vacancies. A vacancy in any Board office because of death, resignation, removal, disqualification, or otherwise may be filled by the Board.

5. Chair. The Chair shall establish the agenda for and preside at all meetings of the Board. The Chair shall perform such other duties as assigned by the Board.

6. Vice Chair. In the absence of the Chair or in the event of the Chair's inability or refusal to act, the Vice Chair shall perform the duties of the Chair, and when so acting, shall have the powers of and be subject to all the restrictions upon the Chair. The Vice Chair shall perform such other duties as assigned by the Board.

7. President of the University. The President shall be the chief executive officer of the University and, subject to the control of the Board, shall supervise, direct and control the affairs of the University. The President shall, from time to time, report to the Board all matters within the President's knowledge affecting the University that should be brought to the attention of the Board. The President shall perform such other duties as assigned by the Board. The President may appoint other officers, who shall have such powers and duties as may be prescribed by the President

8. Secretary. The Secretary shall be responsible for the giving of required notices of meetings of the Board and the preparation of the minutes of meetings of the Board. The Secretary shall perform such other duties as may be assigned by the Board.

ARTICLE SIX
Board Committees

Subject to the requirements of applicable law, the Board may appoint such committees as it deems appropriate or necessary from time to time and shall define the duties of such committees and the reporting requirements of such committees and its members. Any committee of the Board and the members of any such committee shall serve at the pleasure of the Board.

ARTICLE SEVEN
Conflicts of Interest

Subject to the requirements of law and of this Article Seven, the Board may take any action involving either a potential conflict of interest or an actual conflict of interest (as defined in ORS Chapter 244). Prior to taking any action in an official capacity on any matter involving a potential conflict of interest or an actual conflict of interest for a Director, the Director shall publicly announce the nature of the potential or actual conflict of interest. Any Director having an actual conflict of interest in a transaction with the University shall in addition (i) refrain from participating as a public official in any discussion or debate on the issue out of which the conflict arises, and (ii) refrain from voting on the issue, unless the Director's vote is necessary for Board action on the issue and is otherwise not prohibited by ORS Chapter 244.

ARTICLE EIGHT
Confidentiality of Business Records and Financial Information

Subject to the requirements of applicable law, the Board and officers of the University shall take such steps as are necessary to preserve the confidentiality of sensitive business records and financial and commercial information concerning or belonging to the University which is of a nature not customarily provided to business competitors.

ARTICLE NINE
Indemnification

1. Indemnification. The University shall indemnify and defend to the fullest extent not prohibited by law any Party to any Proceeding against all expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by the Party in connection with such Proceeding.

2. Advancement of Expenses. Expenses incurred by a Director or officer of the University in defending a Proceeding shall in all cases be paid by the University in advance of the final disposition of such Proceeding at the written request of such Director or officer if:

a. The conduct of such Director or officer was in good faith, and the Director or officer reasonably believed that such conduct was in the best interests of, or not opposed to the best interests of, the University.

b. The Director or officer furnishes the University a written undertaking to repay such advance to the extent it is ultimately determined by a court that such Director or officer is not entitled to be indemnified by the University under this Article or under any other indemnification rights granted by the University to such Director or officer.

Such advances shall be made without regard to the person's ability to repay such advances.

3. Definition of Proceeding. The term "Proceeding" shall include any threatened, pending, or completed action, suit, or proceeding, whether brought in the right of the University or otherwise and whether of a civil, administrative, or investigative nature. The term “Party” shall include any person who may be or may have been involved in a Proceeding as a party or otherwise by reason of the fact that the person is or was a Director or officer of the University, or is or was serving at the request of the University as a director, officer, or fiduciary of an employee benefit plan of another corporation, partnership, joint venture, trust, or other enterprise, whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification or advancement of expenses can be provided under this Article.

4. Non-Exclusivity and Continuity of Rights. This Article: (i) shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any statute, agreement, general or specific action of the Board or otherwise, both as to action in the official capacity of the person indemnified and as to action in another capacity while holding office, (ii) shall continue as to a person who has ceased to be a Director or officer, (iii) shall inure to the benefit of the heirs, executors, and administrators of such person.

5. **Amendments.** Any repeal of this Article shall only be prospective and no repeal or modification hereof shall adversely affect the rights under this Article in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any Proceeding.

ARTICLE TEN
Miscellaneous Provisions

1. **Contracts.** The Board may authorize any officer or officers and agent or agents to enter into any contract or execute and deliver any instrument in the name of and on behalf of the University, and such authority may be general or confined to specific instances.

2. **Severability.** Any determination that any provision of these Bylaws is for any reason inapplicable, invalid, illegal, or otherwise ineffective shall not affect or invalidate any other provision of these Bylaws.

3. **Amendment of Bylaws.** These Bylaws may be altered, amended, restated or repealed and new bylaws may be adopted by the Board at any regular or special Public Meeting.

Board of Directors
Governance Principles and Guidelines

The Board has adopted the following Governance Principles and Guidelines ("Guidelines") to promote transparency of corporate processes and maintain the trust of, and accountability to, the employees, patients, students, donors, vendors and other stakeholders of OHSU.

1. Director Qualifications

Statutory Requirements. Oregon Revised Statutes Chapter 353 establishes the size and composition of the terms of members of, and basic qualifications for appointment to, the Board of Directors of Oregon Health & Science University. Pursuant to the statute, with the exception of the OHSU President who is appointed by the Board, Board members are appointed by the Governor of the State of Oregon, subject to confirmation by the Oregon Senate.

Additional Desired Qualifications. In addition to the statutory criteria, the Board believes that several factors should be considered in identifying qualified individuals to serve on the OHSU Board, including the following:

(1) the individual's experience on boards of other organizations;
(2) the individual's knowledge of OHSU and/or other health, research and educational institutions;
(3) the extent to which the individual's appointment to the OHSU Board will contribute to the diversity of the Board; and
(4) the extent to which the individual's appointment to the OHSU Board will contribute new skills, perspectives and resources to the Board and the institution.

Changes in Director's Circumstances. If a material change occurs with respect to a director's personal or professional circumstances which change impacts the director's ability to serve effectively on the Board, the director should discuss with the chair of the Governance Committee whether or not he or she should resign from the Board. A director who experiences such a change should not necessarily leave the Board. However, the matter should be the subject of an open discussion involving the affected director and the members of the Governance Committee.

2. Director Responsibilities

General Responsibilities. The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be the best interests of the institution. In discharging that obligation, directors should expect, and be entitled to rely upon, the honesty and integrity of OHSU's senior executives and leaders and its outside auditors and advisors. The directors are also entitled to (i) have the institution purchase reasonable directors' and officers' liability insurance on their behalf; (ii) the benefits of indemnification by the institution to the fullest extent permitted by law and the Board's bylaws; and (iii) exculpation from liability to the fullest extent provided by law and the Board's bylaws.

Attendance. Directors are expected to attend Board meetings and meetings of committees on which they serve and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Directors are expected to review written materials, information and data that are important to their understanding of the business to be conducted at a Board or committee meeting. To the extent reasonably feasible, such materials, information and data should be distributed to the directors in advance of the meeting.

Agendas for Board Meetings. The Board Chair or his or her designee will establish the agenda for each Board meeting. The Board Chair will consider the recommendations of other Board members, the OHSU President and Vice Presidents in determining the content, order and length of the agenda, and other matters relating to the conduct of Board meetings. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting.

Director Orientation and Continuing Education. All new directors will participate in an orientation program, and all directors are encouraged to keep current with corporate governance issues through continuing education and other activities. The orientation should familiarize new directors with the institution's missions, programs, facilities, strategic plans, operating and capital budgets, risk management practices, organizational and legal structure, key executives, and Code of Conduct.

Board Communication. As a general matter, executive management speaks for the institution. The phrase "executive management" includes OHSU's President, Vice Presidents, deans and institute directors. Individual Board members are, from time to time, expected to meet or otherwise communicate with various constituencies that are involved with the institution. However, directors should do so with the knowledge of executive management and, absent unusual circumstances or as contemplated by Board committee charters, only upon consultation with executive management.

Board Evaluation. At least annually, the Board will evaluate its performance in light of these Guidelines and such other criteria as the Board deems appropriate. The assessment will focus on the Board's contribution to the success of the institution and areas in which the Board can improve. Members of the Governance Committee will assist the Board in conducting the assessment.

3. Board Committees.

Committees. The Board will have at all times: I) a Governance Committee whose members will assist the full Board in matters of board governance, 2) a Finance & Audit Committee whose members will assist the full Board in matters of financial and audit oversight, and 3) a Human Resources Committee whose members will assist and advise the Board Chair, who is delegated responsibility for evaluating the President's performance and compensation in consultation with Human Resources Committee members and all other Board members . These committees may be given different names from time to time and have such other responsibilities as the Board may establish. The Board may also, from time to time, establish additional committees as the Board deems necessary or appropriate. No Board committee will have the authority to make decisions as a committee or on behalf of the Board or to make recommendations to the Board. Instead, members of each Board committee will individually serve as advisors to the full Board or Board Chair, as applicable, and will otherwise assist the Board in fulfilling its responsibilities in the areas within the committee's scope.

In addition to these Board Committees, one or more members of the Board will serve on each of (i) the University Health System Board, the body that oversees health care quality and patient safety in the OHSU health system, and (ii) the Integrity Program Oversight Council, the committee that oversees the Integrity Program of the institution.

Committee Member Qualifications. Committee members and committee chairs will be appointed on an annual basis by the Board with consideration for the skills, experience and desires of individual directors. Consideration should be given to rotating committee members and committee chairs periodically. The OHSU President will not serve as a member of the Governance Committee.

Charters. Each required committee will have its own charter. Each charter will set forth the purposes, responsibilities and authority of the members of the committee and provide that the committee's performance will be evaluated at least annually.

Meetings; Agendas. The chair of each committee, in consultation with the other committee members, the Board Chair and relevant members of the executive management team, will determine the frequency and length of the committee meetings, and the agendas for such meetings.

Advisors. The Board, and subject to prior approval by the Board Chair, the chair of each committee have the power to hire independent legal, financial or other advisors as they deem necessary, without consulting or obtaining the prior approval of any officer or employee of the institution. However, fiscal prudence requires that this power should be exercised judiciously.

4. Director Access to Executive Management and Other Employees.

Access. Directors have full and free access to executive management and other employees of the organization. Generally, any meetings or contacts that a director wishes to initiate with employees other than the OHSU President, an OHSU Vice President or Dean, the OHSU General Counsel or the OHSU Integrity Program Director should be arranged through a member of executive management. However, directors should use good judgment to ensure that any such contact is not disruptive to the reporting relationships within, and operations of, the institution. In addition, directors will, to the extent not inappropriate, copy the President or relevant Vice President or dean on any written communications between a director and such employee.

Attendance at Board and Committee Meetings. OHSU's President will determine which members of the executive management team should regularly attend Board and committee meetings. The Board Chair and committee chairs may request that any member of executive management not otherwise invited be asked to attend a meeting or, conversely, that an executive be excused from all or a portion of a meeting at which he or she is otherwise in attendance.

5. Evaluation of the President; Succession Planning.

Evaluation. The Board Chair, in consultation with members of the Human Resources Committee and all other Board members, will conduct an annual review of the OHSU President's performance and compensation to ensure the President is providing the best leadership to the organization in the long and short term, and to identify potential areas for improvement or additional emphasis.

Succession Planning. The Board Chair, in consultation with members of the Human Resources Committee and all other Board members, will periodically evaluate the executive management structure and potential successors to the OHSU President. This shall include obtaining the recommendations and evaluations of OHSU's President concerning potential successors, along with a review of any development plans for such individuals.

6. Review of These Guidelines.

The Board, with advice from members of the Governance Committee, will periodically review these Guidelines and make such changes to them as it deems appropriate.

RESOLUTION 2011-12-09
OREGON HEALTH & SCIENCE UNIVERSITY
BOARD OF DIRECTORS

WHEREAS, the Board wishes to identify and re-appoint the members of each of the Board Committees, and to re-appointment those Board members who serve on each of the Integrity Program Oversight Council and the University Health System Board.

NOW, THEREFORE, BE IT RESOLVED:

1. **Committee Appointments.** The following persons shall be re-appointed to the following committees and shall serve at the pleasure of the Board of Directors:

Finance and Audit Committee

Jon Yunker (Chair)
Maria Pope
Jay Waldron
Charles Wilhoite
MardiLyn Saathoff (alternate)

Human Resources Committee

Charles Wilhoite
Roman D. Hernandez
Maria Pope (Chair)
Meredith Wilson

Governance Committee

Jay Waldron (Chair)
Rachel Pilliod
MardiLyn Saathoff
David Yaden

Investment Committee
Maria Pope
Jon Yunker

2. **<u>Integrity Program Oversight Council</u>.** OHSU's Integrity Program Oversight Council ("IPOC") was established pursuant to Board Resolution 1999-11-12 to provide high-level oversight of the OHSU Integrity Program. The IPOC includes OHSU Board members and high-level employees. The Board hereby ratifies and approves the IPOC membership, as follows:

   MardiLyn Saathoff (Chair)
   Dan Dorsa,
   Lawrence Furnstahl
   Rachel Pilliod
   Peter Rapp
   Mark Richardson
   Amy Wayson
   Gary Chiodo (through December 31, 2011)

3. **<u>University Health System Board</u>.** OHSU's University Health System Board ("<u>UHS Board</u>") oversees quality and patient safety within the OHSU Health System. The UHS Board includes OHSU Board members and institutional leaders. The Board hereby appoints the following Board members to the UHS Board, to serve at the pleasure of the Board of Directors:

   Charles Wilhoite
   David Yaden

This Resolution is adopted this 1st day of December, 2011.

Yeas _____

Nays _____

Signed by the Secretary of the Board on December 1, 2011.

____
Amy M. Wayson
Board Secretary