



Oregon
University
System

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January 17, 2008

The Honorable Kurt Schrader, Co-Chair
The Honorable Mary Nolan, Co-Chair
Ways and Means Committee
Oregon State Capitol
Salem OR 97310

RE: University of Oregon Arena Project

Dear Co-Chairpersons:

The University of Oregon is currently one of only a handful of NCAA Division I higher education institutions nationally that has a self-supporting Athletic Department. The arena project is an important step in our effort to move the athletic department from self-supporting to self-sustaining. Currently, no education and general funds support the athletic department and this important commitment will be improved by moving from an outdated, expensive to maintain facility to a new facility with significantly more revenue generating capacity. The Oregon University System (OUS) and University of Oregon (UO) leadership are extremely proud that UO is a member of this elite group and will endeavor to maintain this status in perpetuity. It is a commitment we make without reservation to our campus constituents and Oregon's citizens.

In terms of the proposed arena project, the OUS and UO pledge to maintain a self-supporting Athletic Department at UO through the following actions:

- o Maximizing athletic department revenues including from increased fund-raising activities; in fact, this arena project will assist in achieving this goal;
- o Prudently managing athletic department expenditures;
- o Maintaining adequate athletic reserves to balance the budget in event of a shortfall in any part of the operations, and through the creation and management of a robust Legacy Fund in the UO Foundation. We currently have signed commitments to the Legacy Fund for over \$100 million and plan to grow the fund to \$150 million within five years, providing further stability to the athletic department budget and overall university finances.

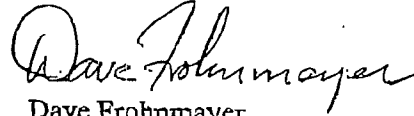
The leadership of the Oregon University System (OUS) and University of Oregon pledge that the Department's unrestricted current donations and, if necessary, even the Legacy Fund will be utilized in the event that Athletic Department expenditures exceed department revenues and reserves in a given year or series of years. We have no intention to use institutional Education and General (E&G) funds or seek State General Fund to pay for the operations of the UO Athletic Department or to pay debt service on the arena project unless athletic reserves, available athletic department contributions and Legacy Fund proceeds are exhausted.

Thank you for the opportunity to address this important matter. We look forward to the Committee's favorable consideration of the Arena proposal.

Sincerely,



George Pernsteiner
Oregon University System



Dave Frohnmayer
University of Oregon

C: Interim Ways and Means Committee members
Randall Edwards, State Treasurer
Steve Bender