

OFFICIAL STATEMENT DATED MARCH 29, 2012

NEW ISSUE
BOOK-ENTRY ONLY

MOODY'S RATING: A1
(See "RATING" herein)

In the opinion of K&L Gates LLP, Bond Counsel, assuming compliance with certain covenants of the University, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law. Interest on the Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax. Interest on the Bonds may be indirectly subject to corporate alternative minimum tax and certain other taxes imposed on certain corporations. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel.



\$25,330,000
Eastern Washington University
Housing and Dining System Revenue Bonds, 2012

Dated: As of the Delivery Date

Due: April 1, as shown on the inside cover

The Eastern Washington University (the "University") Housing and Dining System Revenue Bonds, 2012 (the "Bonds") will be issued as fully registered bonds under a book-entry system and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), in New York, New York. DTC will act as securities depository for the Bonds. Individual purchases of interests in the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of such interests will not receive certificates representing their interests in the Bonds. Principal and interest are payable directly to DTC by the fiscal agency of the state of Washington (currently The Bank of New York Mellon in New York, New York), as registrar and paying agent (the "Registrar") for the Bonds.

Interest on the Bonds is payable semiannually on each April 1, and October 1, commencing October 1, 2012. Principal of the Bonds is payable on April 1 in each of the years shown on the inside cover. Upon receipt of payments of principal and interest, DTC is obligated to remit such principal and interest to the DTC Participants (as such term is defined herein) for subsequent disbursement to the purchasers of beneficial interests in the Bonds, as described under the caption "THE BONDS" herein.

Proceeds of the Bonds will be used to pay the costs of designing, constructing, and equipping a new residence hall on the University's main campus in Cheney, Washington, and to pay costs of issuance for the Bonds.

The Bonds are subject to redemption prior to their stated maturity date as described herein.

The Bonds are payable from and secured by liens against the money and investments in the Eastern Washington University Housing and Dining System Revenue Fund, and by first liens against and pledge of the money and investments in the Eastern Washington University Housing and Dining System Bond Fund. The Bonds are special revenue fund obligations of the University, payable solely from the money and investments deposited into the Bond Fund, from the Revenue Fund. The Bonds do not constitute an obligation, either general or special, of the State, nor a general or moral obligation of the University. The Registered Owners of the Bonds have no right to require the State, nor has the State any obligation or legal authorization, to levy any taxes or appropriate or expend any of its funds for the payment of the principal thereof or the interest or any premium thereon. The University has no taxing power.

This cover page contains certain information for quick reference only. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The Bonds are offered when, as and if executed and delivered by the University and accepted by the Underwriter, and are subject to receipt of the legal opinion of K&L Gates LLP, Seattle, Washington, Bond Counsel to the University, and certain other conditions. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York, or to the Bond Registrar on behalf of DTC by Fast Automated Securities Transfer on or about April 11, 2012 (the "Delivery Date").

\$25,330,000
Eastern Washington University
Housing and Dining System Revenue Bonds, 2012

Due April 1	Principal	Interest Rate	Yield	CUSIP Number ⁽¹⁾
2014	\$505,000	2.000%	0.850%	277210DL1
2015	515,000	3.000	1.100	277210DM9
2016	530,000	4.000	1.400	277210DN7
2017	555,000	4.000	1.600	277210DP2
2018	575,000	4.000	1.900	277210DQ0
2019	600,000	4.000	2.150	277210DR8
2020	620,000	4.000	2.400	277210DS6
2021	645,000	3.000	2.650	277210DT4
2022	665,000	3.000	2.900	277210DU1
2023	685,000	3.000	3.100	277210DV9
2024	705,000	3.125	3.250	277210DW7
2025	730,000	4.000	3.390 ⁽²⁾	277210DX5
2026	760,000	4.000	3.500 ⁽²⁾	277210DY3
2027	790,000	4.000	3.590 ⁽²⁾	277210DZ0
2028	820,000	4.000	3.670 ⁽²⁾	277210EA4
2029	855,000	4.000	3.740 ⁽²⁾	277210EB2
2030	885,000	4.000	3.810 ⁽²⁾	277210EC0

\$3,925,000 4.000% Term Bonds due April 1, 2034 to yield 4.000%; CUSIP No. ⁽¹⁾: 277210EG1
\$4,590,000 4.000% Term Bonds due April 1, 2038 to yield 4.150%; CUSIP No. ⁽¹⁾: 277210EL0
\$5,375,000 4.125% Term Bonds due April 1, 2042 to yield 4.200%; CUSIP No. ⁽¹⁾: 277210EQ9

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. The CUSIP numbers herein are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by Standard & Poor's. CUSIP numbers are provided herein for the convenience of reference only, and are subject to change. The University takes no responsibility for the accuracy of such CUSIP numbers.

⁽²⁾ Priced to the first optional call date of April 1, 2022.

No quotations from or summaries or explanations of the provisions of laws or documents herein purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the University and the purchasers or owners of any of the Bonds. The cover page hereof and appendices attached hereto are part of this Official Statement.

No dealer, broker, sales representative, or other person has been authorized by the University to give any information or to make any representations other than as contained in this Official Statement in connection with the offering made hereby and, if given or made, such information or representations must not be relied upon as having been authorized by the University. The information and expressions of opinions herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the information set forth herein since the date hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such persons to make such offer, solicitation or sale.

Certain statements contained in this Official Statement reflect not historical facts but forecasts and “forward-looking statements.” The words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. The achievement of certain results or other expectations contained in forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as described in the continuing disclosure undertaking of the University, the University does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations or events, conditions or circumstances on which such statements are based occur.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE BOND RESOLUTION HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

The inactive textual reference to the websites identified herein are not hyperlinks and do not incorporate the identified websites by reference. The websites are not a part of this Official Statement, and investors should not rely on information presented in the websites in determining whether to purchase the Bonds.

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Bond Counsel

K&L Gates LLP
Seattle, Washington

Financial Advisor

SDM Advisors, Inc.
Mount Vernon, Washington

Fiscal Agent and Registrar

The Bank of New York Mellon
New York, New York

** None of the websites referenced in this Official Statement, including the University's, is included as a part of this Official Statement. Investors should not rely on information presented in the websites in determining whether to purchase the Bonds. Any references to the website addresses are not hyperlinks and do not incorporate any of the websites by reference.*

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\$25,330,000
Eastern Washington University
Housing and Dining System Revenue Bonds, 2012

This Official Statement of Eastern Washington University (the “University”), a regional university of the state of Washington (the “State”), is provided for the purpose of setting forth information in connection with the issuance by the University of its Housing and Dining System Revenue Bonds, 2012.

The Bonds are payable from and secured by liens against the money and investments in the Eastern Washington University Housing and Dining System Revenue Fund (the “Revenue Fund”), and by first liens against and a pledge of the money and investments in the Eastern Washington University Housing and Dining System Bond Fund (the “Bond Fund”). The Bonds are special revenue fund obligations of the University, payable solely from the money and investments deposited into the Bond Fund, from the Revenue Fund. The Bonds do not constitute an obligation, either general or special, of the State, nor a general or moral obligation of the University. The Registered Owners of the Bonds have no right to require the State, nor has the State any obligation or legal authorization, to levy any taxes or appropriate or expend any of its funds for the payment of the principal thereof or the interest or any premium thereon. The University has no taxing power. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS,” and “THE HOUSING AND DINING SYSTEM,” herein.

Capitalized terms used in this Official Statement are to have the meanings assigned to them in the Bond Resolution (as defined below), a copy of which is attached as Appendix B. This Official Statement speaks only as of its date and the information contained herein is subject to change. All summaries herein of documents, provisions and agreements are qualified in their entirety by reference to the actual instruments, copies of each of which are available for inspection at the offices of the University.

THE BONDS

General Description

The Bonds will be dated as of the Delivery Date, will be issued in denominations of \$5,000 or any integral multiple thereof within a single maturity, and will bear interest from their dated date (or the most recent date to which interest has been paid thereon). Interest on the Bonds will be payable semiannually on each April 1 and October 1, commencing October 1, 2012. The Bonds will bear interest at the rates and will mature on the dates and in the amounts set forth on the inside cover of this Official Statement subject to prior redemption as described herein. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Authorization of the Bonds

The Bonds are authorized pursuant to Resolution No. 2012-03 adopted by the Board of Trustees of the University (the “Board”) at a regular meeting on March 23, 2012 (the “Bond Resolution”) in accordance with the authority granted to the University in sections 28B.10.300 through 28B.10.330 of the Revised Code of Washington (“RCW”). A copy of the Bond Resolution is attached as Appendix B hereto.

Form of Bonds

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company (“DTC”). DTC will act as securities depository for the Bonds. Individual purchases will initially be made in book-entry form only. Purchasers (“Beneficial Owners”) will not receive certificates representing their beneficial ownership interest in the Bonds so purchased. See Appendix E – “Book-Entry Transfer System.”

Registrar

The University has adopted the system of registration for the Bonds approved by the Washington State Finance Committee (the “Committee”). Pursuant to chapter 43.80 RCW, the Committee designates one or more fiscal agencies (“Fiscal Agency”) for bonds issued within the State. The Committee has designated The Bank of New York Mellon, New York, New York as the Fiscal Agency. The Fiscal Agency initially will act as registrar (the “Registrar”) under the terms of the Bond Resolution.

In order to meet payment requirements for interest on and principal of the Bonds as the same becomes due and payable, the University will remit money to the Registrar. The Registrar will remit payment to DTC in accordance with the terms of the DTC procedures as then in effect. Principal of the Bonds will be paid to registered owners upon presentation and surrender of the Bonds at maturity or upon earlier redemption to the office of the Registrar.

Neither the University nor the Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Bonds for the accuracy of any records maintained by DTC or any DTC participant, the payment by DTC or any DTC participant of any amount in respect of the principal of or interest on the Bonds, any notice that

is permitted or required to be given to Registered Owners under the Bond Resolution (except such notices as are required to be given by the University to the Registrar or to DTC), the selection by DTC or any DTC participant of any person to receive payment in the event of a partial redemption of the Bonds, or any consent given or other action taken by DTC as the Registered Owner. For so long as any Bonds are held in fully immobilized form, DTC or its successor depository will be deemed to be the Registered Owner for all purposes, and all references to the Registered Owners will mean DTC or its nominee and will not mean the Beneficial Owners.

Procedure in the Event of Termination of Book-Entry Transfer System

If the University is unable to retain a qualified successor to DTC or the University has determined that it is in the best interest of the University not to continue the book-entry system of transfer or that interests of Beneficial Owners of the Bonds might be adversely affected if the book-entry system of transfer is continued, the University shall execute, authenticate and deliver the Bonds in fully registered form, in the denomination of \$5,000 or any integral multiple thereof within a maturity. Thereafter, interest on the Bonds will be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the 15th day of the month preceding the interest payment date, and principal of the Bonds will be payable upon presentation and surrender of such Bonds by the Registered Owners at the principal office of the Registrar, and the Bonds will be transferable as provided in the Bond Resolution.

Redemption Provisions

Optional Redemption for the Bonds. The Bonds maturing on April 1, 2014 through 2022 are not subject to redemption prior to their stated maturity. The Bonds maturing on and after April 1, 2023 are subject to optional redemption, as a whole or in part, on any date on or after April 1, 2022 at a price of par plus accrued interest to the date fixed for redemption.

Mandatory Redemption for the Bonds. The Bonds maturing on April 1, 2034, 2038 and 2042 are term bonds (the “Term Bonds”), subject to mandatory redemption, in part, at par plus accrued interest on April 1 in the years and amounts as follows:

Term Bonds Maturing in 2034		Term Bonds Maturing in 2038		Term Bonds Maturing in 2042	
Year	Amount	Year	Amount	Year	Amount
2031	\$ 925,000	2035	\$1,080,000	2039	\$1,265,000
2032	960,000	2036	1,125,000	2040	1,315,000
2033	1,000,000	2037	1,170,000	2041	1,370,000
2034 ⁽¹⁾	1,040,000	2038 ⁽¹⁾	1,215,000	2042 ⁽¹⁾	1,425,000

⁽¹⁾ Final maturity

To the extent that the University has optionally redeemed or purchased any Term Bonds prior to the scheduled mandatory redemption of such Term Bonds, the University may reduce the principal amount of the Term Bonds to be redeemed in like aggregate principal amount. Such reduction may be applied in the year specified by the University.

Selection of Bonds to be Redeemed. If less than all of the Bonds of a maturity are called for redemption, they are to be redeemed by lot in the manner determined by the Registrar, or, for so long as the Bonds are held in fully immobilized form by DTC, in accordance with DTC’s operational arrangements.

Notice of Redemption. Unless waived by any Registered Owners of Bonds to be redeemed, official notice of any such redemption (which notice, in the case of an optional redemption, may be conditional and also is to state that redemption is conditioned by the Registrar on the receipt of sufficient funds for redemption) shall be given by the Registrar on behalf of the University by mailing a copy of an official redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to each Registered Owner of the Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Registrar. Notwithstanding the foregoing, if the Bonds are held in book-entry only form, notice of redemption will be given only in accordance with the operational arrangement then in effect at DTC but not less than 20 days prior to the date of redemption. Failure to give notice as to redemption of any Bond or any defect in such notice will not invalidate redemption of any other Bond. The University will not provide notice to any Beneficial Owners of Bonds.

Defeasance

If money and/or noncallable Government Obligations, as defined in the Bond Resolution, maturing at such times and bearing interest to be earned thereon in amounts sufficient to retire any or all of the Bonds in accordance with their terms are set aside irrevocably in a special account and pledged to effect such retirement, then no further payments need to be made to pay or secure the payment of such Bonds, and such Bonds thereafter will be deemed not to be outstanding.

Purchase

The University has reserved the right to use at any time any surplus revenue available after all required payments are made to purchase any of the Bonds offered to or solicited by the University.

PURPOSE AND USE OF PROCEEDS

Proceeds of the Bonds will be used to pay the costs of designing, constructing, and equipping a 350-bed residence hall on the University's main campus, in Cheney, Washington, and the costs of issuance of the Bonds.

Sources and Uses of Funds

Sources of Funds

Par Amount of the Bonds	\$25,330,000
Net Premium	<u>349,235</u>
Total Sources of Funds	\$25,679,235

Uses of Funds

Deposit to Project Account	\$24,995,000
Estimated Costs of Issuance ⁽¹⁾	<u>684,235</u>
Total Uses of Funds	\$25,679,235

⁽¹⁾ *Costs of issuance include legal fees, financial advisor's fees, underwriting fee, rating agency fees and other costs incurred in connection with the issuance of the Bonds.*

Simultaneous with the issuance of the Bonds, the University will provide for defeasance of the October 1, 2012 maturity of the University's outstanding Housing and Dining System Revenue Bonds, Series 2002, in the amount of \$535,000 (the "2002 Bonds") with revenue and reserves.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The Bonds are payable from and secured by liens against the money and investments in the Revenue Fund; and by first liens against and pledge of the money and investments in the Bond Fund. The liens are valid and binding against the money and investments in the Revenue Fund and the Bond Fund. The Bonds are special revenue fund obligations of the University, and do not constitute an obligation, either general or special, of the State, nor a general or moral obligation of the University. The Registered Owners of the Bonds have no right to require the State, nor has the State any obligation or legal authorization, to levy any taxes or appropriate or expend any of its funds for the payment of the principal thereof or the interest or any premium thereon. The University has no taxing power.

Pledge of Revenue

The University has obligated and bound itself to set aside and pay into the Bond Fund out of Gross Revenue of the University's housing and dining system (the "System") and/or the Revenue Fund, amounts necessary to pay principal of and interest on the Bonds as they become payable. Gross Revenue is defined in the Bond Resolution as the income and revenue derived by the University from any source whatsoever, from the ownership and operation of the System, including rentals, fees, charges, special student fees charged to all or any segment of the student population pledged to the System (the Pledged S&A Fees, as defined below), and including interest income and federal or state grants received for the purpose of paying debt service on Parity Bonds. The amounts pledged to be paid into the Bond Fund have a prior lien and charge upon the Gross Revenue and/or monies in the Revenue Fund superior to all other charges except Operating Expenses and equal in rank to the lien and charge upon Gross Revenue required to pay and secure the payment of any Future Parity Bonds.

The Board has covenanted and agreed to maintain and collect fees charged to each full-time student registered at the University at least equal to the dollar amount of \$21 per quarter, plus any additional fees levied upon students by the Board in the future and specifically pledged to be maintained for any period while Parity Bonds are Outstanding (the "Pledged S&A Fees"). Pledged S&A Fees are included as part of Gross Revenue of the System.

Operating Expenses means the current expenses incurred for operation or maintenance of the System, as defined under generally accepted accounting principles, including an allocable share of insurance and other administrative expenses of the University directly related to the operation of the System, excluding any allowances for depreciation or amortization or interest on any obligations of the System incurred in connection with and payable from Gross Revenue.

Flow of Funds from Revenue Fund

The University has covenanted in the Bond Resolution to deposit all Gross Revenue into the Revenue Fund as collected, and to use Gross Revenue deposited therein only for the following purposes and in following order of priority:

- 1 To pay Operating Expenses not paid from other sources;
- 2 To make all payments, including sinking fund payments required to be made into the Bond Fund to pay the principal of and interest and premium, if any, on any Parity Bonds;
- 3 To make all payments required to be made into the Common Reserve Fund to maintain the Common Reserve Requirement

and into any other reserve fund established for Parity Bonds that are Uncovered Bonds or to meet a reimbursement obligation with respect to any Qualified Insurance or Qualified Letter of Credit or other credit enhancement device, if so required by resolution of the Board;

- 4 To pay other expenses related to the System, including administrative service charges imposed by the University;
- 5 To make all payments required to be made into any other revenue bond redemption fund and debt service account or reserve account created therein to pay and secure the payment of the principal of and interest on any revenue bonds or other revenue obligations of the University having a lien upon the Net Revenues and the money in the Revenue Fund junior and inferior to the lien thereon for the payment of the principal of and interest any Bonds; and
- 6 To retire by redemption or purchase any outstanding revenue bonds or other revenue obligations of the University as authorized in the various resolutions of the Board authorizing their issuance or to make necessary additions, betterments, improvements and repairs to or extension and replacements of the System, or any other lawful University purposes.

Rate Covenant

The University covenanted in the Bond Resolution to at all times establish, maintain and collect rates, fees, and charges in the operation of the System for as long as any Bonds are Outstanding that will produce Net Revenues in each Fiscal Year at least equal to the greater of (i) 125 percent of the amounts required in such Fiscal Year to be paid as scheduled debt service (principal and interest) on Outstanding Parity Bonds, or (ii) amounts required to be deposited during such Fiscal Year from Net Revenues into bond funds and reserve funds established for Outstanding Parity Bonds, but excluding from each of the foregoing, payments made from refunding debt and capitalized debt service (the "Rate Covenant").

If the Net Revenues in any fiscal year are less than required to fulfill the Rate Covenant, the University is to retain a Consultant to make recommendations as to operations and the revision of schedules of rentals, rates, fees and charges; and upon receiving recommendations or giving reasonable opportunity for recommendations to be made, the Board, on the basis of such recommendations and other available information, is to establish rentals, rates, fees and charges for services and operations necessary to meet the Rate Covenant in the fiscal year during which the adjustments are made. If the Board has taken the steps summarized above and the Net Revenues in the fiscal year in which adjustments are made nevertheless are not sufficient to meet the Rate Covenant, there will be no default under the Bond Resolution during that fiscal year, unless the University fails to meet the Rate Covenant for two consecutive fiscal years.

Other Covenants of the University

The University, in the Bond Resolution, made the following covenants and agreements with the owners and holders of Bonds, in addition to the Rate Covenant described above.

1. *Payment of Debt Service.* The University will duly and punctually pay or cause to be paid out of the Bond Fund for each series of Parity Bonds the principal of and interest on the Parity Bonds at the times and places as provided, and will at all times perform and observe any and all covenants, undertakings and provisions contained in the Bond Resolution, as applicable.
2. *Operations.* The University will keep and maintain the System in good repair, working order and condition, and will operate the same and the business or businesses in connection therewith in an efficient manner and at a reasonable cost.
3. *Sale/Condemnation.* In the event any portion of the System which contributes in some measure to the Gross Revenue is sold by the University or is condemned pursuant to the power of eminent domain, the University will apply the net proceeds of the sale or condemnation to capital expenditures for the System which will contribute in some measure to the Gross Revenue or to the retirement of Parity Bonds then Outstanding. Notwithstanding the foregoing, the University may withdraw a facility from the System or abandon or dispose of any facility if the Designated University Representative certifies prior to such abandonment or disposition that the production of Net Revenues by the facility to be abandoned is no longer economically feasible; and the estimated Net Revenue of the remaining System facilities for the then next succeeding fiscal year, plus the estimated Net Revenues of the facilities, if any, to be added to the System, will satisfy the Rate Covenant.
4. *Insurance/Facilities.* The University will keep all facilities of the System insured, if such insurance is obtainable at reasonable rates and upon reasonable conditions, against such risks, in such amounts, and with such deductibles as the Board or the Designated University Representative deems necessary for the protection of the University and of the owners of Parity Bonds then Outstanding.
5. *Insurance/Liability and Property Damage.* The University will keep in full force and effect policies of public liability and property damage insurance which will protect the University against anyone claiming damages, if such insurance is obtainable at reasonable rates and upon reasonable conditions, in such amounts and with such deductibles as the Board deems necessary for the protection of the University and of the owners of the Parity Bonds then Outstanding.

6. *Books and Accounts.* The University will keep and maintain proper books of account and accurate records of all of its revenue received from any source whatsoever, and of all costs of administration and maintenance and operation of all of its business that are in accordance with generally accepted accounting principles. On or before 120 days after each fiscal year it will prepare an operating statement of all of the business of the System for such preceding fiscal year. Each annual statement is to contain a statement in detail of the Gross Revenue, expenses of administration, expenses of normal operation, expenses of normal and extraordinary maintenance and repair, and expenditures for capital purposes of the University for such fiscal year and shall contain a statement as of the end of the year showing the status of all funds and accounts of the University pertaining to the operation of its business and the status of all of the funds and accounts created by various resolutions of the Board authorizing the issuance of outstanding bonds and other obligations payable from the Gross Revenue. Copies of the statements are to be placed on file in the office of the Treasurer, and be open to inspection at any reasonable time by the owners of Parity Bonds.

Future Parity Bonds

Future Parity Bonds may be issued upon satisfaction of certain conditions set forth in the Bond Resolution so long as the University is not in default under the Bond Resolution and, either, (a) a certificate is delivered by the University stating that Net Revenues as Adjusted during any consecutive 12-month period selected by the University out of the 36-month period next preceding the date of issuance of an additional series of Parity Bonds, were at least equal to 125 percent of projected Aggregate Annual Debt Service with respect to all Parity Bonds then Outstanding and the Future Parity Bonds then proposed to be issued, or (b) a certificate is delivered by a Consultant, stating that projected Net Revenues as Adjusted will be at least equal to 125 percent of projected Aggregate Annual Debt Service with respect to all Parity Bonds then Outstanding and the Future Parity Bonds then proposed to be issued. Net Revenues as Adjusted is defined in the Bond Resolution as Net Revenues, after removal of depreciation and other non-cash revenues or expenses in order to more fairly reflect the actual revenues available for debt service.

No certificate will be required if the Parity Bonds to be issued will refund any Outstanding Parity Bonds or will provide additional funds for construction for which Parity Bonds have been issued previously, so long as the par amount of the additional Parity Bonds does not exceed 15 percent of the par amount of the previously issued Parity Bonds.

THE HOUSING AND DINING SYSTEM

General Information

The System is defined in the Bond Resolution as the existing housing and dining system owned by the University as the same shall be added to, improved and extended out of the proceeds of the sale of the Bonds and as the System may be added to, improved and extended, for as long as Bonds are outstanding. The System includes lands, buildings and facilities for residence halls, apartments and dining facilities for students, faculty and employees and related administrative and services facilities. The System provides housing and support programs to approximately 1,750 students in a variety of residence halls and apartment complexes that are designated for either single students or families. The University does not have a mandatory live-in requirement for students, although 62 to 66 percent of incoming freshmen typically choose to live in the residence halls. Students who live in residence halls are required to purchase a residence dining plan. Students living in University-owned apartments and students living off campus may purchase an off-campus meal plan.

System Facilities

The System currently includes six residence halls, three apartment buildings and nine locations for food and beverage service, including dining centers, food court, bistro-style café, coffee carts and convenience stores/markets, owned and operated by the University. The residence halls were constructed at various times from 1951 to 1970, with designed occupancy ranging from 185 to 440 students. Additionally, the University has a long-term lease for a residence hall located adjacent to campus, which was constructed in 2002, with designed occupancy of 135 students. The lease, which expires June 2023 and is renewable at the University's option, represents a true lease, and ownership of the facility will not revert to the University at any time. Total capacity in the seven residence halls is 2,021 students. Two of the three University-owned apartment buildings were constructed between 1957 and 1965, and one was constructed in 1993. The number of units range from 11 to 74, for a total of 107 units. Additionally, the System includes administrative facilities and a food service building.

Room and Board Rates

Room and board rates are set by the Board each year. Dining services are purchased through a residence dining plan, and students can choose one of three meal plans. Students may add funds to their dining account throughout the year to supplement their original meal plan. The University charges a single rate for various housing options, although it intends to implement a higher room rate for the new residence hall upon completion.

The following table shows typical room and board rates at the University based on double occupancy and the most frequently selected meal plan (level 2).

Room and Board Rates

Academic Year	Annual Rate
2011-12	\$7,852
2010-11	7,350
2009-10	7,073
2008-09	6,755
2007-08	6,433
2006-07	6,182

Capital Improvements and Facility Maintenance

The University has a long-range plan for System facilities repairs, maintenance, fixtures and equipment, which is reviewed and updated annually. The University recently completed an evaluation of the housing system, which resulted in recommendations that the University construct new housing to begin replacement of older, outdated facilities. With proceeds of the Bonds, the University will construct the first new residence hall on campus since 1970. While the project will add 350 beds to the system capacity, the University expects to reduce an equivalent number of beds elsewhere in the system, for no net increase in capacity. The University commits approximately \$500,000 annually to repairs, maintenance, and furnishings and equipment upgrades to existing facilities.

The following table shows occupancy data for the System for the fiscal years 2008 to 2012.

Housing Capacity, Occupancy Rates, and Students Housed on Campus

	2011-12 ⁽¹⁾	2010-11	2009-10	2008-09	2007-08
Housing Capacity					
Residence Halls (bed spaces)	2,021	2,021	2,021	2,021	2,021
Apartments – Family Units	107	107	107	107	107
Housing Occupancy Rates					
Residence Halls	80.7%	85.4%	87.0%	88.1%	83.7%
Apartments	99.1%	99.1%	100.0%	95.3%	86.0%
Number of Students Housed					
Residence Halls	1,630	1,726	1,758	1,781	1,692
Apartments	106	106	107	102	92

⁽¹⁾ Estimated, based on actual for fall quarter.

Debt Service Coverage for Parity Bonds

The following table provides a summary of calculations of debt service coverage for the past five years. See “Eastern Washington University Housing and Dining System, Statements of Revenues, Expenses and Changes in Net Assets,” below.

Summary of Debt Service Coverage For Fiscal Years 2007 through 2011 ⁽¹⁾

	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007
Gross Revenue	\$15,590,091	\$15,115,562	\$14,873,747	\$14,044,420	\$14,542,833
Operating Expenses ⁽²⁾	<u>13,361,593</u>	<u>12,299,894</u>	<u>12,341,515</u>	<u>11,859,583</u>	<u>11,806,415</u>
Net Revenue Available for Debt Service	\$ 2,228,498	\$ 2,815,668	\$ 2,532,232	\$ 2,184,837	\$ 2,736,418
Bond Debt Service	\$ 538,020	\$ 539,915	\$ 535,043	\$ 533,255	\$ 529,728
Debt Service Coverage	4.14	5.22	4.73	4.08	5.17

⁽¹⁾ Derived from Audited Financial Statements of the University for fiscal years 2007 through 2011.

⁽²⁾ Operating Expenses as defined in the Bond Resolution; excludes Depreciation and University Administrative Charges.

Auditing of System Financial Statements

Audits of the University's financial statements are performed by the State Auditor's Office in accordance with standards established by the Governmental Accounting Standards Board. The financial statements of the Housing and Dining System are audited by an independent accounting firm.

Historical Operating Results

The following table depicts historical revenue, expenses and changes in net assets attributable to the System for the past five fiscal years.

**Eastern Washington University
Housing and Dining System
Statement of Revenues, Expenses and Changes in Net Assets ⁽¹⁾**

	2011	2010	2009	2008	2007
Operating Revenues					
Student Room Rentals	\$ 6,597,392	\$ 6,748,005	\$ 6,383,740	\$ 6,239,541	\$ 5,955,710
Dining Services	7,019,356	6,615,073	6,654,217	5,945,376	6,468,926
Other Housing Services	372,540	309,604	301,595	150,737	463,100
Building Fees ⁽²⁾	629,630	621,401	600,713	600,305	592,877
Event Planning/Catering	894,311	730,878	744,728	861,704	844,169
Total Operating Revenues	\$ 15,513,229	\$ 15,024,961	\$ 14,684,993	\$ 13,797,663	\$ 14,324,782
Operating Expenses					
Cost of Meals	\$ 3,195,928	\$ 2,865,147	\$ 3,102,846	\$ 3,167,939	\$ 2,970,976
Salaries and Wages	4,381,390	4,289,843	4,226,423	4,034,198	3,759,812
Employee Benefits	1,365,059	1,249,496	1,118,508	1,146,101	1,104,362
Repairs and Maintenance	298,839	295,441	346,814	236,006	185,538
Utilities	852,970	867,083	901,684	954,209	954,228
Telephone	578,956	639,599	608,496	633,272	639,195
Supplies	306,331	330,770	302,993	236,967	376,487
Plant Maintenance	232,295	218,371	313,351	195,133	240,581
Insurance	72,614	70,887	80,547	61,490	61,041
Rentals and Lease	431,193	388,328	424,681	365,157	347,603
Purchased Services	368,999	384,277	393,747	296,286	295,871
University Administrative Charges	888,204	747,723	744,164	694,825	673,120
Depreciation	1,056,302	1,049,223	1,047,771	1,028,800	987,667
Building Improvements	635,959	368,362	248,261	111,156	118,352
Other Expenses	615,632	332,290	273,164	421,669	752,369
Loss on Disposal of Assets	25,428	-	-	-	-
Total Operating Expenses	\$ 15,306,099	\$ 14,096,840	\$ 14,133,450	\$ 13,583,208	\$ 13,467,202
Operating Income	\$ 207,130	\$ 928,121	\$ 551,543	\$ 214,455	\$ 857,580
Non-operating Revenues and Expenses					
Investment Income	\$ 76,862	\$ 90,601	\$ 188,754	\$ 246,757	\$ 218,051
Interest Expense	(279,956)	(315,622)	(348,729)	(378,978)	(395,779)
Total Non-operating Revenues and Expenses	\$ (203,094)	\$ (225,021)	\$ (159,975)	\$ (132,221)	\$ (177,728)
Transfers from Other Funds, net ⁽³⁾	-	-	-	-	914,350
Change in Net Assets	\$ 4,036	\$ 703,100	\$ 391,568	\$ 82,234	\$ 1,594,202
Net Assets - Beginning of Year	\$ 20,484,986	\$ 19,781,886	\$ 19,390,318	\$ 19,308,084	\$ 17,713,882
Net Assets - End of Year	\$ 20,489,022	\$ 20,484,986	\$ 19,781,886	\$ 19,390,318	\$ 19,308,084

⁽¹⁾ Information is based on audited financial statements of the System.

⁽²⁾ These revenues represent "Pledged S&A Fees," as described under the heading "SECURITY AND SOURCES OF PAYMENT FOR BONDS," herein.

⁽³⁾ Entry in 2007 represented transfers of University funds to the Housing and Dining Fund for capital asset improvements.

Outstanding Debt of the System

Simultaneous with the issuance of the Bonds, the University will provide for defeasance of the October 1, 2012 maturity of the 2002 Bonds, in the amount of \$535,000, with System revenue or reserves, and thereafter, the Bonds will be the only Outstanding Parity Bonds of the System.

Schedule of Housing and Dining System Revenue Bond Debt Service (Fiscal Years Ending June 30)

Fiscal Year	The Bonds		Total Debt Service
	Principal	Interest	
2013	\$ -	\$ 951,368	\$ 951,368
2014	505,000	978,550	1,483,550
2015	515,000	968,450	1,483,450
2016	530,000	953,000	1,483,000
2017	555,000	931,800	1,486,800
2018	575,000	909,600	1,484,600
2019	600,000	886,600	1,486,600
2020	620,000	862,600	1,482,600
2021	645,000	837,800	1,482,800
2022	665,000	818,450	1,483,450
2023	685,000	798,500	1,483,500
2024	705,000	777,950	1,482,950
2025	730,000	755,919	1,485,919
2026	760,000	726,719	1,486,719
2027	790,000	696,319	1,486,319
2028	820,000	664,719	1,484,719
2029	855,000	631,919	1,486,919
2030	885,000	597,719	1,482,719
2031	925,000	562,319	1,487,319
2032	960,000	525,319	1,485,319
2033	1,000,000	486,919	1,486,919
2034	1,040,000	446,919	1,486,919
2035	1,080,000	405,318	1,485,318
2036	1,125,000	362,119	1,487,119
2037	1,170,000	317,118	1,487,118
2038	1,215,000	270,319	1,485,319
2039	1,265,000	221,718	1,486,718
2040	1,315,000	169,537	1,484,537
2041	1,370,000	115,294	1,485,294
2042	<u>1,425,000</u>	<u>58,781</u>	<u>1,483,781</u>
Total	\$25,330,000	\$18,689,662	\$44,019,662

Debt Repayment Record

The University has promptly met all principal and interest payments of its Outstanding Parity Bonds and has never defaulted on a payment of principal or interest on any of its Outstanding Parity Bonds.

Future Financing

The University does not anticipate the issuance of additional Parity Bonds within the next 24 months. The University periodically reviews its outstanding Bonds for refunding opportunities and may issue Bonds for refunding purposes if market conditions warrant.

LEGAL INFORMATION

Litigation

At the time of delivery of and payment for the Bonds, the University will deliver a certificate stating that there is no litigation then pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, application of the proceeds of the Bonds as contemplated by the Bond Resolution, in any way contesting or affecting the validity of the Bonds, any proceedings of the University taken with respect to the issuance or sale thereof, the pledge or application of any money or security provided for the payment of the University, the existence or powers of the University or the title of any officers of the University to their respective positions.

The University periodically reports litigation of a general nature and, after consideration and investigation, has concluded that the University has meritorious defenses or such litigation is immaterial and/or will have no impact on timely repayment of the Bonds.

Approval of Counsel

Legal matters incident to the authorization, execution and delivery of the Bonds are subject to the unqualified approving legal opinion of K&L Gates LLP, Seattle, Washington, Bond Counsel. Bond Counsel has reviewed this document only to confirm that the portions of it describing the Bonds and the authority to issue them conform to the Bonds and the applicable laws under which they are issued. The form of the opinion relating to the Bonds is included in Appendix D of this Official Statement.

Limitations on Remedies

Any remedies available to the owners of the Bonds upon the occurrence of an event of default under the Bond Resolution are in many respects dependent upon judicial actions which are in turn often subject to discretion and delay and could be both expensive and time-consuming to obtain. If the University fails to pay principal of or interest on the Bonds, there can be no assurance that available remedies will be adequate to fully protect the interest of the Registered Owners of the Bonds.

In addition to the limitations on remedies contained in the Bond Resolution, the rights and obligations under the Bonds and the Bond Resolution may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. The opinion to be delivered by K&L Gates LLP, as Bond Counsel, concurrently with the issuance of the Bonds, will be subject to limitations regarding bankruptcy, insolvency and other laws relating to or affecting creditors' rights. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D.

TAX MATTERS

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Federal income tax law contains a number of requirements that apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the Bonds and the facilities financed with proceeds of the Bonds and certain other matters. The University has covenanted to comply with all applicable requirements.

Bond Counsel's opinion is subject to the condition that the University comply with the above-referenced covenants and, in addition, will rely on representations by the University and its advisors with respect to matters solely within the knowledge of the University and its advisors, respectively, which Bond Counsel has not independently verified. If the University fails to comply with such covenants or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds, regardless of the date on which the event causing taxability occurs.

Except as expressly stated above, Bond Counsel expresses no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, the extent to which interest on the Bonds is included in adjusted current earnings for the purposes of computing the federal alternative minimum tax imposed on certain corporations and various withholding requirements.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net

passive income,” foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Bonds. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations such as the Bonds, are in many cases required to be reported to the Internal Revenue Service (the “IRS”). Additionally, backup withholding may apply to any such payments made to any owner who is not an “exempt recipient” and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Bond Counsel gives no assurance that any future legislation or clarifications or amendments to the Code, if enacted into law, will not cause the interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of the interest on the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal legislation, as to which Bond Counsel expresses no view.

Bond Counsel’s opinion is not a guarantee of result and is not binding on the IRS; rather, the opinion represents Bond Counsel’s legal judgment based on its review of existing law and in reliance on the representations made to Bond Counsel and the University’s compliance with its covenants. The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Bonds. Owners of the Bonds are advised that, if the IRS does audit the Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the University as the taxpayer, and the owners of the Bonds may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Not Qualified Tax-Exempt Obligations. The University has not designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3)(B) of the Code.

Original Issue Discount. The initial public offering price of certain Bonds (the “Original Issue Discount Bonds”) is less than the stated redemption price at maturity. In such case, the difference between (i) the stated amount payable at the maturity of an Original Issue Discount Bond and (ii) the initial public offering price of that Original Issue Discount Bond constitutes original issue discount with respect to that Original Issue Discount Bond in the hands of the owner who purchased that Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds. The initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to an Original Issue Discount Bond equal to that portion of the amount of the original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by the initial owner.

In the event of the redemption, sale or other taxable disposition of an Original Issue Discount Bond prior to its stated maturity, however, the amount realized by the initial owner in excess of the basis of the Original Issue Discount Bond in the hands of its initial owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by the initial owner) is includable in gross income. Purchasers of Original Issue Discount Bonds should consult their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes and the state and local tax consequences of owning Original Issue Discount Bonds.

INITIATIVE AND REFERENDUM

Under the State Constitution, the voters of the State have the ability to initiate legislation through the power of initiative and referendum. Initiatives and referenda are submitted to the voters upon receipt of petitions signed by at least eight percent (initiatives) and four percent (referenda) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election. Qualifying initiatives to the voters are submitted at the next state general election and must be approved by a majority of voters to be enacted into law. Initiatives to the State Legislature are submitted to the State Legislature at its regular session each January. Once submitted, the State Legislature must either adopt the initiative as proposed, reject the proposed initiative (in which case the initiative must be placed on the ballot at the next state general election) or approve an amended version of the proposed initiative (in which case both the amended version and the original proposal must be placed on the next state general election ballot). Any initiative approved by a majority of voters may not be amended or repealed by the State Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the State Legislature; after two years, the law is subject to amendment or repeal by the State Legislature in the same manner as other laws.

In recent years there have been a number of initiatives filed in the State, including initiatives targeting fees and taxes imposed by local jurisdictions or subjecting local jurisdictions to additional requirements. The University cannot predict whether this trend will continue, whether any filed initiatives will receive the requisite signatures to be certified to the ballot, whether such

initiatives will be approved by the voters, whether, if challenged, such initiatives will be upheld by the courts, and whether any future initiative could have a material adverse impact on the University.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with Section (b)(5) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule"), the University will agree to provide or cause to be provided to the Municipal Securities Rulemaking Board ("MSRB"), the following annual financial information and operating data for the prior fiscal year (commencing in 2013 for the Fiscal Year ended June 30, 2012).

Annual financial statements, which statements may or may not be audited, showing ending fund balances for the University prepared in accordance with generally accepted accounting principles ("GAAP") and follow the guidance given by the Governmental Accounting Standards Board and generally of the type included in this Official Statement in the table "Eastern Washington University Housing and Dining System Statement of Revenues, Expenses and Changes in Net Assets;" and in Appendix C, "Audited Financial Statements of the University;" and tables contained in this Official Statement in such format as the University deems appropriate, including "Housing Capacity, Occupancy Rates and Students Housed on Campus," and in Appendix A, under the following headings:

- 1) the Table entitled "Historical Average Annual Enrollment" to provide actual average annual student FTEs and annual average headcount;
- 2) the Table entitled "Enrollment Statistics;"
- 3) the Table entitled "Tuition and Fees;"
- 4) the Table entitled "University Operating Budget;"
- 5) the Table entitled "Net Assets Held By the Foundation for Years Ended June 30;"
- 6) the Table under "Investments;"
- 7) the Table entitled "Eastern Washington University – Statement of Revenue, Expenses and Changes in Net Assets for Years Ended June 30;"
- 8) the contribution rates table and total employer contributions for PERS, TRS and LEOFF, under "Pension Plans;"
- 9) the contributions and covered payroll for the EWURP under "Pension Plans."

Each of the above items shall be required only to the extent that such information is not included in the annual financial statements of the University. However, the University reserves the right to change the format of such annual information to reflect any changes in reporting formats or accounting policies which may be required due to changes in GAAP.

Such annual information and operating data described above will be so provided on or before the end of nine months after the end of the University's fiscal year. The University may adjust such date if the University changes its fiscal year by providing written notice of the change of fiscal year to the MSRB. The University's current Fiscal Year ends on June 30. In lieu of providing such annual financial information and operating data, the University may cross-reference to other documents available to the public on the MSRB's internet website or filed with the Securities and Exchange Commission.

If not provided as part of the annual financial information discussed above, the University will provide its audited annual financial statements prepared in accordance with GAAP when and if available to the MSRB.

Material Events. The University agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of the occurrence of any of the following events with respect to the Bonds, not in excess of ten business days after the occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material or events affecting the tax status of the Bonds;
- (7) Modifications to the rights of Bond owners, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property, securing the repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the University;
- (13) The consummation of a merger, consolidation, or acquisition of the University or the sale of all or substantially all of the assets of the University, other than in the ordinary course of business, the entry into a

definitive agreement to undertake such an action or the termination of a definitive agreement to undertake such an action, other than pursuant to its terms, if material; and

- (14) Appointment of a successor or additional trustee or the change of name of the trustee, if material.

Solely for purposes of information, but without intending to modify its undertaking, with respect to the notice regarding property securing the repayment of the Bonds, the University advises that no credit enhancement, property or reserve secures repayment of the Bonds. The University shall promptly determine whether the events described above are material.

Notification Upon Failure to Provide Financial Data. The University will agree to provide or cause to be provided, in a timely manner, to the MSRB notice of its failure to provide the annual financial information described above in this section on or prior to the date set forth above.

EMMA; Format for Filings with the MSRB. Until otherwise designated by the MSRB or the Securities and Exchange Commission, any information or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org (which is not incorporated into this Official Statement by reference). All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

Termination/Modification. The University's obligations to provide notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Any provision of this section shall be null and void if the University (1) obtains an opinion of nationally recognized bond counsel to the effect that the portions of the Rule that requires this section or any such provision are invalid, have been repealed retroactively or otherwise not apply to the Bonds, and (2) notifies the MSRB of such opinion and the cancellation of this section. The University may amend its undertaking with an approving opinion of nationally recognized bond counsel in accordance with the Rule.

In the event of any amendment of or waiver of a provision of the University's undertaking, the University will describe such amendment in the next annual report, and will include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the University. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (a) notice of such change will be given in the same manner as for a material event, and (b) the annual report for the year in which the change is made will present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Bondowner's Remedies Related to Continuing Disclosure Undertaking. A Bondowner's or a Beneficial Owner's right to enforce the provisions of the University's undertaking described in this section will be limited to a right to obtain specific enforcement of the University's obligations, and any failure by the University to comply with the provisions of this undertaking will not be an event of default with respect to the Bonds under the Resolution. For purposes of this section, "Beneficial Owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

Continuing Disclosure Undertakings of the University. The University has entered into prior undertakings under the Rule with respect to its obligations. The University filed its annual financial information for fiscal years 2006 through 2010 with Bloomberg Municipal Repository, DPC Data, Standard and Poor's and FT Interactive Data and Reference Data prior to its due date. The University filed its annual financial information for fiscal years 2008 through 2010 with EMMA on December 1, 2011. The University believes it is in compliance with its prior undertakings.

OTHER BOND INFORMATION

Ratings

A rating of A1 has been assigned to the Bonds by Moody's Investors Service ("Moody's"). Such rating reflects only the view of Moody's. There is no assurance that the rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by Moody's if, in the judgment of the rating agency, circumstances so warrant. An explanation of the significance of the rating may be obtained from Moody's, 7 World Trade Center, 250 Greenwich Street, New York, NY 10007, (212) 553-0300. Any such downward revision or withdrawal of any of the rating may have an adverse effect on the market price of the Bonds.

Financial Advisor

SDM Advisors, Inc. has served as financial advisor to the University relative to the preparation of the Bonds for sale, timing of the sale and other factors relating to the Bonds. The financial advisor has not audited, authenticated or otherwise verified the information set forth in this Official Statement or other information provided relative to the Bonds. SDM Advisors, Inc. makes no guaranty, warranty or other representation on any matter related to the information contained in the Official Statement. The

financial advisor is an independent financial advisory firm and is not engaged in the business of underwriting, marketing, trading or distributing municipal securities. A portion of the financial advisor's compensation is contingent upon sale of the Bonds and delivery thereof to the underwriter.

Underwriter

The Bonds are being purchased by Robert W. Baird & Co., (the "Underwriter") at a price of \$25,098,046.19. The Bonds will be re-offered at a price of \$25,679,235.45. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the initial offering prices set forth on cover hereof, and such initial offering prices may be changed from time to time by the Underwriter. After the initial public offering, the public offering prices may be varied from time to time.

Official Statement

Statements in this Official Statement, including matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the University or the Underwriter and the Owners of the Bonds. The preparation and distribution of this Official Statement has been authorized by the University.

At the time of the delivery of the Bonds, one or more officials of the University will furnish a certificate stating that to the best of their knowledge and belief at the time of the sale or delivery of the Bonds, this Official Statement and information furnished by the University supplemental hereto did not and do not contain any untrue statements of material fact or omit to state a material fact necessary in order to the statements made, in light of the circumstances under which they were made, not misleading in any material respect.

The preparation and distribution of this Official Statement has been authorized by the University.

EASTERN WASHINGTON UNIVERSITY

By: /s/ Mary Voves
Vice President for Business and Finance

The University

General Information

Eastern Washington University (the “University”) was established in 1889 as a Washington State Normal School. In 1977, the University was renamed Eastern Washington University and was designated a regional university. The University’s main campus is located on 329 acres, approximately 150 of which are developed, in Cheney, in the eastern part of the state of Washington (the “State”), approximately 17 miles southwest of the State’s second largest city, Spokane. The University also has a Spokane campus, co-located with Washington State University, on 48 acres adjacent to downtown Spokane, which serves over 2,200 students. The University serves both a residential student population as well as utilizing a low-cost bus service from Spokane to accommodate the large number of commuter students. In response to requests to expand access to higher education opportunities in the State, the University partners with Bellevue College, Pierce College, Clark College, South Seattle Community College, Lake Washington Institute of Technology, and North Seattle Community College to offer baccalaureate degree completion programs at these locations. The University also offers the Master of Social Work degree program in Everett, Vancouver and Yakima.

The University owns six residence halls to provide housing and specialized programs for students, and offers University-owned apartments designated for families. The University provides housing for approximately 15 percent of students enrolled. The University offers nine dining locations on campus including espresso shops and convenience stores. Students who live in residence halls are required to purchase a residence dining plan.

Academic Programs

The University is organized in four colleges: Business and Public Administration; Arts, Letters, and Education, Social and Behavioral Sciences and Social Work; Science Health and Engineering. The University offers 5 bachelor’s degrees in more than 100 fields of study, 9 master’s degrees with 33 fields of study, 12 graduate certificates, an Educational Specialist degree in School Psychology, and an applied doctoral degree in Physical Therapy. The University’s Business College, Health Science, and Dental Hygiene programs are housed on the Spokane campus.

Accreditation

The University is fully accredited by its regional accrediting agency, the Northwest Commission on Colleges and Universities. Selected degree programs, departments and colleges are also accredited by specialized, professional accrediting associations.

Governance

The University is governed by an eight-member Board of Trustees, which has broad responsibilities to supervise, coordinate, manage and regulate the University, as provided by State law. Trustees are appointed by the Governor for a term of six years, except a student Trustee, who is appointed to a one-year term. In addition to other powers and duties, the Board employs the President; has full control of the University and its property of various kinds except as otherwise provided by law; with the assistance of the faculty, prescribes the course of study in the various schools and departments thereof, and publish such catalogues thereof as the Board deems necessary; establishes divisions, schools, or departments necessary to carry out the purposes of the University and not otherwise proscribed by law; may acquire real and other property; may purchase supplies and purchase or lease equipment and other personal property needed for the operation or maintenance of the University; and may promulgate such rules and regulations, and perform all other acts not forbidden by law, as the Board deems necessary or appropriate to the administration of the University.

Current members of the Board are shown in the following table.

Members of the Board of Trustees

Individual	Professional Affiliation	Year of Initial Appointment	Expiration of Term
JoAnn Kaufman	Owner, CEO Kaufman & Associates, Inc.	2003	9/30/2015
Dr. Mark Mays	Clinical Psychologist	2010	9/30/2015
Kris Mikkelsen	Chief Executive Officer, Inland Power & Light	2001	9/30/2012
Bertha Ortega	Higher Education Administrator	2002	9/30/2013
Patrick Spanner	Student, Eastern Washington University	2011	6/30/2012
Paul Tanaka	Retired, King County Administration Officer	2002	9/30/2017
Robert H. Whaley	United States District Judge	2011	9/30/2017
Ines Zozoya-Geist	Consultant, Lockheed Martin Services, Inc.	2001	9/30/2012

The officers of the Board are currently Bertha Ortega, Chair and Paul Tanaka, Vice-Chair.

Bertha Ortega, Chair

Bertha Ortega received her BA in Spanish and her Secondary Teaching Certificate from the University of Washington. She took postgraduate courses in Childhood Education and Communication at Eastern Washington University and Central Washington University. Bertha received her Masters of Education from Fort Wright College in Spokane. In 1981 Bertha became a founding member of Heritage University in Toppenish, Washington. She served as Dean of Students until 1995, at which time she accepted the position of Assistant Vice President for Community Relations. Ms. Ortega is currently the Vice President for External and Academic Affairs at Heritage University.

Paul Tanaka, Vice-Chair

Paul Tanaka is currently retired, following a 30-year career at King County, the State’s largest county, which includes Seattle. During his time at King County, Mr. Tanaka served as Public Works Director, Deputy County Executive, and County Administrative Officer. He received his Bachelor of Arts degree in American Studies from Yale University in 1974, and his Masters in Public Administration from the University of Washington in 1977.

University Administration

The University is administered by a President, who is appointed by the Board. The President has appointed a management team to assist in managing the University. The President and members of the management team are listed below, along with brief resumes for the President and Provost.

<u>Individual</u>	<u>Position Held</u>	<u>Year Hired by the University</u>	<u>Year of Current Appointment</u>
Dr. Rodolfo Arévalo	President	2006	2006
Dr. Rex Fuller	Provost and Vice President for Academic Affairs	2006	2011
Stacey Morgan Foster	Vice President for Student Affairs	2010	2010
Mary Voves	Vice President for Business and Finance	1999	1999
Mike Westfall	Vice President for University Advancement and Executive Director of EWU Foundation	2006	2006

Dr. Rodolfo Arévalo – President

Dr. Arévalo was appointed President as the 25th president of the University effective April 1, 2006. Immediately prior to his appointment, Dr. Arévalo served 7 years as provost and vice president for Academic Affairs at the University of Texas-Pan American. He spent 18 years in the California State University system, and served as provost and chief academic officer at Fort Hays State University. He serves on the board of Greater Spokane Incorporated, the Riverpoint Partnership for Math & Science, and is affiliated with the Hispanic Business Professional Association, the Higher Education Leadership Group, Priority Spokane, International Trade Alliance, Inland Northwest Latino Chamber of Commerce, West Plains Chamber of Commerce, and Spokane Rotary 21.

Dr. Rex Fuller - Provost and Vice President of Academic Affairs

Dr. Fuller was first employed by the University in 2006 to serve as Dean of the University’s College of Business and Public Administration. He joined the University as an economist with emphases in labor economics, public finance, and industrial organization. In 2008, he was appointed Executive Dean of EWU-Spokane, and in 2011 he was appointed to his current position. Prior to joining the University, Dr. Fuller served as Dean of the College of Business Administration at the University of Wisconsin-La Crosse and as Dean of the Hasan School of Business at Colorado State University-Pueblo.

State Oversight of Higher Education

The State has had a single state postsecondary education planning agency since 1975, as required to qualify for Federal planning and other funds (though the State has had various councils or boards to assist in providing oversight of higher education since 1969). The purpose of the agency is to provide planning, coordination, monitoring, and policy analysis for higher education in the State in cooperation and consultation with the State’s higher education institutions, their governing boards and other segments of postsecondary education.

From 1985 to present, that agency has been the Higher Education Coordinating Board (the “HECB”). In addition to the duties described, the HECB also administered student financial assistance programs and various federal programs. In 2012, the State Legislature adopted legislation (E2SHB 2483), signed by the Governor on March 30, 2012, which amends statutes enacted in 2011 that eliminate the HECB as of July 1, 2012 and divide the HECB’s duties among: (1) a newly created Office of Student Financial Assistance (the “SFA”) to administer all state and federal financial aid and the State’s advanced college tuition payment program; and (2) a newly created Student Achievement Council (the “Council”) with duties similar to the HECB, including proposing statewide goals and priorities for higher education, tracking progress, conducting research and analysis,

identifying transition issues and solutions, protecting higher education consumers, directing the SFA, and advocating for higher education. Until July 1, 2012, the HECB is to continue to prioritize capital projects for the higher education system, after which date the legislation transfers this function to the State's Office of Financial Management. Excepting the student financial aid and capital projects functions discussed above, the HECB powers, duties, resources, staff, and records will be transferred to the new Council.

Faculty, Employees and Labor Relations

During the 2010-11 academic year, the University employed 428 full-time faculty and 238 part-time faculty. A significant number of faculty serve or have served as officers of their respective national professional societies. During the 2010-11 academic year the University employed 510 full-time equivalent classified staff and 335 full time equivalent professional and administrative staff in addition to faculty.

Instructional Faculty, Tenure and Degrees

Instructional Faculty	Fall 2011	Fall 2010	Fall 2009	Fall 2008	Fall 2007
Full-time Instructional Faculty	411	412	412	424	427
Part-time Instructional Faculty	<u>236</u>	<u>216</u>	<u>207</u>	<u>225</u>	<u>204</u>
Total Instructional Faculty	647	628	619	649	631
Percent of full-time faculty tenured	53.8%	53.2%	51.2%	47.9%	48.7%
Percent of full-time faculty with PhD or Terminal Degree	97.6%	96.6%	97.3%	96.7%	97.0%

Approximately 70 percent of the University's workforce is represented by three collective bargaining units. All agreements reached with bargaining groups require approval by the Board, the represented employees, and funding by the State Legislature. University management considers relations with all categories of its employees to be good.

The current contract between United Faculty of Eastern (UFE) and the University has a four year term, through August 31, 2013. The contract contains a provision for limited negotiations within the contract period after two years.

There are two contracts between the Washington Federation of State Employees (WFSE) and the University, which are typically negotiated on a two-year cycle. The current contracts were originally negotiated to cover a term through June 30, 2011, and were continued after that date due to ongoing negotiations. New contracts have been negotiated, and are pending legislative action for funding by the State Legislature.

Student Enrollment

The University draws 83 percent of its enrollment from within the State. Spokane County residents accounted for 41 percent of enrollment in fall 2011, followed by King County and Benton County, which accounted for 9 percent and 4 percent of enrollment, respectively. Students from other states accounted for 11 percent of enrollment in 2011.

Historical Average Annual Enrollment

Year	FTE Enrollment	Headcount Enrollment
2011-12 ⁽¹⁾	9,948	10,243
2010-11	9,650	9,936
2009-10	9,501	9,767
2008-09	9,292	9,542
2007-08	9,121	9,451

⁽¹⁾ Average annual enrollment for 2011-12 is estimated, based on Fall and Winter quarter actual.

The following table shows graduate and undergraduate headcount enrollment, and freshman and transfer applications and acceptances, based on fall semester enrollment for each of the past five years.

Enrollment Statistics

	<u>Fall 2011</u>	<u>Fall 2010</u>	<u>Fall 2009</u>	<u>Fall 2008</u>	<u>Fall 2007</u>
Fall Quarter Enrollment (Headcount)					
Undergraduates					
Full-time	9,234	9,031	8,631	8,222	8,094
Part-time	<u>1,669</u>	<u>1,187</u>	<u>1,288</u>	<u>1,263</u>	<u>1,353</u>
<i>Total Undergraduates</i>	10,903	10,218	9,919	9,485	9,447
Graduates and Professionals					
Full-time	824	866	904	903	789
Part-time	<u>403</u>	<u>450</u>	<u>479</u>	<u>421</u>	<u>450</u>
<i>Total Graduates and Professionals</i>	1,227	1,316	1,383	1,324	1,239
Total Undergraduates, Graduates, and Professionals					
Full-time	10,058	9,897	9,535	9,125	8,883
Part-time	<u>2,072</u>	<u>1,637</u>	<u>1,767</u>	<u>1,684</u>	<u>1,803</u>
<i>Total Full-time and Part-time</i>	12,130	11,534	11,302	10,809	10,686
Fall Quarter Enrollment (FTE)	11,465	11,156	10,896	10,443	10,198
Freshmen Matriculation					
Applications	4,530	3,949	3,728	3,713	3,624
Percent Applicants Admitted	79.0%	81.9%	82.3%	82.6%	79.8%
Enrolled	1,506	1,565	1,469	1,518	1,335
Enrolled Percent of Admissions	42.1%	48.4%	47.9%	49.5%	46.2%
Transfer Students Applications and Admissions					
Applications	2,558	2,213	2,112	1,770	1,891
Percent Applicants Admitted	83.8%	85.0%	87.3%	82.9%	83.4%
Enrolled	1,363	1,275	1,293	1,027	1,103
Enrolled as a Percent of Admissions	63.6%	67.8%	70.2%	70.0%	69.9%

Tuition and Fees

The State Legislature authorizes the State-funded institutions of higher education to set tuition rates. In 2011, the State Legislature granted flexibility to State-funded universities to set tuition levels for resident undergraduates, without limitation, through FY 2015, while creating new requirements that increase the amount of financial aid to be funded from revenues from tuition operating fees from 3.5 percent to 4.0 percent. Prior to the 2011-2013 biennium, the State Legislature prescribed a maximum allowable rate of tuition increase for various State-funded institutions. The State Legislature also granted flexibility to State-funded universities to set tuition levels for graduate and non-resident undergraduate students. The University prepares tuition rate proposals for the upcoming fiscal year, for consideration and approval by the Board. There are two components of fees: tuition (consisting of building fees and operating fees) plus service and activities (“S&A”) fees, some of which are State-mandated, and some of which are approved based on recommendations from students, through a formal process. The University increased resident undergraduate tuition by 11 percent for fiscal year 2012 and 11 percent for fiscal year 2013. S&A and other mandatory fees were unchanged or were increased by various, lower, percentages.

Resident and non-resident tuition and fees for the current academic year, and the four prior academic years are shown below. This information includes the building fee and operating fee components of tuition, and S&A fees.

Tuition and Fees

<u>Academic Year</u>	<u>Undergraduate Students</u>		<u>Graduate Students</u>	
	<u>Resident</u>	<u>Non-Resident</u>	<u>Resident</u>	<u>Non Resident</u>
2011-12	\$6,689	\$16,368	\$8,931	\$20,631
2010-11	6,063	14,781	8,220	18,954
2009-10	5,340	14,058	7,476	18,030
2008-09	4,701	13,368	6,795	17,148
2007-08	4,485	13,350	6,480	17,133

**Comparative Tuition and Fees for Academic Year 2011-12
Washington State Public Universities/Colleges**

	<u>Resident Undergraduate</u>	<u>Resident Graduate</u>
University of Washington	\$10,100	\$12,424
Washington State University	9,886	10,188
Central Washington University	7,050	8,112
Western Washington University	6,973	7,445
The Evergreen State College	6,909	7,568
Eastern Washington University	6,689	8,931

Source: Higher Education Coordinating Board, 2011-12 Tuition and Fee Rates

Student Financial Aid

The University's students received \$117.8 million in federal, state, institutional, and private donor financial aid and scholarships programs in fiscal year 2011 and awarded \$105.6 million in fiscal year 2010. The summary of aid delivered to students for the last two fiscal years is provided below.

Student Financial Aid (Dollars in millions)				
<u>Funding Source</u>	<u>FY 2010-11</u>	<u>Percent of Total</u>	<u>FY 2009-10</u>	<u>Percent of Total</u>
Federal	\$ 84.55	71.8%	\$ 74.60	70.7%
State	13.34	11.3	13.06	12.4
Institutional	13.94	11.8	11.20	10.6
Private donor/Other	<u>5.97</u>	<u>5.1</u>	<u>6.69</u>	<u>6.3</u>
Total	\$117.80	100.0%	\$105.55	100.0%
Programs				
Grants	\$33.42	28.4%	\$ 30.40	28.9%
Scholarships	5.68	4.8	5.00	4.8
Employment	1.54	1.3	1.60	1.5
Loans	66.05	56.1	58.80	55.7
Waivers	9.64	8.2	7.90	7.5
Third Party	<u>1.47</u>	<u>1.2</u>	<u>1.70</u>	<u>1.6</u>
Total	\$117.80	100.0%	\$105.55	100.0%

Beginning in 2011, the University is required by the State Legislature to reserve at least 4 percent of tuition operating fees for college-based student scholarships and assistance (up from 3.5 percent previously).

The majority of the University's students have repaid their federal student loans in a timely manner, as evidenced by the University's low default rates for the last several fiscal years. The University's official cohort default rate for the William D. Ford Federal Direct Loan Program was 4.4 percent for fiscal year 2009 (the most recent year for which data is available) and 5.1 percent for fiscal year 2008, substantially below the 25 percent rate which would endanger the ability of an institution to participate in federal student loan programs. The University's Financial Aid department adheres to the federal verification regulations to assure that the delivery of student aid funds is conducted accurately, expeditiously, and with integrity.

Financial Operations

Basis of Accounting

The financial statements of the University are presented in accordance with accounting principles generally accepted in the United States of America. The University reports as a special purpose government engaged in business-type activity as defined by Governmental Accounting Standards Board (“GASB”) Statement No. 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities*, as amended. The Statement of Revenues, Expenses and Changes in Net Assets from the audited financial statements for the past five fiscal years are displayed below. The audited financial report for fiscal year 2011 is included as Appendix C hereto.

Eastern Washington University Statement of Revenue, Expenses and Changes in Net Assets ⁽¹⁾ For Years Ended June 30

	2011	2010 ⁽²⁾	2009	2008	2007
Operating Revenues					
Student tuition and fees	\$ 71,713,690	\$ 62,929,127	\$ 58,785,256	\$ 52,715,587	\$ 52,177,934
Federal grants and contracts	6,913,458	7,079,584	6,139,942	5,638,855	14,777,355
State and local grants and contracts	19,885,110	19,981,016	21,023,002	19,817,896	19,159,382
Nongovernmental grants and contracts	2,889,378	2,561,360	3,265,903	3,257,678	4,935,088
Sales and services of auxiliary enterprises:					
Housing and Dining Services	9,956,047	9,930,681	10,046,153	9,317,195	9,423,845
Other auxiliary enterprises	8,843,584	8,274,418	9,189,124	8,864,478	9,601,831
Other Operating Revenue	<u>1,840,135</u>	<u>1,845,625</u>	<u>1,991,873</u>	<u>1,910,980</u>	<u>941,939</u>
Total Operating Revenue	\$122,041,402	\$112,601,811	\$110,441,253	\$101,522,669	\$111,017,374
Operating Expenses					
Salaries and wages	\$ 83,567,192	\$ 83,985,160	\$ 87,555,300	\$ 82,782,508	\$ 77,073,365
Benefits	26,855,198	25,353,218	24,367,365	24,207,705	22,105,771
Scholarships and fellowships	19,833,395	18,109,090	16,191,638	14,344,600	14,277,259
Utilities	4,472,062	4,439,337	4,715,725	5,232,127	5,161,245
Supplies & materials	35,501,253	33,128,556	32,048,678	34,880,094	32,129,748
Non-capitalized facility improvements (NCFI)	2,005,796	1,146,497	7,331,611	7,370,484	2,309,830
Other	4,401,857	3,321,349	3,740,556	4,704,234	4,146,893
Depreciation	<u>10,557,081</u>	<u>10,434,089</u>	<u>10,373,914</u>	<u>9,636,491</u>	<u>9,274,506</u>
Total Operating Expenses	\$187,193,834	\$179,917,296	\$186,324,787	\$183,158,243	\$166,478,617
Operating Loss	\$ (65,152,432)	\$ (67,315,485)	\$ (75,883,534)	\$ (81,635,574)	\$ (55,461,243)
Non-operating Revenue (Expenses):					
State Appropriation	\$ 44,008,542	\$ 48,868,359	\$ 56,196,000	\$ 57,997,000	\$ 51,547,040
State Appropriation - capital for NCFI	-	-	7,331,611	7,370,484	-
Investment income, gains and losses	5,581,226	4,278,984	4,267,560	5,035,449	7,493,133
Interest on capital asset-related debt	(1,633,882)	(1,716,857)	(1,801,226)	(1,902,185)	(1,579,215)
Other Non-operating Revenues	<u>18,787,749</u>	<u>14,849,161</u>	<u>10,229,557</u>	<u>8,844,398</u>	<u>265,000</u>
Net Non-operating Revenues	\$ 66,743,635	\$ 66,279,647	\$ 76,223,502	\$ 77,345,146	\$ 57,725,958
Gain before other Revenues, Expenses, gains or losses	\$ 1,591,203	\$ (1,035,838)	\$ 339,968	\$ (4,290,428)	\$ 2,264,715
State Appropriations - Capital	\$ 9,967,674	\$ 8,349,185	\$ 10,941,851	\$ 8,564,028	\$ 15,452,563
Gifts to permanent endowments	<u>27,617</u>	<u>27,547</u>	<u>200,308</u>	<u>600,000</u>	<u>100,872</u>
Total Other Revenues and Expenses	\$ 9,995,291	\$ 8,376,732	\$ 11,142,159	\$ 9,164,028	\$ 15,553,435
Increase in net assets	\$ 11,586,494	\$ 7,340,894	\$ 11,482,127	\$ 4,873,600	\$ 17,818,150
Net Assets					
Net assets – beginning of year	\$297,722,781	\$290,381,887	\$278,899,760	\$274,026,160	\$256,208,010
Net assets – end of year	\$309,309,275	\$297,722,781	\$290,381,887	\$278,899,760	\$274,026,160

⁽¹⁾ Derived from the Audited Financial Statements for the University.

⁽²⁾ 2010 was restated to reflect adjustments within certain classifications in order to conform to 2011 presentation, with no change in net assets.

Auditing

The University's Financial Statements are audited annually by the State Auditor's Office, which provides an opinion on the financial statements. The auditor's opinion on the financial statements is unqualified for the period ending June 30, 2011. Fund level statements for selected auxiliary enterprises are audited on an annual basis by an accounting firm. The auditor's opinions on these financial statements were each unqualified for the period ending June 30, 2011.

The State Auditor's Office also performs accountability audits to provide reasonable assurance of the University's compliance with legal requirements and to determine if adequate internal controls are in place. Prior to fiscal year 2011, the State Auditor's Office conducted compliance and accountability audits on an annual basis. Beginning with fiscal year 2011 the State Auditor's Office is conducting compliance and accountability audits for individual universities less frequently and changing to compliance and accountability reviews of consistent areas across the public institutions of higher education. In recent years, the University has had no audit findings.

In addition, the State Auditor's Office performs an annual audit of federal grant expenditures for the State as required by the Single Audit Act. This audit is performed on a statewide basis and includes major federal programs at the University if selected for audit.

State Funding for the University

The University is one of six public universities in the State, and has traditionally received significant State funding for operations and capital projects. Due to economic and financial stress over recent years, the State's level of funding has declined over the past three biennia. The Board has responsibility under State law for submitting a biennial budget plan for operations, as well as a list of prioritized capital project needs for which it is seeking funding, to the Governor for submission to the State Legislature.

State Funding for Operations. The State Legislature determines a budgeted level of operating support each year in part based on student FTE enrollment for each institution of higher education in the State. An institution may exceed the budgeted enrollment level but will not receive additional State funding for additional enrollment, in which case any additional cost must be borne by the institution. The State considers one FTE student to be an undergraduate carrying 15 credits or a graduate student with 10 credits. The level of funding for budgeted enrollment is determined by the State Legislature each year, and has declined in recent years. Historically, the State has provided operating support for academic buildings, based on a formula relating to estimated square footage of academic facilities, although the amount funded under the formula has declined in recent years.

Historically, enrollment demand at the University has exceeded State-budgeted enrollment level. The following table shows budgeted and actual enrollment for the University, for the current year and the prior five years.

Budgeted Versus Actual Enrollment
Annual Average FTE

<u>Fiscal Year</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Difference</u>
2012 ⁽¹⁾	8,734	9,948	1,214
2011	8,734	9,650	916
2010	8,477	9,501	1,024
2009	9,184	9,292	108
2008	8,996	9,121	125
2007	8,919	9,196	277

⁽¹⁾ Annual Average FTE Enrollment for 2012, and resulting difference, is estimated only.

State budget adjustments may be made during subsequent legislative sessions, which modify the level of State funding support for the University's operating budget. During the past three biennia, the State has made reductions to operating appropriations during the biennium, which required the University to make mid-year budget adjustments. While the State Legislature decreased funding for the University in recent biennia, it also provided the University with greater authority to increase tuition through 2015. In addition to increasing student tuition in recent years, the University has reduced the number of employees, eliminated programs, merged and consolidated units, and taken other actions to reduce operating expenditures. The University anticipates that the State Legislature may make additional reductions to the level of State appropriations for the 2011-13 biennia.

The following table shows the history of operating budget appropriations to the University for the five most recent biennia, which information reflects any subsequent State budget reductions.

Historical State Appropriations for University Operating Budget

	2011-13 Biennium	2009-11 Biennium	2007-09 Biennium	2005-07 Biennium	2003-05 Biennium
State Operating Appropriations	\$68,885,000	\$91,378,000	\$114,193,000	\$100,083,000	\$84,850,771

State Funding for Capital Projects. The State has historically funded capital projects for construction or renovation of academic buildings and minor capital improvements for the University in its capital budget. The University has historically funded capital projects for auxiliaries or student facilities with auxiliary revenues or special revenue bonds, which do not require State funding or approval. Prior to each biennium, the University provides a prioritized list of capital projects for which it is seeking State funding to the HECB, which is scored relative to capital project lists provided by other State-funded higher education institutions. The HECB then develops a ranked list of capital priorities for the State-funded higher education institutions for presentation to the Governor and the State Legislature. Capital projects are generally reviewed by the State Legislature over a cycle of three biennia, with funding of the costs of pre-design, design and construction appropriated in sequential biennia. The following table shows the history of capital budget appropriations to the University for the five most recent biennia, excluding capital re-appropriations.

Historical State Appropriations for University Capital Budget

	2011-13 Biennium	2009-11 Biennium	2007-09 Biennium	2005-07 Biennium	2003-05 Biennium
State Capital Appropriations	\$35,395,000	\$30,288,000	\$27,538,000	\$30,333,000	\$41,037,820

University Operating Budget

The information below shows the budget plan provided to the State for the 2009-11 and 2011-13 biennia, which reflect adjustments made during the biennial period. The biennial budget plans do not include auxiliary funds, service funds and internal recharges.

University Operating Budget

Fund	2011-13 Biennium ⁽¹⁾	2009-11 Biennium ⁽²⁾
State General Fund	\$ 68,885,000	\$ 91,378,000
Operating Fees Account	120,240,806	87,030,100
Local Fund	89,007,067	67,333,692
Scholarships	63,225,000	53,410,000
Grants and Contracts	29,900,000	31,867,000
Total Operating Funds	\$371,257,873	\$331,018,792

⁽¹⁾ Based on State General Funds currently appropriated by the State Legislature, and subject to change.

⁽²⁾ Based on actual State appropriations, after reductions during the biennium.

The following provides discussion for the University's major budget sources, as shown in the table above.

State Appropriations. The State Legislature built the 2011-13 State appropriation budget based on an assumed 11 percent tuition increase for in-state undergraduate students in each of fiscal year 2012 and 2013, although the University has discretion to determine the actual level of increase in tuition. The State's 2009-11 biennial maintenance level funding of \$123,861,000 was subsequently funded at \$91,378,000. Because the State continues to face budget challenges, the University anticipates that the State Legislature may reduce appropriations to the University for the 2011-13 biennium, and therefore the University has developed contingency plans for various levels of reduction in funding, pending the outcome of State budget deliberations.

EWU Operating Fees Account. Tuition Operating Fees represent the operating portion of the tuition charged to students attending the University, and investment income on the operating fees. Other than a set percentage of the operating fee that is mandated to be used for student financial aid (currently four percent), operating fees are budgeted and used for operation of the University, at the discretion of the Board.

Local Fund. The Local Fund is used by the University to account for dedicated revenue sources, such as indirect cost reimbursement on sponsored research projects, institutional administrative fees, miscellaneous student fees and interest earnings, self-sustaining program revenues, distance education, conferences, non-credit outreach courses, summer session tuition, and other sales of materials and services to university units or non-university customers.

Scholarships. Student aid programs are funded through federal, state, university, and privately funded scholarships. The budget represents student assistance programs that don't require student repayment. Pell Grants from the federal government and State Need Grants from the State provide support for tuition and housing to students from lower income families who might not otherwise be able to attend a university.

Grants and Contracts. Federal and state grant programs provide the largest source of funding in this category of activity, including student work study programs. The University's level of grant funded activity has remained relatively constant over the prior five years.

The Eastern Washington University Foundation

The Eastern Washington University Foundation (the "Foundation") is a legally separate entity that is organized to operate exclusively for the purposes of encouraging, promoting and supporting educational programs and scholarly pursuits at or in connection with the University. In addition to funds raised directly by the Foundation, all unrestricted gifts to the University, with the exception of those involving a State match of funds, are forwarded to the Foundation. Under GASB 39 criteria, the Foundation is an affiliated organization that meets the criteria for discrete presentation. The Foundation maintains separately audited financial statements, and the financial condition and activities are presented as a discretely reported component unit in the University's financial statements. The University provides the Foundation with operational staff, related office expenses, including office space, furniture and equipment necessary for their operations. The total amount of support provided by the University in fiscal year 2011 was \$1,087,472. The Foundation provided \$2,652,608 in scholarships and academic program support to the University in fiscal year 2011.

The following table shows the amount of net assets held by the Foundation at the end of the past five fiscal years.

Net Assets Held By the Foundation For Years Ended June 30

	2011	2010	2009	2008	2007
Unrestricted	\$ (330,160)	\$ (1,328,042)	\$ 302,805	\$ (49,925)	\$ (95,022)
Temporarily Restricted	5,511,381	4,783,404	1,635,722	4,218,794	5,742,236
Permanently Restricted	<u>15,512,661</u>	<u>14,895,668</u>	<u>14,264,087</u>	<u>13,990,174</u>	<u>13,280,930</u>
Total Net Assets	<u>\$20,693,882</u>	<u>\$18,351,030</u>	<u>\$16,202,614</u>	<u>\$18,159,043</u>	<u>\$18,928,144</u>

University Endowments

In addition to the endowments held by the EWU Foundation, the University manages separate endowments valued at \$7.88 million at June 30, 2011.

Investments

The University manages cash and investments centrally. The following shows the market value of the University's cash and investments as of June 30, 2010, as of June 30, 2011, and the most recent date for which data is available.

	January 31, 2012	June 30, 2011	June 30, 2010
Cash and Cash Equivalents	\$ 44,836,715	\$ 32,033,659	\$25,285,246
Certificate of Deposit	-	-	4,000,000
Other Deposits	-	-	24,104
US Government Agency Bonds	40,477,849	43,040,314	31,788,266
US Government Treasury Notes	10,163,140	12,194,080	14,169,330
Funds on Deposit with State Treasurer	4,812,943	4,664,418	6,728,259
Endowed Funds- Equity Fund	4,605,280	4,870,125	4,002,256
Endowed Funds- Fixed Income Fund	3,015,560	3,012,697	2,852,791
Charitable Gift Annuity-Equity Fund	257,472	267,388	-
Charitable Gift Annuity-Bond Fund	<u>172,260</u>	<u>181,338</u>	-
Total	<u>\$108,341,219</u>	<u>\$100,264,019</u>	<u>\$88,850,252</u>

State Normal School Permanent Fund

The University is a beneficiary of the State's Normal School Permanent Fund (the "Permanent Fund"), established under RCW 43.79.160 as a permanent endowment fund, the earnings from which are invested and used for the benefit of the State's four regional universities, including Central and Eastern Washington Universities, The Evergreen State College, and the University. The primary source of new principal for the Permanent Fund are revenues, primarily timber sales, from certain State lands granted to the State by the Federal government for state normal schools, and which are managed by the State's Department of Natural Resources. The principal and revenue of the Permanent Fund are invested by the State Treasurer's Office. For the year ending June 30, 2011, the University received \$3,342,076 in earnings and distributions from the

Permanent Fund, which, along with building fees, are used for capital purposes of the University, after appropriation by the State Legislature.

Risk Management

The University participates in a liability self-insurance program administered by the State. Premiums are based on actuarially determined projections and include allowances for both outstanding and current liabilities. The University assumes its potential liability and property losses for all properties, excluding auxiliary enterprises. Commercial coverage for property casualty loss and business interruption is purchased on facilities financed with bond proceeds when the bond resolution requires.

Pension Plans

The University offers four contributory pension plans that cover eligible employees: (i) the Public Employees' Retirement System ("PERS"), (ii) the Washington State Teachers' Retirement System ("TRS"), (iii) the Law Enforcement Officers' and Firefighters' Retirement System ("LEOFF") and (iv) the Eastern Washington University Retirement Plan ("EWURP"). Under these plans, the employee and employer contribute a percentage of the employee's compensation. PERS, TRS and LEOFF are cost sharing, multiple-employer defined benefit public retirement plans administered by the State. An actuarial valuation of these plans for University employees is not available on a stand-alone basis. See Appendix C, Note 12, for additional discussion of the University's pension plans.

EWURP. The EWURP is a defined contribution pension plan with a supplemental payment, when required. The EWURP plan covers faculty and certain other employees and is administered by the University. The University's Board is authorized to establish and amend benefit provisions. Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the employee's option. Employees have at all times a 100 percent vested interest in their accumulations employee contribution rates to EWURP are based on age, and range from 5 percent to 10 percent of salary. The University matches employee contributions to this plan, and all required contributions have been made.

The EWURP contributions for the year ending June 30, 2011, were \$3,966,378 for employees and \$3,966,378 for the University. Covered payroll, at June 30, 2011, was \$46,148,474.

PERS, TRS and LEOFF. PERS I provides retirement and disability benefits, and minimum benefit increases beginning at age 66 to eligible non-academic plan members hired prior to October 1, 1977. PERS II and III provide retirement and disability benefits, and a cost-of-living allowance, to eligible non-academic plan members hired on or after October 1, 1977. In addition, PERS III has a defined contribution component, which is fully funded by employee contributions. PERS defined benefit plan benefits are vested after an employee completes five years of eligible service.

TRS I provides retirement and disability benefits, a lump sum death benefit, and minimum benefits increases beginning at age 65 to certain eligible faculty hired prior to October 1, 1977. TRS II and III provide retirement benefits, and cost-of-living allowance to certain eligible faculty hired on or after October 1, 1977.

In addition TRS III has a defined contribution component which is fully funded by employee contributions. Defined benefit plan benefits are vested after an employee completes five years of eligible service.

LEOFF II provides retirement benefits and a cost of living allowance for eligible law enforcement officers. LEOFF System benefits are vested after an employee completes five years of eligible service.

The Washington State Legislature establishes or amends benefit provisions for PERS, TRS, and LEOFF. Additional information concerning plan descriptions and benefit provisions is included in a Comprehensive Annual Financial Report publicly available from the Washington System Department of Retirement System, P.O. Box 48380, Olympia, WA, 98504.

The required contribution rates expressed as a percentage of covered payroll at June 30, 2011, were as follows:

	<u>Employee</u>	<u>University</u>
<u>PERS</u>		
Plan I	6.00%	5.31%
Plan II	3.90	5.31
Plan III	5% to 15%	5.31
<u>TRS</u>		
Plan I	6.00%	6.14%
Plan II	3.36	6.14
Plan III	5% to 15%	6.14
LEOFF Plan II	8.46%	8.62%

The University's required contributions for each plan the year ending June 30, 2011, were as follows:

	University
PERS	\$1,274,297
TRS	6,196
LEOFF	44,628

Contributions rates for the University were updated effective July 1, 2011, and again, effective September 1, 2011. The current contribution rates, effective September 1, 2011, are shown in the table below.

	Employee	University
PERS		
Plan I	6.00%	7.25%
Plan II	4.64	7.25
Plan III	5% to 15%	7.25
TRS		
Plan I	6.00%	8.04%
Plan II	3.37	8.04
Plan III	5% to 15%	8.04
LEOFF Plan II	8.46%	8.62%

Unfunded Pension Liabilities

The University makes direct supplemental payments to qualifying retirees when the retirement benefit provided by the plan sponsor does not meet the benefit goal set forth in the plan, based on a one-time calculation at each employee's retirement date. While the University will continue making supplemental payments required for qualifying retirees, this feature of the EWURP no longer applies for employees hired after June 30, 2011. The University received an actuarial evaluation of the supplemental component of the EWURP during fiscal 2011, which determined the Unfunded Actuarial Accrued Liability as of June 30, 2011 was \$5,505,000, which is amortized over a 13 year period. The evaluation established an Annual Required Contribution of \$986,000. The actuarial assumptions included an investment rate of return of 4.25 percent and projected salary increases ranging from 2 percent to 4 percent.

Health care and life insurance programs for employees of the State are administered by the Washington State Health Care Authority (the "HCA"). The HCA calculates the premium amounts each year that are sufficient to fund the State-wide health and life insurance programs on a pay-as-you-go basis. These costs are passed through to individual state agencies based upon active employee headcount; the agencies pay the premiums for active employees to the HCA. The agencies may also charge employees for certain higher cost options elected by the employees.

The State retirees may elect coverage through state health and life insurance plans, for which they pay less than the full cost of the benefits, based on their age and other demographic factors.

The health care premiums for active employees, which are paid by the agency during employees' working careers, subsidize the "underpayments" of the retirees. An additional factor in the Other Post Employment Benefits ("OPEB") obligation is a payment that is required by the State Legislature to reduce the premiums for retirees covered by Medicare (an "explicit subsidy"). For fiscal 2011, this amount was \$183 per retiree eligible for parts A and B of Medicare, per month. This is also passed through to State agencies via active employees rates charged to the agency.

There is no formal State or University plan that underlies the subsidy of retiree health and life insurance. An actuarial study performed by the State Office of the State Actuary calculated the total OPEB obligation of the State at July 1, 2011. The actuary calculated the OPEB obligation based on individual state employee data, including age, retirement eligibility, and length of service. The probability of an employee of a given age and length of service retiring and receiving OPEB benefits is based on statewide historical data. Since sufficient specific employee data and other actuarial data are not available at levels below the statewide level, such amounts have not been determined nor recorded in the University's financial statements. The State's combined annual financial report can be obtained at: <http://www.ofm.wa.gov/cafr/> (which is not incorporated into this Official Statement by reference).

Funding Status of State Retirement Systems

While the University's contributions in fiscal year 2011 represented its full current liability under PERS, TRS and LEOFF, any unfunded pension benefit obligations within the systems could be reflected in future years as higher contribution rates. The website of the Office of the State Actuary includes information regarding the values and funding levels of these retirement plans.

According to the 2010 Actuarial Valuation Report (the "Report") prepared by the Office of the State Actuary, as of June 30, 2010, PERS Plans 2 and 3 and LEOFF Plan 2 had no unfunded actuarial accrued liability. According to the Report, the total unfunded actuarial accrued liability of PERS Plan 1 is \$3.238 billion and of TRS Plan 1 is \$1.439 billion, each as of June 30, 2010. The assumptions used by the State Actuary in calculating unfunded liability are an 8 percent annual rate of investment return, 4 percent general salary increases and 3.5 percent inflation. Liabilities were valued using the "Projected Unit Credit" cost method and assets valued using the actuarial value of assets, which defers a portion of the annual investment gains or losses over a period of up to eight years.

Assets for one plan may not be used to fund benefits for another plan; however, all employers in PERS and all employers in TRS are required to make contributions at rates (percentage of payroll) determined by the Office of the State Actuary every two years for the purpose of amortizing within a rolling 10-year period the unfunded actuarial accrued liability in PERS Plan 1 and TRS Plan 1, respectively. The State Legislature in 2009 established certain maximum contribution rates that began in 2009 and continue until 2015 and certain minimum contribution rates that are to become effective in 2015 and remain in effect until the actuarial value of assets in PERS Plan 1 and in TRS Plan 1 equal 100 percent of their respective actuarial accrued liability. These rates are subject to change by future legislation enacted by the State Legislature to address future changes in actuarial and economic assumptions and investment performance.

In 2011, the State Legislature ended the future automatic annual increase, which is a fixed dollar amount multiplied by the member's total years of service, for most retirees in PERS Plan 1 and TRS Plan 1. This action is expected to reduce the unfunded accrued actuarial liability in PERS Plan 1 and TRS Plan 1, although litigation challenging this legislation has been filed.

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APPENDIX B
COPY OF THE BOND RESOLUTION

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Exhibit A — Form of Escrow Agreement

* This Table of Contents and the Cover Page are for convenience of reference and are not intended to be a part of this resolution.

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EASTERN WASHINGTON UNIVERSITY
HOUSING AND DINING SYSTEM REVENUE BONDS, 2012

RESOLUTION NO. 2012-03

A RESOLUTION OF THE BOARD OF TRUSTEES OF EASTERN WASHINGTON UNIVERSITY; AUTHORIZING THE ISSUANCE AND SALE OF HOUSING AND DINING SYSTEM REVENUE BONDS OF THE UNIVERSITY IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$27,500,000 TO PROVIDE FUNDS TO MAKE CAPITAL IMPROVEMENTS TO THE HOUSING AND DINING SYSTEM, INCLUDING THE CONSTRUCTION OF A NEW RESIDENCE HALL; ESTABLISH COVENANTS FOR THE BENEFIT OF OWNERS OF THE BONDS AUTHORIZED HEREIN; PROVIDE FOR THE DISPOSITION OF THE BOND PROCEEDS; AUTHORIZE THE SALE OF THE BONDS AND THE PREPARATION OF A PRELIMINARY OFFICIAL STATEMENT; AND AUTHORIZE THE DESIGNATED UNIVERSITY REPRESENTATIVE TO MAKE CERTAIN DETERMINATIONS AND APPOINTMENTS WITH RESPECT TO THE BONDS UNDER THE TERMS AND CONDITIONS SET FORTH HEREIN.

ADOPTED: MARCH 23, 2012

Prepared by:

K&L GATES LLP

EASTERN WASHINGTON UNIVERSITY
HOUSING AND DINING SYSTEM REVENUE BONDS, 2012

RESOLUTION NO. 2012-03

A RESOLUTION OF THE BOARD OF TRUSTEES OF EASTERN WASHINGTON UNIVERSITY; AUTHORIZING THE ISSUANCE AND SALE OF HOUSING AND DINING SYSTEM REVENUE BONDS OF THE UNIVERSITY IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$27,500,000 TO PROVIDE FUNDS TO MAKE CAPITAL IMPROVEMENTS TO THE HOUSING AND DINING SYSTEM, INCLUDING THE CONSTRUCTION OF A NEW RESIDENCE HALL; ESTABLISH COVENANTS FOR THE BENEFIT OF OWNERS OF THE BONDS AUTHORIZED HEREIN; PROVIDE FOR THE DISPOSITION OF THE BOND PROCEEDS; AUTHORIZE THE SALE OF THE BONDS AND THE PREPARATION OF A PRELIMINARY OFFICIAL STATEMENT; AND AUTHORIZE THE DESIGNATED UNIVERSITY REPRESENTATIVE TO MAKE CERTAIN DETERMINATIONS AND APPOINTMENTS WITH RESPECT TO THE BONDS UNDER THE TERMS AND CONDITIONS SET FORTH HEREIN.

WHEREAS, Eastern Washington University, a regional university of the State of Washington (the "University"), maintains a housing and dining system (defined hereinafter as the "System") which is in need of expansion, renovation and improvement from time to time; and

WHEREAS, the University has authorized the issuance of housing and dining system revenue bonds in one or more series pursuant to Resolution No. 10-02-92, adopted on October 16, 1992 (the "Master Resolution"); and

WHEREAS, the University has outstanding its Housing and Dining Refunding Revenue Bonds, Series 2002, issued under date of August 15, 2002, pursuant to Series Resolution No. 6-21-02 and Supplemental Bond Resolution No. 7-30-02 (collectively, the "2002 Bond Resolution"), maturing on October 1, 2012 in the principal amount of \$535,000 and bearing interest at the rate of 3.80% (the "2002 Bonds"); and

WHEREAS, after due consideration it appears to the Board that the 2002 Bonds may be defeased prior to their scheduled maturity; and

WHEREAS, in order to effect such defeasance in the manner that will be most advantageous to the University, certain "Acquired Obligations" (hereinafter identified) shall be purchased; and

WHEREAS, it is in the best interest of the University to issue bonds payable from revenues of the System in the aggregate principal amount of not to exceed \$27,500,000 (the "Bonds"); and

WHEREAS, the Board of Trustees wishes to delegate authority to the President of the University or his designee, the Vice President for Business and Finance (hereinafter defined as the "Designated University Representative") to approve the manner of sale, series designation, whether the Bonds will be Covered Bonds, the Common Reserve Requirement, if any, the final principal amounts of the bonds, date of the bonds, denominations, interest rates, payment dates, redemption provisions, and maturity dates of such bonds to be fixed under such terms and conditions as are approved by this resolution;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF EASTERN WASHINGTON UNIVERSITY, as follows:

Section 1. Definitions. Unless otherwise defined herein, the terms used in this resolution, including the preamble hereto, as used in this resolution, the following definitions shall apply unless a different meaning clearly appears from the context:

Accreted Value means (1) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the initial principal amount of such Parity Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (2) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of such Parity Bonds plus the amount of discounted principal which has accreted since the date of issue. In each case, the Accreted Value shall be determined in accordance with the provisions of the resolution authorizing the issuance of such Parity Bonds.

Acquired Obligations means the Government Obligations acquired by the University under the terms of this resolution and the Escrow Agreement to effect the defeasance and refunding of the 2002 Bonds.

Aggregate Annual Debt Service means Annual Debt Service for all Outstanding Parity Bonds and all Parity Bonds authorized but unissued unless such Parity Bonds are authorized to provide permanent financing in connection with the issuance of short-term obligations.

Annual Debt Service means the total amount of Debt Service for any Parity Bond or series of Parity Bonds in any Fiscal Year or Base Period.

Approved Bid means the winning bid submitted for a series of the Bonds if such series is sold by Competitive Sale.

Balloon Maturity Bonds means any Parity Bonds that are so designated in the resolution pursuant to which such Parity Bonds are issued. Commercial paper (obligations with a maturity of not more than 270 days from the date of issuance) shall be deemed to be Balloon Maturity Bonds.

Base Period means any consecutive 12-month period selected by the University out of the 36-month period next preceding the date of issuance of an additional series of Parity Bonds.

Beneficial Owner means the person named on the Bond Register as having the right, without a physical certificate evidencing such right, to transfer, to hypothecate and to receive the payment of the principal of and the interest on each Parity Bond, when due.

Board means the Board of Trustees of the University, which exists and functions pursuant to chapter 28B.35 RCW, as heretofore and hereafter amended.

Bond Fund means the Eastern Washington University Housing and Dining System Revenue Bond Fund created in the office of the Treasurer of the University by Section 11 of this resolution.

Bond Insurance Policy means the insurance policy, if any, issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due as provided therein.

Bond Purchase Contract means, if the Bonds shall be sold by Negotiated Sale, the purchase contract relating to the Bonds between the University and the Underwriter.

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

Bonds means the Eastern Washington University, Housing and Dining System Revenue Bonds, 2012, authorized to be issued by Section 3 of this resolution.

Capital Appreciation Bonds means any Future Parity Bonds all or a portion of the interest on which is compounded, accumulated and payable only upon redemption or on the maturity date of such Capital Appreciation Bonds. If so provided in the resolution authorizing their issuance, Future Parity Bonds may be deemed to be Capital Appreciation Bonds for only a portion of their term. On the date on which Future Parity Bonds no longer are Capital Appreciation Bonds, they shall be deemed Outstanding in a principal amount equal to their Accreted Value.

Code means the Internal Revenue Code of 1986, as amended, and shall include all applicable regulations and rulings relating thereto.

Common Reserve Fund means the "Common Reserve Fund" established pursuant to Section 11 of this resolution.

Common Reserve Requirement means the lowest of (i) maximum Aggregate Annual Debt Service with respect to Outstanding Covered Bonds; (ii) 125% of average Annual Debt Service with respect to Outstanding Covered Bonds; and (iii) 10% of the initial principal amount of each series then Outstanding of Covered Bonds. The Common Reserve Requirement shall be determined and calculated as of the date of issuance of each series of Covered Bonds (and recalculated upon the issuance of a subsequent series of Covered Bonds and also, at the University's option, upon the payment of principal of Covered Bonds) and provided that if, as a result of the issuance of Future Parity Bonds, the increase in the Common Reserve Requirement of Future Parity Bonds would require that an amount be contributed to the Common Reserve

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period on any such Parity Bonds Outstanding and, with respect to Parity Bonds with mandatory sinking fund requirements, calculated on the assumption that mandatory sinking fund installments will be applied to the redemption or retirement of such Parity Bonds on the date specified in the resolution authorizing such Parity Bonds;

(c) with respect to all other series of Parity Bonds Outstanding, other than Fixed Rate Bonds, Original Issue Discount Bonds or Capital Appreciation Bonds, specifically including but not limited to Balloon Maturity Bonds and Parity Bonds bearing variable rates of interest, an amount for any period equal to the amount which would be payable (1) as principal on such Parity Bonds during such period (computed on the assumption that the amount of Parity Bonds Outstanding as of the date of such computation would be amortized in accordance with the mandatory redemption provisions, if any, set forth in the resolution authorizing the issuance of such Parity Bonds, or if mandatory redemption provisions are not provided, during a period commencing on the date of computation and ending on the date 30 years after the date of issuance to provide for essentially level annual debt service during such period) plus (2) interest at an interest rate equal to (A) the 10-year average of the SIFMA Municipal Swap Index, plus (B) 1.5%;

With respect to any Parity Bonds payable in other than U.S. Dollars, Debt Service shall be calculated as provided in the resolution authorizing the issuance of such Parity Bonds.

Debt Service also shall be net of any principal and/or interest (not including any amount deposited in any reserve account for payment of principal and/or interest) funded from proceeds of any Parity Bonds or from earnings thereon. Debt Service shall include reimbursement obligations (and interest accruing thereon) then owing to any Credit Facility Issuer or Liquidity Facility Issuer to the extent authorized herein or in another resolution.

Designated University Representative means the President of the University or his designee, the Vice President for Business and Finance.

DTC means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Bonds pursuant to Section 6 hereof.

Escrow Agent means the escrow agent as selected by the Designated University Representative in accordance with Section 13 of this resolution.

Escrow Agreement means the Escrow Deposit Agreement to be dated as of the date of closing and delivery of the Bonds substantially in the form attached hereto as Exhibit A.

Federal Tax Certificate means the certificate of that name executed and delivered by the University at the time of issuance and delivery of the Bonds.

Fiscal Year means the fiscal year of the University which currently is July 1 through June 30.

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Fund that is more than the Tax Maximum, the Common Reserve Requirement shall be adjusted to require a contribution equal to the Tax Maximum.

Competitive Sale means the process by which the Bonds (or a portion of them) are sold through the public solicitation of bids from underwriting firms.

Consultant means at any time an independent consultant or other expert appointed by the University to perform the duties of the Consultant as required by this resolution. The term Consultant shall also include any independent public accounting firm appointed by the University to make such calculation or to provide such certificate or the financial advisor appointed by the University to make such calculation or to provide such certificate.

Covered Bonds means any Parity Bonds, designated as Covered Bonds secured by the Common Reserve Fund.

A **Credit Event** occurs when (a) a Qualified Letter of Credit terminates, (b) the issuer of Qualified Insurance or a Qualified Letter of Credit shall become insolvent or no longer be in existence, or (c) a Qualified Letter of Credit or Qualified Insurance no longer meets the requirements established therefor in the definition thereof.

Credit Facility means a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby purchase agreement or other financial instrument issued by a third party whose debt obligations are rated at the time of issuance of such Credit Facility by at least two Rating Agencies at rating(s) not lower than the then current long term rating on the Parity Bonds which Credit Facility obligates a third party to make payment or provide funds for the payment of financial obligations of the University, including but not limited to payment of the principal of, interest on or purchase price of Parity Bonds or meeting reserve requirements therefor. For purposes of this resolution, a Credit Facility includes any Qualified Insurance and/or Qualified Letter of Credit.

Credit Facility Issuer means the issuer of any Credit Facility.

Debt Service means, for any period of time and for the purpose of calculating the Common Reserve Requirement,

(a) with respect to any Outstanding Original Issue Discount Bonds or Capital Appreciation Bonds that are not designated as Balloon Maturity Bonds in the resolution authorizing their issuance, the principal amount equal to the Accreted Value thereof maturing, converting or scheduled for redemption in such period, including the interest payable during such period;

(b) with respect to any Outstanding Fixed Rate Bonds, an amount equal to (1) the principal amount of such Parity Bonds due or subject to mandatory redemption during such period and for which no sinking fund installments have been established, (2) the amount of any payments required to be made during such period into any sinking fund established for the payment of the principal of any such Parity Bonds, plus (3) all interest payable during such

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Fitch means Fitch, Inc., organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such organization shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Fitch shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Moody's) designated by the Designated University Representative.

Fixed Rate Bonds means those Parity Bonds other than Capital Appreciation Bonds, Original Issue Discount Bonds or Balloon Maturity Bonds issued under a resolution in which the rate of interest on such Parity Bonds is fixed and determinable through their final maturity or for a specified period of time. If so provided in the resolution authorizing their issuance, Parity Bonds may be deemed to be Fixed Rate Bonds for only a portion of their term. Fixed Rate Bonds also shall include two or more series of Parity Bonds simultaneously issued under a resolution and which, collectively, bear interest at a fixed and determinable rate for a specified period of time.

Future Parity Bonds means those revenue bonds or other revenue obligations which may be issued by the University in the future as Parity Bonds.

Government Obligations means obligations defined as such in Chapter 39.53 RCW as now or hereafter amended.

Gross Revenue means all income and revenue derived by the University from time to time from any source whatsoever, from the ownership and operation of the System, including rentals, fees, charges, special student fees charged to all or any segment of the student population, if pledged to the System, e.g., Pledged S&A Fees, and including interest income and federal or state grants received for the purpose of paying debt service on Parity Bonds, but shall not include:

(a) the proceeds of any borrowing by the University and the earnings thereon (other than earnings on proceeds deposited in reserve funds);

(b) state or federal grants or substitutes therefor allocated to capital projects;

(c) payments made under Credit Facilities issued to pay or secure the payment of a particular series of Parity Bonds;

(d) proceeds of insurance or condemnation proceeds other than business interruption insurance;

(e) income and revenue of the System separately pledged and used by it to pay and secure the payment of the principal of and interest on any issue or series of Special Revenue Bonds of the University issued to acquire, construct, equip, install or improve part or all of the particular facilities from which such income and revenue are derived, provided that nothing in this subparagraph (e) shall permit the withdrawal from Gross Revenue of any income or revenue derived or to be derived by the University from any income producing facility which shall have been contributing to Gross Revenue prior to the issuance of such Special Revenue Bonds; and

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(f) income from investments irrevocably pledged to the payment of bonds issued or to be refunded under any refunding bond plan of the University.

Letter of Representations means a blanket issuer letter of representations from the University to DTC.

Liquidity Facility means a line of credit, standby purchase agreement or other financial instrument or any combination of the foregoing, which obligates a third party to make payment or to provide funds for the payment of the purchase price of Parity Bonds.

Liquidity Facility Issuer means the issuer of any Liquidity Facility.

Moody's means Moody's Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term Moody's shall be deemed to refer to any other nationally recognized securities rating agency (other than Fitch or S&P) selected by the Designated University Representative.

MSRB means the Municipal Securities Rulemaking Board or any successor to its functions. Until otherwise designated by the MSRB or the Securities and Exchange Commission, any information, reports or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org.

Negotiated Sale means the process by which the Bonds (or a portion of them) are sold by negotiation to one or more underwriting firms selected by the Designated University Representative.

Net Proceeds, when used with reference to the Bonds, means the face amount of the Bonds, plus accrued interest and original issue premium, if any, and less original issue discount and proceeds deposited into the Common Reserve Fund, if any.

Net Revenues means Gross Revenue less any part thereof that must be used to pay Operating Expenses.

Net Revenues as Adjusted means Net Revenues, determined as a result of adjustments to either Gross Revenue and Operating Expenses, regardless of then applicable generally accepted accounting principles, to remove depreciation and other non-cash revenues or expenses in order to more fairly reflect the actual revenues available for debt service.

Official Notice of Sale means, if the Bonds shall be sold by Competitive Sale, the notice of bond sale authorized to be given in Section 18 of this resolution.

Official Statement means the Official Statement of the University pertaining to the sale of the Bonds, in either preliminary or final form.

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Project Fund means the "Residence Hall Project Fund," including any accounts therein authorized to be created pursuant to Section 13 of this resolution for the purpose of holding all or a portion of the proceeds of the Bonds.

Qualified Insurance means any non-cancelable municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies) (i) which insurance company or companies are rated, at the time of issuance of the policy or surety bond, as the case may be, in one of the two highest Rating Categories by one or more of the Rating Agencies for unsecured debt or insurance underwriting or claims paying ability or (ii) if as a result of the issuance of its policies, the obligations insured thereby to be rated in one of the two highest Rating Categories at the time of issuance of the policy or surety bond by one or more of the Rating Agencies.

Qualified Letter of Credit means any irrevocable letter of credit issued by a financial institution, which institution maintains an office, agency or branch in the United States and is rated, at the time of issuance of the letter of credit, in one of the two highest long-term Rating Categories by one or more of the Rating Agencies.

Rate Covenant has the meaning given such term in Section 9(a) of this resolution.

Rating Agency means Fitch, Moody's or S&P.

Rating Category means the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

Registered Owner means the person named as the registered owner of a Bond in the Bond Register. The Registered Owner shall be deemed to be the owner of the Bonds.

Registrar means the fiscal agency of the State of Washington, appointed by this resolution for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, and effecting transfer of ownership of the Bonds.

Revenue Fund means, collectively, the Eastern Washington University Housing and Dining System Revenue Fund and any other fund established in the office of the Treasurer for the receipt of Gross Revenues.

Rule means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

S&A Fees, fees charged to all students registered at the University pursuant to RCW 28B.15.041 through RCW 28B.15.045, inclusive, as amended, or any successor statutes for the purpose of funding student activities and programs of the University.

SEC means the Securities and Exchange Commission.

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Operating Expenses means the current expenses incurred for operation or maintenance of the System (other than Special Facilities), as defined under generally accepted accounting principles, including an allocable share of insurance expenses and other administrative expenses of the University directly related to the operation of the System (but not general administrative expenses of the University or other administrative service charges of the University not directly related to the operation of the system), excluding any allowances for depreciation or amortization or interest on any obligations of the System incurred in connection with and payable from Gross Revenue.

Outstanding, when used as of a particular time with reference to Parity Bonds, means all Parity Bonds except those identified as no longer "Outstanding" under the terms established in the respective resolution authorizing their issuance.

Parity Bonds means any revenue obligations issued by the University pursuant to a resolution, which Parity Bonds have a lien upon the Net Revenues for the payment of the principal thereof and interest thereon equal to the lien created upon Net Revenues for the payment of the principal of and interest on the Bonds, and the term **Parity Bonds** shall mean and include the Bonds and any Future Parity Bonds. The term **Parity Bonds** may include reimbursement obligations of the University to the issuer of a Credit Facility.

Private Person means any natural person engaged in a trade or business or any trust, estate, partnership, association, company or corporation.

Private Person Use means the use of property in a trade or business by a private person if such use is other than as a member of the general public. Private Person Use includes ownership of the property by the private person as well as other arrangements that transfer to the private person the actual or beneficial use of the property (such as a lease, management or incentive payment contract or other special arrangement) in such a manner as to set the private person apart from the general public. Use of property as a member of the general public includes attendance by the private person at municipal meetings or business rental of property to the private person on a day-to-day basis if the rental paid by such private person is the same as the rental paid by any private person who desires to rent the property. Use of property by nonprofit community groups or community recreational groups is not treated as Private Person Use if such use is incidental to the governmental uses of property, the property is made available for such use by all such community groups on an equal basis and such community groups are charged only a *de minimis* fee to cover custodial and utility expenses.

Pledged S&A Fees means the S&A Fees historically established by the Board and pledged to prior housing and dining system revenue bond issues, set in the dollar amount of \$21 per quarter, including summer session, for each full-time student enrolled at the University which shall continue to be pledged for the benefit of Owners of Parity Bonds, plus any additional fees which are levied upon all full-time and/or part-time students by the Board and specifically pledged in the future by the Board to be maintained in substance for any period while Parity Bonds are Outstanding.

Project means the projects and improvements to the facilities of the System described and authorized by Section 2 of this resolution.

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SIFMA Municipal Swap Index means the Securities Industry and Financial Markets Association Municipal Swap Index as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or as otherwise designated by the Securities Industry and Financial Markets Association; *provided*, however, that, if such index is no longer produced by Municipal Market Data, Inc. or its successor, then SIFMA Municipal Swap Index shall mean such other reasonably comparable index selected by the Designated University Representative.

S&P means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term S&P shall be deemed to refer to any other nationally recognized securities rating agency (other than Moody's or Fitch) selected by the Designated University Representative.

2002 Bonds means the Housing and Dining System Refunding Revenue Bonds, Series 2002 of the University issued pursuant to the Master Resolution adopted on October 16, 1992, a Series Resolution (No. 6-21-02) adopted on June 21, 2002, and Series Supplemental Resolution (No. 7-30-02) adopted on July 30, 2002.

Special Revenue Bonds means any issue or series of revenue bonds, revenue warrants or other revenue obligations of the University issued to directly or indirectly acquire (by purchase, lease or otherwise), construct, equip, install or improve part or all of particular facilities and which are payable from and secured by the income and revenue from such facilities.

System means the existing housing and dining system owned by the University as the same shall be added to, improved and extended out of the proceeds of the sale of the Parity Bonds and as such System may be added to, improved and extended, for as long as Parity Bonds are Outstanding. The System includes lands, buildings and facilities for residence halls, apartments and dining facilities for students, faculty and employees and related administrative and service facilities.

Tax Maximum means the maximum dollar amount permitted by the Code to be allocated to a bond reserve account from bond proceeds without requiring a balance to be invested at a restricted yield.

Term Bonds means any Bonds designated as "Term Bonds" in an Approved Bid for such Bonds if the Bonds are sold by Competitive Sale or in the Bond Purchase Contract if the Bonds are sold by Negotiated Sale and shall include any Parity Bonds hereafter identified as Term Bonds in the resolution authorizing their issuance.

Treasurer means the person or persons designated as Treasurer of the University by the Board and specifically authorized to act as Treasurer under RCW 28B.35.195 and RCW 28B.40.195, and also shall include any designee of the Treasurer for the performance of specific functions under this resolution.

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Uncovered Bonds means Parity Bonds that will not be secured by the Common Reserve Fund.

University means Eastern State University, an institution of higher education of the State, the main campus of which is located in Cheney, Washington.

Underwriter means, the underwriter(s) of the Bonds if the Bonds are sold by Negotiated Sale or the successful bidder submitting the Approved Bid if the Bonds are sold by Competitive Sale.

Rules of Interpretation. In this resolution, unless the context otherwise requires:

(a) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this resolution, refer to this resolution as a whole and not to any particular article, section, subdivision or clause hereof, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of this resolution;

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(d) Any headings preceding the text of the several articles and sections of this resolution, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this resolution, nor shall they affect its meaning, construction or effect;

(e) All references herein to "articles," "sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and

(f) Words importing the singular number include the plural number and vice versa.

In this resolution, the Treasurer is authorized to create a number of "funds" and/or "accounts." In each case, the Treasurer may designate each such fund or account in his or her discretion as a fund or as an account, regardless of its designation in this resolution.

Section 2. Authorization of Project. The System requires additions and certain improvements to its facilities including designing, constructing, acquiring and equipping a new residence hall (the "Project"). The University hereby authorizes the undertaking of the Project. To the extent Bond proceeds are available after completion of the Project, they may be used to fund other projects within the System as approved by the Board of Trustees.

The total cost of the Project is estimated to be \$25,000,000, all of which is expected to be paid from proceeds of the Bonds.

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uncertificated form, the selection of such Bonds to be redeemed shall be made as provided in this subsection (c). If the University redeems at any one time fewer than all of the Bonds having the same series and maturity date, the particular Bonds or portions of Bonds of such series and maturity to be redeemed shall be selected by lot (or in such other manner determined by the Registrar) in increments of \$5,000. In the case of a Bond of a denomination greater than \$5,000, the University and Registrar shall treat each Bond as representing such number of separate Bonds each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of such Bond by \$5,000. In the event that only a portion of the principal sum of a Bond is redeemed, upon surrender of the such Bond at the principal office of the Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Bond or Bonds of like series, maturity and interest rate in any of the denominations herein authorized.

(d) **Notice of Redemption**

(1) **Official Notice.** Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption (which notice, in the case of a conditional redemption, shall state that redemption is conditioned by the Registrar on the receipt of sufficient funds for redemption) shall be given by the Registrar on behalf of the University by mailing a copy of an official redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Register or at such other address as is furnished in writing by such Registered Owner to the Registrar.

All official notices of redemption shall be dated and shall state:

(A) the redemption date,

(B) the redemption price,

(C) if fewer than all Outstanding Bonds are to be redeemed, the identification by series and maturity (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,

(D) that on the redemption date, provided that in the case of optional redemption the full amount of the redemption price is on deposit therefor, the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date,

(E) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Registrar, and

(F) that the notice of redemption may be withdrawn and the proposed redemption of Bonds cancelled if for any reason funds will not be available on the date fixed for redemption.

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Section 3. Authorization of Bonds; Bond Details.

(a) **Authorization of the Bonds.** For the purpose of paying the costs of the Project and defasing the 2002 Bonds, and paying the costs of issuance, the University shall issue and sell its housing and dining system revenue bonds in the aggregate principal amount of not to exceed \$27,500,000 (the "Bonds").

(b) **Bond Details.** The Bonds shall be issued in one or more series, designated as "Eastern Washington University Housing and Dining System Revenue Bonds, 2012", with such additional designations as shall be deemed necessary or appropriate for purposes of identification, shall be dated as of the date of initial delivery, shall be fully registered as to both principal and interest, shall be in the denomination of \$5,000 each, or any integral multiple thereof, provided that no Bond shall represent more than one maturity, shall be numbered separately in such manner and with any additional designation as the Registrar deems necessary for purposes of identification, bear interest at the per annum rates, payable on the dates and maturing in principal amounts set forth in the Approved Bid or Bond Purchase Contract, pursuant to Section 18. The Bonds shall be obligations only of the Bond Fund and the Common Reserve Fund, if any, and shall be payable and secured as provided herein. The Bonds are not general obligations of the University. The Bonds shall not constitute an indebtedness of the University within the meaning of the constitutional provisions and limitations of the State of Washington.

Section 4. Right of Prior Redemption and Purchase.

(a) **Optional Redemption.** The Bonds shall be subject to optional redemption on the dates, at the prices and under the terms set forth in the Bond Purchase Contract or Approved Bid approved by the Designated University Representative pursuant to Section 18.

(b) **Mandatory Redemption.** The Bonds shall be subject to mandatory redemption to the extent, if any, set forth in the Bond Purchase Contract or Approved Bid and as approved by the Designated University Representative pursuant to Section 18.

(c) **Purchase of Bonds.** The Bonds may be purchased at any time, to the extent that such Bonds are offered to the University at any price deemed reasonable by the Treasurer but only to the extent of Gross Revenue available after providing for the payments required by paragraphs first through sixth of Section 10 of this resolution.

(d) **Effect of Optional Redemption/Purchase.** To the extent that the University shall have optionally redeemed or purchased any Term Bonds since the last scheduled mandatory redemption of such Term Bonds, the University may reduce the principal amount of the Term Bonds of the same maturity to be redeemed in like aggregate principal amount. Such reduction may be applied in the year specified by the Designated University Representative.

(c) **Selection of Bonds for Redemption.** As long as the Bonds are held in book-entry only form, the maturities to be redeemed shall be selected by the University and, within a series and maturity, the selection of Bonds of such series to be redeemed shall be made in accordance with the operational arrangements in effect at DTC. If the Bonds are no longer held in

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Unless the University has revoked the notice of redemption, on or prior to any redemption date, the Treasurer shall deposit with the Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

Failure to give notice as to redemption of any Bond or any defect in such notice shall not invalidate redemption of any other Bond.

Notwithstanding the foregoing, if the Bonds are then held in book-entry only form, notice of redemption to any Registered Owner or Beneficial Owner of Bonds, shall be given only in accordance with the operational arrangements then effect at DTC but not less than twenty (20) days prior to the date of redemption.

(2) **Effect of Notice; Bonds Due.** Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date (unless in the case of conditional redemption the conditions have not been fulfilled and the notice or redemption therefore withdrawn), become due and payable at the redemption price therein specified, and from and after such date such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the redemption price. Installments of interest due on or prior to a mandatory redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the Registered Owner a new Bond or Bonds of the same series and maturity in the aggregate amount of the unpaid principal. All Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued.

(3) **Additional Notice.** In addition to the foregoing notice, further notice may be given by the University as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the Bonds as originally issued; (C) the rate of interest borne by each Bond being redeemed; (D) the maturity date of each Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Bonds being redeemed. Each further notice of redemption may be sent at least 20 days before the redemption date to each party entitled to receive notice pursuant to Section 20 of this resolution, and to the original purchaser of the Bonds or to its business successors, if any, and to such persons (including securities repositories who customarily at the time receive notices of redemption in accordance with rules promulgated by the Securities and Exchange Commission) and with such additional information as the Registrar deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Bonds.

(4) **Use of CUSIP Numbers.** Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

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(5) Amendment of Notice Provisions. The foregoing notice provisions of this Section 4, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

Section 5. Place and Medium of Payment. The principal of, premium, if any, and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. For so long as all Bonds are in fully immobilized form, such payments of principal and interest thereon shall be made as provided in the operational arrangements of DTC as referred to in the Letter of Representations.

In the event that the Bonds are no longer in fully immobilized form, interest on the Bonds shall be paid by check or draft mailed (or by wire transfer to a Registered Owner of such Bonds in aggregate principal amount of \$1,000,000 or more who so requests) to the Registered Owners of the Bonds at the addresses for such Registered Owners appearing on the Bond Register on the 15th day of the month preceding the interest payment date. Principal and premium, if any, of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the principal office of the Registrar.

Section 6. Registration.

(a) Registrar/Bond Register. The University hereby specifies and adopts the system of registration for the Bonds as approved by the State Finance Committee of the State of Washington from time to time. The University shall cause a bond register to be maintained by the Registrar. So long as any Bonds remain Outstanding, the Registrar shall make all necessary provisions to permit the exchange and registration of transfer of Bonds at its principal corporate trust office. The Registrar may be removed at any time at the option of the Treasurer upon prior notice to the Registrar, the Insurer, and a successor Registrar appointed by the Treasurer. No resignation or removal of the Registrar shall be effective until a successor shall have been appointed and until the successor Registrar shall have accepted the duties of the Registrar hereunder. The Registrar is authorized, on behalf of the University, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds and this resolution and to carry out all of the Registrar's powers and duties under this resolution. The Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Bonds.

(b) Registered Ownership. The University and the Registrar, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes and neither the University nor the Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in Section 5 hereof, but such Bond may be transferred as herein provided. All such payments made as described in Section 5 shall be valid and shall satisfy and discharge the liability of the University upon such Bond to the extent of the amount or amounts so paid.

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(4) In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (B) the Treasurer determines that it is in the best interest of the Beneficial Owners of the Bonds that such owners be able to obtain such bonds in the form of Bond certificates, the ownership of such Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held in fully-immobilized form. The Treasurer shall deliver a written request to the Registrar, together with a supply of definitive Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt by the Registrar of all then outstanding Bonds together with a written request of the Treasurer to the Registrar, new Bonds shall be issued in the appropriate denominations and registered in the names of such persons as are requested in such written request.

(e) Registration of Transfer of Ownership or Exchange; Change in Denominations. If the Bonds are no longer held in book-entry only form, the transfer of any Bond may be registered and Bonds may be exchanged, but no transfer of any such Bond shall be valid unless such Bond is surrendered to the Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Registrar. Upon such surrender, the Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same series, date, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and canceled Bond. If the Bonds are no longer held in book-entry only form, any Bond may be surrendered to the Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same series, date, maturity and interest rate, in any authorized denomination or denominations. The Registrar shall not be obligated to register the transfer or to exchange any Bond during the 15 days preceding the date any such Bond is to be redeemed.

(f) Registrar's Ownership of Bonds. The Registrar may become the Registered Owner of any Bond with the same rights it would have if it were not the Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as member of, or in any other capacity with respect to, any committee formed to protect the right of the Registered Owners of Bonds.

(g) Registration Covenant. The University covenants that, until all Bonds have been surrendered and canceled, it will maintain a system for recording the ownership of each Bond that complies with the provisions of Section 149 of the Code.

Section 7. Parity Bonds.

(a) Future Parity Bonds - General Provisions. All Parity Bonds authorized to be issued, upon fulfillment of the conditions of this resolution, shall be issued on a parity of lien with one another, having an equal lien and charge upon Net Revenues.

The University hereby covenants and agrees with the owners and holders of each of the Parity Bonds for as long as any of the same remain Outstanding that it will not issue any Parity

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(c) DTC Acceptance/Letter of Representations. To induce DTC to accept the Bonds as eligible for deposit at DTC, the University has executed and delivered a Letter of Representations to DTC.

Neither the University nor the Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Bonds in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice which is permitted or required to be given to Registered Owners under this resolution (except such notices as shall be required to be given by the University to the Registrar or to DTC (or any successor depository)), or any consent given or other action taken by DTC (or any successor depository) as the Registered Owner. For so long as any Bonds are held in fully immobilized form hereunder, DTC or its successor depository shall be deemed to be the Registered Owner for all purposes hereunder (except as provided in Section 20 of this resolution), and all references herein to the Registered Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Bonds.

If any Bond shall be duly presented for payment and funds have not been duly provided by the University on such applicable date, then interest shall continue to accrue thereafter on the unpaid principal thereof at the rate stated on such Bond until such Bond is paid.

(d) Use of Depository.

(1) The Bonds shall be registered initially in the name of "CEDE & CO.," as nominee of DTC, with one Bond maturing on each of the maturity dates for the Bonds in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such immobilized Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the Treasurer pursuant to subsection (2) below or such substitute depository's successor; or (C) to any person as provided in subsection (4) below.

(2) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Treasurer to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Treasurer may hereafter appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) In the case of any transfer pursuant to clause (A) or (B) of subsection (1) above, the Registrar shall, upon receipt of all outstanding Bonds, together with a written request of the Treasurer, issue a single new Bond for each maturity then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the Treasurer.

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Bonds that constitute a charge and lien upon the Net Revenues equal to the lien thereon of Outstanding Parity Bonds, unless the University is not in default under this resolution, and the University meets the conditions set forth in Section 8 or meets either of the conditions described in (1) or (2) below.

(1) Certificate Required. There shall have been delivered prior to or on the date of the issuance of Future Parity Bonds, either:

(A) a certificate prepared as provided below and executed by the Designated University Representative stating that Net Revenues as Adjusted during the Base Period were at least equal to 125 percent of projected Aggregate Annual Debt Service with respect to all Parity Bonds then Outstanding and the Future Parity Bonds then proposed to be issued; or

(B) a Consultant's certificate, prepared as provided below, stating that projected Net Revenues as Adjusted will be at least equal to 125 percent of projected Aggregate Annual Debt Service with respect to all Parity Bonds then Outstanding and the Future Parity Bonds then proposed to be issued.

The Designated University Representative's certificate, described in (A) above shall be based upon the financial statements of the University for the Base Period, corroborated by the certified statements of the Division of Municipal Corporations of the State Auditor's office of the State of Washington, or any successor to the duties thereof, or by an independent certified public accounting firm for the Base Period. If the audited financial statements for the most recently completed fiscal year are not yet available, the Designated University Representative's certificate may be based on unaudited financial statements certified by the Treasurer.

In making the computations of projected Net Revenues for the purpose of certifying compliance with the conditions specified in (B) above, the Consultant shall use as a basis the Net Revenues for the Base Period corroborated by the certified statements of the Division of Municipal Corporations of the State Auditor's office of the State, or any successor to the duties thereof, or by an independent certified public accounting firm for the Base Period. If the audited financial statements for the most recently completed fiscal year are not yet available, the Consultant's certificate may be based on unaudited financial statements certified by the University's Treasurer. The Consultant shall make such adjustments or modifications to Net Revenues (including those described in establishing Net Revenues as Adjusted) in order to compute projected Net Revenues as he/she/it deems reasonable as set forth in writing to the University. Such adjustments may include, but not be limited to a Net Revenue adjustment to reflect a full twelve months' income from the rates and charges effective on the date of such certificate if there has been any change in such rates and charges during or after such 12 consecutive month period.

Compliance with the requirements of this Section 7 shall be demonstrated conclusively by a certificate delivered in accordance with this subsection (a)(1).

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(2) No Certificate Required. A certificate shall not be required as a condition to the issuance of Parity Bonds:

(A) if the Parity Bonds are being issued for refunding purposes upon compliance with the provisions of Section 8; or

(B) if the Parity Bonds are being issued to pay costs of construction of System facilities for which indebtedness has been issued previously and the principal amount of such indebtedness being issued for completion purposes does not exceed an amount equal to an aggregate of 15% of the principal amount of indebtedness theretofore issued for such System capital improvements and reasonably allocable to the improvements to be completed as shown in a written certificate of the Designated University Representative, stating that the scope, nature and purpose of such improvements has not materially changed and that the net proceeds of such indebtedness being issued for completion purposes will be sufficient, together with other available funds of the University, to complete such improvements.

(b) Liens Subordinate to Parity Bonds. Nothing herein contained shall prevent the University from issuing revenue bonds or other obligations which are a charge upon the Net Revenues junior or inferior to the payments required by this resolution to be made out of such Net Revenues to pay and secure the payment of any Parity Bonds. Such junior or inferior obligations shall not be subject to acceleration. This prohibition against acceleration shall not be deemed to prohibit mandatory tender or other tender provisions with respect to variable rate obligations.

Section 8. Refunding Bonds. The University may issue Future Parity Bonds for refunding purposes, as follows:

(a) Future Parity Bonds may be issued at any time for the purpose of refunding (including by purchase) Parity Bonds including amounts to pay principal thereof and redemption premium, if any, and interest thereon to the date of redemption (or purchase), any deposits to a reserve account or to purchase a Qualified Letter of Credit or Qualified Insurance, and the expenses of issuing the Parity Bonds and of effecting such refunding upon delivery of a certificate as provided in subsection (a)(1) of Section 7. Such refunding Parity Bonds also may be issued without a certificate if:

(1) the latest maturity of the Future Parity Bonds to be issued is not later than the latest maturity of the Parity Bonds to be refunded (were such refunding not to occur), and the increase in Annual Debt Service as a result of such refunding in any year is less \$25,000; or

(2) the latest maturity of the Parity Bonds to be issued is later than the latest maturity of the Parity Bonds to be refunded (were such refunding not to occur), and the Maximum Annual Debt Service on all Parity Bonds to be Outstanding after the issuance of the refunding Parity Bonds shall not be greater than Maximum Annual Debt Service were such refunding not to occur.

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(c) Operations. The University will at all times keep and maintain the System in good repair, working order and condition, and will at all times operate the same and the business or businesses in connection therewith in an efficient manner and at a reasonable cost.

(d) Sale/Condemnation. In the event any portion of the System which contributes in some measure to the Gross Revenue is sold by the University or is condemned pursuant to the power of eminent domain, the University will apply the net proceeds of such sale or condemnation to capital expenditures upon or for the System which will contribute in some measure to the Gross Revenue or to the retirement of Parity Bonds then Outstanding. Notwithstanding the foregoing, the University may withdraw a facility from the System or abandon or dispose of any facility if the Designated University Representative certifies prior to such abandonment or disposition that the production of Net Revenues by the facility to be abandoned is no longer economically feasible; and the estimated Net Revenue of the remaining System facilities for the then next succeeding fiscal year, plus the estimated Net Revenues of the facilities, if any, to be added to the System, will satisfy the Rate Covenant.

(e) Insurance/Facilities. The University will keep all facilities of the System insured, if such insurance is obtainable at reasonable rates and upon reasonable conditions, against such risks, in such amounts, and with such deductibles as the Board or the Designated University Representative shall deem necessary for the protection of the University and of the owners of Parity Bonds then Outstanding. Such insurance may be obtained through third parties or may be provided by a program of self-insurance or through an insurance pool including other governmental entities.

(f) Insurance/Liability and Property Damage. The University will at all times keep or arrange to keep in full force and effect policies of public liability and property damage insurance which will protect the University against anyone claiming damages of any kind or nature, if such insurance is obtainable at reasonable rates and upon reasonable conditions, in such amounts and with such deductibles as the Board shall deem necessary for the protection of the University and of the owners of the Parity Bonds then Outstanding. Such insurance may be obtained through third parties or may be provided by a program of self-insurance or through an insurance pool including other governmental entities.

(g) Books and Accounts. The University will keep and maintain proper books of account and accurate records of all of its revenue, including tax receipts, received from any source whatsoever, and of all costs of administration and maintenance and operation of all of its business that are in accordance with generally accepted accounting principles as in effect from time to time. On or before 120 days after each fiscal year it will prepare or cause to be prepared an operating statement of all of the business of the System for such preceding fiscal year. Each such annual statement shall contain a statement in detail of the Gross Revenue, expenses of administration, expenses of normal operation, expenses of normal and extraordinary maintenance and repair, and expenditures for capital purposes of the University for such fiscal year and shall contain a statement as of the end of such year showing the status of all funds and accounts of the University pertaining to the operation of its business and the status of all of the funds and accounts created by various resolutions of the Board authorizing the issuance of outstanding bonds and other obligations payable from the Gross Revenue. Copies of such

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(b) Parity Bonds may be issued without the requirement of a certificate pursuant to Section 7 for the purpose of refunding (including by purchase) any Parity Bonds at any time within one year prior to their maturity or mandatory redemption date if sufficient Net Revenues or other moneys are not expected to be available for payment at maturity or mandatory redemption.

Section 9. Specific Covenants. The University hereby makes the following covenants and agreements with the owners and holders of each of the Parity Bonds for as long as any of the same remain Outstanding.

(a) Rate Covenant. The University will at all times establish, maintain and collect rates, fees, and charges in the operation of the System for as long as any Bonds are Outstanding that will produce Net Revenues in each Fiscal Year at least equal to the greater of (i) 125% of the amounts required in such Fiscal Year to be paid as scheduled debt service (principal and interest) on Outstanding Parity Bonds, or (ii) amounts required to be deposited during such Fiscal Year from Net Revenues into bond funds and reserve funds established for Outstanding Parity Bonds, but excluding from each of the foregoing, payments made from refunding debt and capitalized debt service (herein referred to as the "Rate Covenant").

The University hereby covenants that it will not construct, operate or enter into any agreement permitting or facilitating the construction or operation of any facilities which will compete with the operations of the System in a manner which will materially and adversely affect its ability to comply with the covenant set forth in this subsection (a). Compliance with the covenant set forth in the preceding sentence may be demonstrated by a certificate based upon reasonable belief of the Designated University Representative.

If the Net Revenues in any fiscal year are less than required to fulfill the Rate Covenant, then the University will retain a Consultant to make recommendations as to operations and the revision of schedules of rentals, rates, fees and charges; and upon receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the Board, on the basis of such recommendations and other available information, will establish rentals, rates, fees and charges for services and operations which will be necessary to meet the Rate Covenant in the fiscal year during which such adjustments are made. If the Board has taken the steps set forth in this paragraph and the Net Revenues in the fiscal year in which adjustments are made nevertheless are not sufficient to meet the Rate Covenant, there shall be no default under this Section 9(a) during such fiscal year, unless the University fails to meet the Rate Covenant for two consecutive fiscal years, including the initial year in which the University failed to meet the Rate Covenant.

(b) Payment of Debt Service. The University will duly and punctually pay or cause to be paid out of the bond fund for each series of Parity Bonds the principal of and interest on the Parity Bonds at the times and places as provided in each resolution authorizing their issuance and in said Parity Bonds provided and will at all times faithfully perform and observe any and all covenants, undertakings and provisions contained in this resolution, as applicable, and in the Parity Bonds.

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statements shall be placed on file in the office of the Treasurer, and shall be open to inspection at any reasonable time by the owners of Parity Bonds.

(h) Pledged S&A Fees. The Board shall establish, maintain and collect S&A Fees at least equal to Pledged S&A Fees.

Section 10. Priority of Use of Gross Revenue. The Gross Revenue shall be deposited in the Revenue Fund as collected. The Revenue Fund shall be held separate and apart from all other funds and accounts of the University, and the Gross Revenue deposited therein shall be used only for the following purposes and in the following order of priority:

First, to pay Operating Expenses not paid from other sources;

Second, to make all payments, including sinking fund payments, required to be made into the Bond Fund to pay the principal of and interest and premium, if any, on any Parity Bonds;

Third, to make all payments required to be made into the Common Reserve Fund to maintain the Common Reserve Requirement and into any other reserve fund established for Parity Bonds that are Uncovered Bonds or to meet a reimbursement obligation with respect to any Qualified Insurance or Qualified Letter of Credit or other credit enhancement device, if so required by resolution of the Board;

Fourth, to pay other expenses related to the System, including administrative service charges imposed by the University;

Fifth, to make all payments required to be made into any other revenue bond redemption fund and debt service account or reserve account created therein to pay and secure the payment of the principal of and interest on any revenue bonds or other revenue obligations of the University having a lien upon the Net Revenues and the money in the Revenue Fund junior and inferior to the lien thereon for the payment of the principal of and interest on any Parity Bonds; and

Sixth, to retire by redemption or purchase any outstanding revenue bonds or other revenue obligations of the University as authorized in the various resolutions of the Board authorizing their issuance or to make necessary additions, betterments, improvements and repairs to or extension and replacements of the System, or any other lawful University purposes.

Section 11. Bond Fund and Common Reserve Fund.

(a) Bond Fund. A special fund of the University designated the "Eastern Washington University Housing and Dining System Revenue Bond Fund" (the "Bond Fund") is hereby authorized to be created in the office of the Treasurer for the purpose of paying and securing the payment of Parity Bonds, which Fund is to be drawn upon for the sole purpose of paying the principal of, premium, if any, and interest on Parity Bonds, as the same shall become due.

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(1) The University hereby obligates and binds itself, and the Treasurer is hereby authorized and directed, as soon as the Bonds are delivered and paid for, to set aside from the proceeds of the sale thereof and pay into the Bond Fund all accrued interest received thereon.

(2) The University hereby further obligates and binds itself, and the Treasurer is hereby authorized and directed, to set aside and pay into the Bond Fund out of the Gross Revenue of the System and/or the Revenue Fund, those amounts which, together with any money on hand in the Bond Fund, are necessary to pay the interest on the Bonds, and to pay the principal of the Bonds as such principal and interest become due and payable.

(3) Said amounts so pledged in subsection (b) of this section to be paid out of the Gross Revenue of the System and/or the Revenue Fund into the Bond Fund and into the Common Reserve Fund as hereinafter provided, are hereby declared to be a prior lien and charge upon the Gross Revenue and/or the monies in the Revenue Fund of the System superior to all other charges of any kind or nature whatsoever except charges for normal maintenance and operation of the System, and except that the amounts so pledged are equal in rank to any charges upon such Gross Revenue and/or the monies in the Revenue Fund which have been made previously to pay and secure the payment of the principal of and interest on the Parity Bonds, and which may hereafter be made to pay and secure the payment of the principal of and interest on any Future Parity Bonds.

(b) *Common Reserve Fund.* The Treasurer is hereby authorized and directed to establish a Common Reserve Fund for the purpose of securing the payment of the principal of, premium, if any, and interest on all Covered Bonds. The Designated University Representative is further authorized to designate or not to designate the Bonds as Covered Bonds. The resolution authorizing the issuance of each series of Future Parity Bonds shall designate the series of Future Parity Bonds as "Covered Bonds" or, in the alternative, provide for a separate reserve securing only that series of Future Parity Bonds. The Common Reserve Fund may be established as a separate fund or maintained as an account or subaccount within the Bond Fund. The Common Reserve Fund shall be maintained in an amount not less than the Common Reserve Requirement, subject to permitted withdrawals of amounts in excess of the Common Reserve Requirement, of amounts to pay debt service on Covered Bonds in the event of a deficiency in a bond fund for Covered Bonds, of amounts to pay the principal of, premium, if any, and interest on all Outstanding Covered Bonds, of amounts being replaced by Qualified Insurance or a Qualified Letter of Credit, and of amounts required to prevent any Bonds from becoming "arbitrage bonds, in each case as provided herein. The Common Reserve Requirement shall be maintained by deposits of cash and/or qualified investments, a Qualified Letter of Credit or Qualified Insurance, or a combination of the foregoing. To the extent that the University obtains a Qualified Letter of Credit or Qualified Insurance in substitution for cash or securities in the Common Reserve Fund, all or a portion of the money on hand in the Common Reserve Fund shall be transferred to the fund or account, specified by the Designated University Representative within the limitations permitted by the tax covenants, if any, for the Covered Bonds. In computing the amount on hand in the Common Reserve Fund, Qualified Insurance and/or a Qualified Letter of Credit shall be valued at the lower of the face amount thereof and the amount available to be drawn thereunder, and all other obligations purchased as an investment of moneys therein shall be marked-to-market, at least once annually and at the time of any

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monthly installments, after first making necessary provision for all payments required to be made into the bond funds for Covered Bonds within such year.

In making the payments and credits to the Common Reserve Fund required by this Section 11, to the extent that the University has obtained Qualified Insurance or a Qualified Letter of Credit for specific amounts required pursuant to this section to be paid out of the Common Reserve Fund such amounts then available to be drawn under such Qualified Insurance or a Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Common Reserve Fund by this Section 11 to the extent that such payments and credits to be made are to be made or insured by the issuer of such Qualified Insurance, or are to be made or guaranteed by a Qualified Letter of Credit. If a Credit Event occurs, the Common Reserve Requirement shall be satisfied (A) within one year after the occurrence of such Credit Event with other Qualified Insurance or another Qualified Letter of Credit, or (B) within three years (in three equal annual installments) after the occurrence of such Credit Event, out of Net Revenues (or out of other money on hand and legally available for such purpose) after first making necessary provisions for all payments required to be made into the Bond Fund for Covered Bonds.

(c) *Pledged Amount.* The Board has covenanted and agreed to maintain and collect S&A Fees at least equal to the Pledged S&A Fees. The Board also may increase the Pledged S&A Fees to include additional fees specifically pledged to one or more series of Parity Bonds.

(d) *Lien of Deposits into Bond Fund.* Said amounts so pledged to be paid into the Bond Fund and the Common Reserve Fund, if any, with respect to the Bonds are hereby declared to be an equal and prior lien and charge upon the Gross Revenue superior to all other charges of any kind or nature whatsoever, except for Operating Expenses and except that the amounts so pledged are of equal lien to the lien and charge of any lien which may hereafter be made to pay and secure the payment of the principal of and interest on any Future Parity Bonds.

(e) *Use of Excess Money.* Money in the Bond Fund not needed to pay the interest or principal and interest next coming due on any Outstanding Bonds or to maintain required reserves therefor may be used to purchase or redeem and retire Bonds. Money in the Revenue Fund, the Bond Fund and the Common Reserve Fund, if any, may be commingled for investment purposes and may be invested in any investments legal for the University.

Section 12. Source of Repayment and Security for Bonds.

(a) The Bonds shall be special revenue fund obligations of the University, payable solely from the money and investments deposited into the Bond Fund and Common Reserve Fund, if any. The Bonds shall not constitute an obligation, either general or special, of the State, nor a general or moral obligation of the University. The Registered Owners of the Bonds shall have no right to require the State, nor has the State any obligation or legal authorization, to levy any taxes or appropriate or expend any of its funds for the payment of the principal thereof or the interest or any premium thereon. The University has no taxing power.

(b) The Bonds shall be equally and ratably secured, without preference, priority or distinction because of date of issue or otherwise (1) by liens, hereby created, against the money

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withdrawal from the Common Reserve Fund. As used herein, the term "cash" shall include U.S. currency, cash equivalents and evidences thereof, including demand deposits and certified or cashier's checks; and the deposit to the Common Reserve Fund may be satisfied by the transfer of qualified investments to such account. If a deficiency in the Common Reserve Fund shall exist as a result of the foregoing valuation, such deficiency shall be made up in equal monthly installments within a year thereafter.

If the balance on hand in the Common Reserve Fund is sufficient to satisfy the Common Reserve Requirement, interest earnings thereon shall be applied as provided in the following sentences. Whenever there is a sufficient amount in the bond funds for the Covered Bonds and the Common Reserve Fund to pay the principal of, premium, if any, and interest on all Outstanding Covered Bonds, the money in the Common Reserve Fund may be used to pay such principal and interest. So long as the money left remaining on deposit in the Common Reserve Fund is not less than the Common Reserve Requirement, money in the Common Reserve Fund may be transferred to the fund or account specified in writing by the Designated University Representative within the limitations permitted by the tax covenants for the Covered Bonds. The University also may transfer out of the Common Reserve Fund any money required to prevent any Bonds from becoming "arbitrage bonds."

If a deficiency in any bond fund for a series of Covered Bonds shall occur immediately prior to an interest payment date, such deficiency shall be made up from the Common Reserve Fund by the withdrawal of cash therefrom for that purpose (including cash provided by the sale or redemption of obligations held in the Common Reserve Fund, in such amounts as will provide cash in the Common Reserve Fund sufficient to make up any such deficiency with respect to the Covered Bonds), and if a deficiency in any bond fund for a series of Covered Bonds still exists immediately prior to the interest payment date for such series of Covered Bonds and after the transfer of cash from the Common Reserve Fund to such bond fund, the University shall then draw from any Qualified Letter of Credit or Qualified Insurance then credited to the Common Reserve Fund in sufficient amount to make up the deficiency. If the amount in the Common Reserve Fund is insufficient to make up all deficiencies in the bond fund(s) for all Covered Bonds coming due on a Covered Bond payment date, the deficiencies shall be made up on a pro rata basis based on the principal, if any, and interest payments coming due on Covered Bonds on such interest payment date. Any draw on a Qualified Letter of Credit or Qualified Insurance shall be made at such times and under such conditions as the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide. Reimbursement may be made to the issuer of any Qualified Letter of Credit or Qualified Insurance in accordance with the reimbursement agreement related thereto, and after making necessary provision for the payments required to be made in paragraphs First and Second of Section 10 of this resolution. If the University shall have failed to make any payment required to be made under such reimbursement agreement for the Covered Bonds, the issuer shall be entitled to exercise all remedies available at law or under this resolution; provided, however, that no acceleration of the Bonds shall be permitted, and no remedies that adversely affect the Beneficial Owners of the Bonds shall be permitted. Any deficiency created in the Common Reserve Fund by reason of any such withdrawal shall be made up within one year, from Qualified Insurance or a Qualified Letter of Credit or out of Net Revenues (or out of any other moneys on hand legally available for such purpose), in 12 equal

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and investments in the Revenue Fund; and (2) by first liens, hereby created, against and pledge of the money and investments in the Bond Fund. Said liens shall be immediately valid and binding against the money and investments in the Revenue Fund and the Bond Fund without filing or recording.

Section 13. Application of Proceeds of Bonds and Other Funds.

(a) *Deposit to Project Fund.* The Treasurer is hereby authorized and directed to create and maintain a separate project fund designated as the "Residence Hall Project Fund" (the "Project Fund") into which a portion of the proceeds of the Bonds shall be deposited. Money on hand in the Project Fund shall be used to pay the costs of or reimburse the University for the payments of the costs of the Project, and costs of issuance of the Bonds. The Treasurer or his/her designee may invest money in the Project Fund in legal investments for University funds. Earnings on such investments shall accrue to the benefit of fund earning such interest. Any part of the proceeds of the Bonds remaining in the Project Fund after all costs of the Project have been paid (including costs of issuance) may be used for any capital purpose of the System or may be transferred to the Bond Fund.

(b) *Defeasance of 2002 Bonds.* The University shall defease the 2002 Bonds and discharge such obligations by the use of money to purchase certain Government Obligations (which obligations so purchased, are herein called "Acquired Obligations"), bearing such interest and maturing as to principal and interest in such amounts and at such times which, together with any necessary beginning cash balance, will provide for the payment of:

- (i) interest on the 2002 Bonds coming due on their maturity date; and
- (ii) the principal amount of the 2002 Bonds on the maturity date of the 2002 Bonds.

The Treasurer is hereby authorized and directed to solicit proposals from and select a financial institution to act as the escrow agent for the 2002 Bonds (the "Escrow Agent"). A beginning cash balance, if any, and Acquired Obligations shall be deposited irrevocably with the Escrow Agent in an amount sufficient to defease the 2002 Bonds.

(c) *Defeasance of 2002 Bonds.* The University hereby irrevocably sets aside sufficient funds out of the purchase of Acquired Obligations to make the payments described in subsection (b).

Said defeasance and the 2002 Bonds shall be irrevocable after the final establishment of the escrow account and delivery of the Acquired Obligations to the Escrow Agent.

The Escrow Agent is hereby authorized and directed to provide for the giving of notice of the defeasance of the 2002 Bonds in accordance with the applicable provisions of resolution pursuant to which the 2002 Bonds were issued. The Treasurer of the University is authorized and requested to provide whatever assistance is necessary to accomplish such redemption and the giving of notice therefor. The costs of publication of such notice shall be an expense of the University.

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The Escrow Agent is hereby authorized and directed to pay to the Treasurer of the University, or, at the direction of the Treasurer of the University, to the fiscal agency or agencies of the State of Washington, sums sufficient to pay, when due, the payments specified in subsection (b) of this Section 13.

The University will take such actions as are found necessary to see that all necessary and proper fees, compensation and expenses of the Escrow Agent for the 2002 Bonds shall be paid when due.

In order to carry out the purposes of the preceding section of this resolution and this section, the Designated University Representative is authorized and directed to execute and deliver the Escrow Deposit Agreement to the Escrow Agent when the provisions thereof have been fixed and determined.

Section 14. Defeasance. In the event that money and/or Government Obligations maturing or having guaranteed redemption prices at the option of the owner at such time or times and bearing interest to be earned thereon in amounts (together with such money, if any) sufficient to redeem and retire part or all of the Bonds in accordance with their terms, are hereafter irrevocably set aside in a special account and pledged to effect such redemption and retirement, then no further payments need be made into the Bond Fund or any account therein for the payment of the principal of and interest on the certain Bonds so provided for, and such Bonds shall then cease to be entitled to any lien, benefit or security of this resolution, except the right to receive the funds so set aside and pledged and notices of early redemption, if any, and such Bonds shall no longer be deemed to be Outstanding hereunder, or under any resolution authorizing the issuance of bonds or other indebtedness of the University.

The University shall provide notice of defeasance of Bonds to Registered Owners of Bonds defeased and to each party entitled to receive notice under agreements for continuing disclosure.

Section 15. Tax Covenants.

(a) **Arbitrage Covenant.** Without limiting the generality of the foregoing, the University covenants that it will not take any action or fail to take any action with respect to the proceeds of sale of the Bonds or any other funds of the University which may be deemed to be proceeds of the Bonds pursuant to Section 148 of the Code and the regulations promulgated thereunder which, if such use had been reasonably expected on the date of delivery of the Bonds to the initial purchasers thereof, would have caused the Bonds as "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code.

The University will comply with the requirements of Section 148 of the Code and the applicable regulations thereunder throughout the term of the Bonds.

(b) **Private Person Use Limitation for Bonds.** The University covenants that for as long as the Bonds are Outstanding, it will not permit:

(2) More than 10% of the Net Proceeds of the Bonds to be used for any Private Person Use; and

(2) More than 10% of the principal or interest payments on the Bonds in a Bond Year to be directly or indirectly: (A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or (B) derived from payments (whether or not made to the University) in respect of property, or borrowed money, used or to be used for any Private Person Use.

The University further covenants that, if:

(3) More than five percent of the Net Proceeds of the Bonds are to be used for any Private Person Use; and

(4) More than five percent of the principal or interest payments on the Bonds in a Bond Year are (under the terms of this resolution or any underlying arrangement) directly or indirectly: (A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or (B) derived from payments (whether or not made to the University) in respect of property, or borrowed money, used or to be used for any Private Person Use, then, (i) any Private Person Use of the projects described in subsection (3) hereof or Private Person Use payments described in subsection (4) hereof that is in excess of the five percent limitations described in such subsections (3) or (4) will be for a Private Person Use that is related to the state or local governmental use of the Project, and (ii) any Private Person Use will not exceed the amount of Net Proceeds of the Bonds used for the state or local governmental use portion of the project to which the Private Person Use of such portion of the Project relates. The University further covenants that it will comply with any limitations on the use of the projects by other than state and local governmental users that are necessary, in the opinion of its bond counsel, to preserve the tax exemption of the interest on the Bonds. The covenants of this section are specified solely to assure the continued exemption from regular income taxation of the interest on the Bonds.

(c) **Designation.** The Bonds shall not be "qualified tax-exempt obligations" for purchase by financial institutions pursuant to Section 265(b)(3) of the Code.

Section 16. Form of Bonds and Registration Certificate. The Bonds shall be in substantially the following form, with appropriate or necessary insertions, depending upon the omissions and variations as permitted or required hereby:

UNITED STATES OF AMERICA
 NO. _____ \$ _____
 STATE OF WASHINGTON
 EASTERN WASHINGTON UNIVERSITY
 HOUSING AND DINING SYSTEM REVENUE BOND, 2012
 INTEREST RATE: % MATURITY DATE: CUSIP NO.:
 REGISTERED OWNER:
 PRINCIPAL AMOUNT:

Eastern Washington University (the "University"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, solely from the special fund of the University known as the "Eastern Washington University Housing and Dining System Revenue Bond Fund" (the "Bond Fund"), the Principal Amount indicated above and to pay interest from _____, 2012, or the most recent date to which interest has been paid or duly provided for, until payment of this bond at the Interest Rate set forth above, payable on _____, 2012, and semiannually thereafter on the first days of each succeeding _____ and _____. Both principal of and interest on this bond are payable in lawful money of the United States of America. Interest shall be paid as provided in the Blanket Issuer Letter of Representations (the "Letter of Representations") by the University to The Depository Trust Company ("DTC"). Principal shall be paid as provided in the Letter of Representations to the Registered Owner or assigns upon presentation and surrender of this bond at the principal office of the fiscal agency of the State of Washington (the "Registrar").

This bond is one of an authorized issue of bonds of like date and tenor, except as to number, amount, rate of interest and date of maturity, in the aggregate principal amount of \$ _____ (the "Bonds"), and is issued pursuant to Resolution No. 2012-03 (the "Bond Resolution") passed by the Board of Trustees of the University on _____, 2012 to provide funds to finance construction of a new residence hall and to pay costs of issuing the Bonds. Capitalized terms used in this bond and not otherwise defined shall have the meanings given them in the Bond Resolution.

This bond is one of an issue of bonds of the University of like date, tenor and effect, except as number, amount, rate of interest and date of maturity and is issued pursuant to the Bond Resolution.

The bonds of this issue maturing on and prior to _____ 1, 20____ are not subject to redemption prior to their stated maturities. The bonds of this issue maturing on and after _____ 1, 20____ are subject to redemption at the option of the University on and

after _____ 1, 20____ in whole or in part on any date (with maturities to be selected by the University), at a price of par plus accrued interest to the date of redemption.

[The University has obligated and bound itself to redeem the bonds of this issue maturing on _____ 1, 20____ by lot (in such manner as shall be determined by the Registrar), at par plus accrued interest in the following amounts on _____ 1 of the following years:

Redemption Years	Redemption Amounts
	\$

*

*Final maturity.]

The bonds of this issue are not private activity bonds. The bonds of this issue have not been designated by the University as "qualified tax-exempt obligations" for investment by financial institutions under Section 265(b) of the Code.

The University hereby covenants and agrees with the owner and holder of this bond that it will keep and perform all the covenants of this bond and the Bond Resolution.

The University does hereby pledge and bind itself to set aside from such Gross Revenue of the System, and to pay into said Bond Fund [and the Common Reserve Fund created therein] the various amounts required by the Bond Resolution to be paid into and maintained in said Fund[s], all within the times provided by said Bond Resolution.

Said amounts so pledged to be paid out of Gross Revenue into said Bond Fund [and the Common Reserve Fund] are hereby declared to be a first and prior lien and charge upon the Gross Revenue, subject to the Operating Expenses of the System and equal in rank to the lien and charge upon such Gross Revenue of the amounts required to pay and secure the payment of any Future Parity Bonds.

The University has further bound itself to maintain all of its properties and facilities which contribute in some measure to such Gross Revenue in good repair, working order and condition, to operate the same in an efficient manner and at a reasonable cost, and to establish, maintain and collect rentals, rates and charges in the operation of the System for as long as any bonds of this issue are outstanding that will make available, for the payment of the principal thereof and interest thereon as the same shall become due, Net Revenues (as the same is defined in the Bond Resolution) in an amount equal to or greater than the Rate Covenant.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication hereon shall have been manually signed by or on behalf of the Registrar.

It is hereby certified and declared that this bond and the bonds of this issue are issued pursuant to and in strict compliance with the Constitution and laws of the State of Washington

and resolutions of the University and that all acts, conditions and things required to be done precedent to and in the issuance of this bond have happened, been done and performed.

IN WITNESS WHEREOF, Eastern Washington University has caused this bond to be executed by the manual or facsimile signatures of the Chair and Secretary of the Board of Trustees, and a facsimile corporate seal of the University to be imprinted hereon as of the ____ day of _____, 2012.

[SEAL] EASTERN WASHINGTON UNIVERSITY

By _____ /s/
Chair, Board of Trustees

ATTEST:

_____/s/
Secretary, Board of Trustees

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

This bond is one of the bonds described in the within mentioned Bond Resolution and is one of the Housing and Dining System Revenue Bonds, 2012 of Eastern Washington University, dated _____, 2012.

WASHINGTON STATE FISCAL AGENCY,
Registrar

By _____
Authorized Signer

Section 17. Execution. The Bonds shall be executed on behalf of the University with the manual or facsimile signature of the Chair of its Board, shall be attested by the manual or facsimile signature of the Secretary of the Board and shall have the seal of the University impressed or a facsimile thereof imprinted thereon.

Only such Bonds as shall bear thereon a Certificate of Authentication in the form hereinbefore recited, manually executed by the Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this resolution. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this resolution.

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All bids submitted for the purchase the Bonds shall be as set forth in the applicable Official Notice of Sale or otherwise as established by the Designated University Representative which will be furnished upon request made to the Designated University Representative. Such bids shall be accompanied by surety bond or a cashier's or certified check, as a good faith deposit, made payable to the order of the University, in an amount not less than one percent of the par amount of the Bonds. The good faith deposit of the successful bidder shall be security for the performance of its bid and shall be held as liquidated damages in case the successful bidder fails to take up and pay for the applicable series of the Bonds within 45 days if tendered for delivery. All bids submitted shall be opened (but not read publicly) by the University. The University reserves the right to reject any and all bids and to waive any irregularity or informality in any bid.

Subject to the terms and conditions set forth in this Section 18, the Designated University Representative is hereby authorized to accept an Approved Bid in a Competitive Sale and/or execute the final form of a Bond Purchase Contract in a Negotiated Sale, upon his or her approval of the final interest rates, maturity dates, aggregate principal amount, principal maturities and redemption rights set forth therein. Following the sale of the Bonds, the Designated University Representative shall provide a report to the Board, describing the final terms of the Bonds approved pursuant to the authority delegated in this section.

Upon the adoption of this resolution, the proper officials of the University including the Designated University Representative, are authorized and directed to undertake all other actions necessary for the prompt sale, execution and delivery of the Bonds and further to execute all closing certificates and documents required to effect the closing and delivery of the Bonds in accordance with the terms of the Official Notice of Sale, Approved Bid and/or Bond Purchase Contract.

The Designated University Representative is authorized to ratify and to approve for purposes of the Rule, on behalf of the University, an Official Statement for each series (and any Preliminary Official Statement) and any supplement thereto relating to the issuance and sale of each series of the Bonds and the distribution of the Bonds pursuant thereto with such changes, if any, as may be deemed by him/her to be appropriate.

The authority granted by this section shall remain in effect until June 30, 2012.

Section 19. Bond Insurance. The payments of the principal of and interest on the Bonds, or principal maturities thereof may be insured by the issuance of the Bond Insurance Policy. The Designated University Representative, with the assistance of the University's financial advisor, is hereby further authorized and directed to solicit proposals from municipal bond insurance companies for the issuance of a Bond Insurance Policy. In the event that the Designated University Representative receives multiple proposals, the Designated University Representative may select the proposal having the lowest cost and resulting in an overall lower interest cost with respect to the applicable series of the Bonds. The Designated University Representative may execute a commitment received from each Insurer selected by the Designated University Representative. The Board further authorizes and directs all proper officers, agents, attorneys and employees of the University to cooperate with each Insurer in

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In case either of the officers of the University who shall have executed the Bonds shall cease to be such officer or officers of the University before the Bonds so signed shall have been authenticated or delivered by the Registrar, or issued by the University, such Bonds may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the University as though those who signed the same had continued to be such officers of the University. Any Bond may also be signed and attested on behalf of the University by such persons as at the actual date of execution of such Bond shall be the proper officers of the University although at the original date of such Bond any such person shall not have been such officer.

Section 18. Sale of Bonds. The Board has determined that it is in the best interest of the University to delegate to the Designated University Representative the authority to approve the manner of sale, the final interest rates, maturity dates, whether the Bonds will be Covered Bonds, the Common Reserve Requirement, if any, aggregate principal amount, principal amounts of each maturity, redemption rights and other terms and conditions of the Bonds. The Designated University Representative is hereby authorized to approve the manner of sale, the final interest rates, maturity dates, whether the Bonds will be Covered Bonds, the Common Reserve Requirement, if any, aggregate principal amount, principal maturities and redemption rights for the Bonds in the manner provided hereafter so long as the aggregate principal amount of the Bonds does not exceed \$27,500,000 and so long as the true interest cost for the Bonds does not exceed 5.1%.

In determining the final interest rates, maturity dates, whether the Bonds will be Covered Bonds, the Common Reserve Requirement, if any, aggregate principal amount, principal maturities and redemption rights of the Bonds, the Designated University Representative, in consultation with University staff and the University's financial advisor, shall take into account those factors that, in his or her judgment, will result in the lowest true interest cost on the Bonds to their maturity, including, but not limited to current financial market conditions and current interest rates for obligations comparable in tenor and quality to the Bonds.

Initially, the Designated University Representative is hereby authorized to determine whether the Bonds shall be sold by Negotiated Sale or by a Competitive Sale. If a series of the Bonds is sold by Negotiated Sale, the Designated University Representative shall select one or more underwriting firms to underwrite the applicable series of the Bonds through a process of soliciting proposals for underwriting. Upon the selection of one or more underwriters, the Designated University Representative shall negotiate the terms of sale for the Bonds, including the terms described in this section, in a contract of sale (each, a "Bond Purchase Contract"). If the Bonds are sold by Competitive Sale, sealed bids will be received by the Designated University Representative or the Competitive Sale will be undertaken by electronic means, in the manner and on such date and time as the Designated University Representative hereafter shall determine. The Designated University Representative will approve the bid offering to purchase the Bonds at the lowest true interest cost to the University at such price as shall be determined at the time of sale by the Designated University Representative, plus accrued interest to the date of delivery, on all the terms and conditions set out in the applicable Official Notice of Sale.

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preparing such additional agreements, certificates, and other documentation on behalf of the University as shall be necessary or advisable in providing for the applicable Bond Insurance Policy. To the extent that the Bonds are insured by a Bond Insurance Policy, the Insurer of each maturity of the Bonds so insured shall be deemed to the Registered Owner of such Bonds for all purposes, including consent, under this resolution.

Section 20. Undertaking to Provide Ongoing Disclosure. The Designated University Representative is authorized to, in his or her discretion, execute and deliver a certificate regarding continuing disclosure in order to assist the Underwriter in complying with Section (b)(5) of the Rule.

Section 21. Lost, Stolen or Destroyed Bonds. In case any Bond or Bonds shall be lost, stolen or destroyed, the Registrar may execute and deliver a new Bond or Bonds of like date, series, number and tenor to the Registered Owner thereof upon the owner's paying the expenses and charges of the Registrar and the University in connection therewith and upon his filing with the Registrar evidence satisfactory to the Registrar that such Bond was actually lost, stolen or destroyed and of his ownership thereof, and upon furnishing the Registrar and the University with indemnity satisfactory to the Registrar and the University.

Section 22. No Recourse Against Individuals. No Registered Owner shall have any recourse for the payment of any part of the principal or redemption price, if any, of or interest on the Bonds, or for the satisfaction of any liability arising from, founded upon, or existing by reason of, the issuance or ownership of such Bonds against the officers of the University or officers or members of the Board in their individual capacities.

Section 23. Supplemental Resolutions.

(a) Without Consent of Owners. The Board, from time to time and at any time, may adopt a resolution or resolutions supplemental to this resolution which supplemental resolution or resolutions thereafter shall become a part of this resolution, for any one or more or all of the following purposes:

(1) to add to the covenants and agreements of the University in this resolution other covenants and agreements thereafter to be observed, which shall not materially adversely affect the interests of the Registered Owners of any Outstanding Bonds affected by the supplemental resolution, or to surrender any right or power herein reserved to or conferred upon the University; or

(2) to make such provisions for the purpose of curing any ambiguities or of curing, correcting or modifying any provision contained in this resolution or any resolution authorizing Additional Bonds in regard to matters or questions arising under such resolutions as the Board may deem necessary or desirable and not inconsistent with such resolution and which shall not materially adversely affect the interest of the Registered Owners of Outstanding Bonds.

Any such supplemental resolution of the Board may be adopted without the consent of the Registered Owners of any Bonds at any time Outstanding, notwithstanding any of the provisions of subsection (b) of this section.

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(b) *With Consent of Owners.* With the consent of the Registered Owners of not less than 51% in aggregate principal amount of all Outstanding Bonds of a series affected by a supplemental resolution, the Board may adopt a resolution or resolutions supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this resolution or of any supplemental resolution provided, however, that no such supplemental resolution shall:

(1) extend the fixed maturity of any Outstanding Bonds, or reduce the rate of interest thereon, or extend the time of payment of interest from their due date, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the Registered Owner of each Bond so affected; or

(2) reduce the aforesaid percentage of Registered Owners required to approve any such supplemental resolution, without the consent of the Registered Owners of all of the Outstanding Bonds affected by the reduction.

For purposes of granting any consent under this subsection, a Credit Facility Issuer or Liquidity Facility Issuer shall be deemed to be the Owner of those Bonds. It shall not be necessary for the consent of Registered Owners under this subsection (b) to approve the particular form of any proposed supplemental resolution, but it shall be sufficient if such consent shall approve the substance thereof.

Section 24. Concerning the Registered Owners.

(a) *Form of Consent of Registered Owners.* Any request, direction, consent or other written instrument required by this resolution to be signed or executed by the Registered Owners may be in any number of concurrent written instruments of similar tenor and may be signed or executed by such Registered Owners in person or by an agent or agents duly appointed by a written instrument. For purposes of compliance with this section, the issuer of an irrevocable letter of credit securing the repayment of the Bonds or an issuer of a policy of municipal bond insurance insuring the payment of the Bonds shall be deemed to be the Registered Owner of the Bonds. Proof of the execution of any such written instrument and of the ownership of the Bonds shall be sufficient for any purpose of this resolution and shall be conclusive in favor of the University, and/or the Registered Owners with regard to any action taken under such instrument, if made in the following manner:

(1) the fact and date of the execution by any Registered Owner of any such instrument may be proved by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgments of deeds to be recorded within such jurisdiction, to the effect that the Registered Owner signing such instrument acknowledged to him or her the execution thereof, or by an affidavit of a witness to such execution; and

(2) the ownership of Bonds shall be proved by the Bond Register maintained by the Registrar.

resolution to be performed on the part of the University shall be declared by any court of competent jurisdiction and final appeal, if any appeal be taken, to be contrary to law, then such covenant or covenants, agreement or agreements shall be null and void and shall be deemed separable from the remaining covenants and agreements in this resolution and shall in no way affect the validity of the other provisions of this resolution or of the Bonds.

Section 28. No Benefits to Outside Parties. Nothing in this resolution, express or implied, is intended or shall be construed to confer upon or to give to any person, other than the University, the Registrar, and the Registered Owners of Bonds, any right, remedy or claim under or by reason of this resolution; and the covenants, stipulations and agreements in this resolution are and shall be for sole and exclusive benefit of the University, the Registrar, and the Registered Owners of Bonds, their successors and assigns.

Section 29. Repeal of Resolution No. 10-02-92. Effective on the date at such time as the 2002 Bonds are no longer outstanding, the Board hereby repeals Resolution No. 10-02-92 in its entirety.

Section 30. Effective Date. This resolution shall be effective immediately upon its adoption.

ADOPTED AND APPROVED by the Board of Trustees of Eastern Washington University, at a regular meeting held this 23rd day of March, 2012.

EASTERN WASHINGTON UNIVERSITY

Chair of the Board of Trustees

ATTEST:

Secretary of the Board of Trustees

Nothing contained in this Section 24(a) shall be construed as limiting the University to the proof above specified, it being intended that the University may accept any other evidence of the matters herein stated to which it may seem sufficient.

(b) *Waiver of Form.* Except as otherwise provided herein, any notice or other communication required by this resolution to be given by delivery, publication or otherwise to the Registered Owners or any one or more thereof may be waived, at any time before such notice or communication is so required to be given, by written waivers mailed or delivered to the University by the Registered Owners of all Bonds of a series entitled to such notice or communication.

(c) *Revocation; Conclusive Action.* At any time prior to (but not after) the evidencing to the University of the taking of any action by the Registered Owners of the percentage in aggregate principal amount of Outstanding Bonds of a series specified in this resolution in connection with such action, any Registered Owner may, by filing written notice with the University, revoke any consent given by such Registered Owner or the predecessor Registered Owner of such Bond. Except as aforesaid, any such consent given by the Registered Owner of any Bond shall be conclusive and binding upon such Registered Owner and upon all future Registered Owners of such Bond and of any Bond issued in exchange therefor or in lieu thereof, irrespective of whether or not any notation in regard thereto is made upon such Bond. Any action taken by the Registered Owners of the percentage in aggregate principal amount of a series of Outstanding Bonds specified in this resolution in connection with such action shall be conclusively binding upon the University and the Registered Owners of all Outstanding Bonds.

Section 25. Determination of Registered Owners' Concurrence. In determining whether the Registered Owners of the requisite aggregate principal amount of Outstanding Bonds have concurred in any demand, request, direction, consent or waiver under this resolution, Bonds which are owned by or held in the name of the University shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section 25 if the pledgee shall establish to the satisfaction of the University the pledgee's right to vote such Bonds and that the pledgee is not the University.

Section 26. Resolution a Contract with Bondowners. This resolution is adopted under the authority of and in full compliance with the Constitution and laws of the State of Washington. In consideration of the purchase and acceptance of the Bonds by those who shall hold the same from time to time, the provisions of this resolution shall constitute a contract with the owner or owners of each Bond and the coupons, if any, appurtenant thereto, and the obligations of the University and its Board under said laws and under this resolution shall be enforceable by any court of competent jurisdiction; and the covenants and agreements herein set forth to be performed on behalf of the University shall be for the equal benefit, protection and security of the owners of any and all of the Bonds and the coupons, if any, appurtenant thereto.

Section 27. Contract-Savings Clause. The covenants contained in this resolution, the Bonds and the provisions of the Bond Act shall constitute a contract between the University and the Registered Owners of the Bonds and shall be construed in accordance with and controlled by the laws of the State. If any one or more of the covenants or agreements provided in this

EXHIBIT A

Form of Escrow Agreement

ESCROW DEPOSIT AGREEMENT

**EASTERN WASHINGTON UNIVERSITY
DEFEASANCE OF
HOUSING AND DINING REFUNDING REVENUE BONDS, SERIES 2002**

THIS ESCROW AGREEMENT, dated as of _____, 2012 (herein, together with any amendments or supplements hereto, called the "Agreement") is entered into by and between Eastern Washington University (herein called the "University") and _____, _____, _____ as escrow agent (herein, together with any successor in such capacity, called the "Escrow Agent"). The notice addresses of the University and the Escrow Agent are shown on Exhibit A attached hereto and made a part hereof.

WITNESSETH:

WHEREAS, the University has issued and there presently remain outstanding the obligations described in Exhibit B (the "2002 Bonds"); and

WHEREAS, pursuant to Resolution No. 2012-03 adopted on March 23, 2012, (the "Resolution"), the University has determined to defease the 2002 Bonds; and

WHEREAS, the Escrow Agent has reviewed this Agreement, and is willing to serve as Escrow Agent; and

WHEREAS, _____, Certified Public Accountants, of _____, _____, have prepared a verification report which is dated _____, 2012 (the "Verification Report") relating to the source and use of funds available to accomplish the defeasance of the 2002 Bonds, the investment of such funds and the adequacy of such funds and investments to provide for the payment of the debt service due on the 2002 Bonds; and

WHEREAS, the Escrowed Securities shall mature and the interest thereon shall be payable at such times and in such amounts so as to provide money which, together with cash balances from time to time on deposit in the Escrow Fund, will be sufficient to pay interest on the 2002 Bonds as it accrues and becomes payable and the principal of the 2002 Bonds on their redemption date in such amounts as are set forth in Exhibit C; and

WHEREAS, when Escrowed Securities have been deposited with the Escrow Agent for the payment of all principal and interest of the 2002 Bonds when due, then the 2002 Bonds shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for such purpose; and

WHEREAS, the University desires that the proceeds of certain other available funds of the University shall be applied to purchase certain direct obligations of the United States of America hereinafter defined as the "Escrowed Securities" for deposit to the credit of the Escrow Fund and to establish a beginning cash balance (if needed) in the Escrow Fund; and

WHEREAS, the Escrowed Securities shall mature and the interest thereon shall be payable at such times and in such amounts so as to provide money which, together with cash balances from time to time on deposit in the Escrow Fund, will be sufficient to pay interest on and principal of the 2002 Bonds on the Maturity Date; and

WHEREAS, to facilitate the receipt and transfer of proceeds of the Escrowed Securities, particularly those in book-entry form, the University desires to establish the Escrow Fund at the principal corporate trust office of the Escrow Agent; and

WHEREAS, the Escrow Agent is a party to this Agreement to acknowledge its acceptance of the terms and provisions hereof;

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, the sufficiency of which hereby are acknowledged, and to secure the full and timely payment of principal of and the interest on the 2002 Bonds, the University and the Escrow Agent mutually undertake, promise and agree for themselves and their respective representatives and successors, as follows:

Article 1.

Section 1.1. Definitions.

Unless the context clearly indicates otherwise, the following terms shall have the meanings assigned to them below when they are used in this Agreement:

"**Acquired Obligations**" means the Government Obligations acquired by the University under the terms of the resolution and this Escrow Agreement to effect the defeasance and refunding of the 2002 Bonds.

"**Escrow Fund**" means the fund created by this Agreement to be established, held and administered by the Escrow Agent pursuant to the provisions of this Agreement.

"**Escrowed Securities**" means the noncallable Government Obligations described in Exhibit D, or cash or other noncallable obligations substituted therefor pursuant to Section 4.2 of this Agreement.

"**Government Obligations**" means direct, noncallable (a) United States Treasury Obligations, (b) United States Treasury Obligations — State and Local Government Series, (c) non-prepayable obligations which are unconditionally guaranteed as to full and timely

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payment of the principal of and interest on the 2002 Bonds on the Maturity Date. When the final transfer has been made for the payment of such principal of and interest on the 2002 Bonds, any balance then remaining in the Escrow Fund shall be transferred to the University, and the Escrow Agent shall thereupon be discharged from any further duties hereunder.

Section 3.2. Payment of Principal and Interest.

The Escrow Agent is hereby irrevocably instructed to transfer to the Paying Agent from the cash balances on deposit in the Escrow Fund, the amounts required to pay the principal of the 2002 Bonds on the Maturity Date in the amounts shown in Exhibit C.

Section 3.3. Sufficiency of Escrow Fund.

The University represents that, based upon the information provided in the Verification Report, the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balance on deposit in the Escrow Fund will be at all times sufficient to provide money for transfer to the Paying Agent at the times and in the amounts required to pay the interest on and principal of the 2002 Bonds on the Maturity Date, all as more fully set forth in Exhibit E. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund shall be insufficient to transfer the amounts required by the Paying Agent to make the payments set forth in Section 3.2., the University shall timely deposit in the Escrow Fund, from any funds that are lawfully available therefor, additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be given promptly as hereinafter provided, but the Escrow Agent shall not in any manner be responsible for any insufficiency of funds in the Escrow Fund or the University's failure to make additional deposits.

Section 3.4. Trust Fund.

The Escrow Agent shall hold at all times the Escrow Fund, the Escrowed Securities and all other assets of the Escrow Fund, wholly segregated from all other funds and securities on deposit with the Escrow Agent; it shall never allow the Escrowed Securities or any other assets of the Escrow Fund to be commingled with any other funds or securities of the Escrow Agent; and it shall hold and dispose of the assets of the Escrow Fund only as set forth herein. The Escrowed Securities and other assets of the Escrow Fund shall always be maintained by the Escrow Agent as trust funds for the benefit of the owners of the 2002 Bonds; and a special account shall at all times be maintained on the books of the Escrow Agent. The owners of the 2002 Bonds shall be entitled to the same preferred claim and first lien upon the Escrowed Securities, the proceeds thereof, and all other assets of the Escrow Fund to which they are entitled as owners of the 2002 Bonds. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the University, and the Escrow Agent shall have no right to title with respect thereto except as a trustee and Escrow Agent under the terms of this Agreement. The amounts received by the Escrow Agent under this Agreement shall not be subject to warrants, drafts or checks drawn by the University or, except to the extent expressly herein provided, by the Paying Agent.

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payment of principal and interest by the United States of America or (d) REFCORP debt obligations unconditionally guaranteed by the United States.

"**Paying Agent**" means the fiscal agency of the State of Washington, as the paying agent for the 2002 Bonds.

"**Refunding Account**" means the account by that name established within the Housing and Dining System Revenue Fund pursuant to Section 13 of the Resolution.

"**2002 Bonds**" means \$535,000 of the University's Housing and Dining Refunding Revenue Bonds, Series 2002 maturing on October 1, 2012.

Section 1.2. Other Definitions.

The terms "Agreement," "University," "Escrow Agent," "Resolution," "Verification Report," "2002 Bonds," and "Bonds" when they are used in this Agreement, shall have the meanings assigned to them in the preamble to this Agreement.

Section 1.3. Interpretations.

The titles and headings of the articles and sections of this Agreement have been inserted for convenience and reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms hereof. This Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding of the 2002 Bonds in accordance with applicable law.

Article 2. Deposit of Funds and Escrowed Securities

Section 2.1. Deposits in the Escrow Fund.

The University shall deposit, or cause to be deposited, with the Escrow Agent, for deposit in the Escrow Fund, the funds sufficient to purchase the Escrowed Securities described in Exhibit D, and the Escrow Agent shall, upon the receipt thereof, acknowledge such receipt to the University in writing.

Article 3. Creation and Operation of Escrow Fund

Section 3.1. Escrow Fund.

The Escrow Agent has created on its books a special trust fund and irrevocable escrow to be known as the Refunding Account (the "Escrow Fund"). The Escrow Agent agrees that upon receipt it will deposit to the credit of the Escrow Fund the funds and the Escrowed Securities described in Exhibit D. Such deposit, all proceeds therefrom, and all cash balances on deposit therein (a) shall be the property of the Escrow Fund, (b) shall be applied only in strict conformity with the terms and conditions of this Agreement, and (c) are hereby irrevocably pledged to the

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Article 4. Limitation on Investments

Section 4.1. Investments.

Except for the initial investment in the Escrowed Securities, the Escrow Agent shall not have any power or duty to invest or reinvest any money held hereunder, or to make substitutions of the Escrowed Securities, or to sell, transfer, or otherwise dispose of the Escrowed Securities.

Article 5. Application of Cash Balances

Section 5.1. In General.

Except as provided in Sections 2.1 and 3.2, no withdrawals, transfers or reinvestment shall be made of cash balances in the Escrow Fund. Cash balances shall be held by the Escrow Agent in United States currency and shall not be reinvested by the Escrow Agent, except as directed or authorized herein.

Article 6. Defeasance of 2002 Bonds

Section 6.1. Notice of Defeasance.

The Escrow Agent agrees to give a notice of defeasance of the 2002 Bonds pursuant to the terms of the 2002 Bonds and in substantially the forms attached as and as described in Appendix A to the Paying Agent for distribution as described therein. The notice of defeasance shall be given immediately following the execution of this Agreement in accordance with the resolution authorizing the 2002 Bonds. The Escrow Agent hereby certifies that provision satisfactory and acceptable to the Escrow Agent has been made for the giving of notice of defeasance of the 2002 Bonds.

Article 7. Records and Reports

Section 7.1. Records.

The Escrow Agent will keep books of record and account in which complete and accurate entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money and Escrowed Securities deposited to the Escrow Fund and all proceeds thereof, and such books shall be available for inspection during business hours and after reasonable notice.

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Section 7.2. Reports.

While this Agreement remains in effect, the Escrow Agent annually shall prepare and send to the University a written report summarizing all transactions relating to the Escrow Fund during the preceding year, including, without limitation, credits to the Escrow Fund as a result of interest payments on or maturities of the Escrowed Securities and transfers from the Escrow Fund for payments on the 2002 Bonds or otherwise, together with a detailed statement of all Escrowed Securities and the cash balance on deposit in the Escrow Fund as of the end of such period.

Article 8. Concerning the Paying Agent and Escrow Agent

Section 8.1. Representations.

The Escrow Agent hereby represents that it has all necessary power and authority to enter into this Agreement and undertake the obligations and responsibilities imposed upon it herein, and that it will carry out all of its obligations hereunder.

Section 8.2. Limitation on Liability.

The liability of the Escrow Agent to transfer funds for the payment of the principal of and interest on the 2002 Bonds shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, the Escrow Agent shall have no liability whatsoever for the insufficiency of funds from time to time in the Escrow Fund or any failure of the obligors of the Escrowed Securities to make timely payment thereon, except for the obligation to notify the University promptly of any such occurrence.

The recitals herein and in the Resolution shall be taken as the statements of the University and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent.

The Escrow Agent is not a party to the proceedings authorizing the 2002 Bonds and is not responsible for nor bound by any of the provisions thereof (except to the extent that the Escrow Agent may be a place of payment and paying agent and/or a paying agent/registrant therefor). In its capacity as Escrow Agent, it is agreed that the Escrow Agent need look only to the terms and provisions of this Agreement.

The Escrow Agent makes no representations as to the value, conditions or sufficiency of the Escrow Fund, or any part thereof, or as to the title of the University thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall not incur any liability or responsibility in respect to any of such matters.

It is the intention of the parties that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

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vacancy shall have occurred, the owner of any 2002 Bond may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

Any successor Escrow Agent shall be a corporation organized and doing business under the laws of the United States or any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$100,000,000 and subject to the supervision or examination by federal or state authority.

Any successor Escrow Agent shall execute, acknowledge and deliver to the University and the Escrow Agent an instrument accepting such appointment hereunder, and the Escrow Agent shall execute and deliver an instrument transferring to such successor Escrow Agent, subject to the terms of this Agreement, all the rights, powers and trusts of the Escrow Agent hereunder. Upon the request of any such successor Escrow Agent, the University shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Escrow Agent all such rights, powers and duties.

The obligations assumed by the Escrow Agent pursuant to this Agreement may be transferred by the Escrow Agent to a successor Escrow Agent if (a) the requirements of this Section 8.4 are satisfied; (b) the successor Escrow Agent has assumed all the obligations of the Escrow Agent under this Agreement; and (c) all of the Escrowed Securities and money held by the Escrow Agent pursuant to this Agreement have been duly transferred to such successor Escrow Agent.

Article 9. Miscellaneous

Section 9.1. Notice.

Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed to the University or the Escrow Agent at the address shown on Exhibit A attached hereto. The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Any party hereto may change the address to which notices are to be delivered by giving to the other parties not less than ten days prior notice thereof.

Section 9.2. Termination of Responsibilities.

Upon the taking of all the actions as described herein by the Escrow Agent, the Escrow Agent shall have no further obligations or responsibilities hereunder to the University, the owners of the 2002 Bonds or to any other person or persons in connection with this Agreement.

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The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for its own action, neglect or default, nor for any loss unless the same shall have been through its negligence or want of good faith.

Unless it is specifically otherwise provided herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the University with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Escrow Fund, to dispose of and deliver the same in accordance with this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable only for its own misconduct or its negligence. In determining the occurrence of any such event or contingency the Escrow Agent may request from the University or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of, and consult with, among others, the University at any time.

Section 8.3. Compensation.

The University shall pay to the Escrow Agent fees for performing the services hereunder and for the expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement pursuant to the terms of the Fee Schedule attached as Appendix C. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses as Escrow Agent or in any other capacity.

Section 8.4. Successor Escrow Agents.

If at any time the Escrow Agent or its legal successor or successors should become unable, through operation of law or otherwise, to act as escrow agent hereunder, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder. In such event the University, by appropriate action, promptly shall appoint an Escrow Agent to fill such vacancy. If no successor Escrow Agent shall have been appointed by the University within 60 days, a successor may be appointed by the owners of a majority in principal amount of the 2002 Bonds then outstanding by an instrument or instruments in writing filed with the University, signed by such owners or by their duly authorized attorneys-in-fact. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this section within three months after a

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Section 9.3. Binding Agreement.

This Agreement shall be binding upon the University and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the benefit of the owners of the 2002 Bonds, the University, the Escrow Agent and their respective successors and legal representatives.

Section 9.4. Severability.

In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 9.5. Washington Law Governs.

This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Washington.

Section 9.6. Time of the Essence.

Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

Section 9.7. Notice to Moody's and S&P.

In the event that this agreement or any provision thereof is severed, amended or revoked, the University shall provide written notice of such severance, amendment or revocation to Moody's Investors Service at 7 World Trade Center, 250 Greenwich Street, New York, New York, 10007, Attention: Public Finance Rating Desk/Refunded Bonds and to Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041, Attention: Refunded Bonds Municipal Bond Department.

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Section 9.8. Amendments.

This Agreement shall not be amended except to cure any ambiguity or formal defect or omission in this Agreement. No amendment shall be effective unless the same shall be in writing and signed by the parties thereto. No such amendment shall adversely affect the rights of the holders of the 2002 Bonds. No such amendment shall be made without first receiving written confirmation from the rating agencies, (if any) which have rated the 2002 Bonds that such amendment will not result in a withdrawal or reduction of its rating then assigned to the 2002 Bonds. If this Agreement is amended, prior written notice and copies of the proposed changes shall be given to the rating agencies which have rated the 2002 Bonds.

EXECUTED as of the date first written above.

EASTERN WASHINGTON UNIVERSITY

Title: _____

[ESCROW AGENT]

Title: _____

- Exhibit A — Addresses of the University and the Escrow Agent
- Exhibit B — Description of the 2002 Bonds
- Exhibit C — Schedule of Debt Service on 2002 Bonds
- Exhibit D — Description of Beginning Cash Deposit (if any) and Escrowed Securities
- Exhibit E — Escrow Fund Cash Flow
- Appendix A — Notice of Defeasance - 2002 Bonds
- Appendix B — Fee Schedule

**EXHIBIT A
Addresses of the University and Escrow Agent**

University: Eastern Washington University
 Showalter 307 MS-131
 526 5th St.
 Cheney, WA 99004
 Attention: Vice President of Business and Finance

Escrow Agent: _____

 Attention: Corporate Trust Services

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**EXHIBIT B
Description of the 2002 Bonds**

**Eastern Washington University
Housing and Dining System Refunding Revenue Bonds, Series 2002
("2002 Bonds")**

Maturity Year (October 1)	Principal Amount	Interest Rate
2012	\$535,000	3.80%

**EXHIBIT C
Schedule of Debt Service on 2002 Bonds**

Date	Interest	Principal/ Redemption Price	Total
[Month, Date, Year]	\$	\$	\$(Total Amount)
Total	<u>\$(Total Amount)</u>	<u>\$(Total Amount)</u>	<u>\$(Total Amount)</u>

EXHIBIT D
Escrow Deposit

I. Cash: \$ _____

II. Other Obligations

Description	Maturity Date	Principal Amount	Interest Rate	Total Cost
[SLG, NOTE]	[Month, Date, Year]	\$ _____	[Rate]%	\$ _____ *
		\$[Total Amount]		\$[Total Amount]

III. Costs of Issuance [as applicable]

Escrow Agent Fee (_____)	\$ _____
Financial Advisor Fee (SDM Advisors Inc.)	
Bond Counsel Fee (K&L Gates LLP)	
Escrow Verification Fee ((Escrow Verification))	
OS Printing and Mailing Costs (_____)	
Rating Agency ((Rating Agency(ies)))	_____
TOTAL:	\$ _____

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EXHIBIT E
Escrow Fund Cash Flow

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Cash Balance
[Month, Date, Year]	\$ _____	\$ _____	\$ _____	\$ _____
	\$[Total Amount]	\$[Total Amount]	\$ _____	

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APPENDIX A
Notice of Defeasance*
Eastern Washington University
Housing and Dining System Refunding Revenue Bonds, Series 2002

NOTICE IS HEREBY GIVEN to the owners of that portion of the above captioned bonds with respect to which, pursuant to an Escrow Agreement dated _____, 2012, by and between Eastern Washington University (the "University") and _____ (the "Escrow Agent"), the University has deposited into an escrow account, held by the Escrow Agent, cash and non-callable direct obligations of the United States of America, the principal of and interest on which, when due, will provide money to pay each year, to and including the maturity dates of such bonds so provided for, the principal thereof and interest thereon (the "Defeased Bonds"). Such Defeased Bonds are therefore deemed to be no longer outstanding pursuant to Section 18 of Series Resolution No. 6-21-02 and Supplemental Bond Resolution No. 7-30-02 of the University authorizing the 2002 Bonds, but will be paid by application of the assets in such escrow.

The 2002 Bonds are described as follows:

Eastern Washington University
Housing and Dining System Refunding Revenue Bonds, Series 2002
(Dated August 15, 2002)

Maturity Date (October 1)	Par Amount Defeased	Interest Rate	Call Date	CUSIP No.
2012	\$ 535,000	3.80%	Noncallable	277210CC2

Bond Numbers of 2002 Bonds

Information for Individual Registered Owner

The addressee of this notice is the registered owner of Bond Certificate No. _____ of the Defeased Bonds described above, which certificate is in the principal amount of \$ _____. Of that principal amount, \$ _____ has been defeased as described above.

[Date]

_____, as Escrow Agent

* This notice shall be given immediately by first class mail to each registered owner of the Defeased Bonds, to National Public Finance Guarantee Corp. (formerly MBIA Insurance Corporation) and to the Municipal Securities Rulemaking Board.

APPENDIX B
Fee Schedule

Escrow Agent Fee: \$ _____

CERTIFICATE

I, the undersigned, Secretary of the Board of Trustees ("Board") of Eastern Washington University (the "University"), DO HEREBY CERTIFY:

1. That the attached Resolution (the "Resolution") is a true and correct copy of a resolution of the University, as finally adopted at a regular meeting of the Board of Trustees held on the 23rd day of March, 2012, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a quorum of the Board was present throughout the meeting and a legally sufficient number of members of the Board voted in the proper manner for the adoption of said Resolution; that all other requirements and proceedings incident to the proper adoption of said Resolution have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 23rd day of March, 2012.

Secretary of the Board of Trustees

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EASTERN
WASHINGTON UNIVERSITY

start something big

2011 FINANCIAL REPORT

Letter from the President



The seemingly relentless budget challenges of the last few years have no doubt changed the way we approach our work here at Eastern Washington University. However, during this time of constricted budgets, we have found a way to refine our focus and commit resources to our number one goal of student success.

Buoyed by record enrollment, faculty committed to quality instruction and a new strategic plan that will clearly define the most efficient way to operate, I can truly say Eastern is poised for even greater success. There is still more work to do, but with the economy slowly showing signs of a recovery, EWU has positioned itself well for the road ahead.

I am happy to report to you that Eastern is on solid financial ground thanks to careful planning, healthy enrollments, and fiscal discipline. Despite absorbing reductions to the operating budget, Eastern had the lowest tuition rate increase of any of the state's public universities. The university also continues to put a strong emphasis on raising money for scholarships to help our students succeed. This is critical to our mission, as Eastern must take every step to keep improving student retention and graduation rates.

Validating the fact that more students

and their families are seeing the value of our programs and services, EWU welcomed more than 12,000 students in the fall. The vibrant student presence is not the only activity on campus that reflects our optimism. Renovation work continues on Patterson Hall, the main academic building on campus. And for the first time in 40 years, Eastern will soon break ground on a new residence hall for students. The five-story, 352-bed building should be open by the fall of 2013.

EWU continues to have an impact throughout the region, as our health sciences programs on the Riverpoint Campus in Spokane are a key part of the growing University District. Eastern's impact on the economic vitality and quality of life is invaluable, as a highly educated workforce will be one of the state's biggest assets in the years to come.

This publication will give you a great snapshot of how Eastern Washington University has managed through the financial crisis. While it has been a challenge, this has been an exciting time as well. All of our budget decisions will continue to incorporate ideas from the campus community, students and members of the Board of Trustees to ensure we maintain a high-quality and affordable academic environment.

Sincerely,

Rodolfo Arévalo, PhD
EWU President

Board of Trustees (As of 6/30/11)

Bertha Ortega (Chair)

Neil McReynolds (Vice Chair)

Jo Ann Kauffman

Mark Ways

Kris Mikkelsen

Paul Tanaka

Ines Zozaya-Geist

Amanda Zeller (Student Trustee)

Administration (As of 6/30/11)

President

Rodolfo Arévalo

Vice President for Academic Affairs

Rex Fuller

Vice President for University Advancement

Mike Westfall

Vice President for Business and Finance

Mary Voves

Vice President for Student Affairs

Stacy Morgan-Foster

University Deans (As of 6/30/11)

College of Arts, Letters and Education

Lynn Briggs

College of Business and Public Administration

Neil Zimmerman (interim)

College of Science, Health and Engineering

Judd Case

College of Social and Behavioral Sciences

Vickie Rutledge Shields

Libraries

Richard Wilson

Mission Statement

Eastern Washington University is a student-centered, regionally based, comprehensive university. Its campus is located in Cheney, within the Spokane metropolitan area, with additional learning centers in the region and elsewhere in Washington state. Its mission is to prepare broadly educated, technologically proficient, and highly productive citizens to attain meaningful careers, to enjoy enriched lives, and to make contributions to a culturally diverse society. Eastern Washington University will achieve its mission by providing:

- an excellent student-centered learning environment;
- professionally accomplished faculty who are strongly committed to student learning;
- high-quality integrated, interdependent programs that build upon the region's assets and offer a broad range of choices as appropriate to the needs of the university's students and the region; and
- exceptional student support services, resources and facilities.



**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

January 18, 2012

Board of Trustees
Eastern Washington University
Cheney, Washington

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Eastern Washington University as of and for the years ended June 30, 2011 and 2010, which collectively comprise the University's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Eastern Washington University Foundation. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Eastern Washington University Foundation, is based on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of Eastern Washington University are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities of the state of Washington that is attributable to the transactions of the University. They do not purport to, and do not present fairly the financial position of the state of Washington as of June 30, 2011 and 2010, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Eastern Washington University, as of June 30, 2011 and 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

Insurance Building, P.O. Box 40021 • Olympia, Washington 98504-0021 • (360) 902-0370 • (866) 902-3900 • TDD Relay (800) 833-6388
FAX (360) 753-0646 • <http://www.sao.wa.gov>

Management's Discussion and Analysis

Eastern Washington University
The following discussion and analysis provides an overview of the financial position and activities of Eastern Washington University ("the University") for the fiscal year ended June 30, 2011, with comparative 2010 and 2009 financial information. This MD&A provides the readers an objective and easily readable analysis of the University's financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes to the financial statements.

Reporting Entity

Eastern Washington University, one of six state-assisted public institutions of higher education in the state of Washington, provides baccalaureate and graduate educational programs for about 11,000 students. The University was established in 1882 and its primary purpose is to prepare individuals for successful contributions to society throughout their careers and in their leadership role as citizens.

The University's main campus is located in Cheney, Washington, a community of approximately 10,700 residents. Eastern also offers a variety of upper division and graduate programs at the Riverpoint Higher Education Park in Spokane, Washington, and at various locations throughout the state of Washington. For example, through a collaborative agreement, our university center at Bellevue College offers upper division courses for selected bachelor degree programs leading to a four-year degree awarded by Eastern Washington University.

The University is governed by an eight-member Board of Trustees appointed by the governor of the state with the consent of the Senate. One of the members is a full time student of the University. By statute the Board of Trustees has full control of the University and its property of various kinds, except as otherwise provided by law.

Using the financial statements

The University reports as a business-type activity as defined by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—*and *Management's Discussion*

and Analysis—for Public Colleges and Universities, as amended. Under this model, the financial report consists of three statements: the Statement of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

GASB Statement No. 39, Determining Whether Certain Organizations are Component Units requires a university to report an organization that raises and holds economic resources for the direct benefit of a government unit. Under this requirement the EWU Foundation is a component unit of the University and their financial statements are incorporated in this financial report.

Reclassifications

Certain reclassifications not affecting total net assets have been made to 2009 and 2010 amounts in order to conform to 2011 presentation.

Statement of Net Assets

The Statement of Net Assets presents the financial position of the University at the end of the last two fiscal years and reports all assets and liabilities of the University. This statement represents the assets available to continue operations of the institution and also identifies how much the institution owes vendors, investors and lenders. A summarized comparison of the University's assets, liabilities and net assets as of June 30, 2011, 2010 and 2009, is shown below.

Current assets consist primarily of cash, short term investments, accounts

receivables and inventories. The change in current and non-current assets is mainly from reallocations between cash and short- and long-term investments.

Liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, bond debt, deposits held for others, and deferred revenues. Current liabilities fluctuate between years due mostly to the timing of vendor payables for capital asset improvements.

Liquidity is an important indicator of financial stability which can be measured by the number of days an institution is able to operate using unrestricted cash and investments that can be liquidated and spent within one year. Between 2009 and 2010 the university increased its ability to cover operating costs from 169 days to 195 days and extended that margin to 201 days in 2011. Within the industry, it is generally considered prudent to maintain reserves to cover operating expenses for at least 60 to 90 days.

Net assets, the difference between assets and liabilities, are a broad indicator of the financial condition of the University. The change in net assets measures whether the overall financial condition has improved or worsened during the year. The University reports its net assets in four categories:

Invested in Capital Assets, Net of Related Debt - This is the University's investment in property, plant and equipment, net of accumulated depreciation and the amount of outstanding debt related to those capital assets.

Restricted-Nonexpendable - This category consists of funds on which the donor or external party has imposed the restriction that the corpus or principal

Condensed Statement of Net Assets
As of June 30 (in thousands)

	2011	2010	2009
Assets			
Current assets	\$ 61,448	\$ 63,748	\$ 75,940
Capital assets, net of depreciation	255,452	251,852	250,194
Other non-current assets	56,092	45,674	27,606
Total Assets	372,992	361,274	353,740
Liabilities			
Current liabilities	21,157	20,243	20,055
Non-current liabilities	42,526	43,308	40,000
Total Liabilities	63,683	63,551	63,358
Net Assets	\$ 309,309	\$ 297,723	\$ 290,382

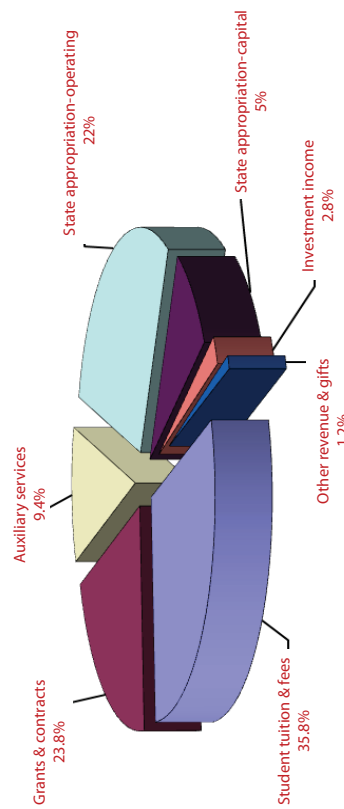
Management's Discussion and Analysis

Operating and Non-operating Revenues

Operating revenues consist primarily of tuition and fees, sponsored program revenue (i.e., grants and contracts), and sales and services revenue generated by auxiliary enterprises and other support operations. Non-operating revenues

consist primarily of state appropriations, investment income and Pell grants for source (both operating and non-operating) used to fund the University's programs for the year ended June 30, 2011. The ensuing table contains a comparison of revenues for fiscal years ended 2011, 2010 and 2009.

FY 2011 Revenues by Source



Revenues by Source (in thousands)
For the year ending June 30

	2011	2010	2009
Student tuition & fees	\$ 71,714	\$ 62,929	\$ 58,785
Grants & contracts	47,676	44,471	40,658
Auxiliary services	18,800	18,205	19,235
State appropriation-operating	44,009	48,869	60,696
State appropriation-capital	9,967	8,349	13,774
Investment income	5,581	4,279	4,268
Other revenue & gifts	2,667	1,873	2,182
Total	\$ 200,414	\$ 188,975	\$ 199,608

and university support functions such as auxiliary enterprises and service funds.

Total net assets grew by \$7.3 million in 2010 as the University invested in capital assets and reduced costs to help weather the continuing effects of the prolonged economic downturn that began in late 2007. Net assets increased another \$11.6 million in 2011 driven by higher revenues and cost containment measures. Factors that contributed to the 2011 net increase stem from enrollment growth, student fee rate increases, investments in

capital assets (plant), and a slowdown in budgeted spending. On February 15, 2010, Governor Gregoire issued an executive order to curtail spending for all state agencies effective March 17, 2010 through June 30, 2011. Specifically, the restrictions were aimed to cut costs through a statewide hiring freeze, restrictions on travel, additional scrutiny of equipment purchases, and limitations on certain types of contracts with some exceptions within each category. Six months prior to the governor's executive order, University leadership had instituted a hiring and spending slowdown.

Condensed Net Assets

As of June 30 (in thousands)

	2011	2010	2009
Invested in capital assets, net of related debt	\$ 220,263	\$ 214,784	\$ 211,239
Restricted:			
Non-expendable	5,701	5,524	5,434
Expendable	16,339	16,656	15,582
Unrestricted	67,006	60,759	58,127
Total net assets	\$ 309,309	\$ 297,723	\$ 290,382

is not available for expenditures but for investment purposes only. The primary non-expendable funds for the University are permanent endowments.

Restricted Expendable – This category includes resources which the University is legally or contractually obligated to spend in accordance with the time or purpose restrictions on the use of the asset placed upon them by donors or other external parties. The primary expendable funds for the University are student loans, capital project funds, and the spendable portion of endowments. Balances fluctuate with the timing of capital project expenditures, contributions to permanent endowments, and other conditions.

Unrestricted – These are all other funds available to the University for the general and educational obligations to meet current expenses for any purpose. Unrestricted net assets are not subject to externally imposed stipulations; however, the University has designated the majority of unrestricted net assets for various academic programs

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets provides information about the operating performance of the University. The statement classifies revenues and

all revenue types/sources and focus on the increase (or decrease) in net assets. A summarized comparison of the University's Statement of Revenues, Expenses and Changes in Net Assets for the fiscal years ended June 30 is shown below.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

For the year ended June 30 (in thousands)

	2011	2010	2009
Operating revenue	\$ 122,041	\$ 112,602	\$ 110,441
Operating expenses	187,194	179,917	186,325
Net operating loss	(65,153)	(67,315)	(75,884)
Non-operating revenues	68,378	67,996	75,193
Non-operating expenses	1,634	1,717	1,801
Income/(loss) before other revenues	1,591	(1,036)	(2,492)
Other revenues and expenses	9,995	8,377	13,974
Increase in net assets	11,586	7,341	11,482
Net assets, beginning of year	297,723	290,382	278,900
Net assets, end of year	\$ 309,309	\$ 297,723	\$ 290,382

Tuition and fees and state operating appropriations are the primary sources of funding for the University's academic programs. The decrease in state operating appropriations reflects reduced state funding for higher education which is provided through the legislative process. In fiscal year 2010, state operating appropriations were supplanted by \$5.522 million in one-time federal

concern. From the 2007-09 biennium to legislative authority. The 2007 legislature

authorized a maximum tuition increase of 5 percent for resident undergraduate students in each year of the 2007-09 biennium. The legislature granted full authority to the Board of Trustees to set tuition rates for all other fee paying categories. In 2010 the University was given authority to increase resident undergraduate tuition by 14 percent and other categories as deemed necessary. To help offset the decrease in state operating appropriations, the University raised student tuition rates for selected fee categories.

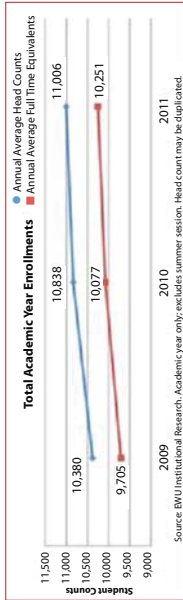
Management's Discussion and Analysis

Full-Time Quarterly Tuition Rates (10 through 18 credits) with Percentage Increase over Prior Year

Academic Year	Resident Undergraduate	Resident Graduate	Nonresident Undergraduate	Nonresident Graduate	Increase over Prior Year	Increase over Prior Year
2010-11	1,780	2,740	4,927	6,318	5%	5%
2009-10	1,567	2,265	4,686	6,010	5%	5%
2008-09			4,456	5,716	0%	0%

In combination with significant reductions in operating costs in 2010, the University also increased self support fees (e.g., summer tuition), special lab and course fees, counseling fees, and administrative fees. With the decrease in state support, dependency on tuition and fee revenues grows greater for covering the cost of providing educational and related support services. Managing enrollment growth during periods of economic downturn continues to be a challenge for the University. State

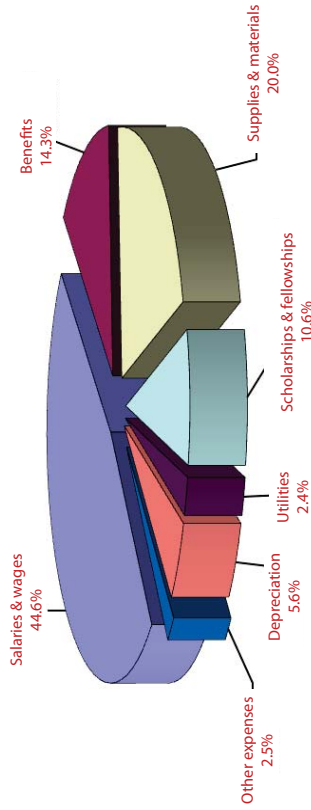
affordable learning opportunities. Maintaining the institution's fiscal health is the cornerstone for meeting this challenge.



Operating Expenses

Operating expenses consist mainly of materials costs, and student scholarships and fellowships. Shown below is an illustration of operating expenses by type of expenses for fiscal years ending June 30, 2011, 2010 and 2009.

FY 2011 Operating Expenses by Object



Operating Expenses by Type (in thousands) For the year ending June 30

	2011	2010	2009
Salaries & wages	\$ 83,567	\$ 83,985	\$ 87,555
Benefits	26,855	25,353	24,367
Supplies & materials	37,507	34,275	39,380
Scholarships & fellowships	19,834	18,109	16,192
Utilities	4,472	4,439	4,716
Depreciation	10,557	10,434	10,374
Other expenses	4,402	3,322	3,741
Total	\$ 187,194	\$ 179,917	\$ 186,325
	100.0%	100.0%	100.0%

To assess progress the University monitors a variety of financial indicators that focus on enrollment in connection with tuition rates, state funding levels, and the related financial impact on students and their families. These financial indicators are useful for institutional trend analysis and become more meaningful when compared to peer institutions (not included here) such as those with the same debting, similar student population and degree offerings, or to industry norms. Within that context, the University appears to be relatively well positioned to weather the current economic environment and make investments for the future. Factors that could affect these financial indicators are student enrollment levels, tuition pricing inelasticity, issuance of new revenue debt, funding levels for state and federal financial aid, state appropriations, and the economy as a whole. University programming support other than partial recovery of indirect costs.

(Footnote)

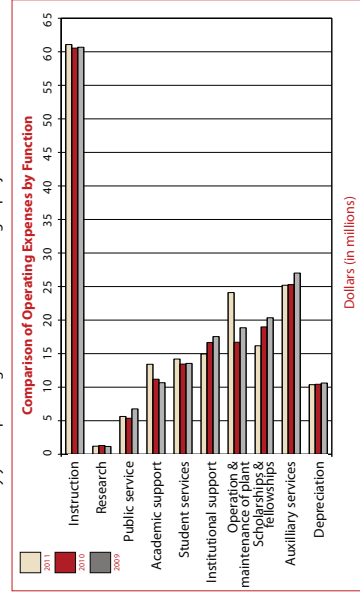
1. The current ratio has decreased between FY2009-11 primarily due to reallocation of the University investment portfolio from short to long term.

materials costs, and student scholarships and fellowships. Shown below is an illustration of operating expenses by type of expenses for fiscal years ending June 30, 2011, 2010 and 2009.

Salaries, wages and benefits are the major support cost for the University's programs. The university reduced its workforce in 2010 saving nearly \$3.6 million in ongoing costs. Benefit expenses flattened in 2009 but health care costs rose by more than \$2.3 million in 2010 and contributed \$1.3 million to the \$1.5 million overall increase for benefits in 2011. An alternative view of operating expenses is by functional (programmatic) classification as shown below for the years ended June 30, 2011, 2010 and 2009.

Instructional expenses comprise the majority of operating costs. Fluctuations in expenses for operation and maintenance of plant are largely impacted by non-capitalized facility improvements associated with project expenses that

are not capitalized to an asset. The amount varies by year depending on several factors including the types and timing of projects undertaken.



Statements of Net Assets

June 30, 2011 and 2010

ASSETS

	June 30, 2011	June 30, 2010
Cash and cash equivalents	\$ 32,033,659	\$ 25,285,246
Short-term investments	12,897,575	17,057,280
Deposit with State of Washington	4,664,418	6,728,259
Accounts receivable (net of allowances of \$439,056 and \$317,487, respectively)	9,889,243	13,122,489
Student loans receivable (net of allowances of \$6,155 and \$15,929, respectively)	156,344	144,150
Inventories	1,345,449	1,297,427
Other assets	461,471	113,699
Total current assets	61,448,159	63,748,550

LIABILITIES

Noncurrent assets:		
Endowment investments	7,882,822	6,855,047
Other long-term investments	42,785,545	32,924,420
Student loans receivable (less allowances of \$749,693 and \$718,593, respectively)	5,085,193	5,508,380
Other noncurrent assets	337,993	385,833
Capital assets, net of accumulated depreciation	255,452,284	251,851,784
Total noncurrent assets	311,545,837	297,525,464
Total assets	\$ 372,991,996	\$ 361,274,014

LIABILITIES

Current liabilities:		
Accounts payable	\$ 8,269,111	\$ 7,376,365
Accrued liabilities	5,106,706	5,480,899
Compensated absences	3,289	5,065
Deposits or funds held for others	921,459	1,417,457
Deferred revenue	4,831,348	4,042,749
Long-term liabilities, current portion	1,925,333	1,920,913
Total current liabilities	21,157,246	20,243,448
Noncurrent liabilities:		
Compensated absences	5,933,552	5,730,261
Long-term liabilities	36,591,923	37,577,524
Total noncurrent liabilities	42,525,475	43,307,785
Total liabilities	\$ 63,682,721	\$ 63,551,233

NET ASSETS

Invested in capital assets, net of related debt	\$ 220,262,669	\$ 214,784,118
Restricted for:		
Nonexpendable:		
Endowments	5,301,714	5,274,097
Charitable gift annuities	212,293	62,425
Other	187,250	187,250
Expendable:		
Loans	7,867,373	7,579,500
Capital projects	5,073,208	6,880,964
Endowments and other	3,398,332	2,095,485
Unrestricted	67,006,436	60,758,942
Total net assets	\$ 309,309,275	\$ 297,722,781

The footnote disclosures are an integral part of the financial statements.

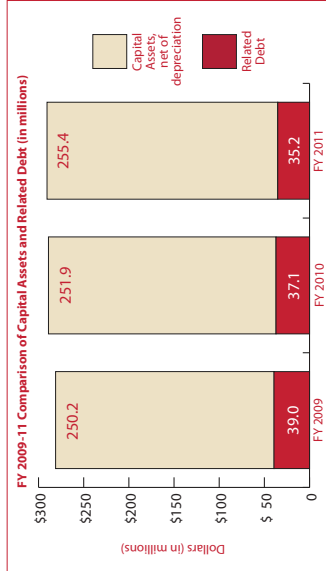
are reported net of depreciation expense which is approximately \$10 million per year; this explains the modest overall increase in total capital assets depicted in the chart below.

State capital appropriations significantly contribute to the University's ability to build infrastructure in support of academic programs without adding debt. However, not all capital projects are funded by state appropriations. Eastern may also use operating revenue and long-term debt to fund capital assets. In FY 2010, the University initiated a plan to invest in the campus residential facilities. Planning and design is currently underway for a new, 350-bed residence hall on campus land at a projected cost of approximately \$25 million.

In September 2009 Moody's Investors Service (a bond rating agency) reaffirmed the A2 debt rating on the outstanding 2006 Housing and Dining System Revenue Bonds and the 2006 Services and Activities Fee Revenue Bonds and indicated the rating outlook remains stable (A2 ratings were later receded to A1 by Moody's Investor Service in May 2010). Debt service coverage remains healthy.

Additional information concerning capital asset and debt activity is provided in the footnotes (see Note 7 through 11).

two major projects largely contributed to the increase in capital assets. Major renovations to Hargreaves Hall totaling \$13.1 million spanned 2008 and 2009. Work continues on the estimated \$60.7 million Patterson Hall renovation and expansion project with cumulative expenditures of \$13.6 million through FY11. Patterson Hall is the university's largest academic building with 40 general use classrooms and two computer labs. The project renovates the existing 102,347 square foot building and provides an additional 33,196 square feet of space. Completion is expected in summer 2014. The Patterson Hall renovation is funded by the state capital budget. Capital assets



Financial Indicator	Definition	Calculation	FY 2009	FY 2010	FY 2011
Expendable financial resources to direct debt (x)	Measures coverage of direct debt by financial resources that are ultimately expendable	Expendable financial resources divided by direct debt	1.94	2.18	2.52
Financial debt burden ratio (%)	Examines dependence on borrowed funds as a source of financing the mission and the relative cost of borrowing to overall expenditures	Principal and interest on capital debt and leases divided by operating and non-operating expenses less depreciation plus principal paid on capital debt and leases	2.17	2.15	1.95
Debt service coverage (x)	Measures actual margin of protection for annual debt service payments from annual operations (the industry ceiling is 7.0)	Annual operating surplus (deficit) plus interest and depreciation expenses plus additional, unusually large non-cash expenses, divided by actual principal and interest payments	2.47	2.98	3.91

Summary of Financial Health and Economic Factors That Will Affect the Future

\$188.8 million. However, funding for higher education in the state of Washington continues to be under pressure with declining state funding and increasing enrollment demand. The financial pressure is expected to continue as the State of Washington struggles with sustainability of Washington University.

Statements of Revenue, Expenses and Changes in Net Assets

For the Years Ended June 30, 2011 and 2010

	FY 2011	FY 2010
REVENUES		
Operating revenues:		
Student tuition and fees	\$ 71,713,690	\$ 62,929,127
(net of scholarship allowances of \$20,656,832 and \$17,891,475, respectively)	6,913,458	7,079,584
Federal grants and contracts	19,885,110	19,981,016
State and local grants and contracts	2,889,378	2,561,360
Nongovernmental grants and contracts		
Sales and services of auxiliary enterprises		
Housing and dining services		
Other scholarship allowances of \$4,927,552 and \$4,472,869, respectively	9,956,047	9,930,681
Other auxiliary enterprises	8,843,584	8,274,418
(net of scholarship allowances of \$1,121,852 and \$996,864, respectively)	1,840,135	1,845,625
Other operating revenue	122,041,402	112,601,811
Total operating revenue		
EXPENSES		
Operating expenses:		
Salaries and wages	83,567,192	83,985,160
Benefits	26,855,198	25,353,218
Scholarships and fellowships	19,833,395	18,109,090
Utilities	4,472,062	4,439,337
Supplies and materials	35,501,253	33,128,556
Non-capitalized facility improvements (NCFI)	2,005,796	1,146,497
Other	4,401,857	3,321,349
Depreciation	10,557,081	10,434,089
Total operating expenses	187,193,834	179,917,296
Operating loss	(65,152,432)	(67,315,485)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	44,008,542	48,868,359
Investment income, gains and losses	5,581,226	4,278,984
Interest on capital asset-related debt	(1,633,882)	(1,716,857)
Gifts	799,431	-
Pell grant revenue	17,988,318	14,849,161
Net non-operating revenues	66,743,635	66,279,647
Gain before other revenues, expenses, gains or losses	1,591,203	(1,035,838)
State appropriations - capital	9,967,674	8,349,185
Gifts to permanent endowments	27,617	27,547
Total other revenues and expenses	9,995,291	8,376,732
Increase in net assets	11,586,494	73,408,944
NET ASSETS		
Net assets, beginning of year	297,722,781	290,381,887
Net assets, end of year	\$ 309,309,275	\$ 297,722,781

The footnote disclosures are an integral part of the financial statements.

Statements of Cash Flows

For the Years Ended June 30, 2011 and 2010

	FY 2011	FY 2010
CASH FLOW FROM OPERATING ACTIVITIES:		
Tuition and fees	\$ 71,972,005	\$ 63,336,329
Grants and contracts	30,501,380	30,102,224
Payments to vendors	(45,270,946)	(41,169,919)
Payments to employees	(109,664,068)	(107,758,915)
Payments for scholarships and fellowships	(19,833,395)	(18,109,090)
Loans issued to students	2,442,764	(689,390)
Collection of student loans	(2,127,102)	639,833
Auxiliary enterprise receipts	18,712,726	18,948,048
Other receipts (payments)	2,662,205	(303,569)
Net cash used by operating activities	(50,604,431)	(55,004,449)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	44,008,542	48,986,286
Pell grant	17,988,318	14,849,161
Endowment gifts	27,617	27,547
Stafford/Plus/Direct loans receipts	62,142,233	59,685,833
Stafford/Plus/Direct loans disbursements	(62,233,764)	(59,934,152)
Agency fund receipts	5,687,574	3,856,547
Agency fund disbursements	(5,810,810)	(3,946,389)
Net cash provided by noncapital financing activities	61,809,710	63,524,833
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital appropriations	11,497,345	10,407,397
Purchases of capital assets	(12,093,740)	(11,902,424)
Contributions and gifts in-kind	799,431	-
Principal paid on capital debt and leases	(1,912,181)	(2,040,128)
Interest paid on capital debt and leases	(1,599,752)	(1,681,954)
Net cash provided (used) by capital financing activities	(3,308,897)	(5,217,109)
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	23,567,970	15,332,187
Interest on investments	4,250,717	3,424,129
Purchase of investments	(28,966,656)	(36,871,730)
Net cash provided (used) by investing activities	(1,147,969)	(18,115,414)
Net increase (decrease) in cash	6,748,413	(14,812,139)
Cash, beginning of year	25,285,246	40,097,385
Cash, end of year	\$ 32,033,659	\$ 25,285,246

The footnote disclosures are an integral part of the financial statements.

Statements of Cash Flows (continued)

For the Years Ended June 30, 2011 and 2010

Reconciliation of net operating revenue (expenses) to net cash provided (used) by operating activities:

Operating income (loss)	FY 2011	FY 2010
	\$ (65,152,432)	\$ (67,315,485)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	10,557,081	10,434,089
Changes in assets and liabilities:		
Receivables, net	1,703,575	(1,060,312)
Inventories	(48,022)	236,412
Other assets	(347,771)	230,237
Accounts payable	532,262	310,222
Deferred revenue	888,599	878,209
Deposits held for others	(281,231)	(540,911)
Compensated absences	1,132,515	1,819,302
Loans to students	410,993	3,788
Net cash used by operating activities	<u>\$ (50,604,431)</u>	<u>\$ (55,004,449)</u>

NONCASH TRANSACTIONS

Buildings and/or equipment
Capital leases

	-	117,927
	-	(117,927)

Statements of Financial Position— Component Unit (Foundation)

June 30, 2011 and 2010

	June 30, 2011	June 30, 2010
ASSETS		
Cash and cash equivalents	\$ 3,864,690	\$ 3,534,813
Promises to give, net of allowances and discounts	824,904	1,053,769
Other assets	428,664	437,698
Contributions receivable from charitable trusts	316,836	266,173
Investments held in charitable trusts	176,681	137,540
Investments	13,507,215	11,057,569
Beneficial interest in perpetual trusts	2,479,666	2,204,440
Total assets	<u>\$ 21,598,656</u>	<u>\$ 18,692,002</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 81,752	\$ 178,564
Annuitiies payable	148,492	144,531
Notes payable	674,530	17,877
Total liabilities	<u>904,774</u>	<u>340,972</u>
NET ASSETS		
Unrestricted (deficit)	(330,160)	(1,328,042)
Temporarily restricted	5,511,381	4,783,404
Permanently restricted	15,512,661	14,895,668
Total net assets	<u>20,693,882</u>	<u>18,351,030</u>
Total liabilities and net assets	<u>\$ 21,598,656</u>	<u>\$ 18,692,002</u>

The footnote disclosures are an integral part of the financial statements.

The footnote disclosures are an integral part of the financial statements.

Statements of Activities – Component Unit (Foundation)

For the Years Ended June 30, 2011 and 2010

	FY 2011			FY 2010				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND SUPPORT								
Contributions	\$ 81,926	\$ 1,802,741	\$ 240,481	\$ 2,125,148	\$ 139,677	\$ 2,135,152	\$ 220,602	\$ 2,495,431
Contributions from trusts	-	122,852	-	122,852	-	42,246	-	42,246
Investment income, net of fees of \$90,567 and \$90,178, respectively	7,505	305,711	1,037	314,253	7,766	242,076	-	249,842
Realized gain (loss) on investments	(193)	115,681	-	115,488	-	408,619	-	408,619
Unrealized gain on investments	1,167,192	883,822	-	2,051,014	-	328,040	-	328,040
Change in value of split-interest agreements	-	-	350,607	350,607	-	-	142,117	142,117
Support provided by Eastern Washington University	1,087,472	-	-	1,087,472	1,174,791	-	-	1,174,791
Other	630	290,107	25,094	315,831	757	377,569	6,688	385,014
Net assets released from restrictions and other transfers	2,793,163	(2,792,937)	(226)	-	123,846	(386,020)	262,174	-
Total revenues, gains, and support	5,137,695	727,977	616,993	6,482,665	1,446,837	3,147,682	631,581	5,226,100
EXPENSES								
Management and general Fundraising	834,414	-	-	834,414	805,055	-	-	805,055
Support provided to/for Eastern Washington University	652,791	-	-	652,791	694,988	-	-	694,988
Total Expenses	2,652,608	-	-	2,652,608	1,577,641	-	-	1,577,641
	4,139,813	-	-	4,139,813	3,077,684	-	-	3,077,684
CHANGE IN NET ASSETS	997,882	727,977	616,993	2,342,852	(1,630,847)	3,147,682	631,581	2,148,416
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(1,328,042)	4,783,404	14,895,668	18,351,030	302,805	1,635,722	14,264,087	16,202,614
NET ASSETS (DEFICIT), END OF YEAR	\$ (330,160)	\$ 5,511,381	\$ 15,512,661	\$ 20,693,882	\$ (1,328,042)	\$ 4,783,404	\$ 14,895,668	\$ 18,351,030

The footnote disclosures are an integral part of the financial statements.

Notes to Financial Statements – June 30, 2011

Note 1: Summary of Significant Accounting Policies

Eastern Washington University, an agency of the State of Washington, is governed by an eight-member Board of Trustees that are appointed by the Governor and confirmed by the state senate. The University's financial activity is included in the general purpose financial statements of the State of Washington.

The Eastern Washington University Foundation (Foundation) is established as a tax exempt, nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation's 35-member board consists of graduates and friends of the University. The University has an agreement with the Foundation to design and implement such programs and procedures to persuade continuous and philanthropic support for the benefit of the University. In exchange, the University provides the Foundation with partial office space, furniture and equipment, supplies, and staff to operate the Foundation. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests are restricted to activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by or for the benefit of the University, the Foundation is considered a legally separate component unit of the University and is discretely presented in the University's financial statements. The Foundation's financial statements include assets and earnings of other unrelated entities; these amounts are not material to the Foundation's financial position taken as a whole. For the fiscal years ended June 30, 2011 and 2010, the net distribution from the Foundation to the University for restricted and unrestricted purposes

which includes both student scholarships and program support follows:

Fiscal Year	Net Distribution
2011	\$ 1,565,136
2010	\$ 402,850

Inter-entirety transactions and balances between the University and Foundation are not eliminated for financial statement presentation. Complete financial statements for the Foundation can be obtained from the Foundation's administrative office located at 127 Hargreaves Hall, Cheney, WA 99004.

Basis of Accounting

The financial statements of the University are presented in accordance with accounting principles generally accepted in the United States of America. The University reports as a special purpose government engaged in business-type activity as defined by Government Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements— and Management's Discussion and Analysis— for Public Colleges and Universities*, as amended. Accordingly, the University's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The flow of economic resources focus considers all of the assets available to the University for the purpose of providing goods and services. Under this focus, all assets and liabilities, both current and long-term, are recorded and depreciation is recorded as a charge to operations. The accrual basis of accounting recognizes revenues in the period in which they are earned and become measurable; expenses are recorded in the period incurred, if measurable. All significant intra-agency transactions have been eliminated, which includes intra-agency payables and receivables as well as interdepartmental receipts and expenses. The University follows only those private-sector standards issued on or before November 30, 1989, unless those pronouncements conflict with or contradict the pronouncements of the GASB. In accordance with GASB No. 39, the Foundation is considered a legally separate component unit of the University. As a non-governmental component unit,

the Foundation follows applicable non-profit reporting and disclosure standards. Revenue recognition principles for these financial accounting standards may differ from those which apply to the University; results have not been restated.

Operating Activities

The University's policy for defining operating activities as reported in the Statement of Revenues, Expenses, and Changes in Net Assets is to include those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Primarily, operating activities involve delivery of higher education courses and supporting services such as residential housing and dining which incur expenses for salaries, benefits, supplies and materials, and scholarships. Payments for these services include tuition and related fees, plus sales from supporting services. Other revenue sources include federal, state and local grants and contracts. As prescribed by GASB No. 35, certain significant revenue streams relied upon for operations are recorded as non-operating revenues, including state appropriations, gifts and investment income. Therefore, it is expected that operating expenses will generally exceed operating revenues resulting in a net operating loss.

Inventories

Inventories are carried at cost (generally determined on the first-in, first-out method) which is not in excess of market.

Cash Equivalents

Cash equivalents are considered to be highly liquid investments with an original maturity of 90 days or less. Funds invested through the State Treasurer's Local Government Investment Pool are reported as cash equivalents.

Tax Exemption

The University is a tax-exempt organization under the provisions of Section 115(a) of the Internal Revenue Code and is exempt from federal income taxes on related income.

Notes to Financial Statements – June 30, 2011

State Appropriations

The State of Washington appropriates funds to the University on both an annual and biennial basis. Appropriations are recognized as revenue when the related expenses are incurred.

Deferred Revenues

Deferred revenues occur when amounts will be due or have been collected in advance of the event that results in revenue recognition. Summer quarter tuition is shown as deferred revenue which represents the majority of the balance shown on the Statement of Net Assets.

Capital Assets

Capital assets are stated at cost, or if acquired by gift, at estimated fair value at the date of the gift, less depreciation. The capitalization threshold is \$100,000 or greater for infrastructure, buildings and building improvements and \$5,000 or greater for all other capital assets such as equipment. All purchased land is capitalized regardless of cost. Generally, the useful life of capital assets is 50 years for buildings, five to 50 years for infrastructure and land improvements, 20 years for library books, and four to seven years for equipment. Depreciation of capitalized assets, excluding inexhaustible assets such as land, is provided on a straight-line basis over the estimated useful lives of the respective assets.

Accrued Leave

Accrued annual and sick leave are categorized as non-current liabilities under the assumption that employees are using most of the leave they are earning. Compensatory time, which must be used within ninety days following fiscal year end, is categorized as a current liability.

Charitable Gift Annuities

Under RCW 28B.10.485 the University may issue charitable gift annuity contracts in return for a gift of assets to the institution. In turn, the University agrees to pay a fixed amount of money to one or two beneficiaries for their lifetime. The assets received are recognized at fair value. The annuity payable is based upon the present value of the expected payments to the named recipients under the agreements using actuarial tables for life expectancies.

Use of Estimates

Allowances for uncollectible accounts (Note 3) are estimates based on aging and historical collection of student loans and accounts receivable. Actual results could differ from those estimates; however, the University believes these allowances are adequate. Prior to 2011, bad debt expenses for uncollectible student tuition and fees receivable were recorded as a direct charge to revenues.

Note 2: Deposits and Investments

Deposits are comprised of cash and cash equivalents which include bank demand deposits, an overnight sweep account, petty cash held at the University, and unit shares in the Local Government Investment Pool operated by the Washington State Treasurer. Cash and cash equivalents are stated at cost or amortized cost. Except for petty cash held at the University, all others are covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). Pledged securities under the PDPC collateral pool are held by the PDPC's agent in the name of the collateral pool.

At fiscal year end, insured/collateralized deposits consist of the following:

	Carrying Value June 30, 2011	Carrying Value June 30, 2010
Deposits		
Cash and cash equivalents	\$ 31,899,367	\$ 25,143,002
Interest bearing	134,292	142,244
Other	\$ 32,033,659	\$ 25,285,246
Total deposits		

Net Assets

The University's net assets are classified as follows:

Invested in capital assets, net of related debt:
The University's investments in capital assets, less accumulated depreciation, net of outstanding debt obligations related to capital assets.

Restricted net assets:

Non-expendable: Net assets subject to externally-imposed requirements that they be maintained permanently by the University, including permanent endowments and charitable gift annuity funds.

Expendable: Net assets which the University is obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted net assets: Net assets not subject to externally imposed restrictions, but which may be designated for specific purposes by management, or the Board of Trustees.

Reclassifications

Certain reclassifications not affecting total net assets have been made to 2010 amounts in order to conform to 2011 presentation.

Through its investment policies for operating funds, the University manages its exposure to custodial credit risk, credit (quality) risk, interest rate risk, concentration of credit risk, and foreign currency risk. Eligible investments are only those securities and deposits authorized by state statute RCW 39 and 43.

At June 30, 2011, investment maturities are as follows:

	Fair value June 30, 2011	Investment maturities for fixed income securities (in months)			
		0 – 9	10 – 24	25 – 60	61 – 120
Investments – Operating Funds	\$ 43,040,314	\$ 6,870,428	\$ 15,214,950	\$ 20,954,995	
U.S. Government agency bonds	121,94,080	2,009,220	7,101,430	3,083,430	
Certificates of deposit					
Other deposits					
Investments – Charitable Gift Annuities					
Investment unit trusts	267,388				
Equity fund	181,358				\$18,1358
Bond fund					
Investments – Endowment Funds					
Investment unit trusts	4,870,125				
Equity fund	3,012,697				3,012,697
Bond fund	63,565,942	8,879,648	22,316,380	24,038,365	3,194,035
Total investments					

At June 30, 2010, investment maturities are as follows:

	Fair value June 30, 2010	Investment maturities for fixed income securities (in months)			
		0 – 9	10 – 24	25 – 60	61 – 120
Investments – Operating Funds	\$ 31,788,266	\$ 5,039,070	\$ 15,946,376	\$ 10,802,820	
U.S. Government agency bonds	141,69,330	1,998,080	6,117,820	6,053,430	
Certificates of deposit	4,000,000	4,000,000			
Other deposits	24,104				
Investments – Endowment Funds					
Investment unit trusts	4,002,256				
Equity fund	2,852,791				\$ 2,852,791
Bond fund	56,836,747	11,037,150	22,064,196	16,856,250	2,852,791
Total investments					

At June 30, 2011 the net appreciation on investments of donor-restricted endowments that is available for expenditure authorization is \$2,581,109 which is reported as restricted, expendable on the Statement of Net Assets.

RCW 24.44.050 of the Washington State Code allows for the spending of net appreciation on investments of donor-restricted endowments. Accordingly, the income distribution policy is five percent of the three year moving average of the fair value of net assets.

Fair value of the investment unit trust was determined using the fund's current share price. Fair values of all other investments were provided by major investment brokers or banks.

The Bond Fund is comprised of many underlying securities including debt instruments with varied maturity dates. As a whole, the fund had a weighted average

maturity of 7.2 years at year end.

Custodial Credit Risk: Investments, where evidenced by specific, identifiable securities, are insured or registered or are held by the University's custodian bank in the University's name. All securities transactions are conducted on a delivery-versus-payment basis. Invested assets of donor-restricted endowments are represented by shares in investment unit trusts (pools) rather than specific, identifiable securities and, as such, are not directly subject to custodial credit risk. Similarly, cash equivalents held in the Local Government Investment Pool are also represented by shares in investment unit trusts.

Credit (Quality) Risk: For operating funds, the University limits exposure to credit risk by limiting investments in fixed income securities to obligations of the U.S. government or similar instruments explicitly guaranteed by the U.S. government which are not considered to have credit risk. Underlying debt securities in unitized investments had an average rating of AA at year end.

Interest Rate Risk: The University manages its exposure to fair value losses resulting from changes in interest rates by structuring the total portfolio time horizon. Unless matched to a specific cash flow, the University generally will not directly invest operating funds in securities maturing more than five years from the date of purchase. The goal of the overall portfolio for operating funds is to maintain each individual portfolio at a desired target percentage to balance cash flow requirements, safety, liquidity and yield. For endowment funds, the goal is to maintain a ratio of debt and equity investments which recognizes the inherent growth potential of equities and bonds for an endowment that will exist in perpetuity.

Notes to Financial Statements – June 30, 2011

Note 7: Capital Assets

Capital asset activity for the two-year period ended June 30, 2011 is summarized as follows:

	June 30, 2009	Additions	Retirements	June 30, 2010	Additions	Retirements	June 30, 2011
Non-depreciable Capital Assets							
Land	\$ 2,090,954	\$ 30,000	-	\$ 2,120,954	-	-	\$ 2,120,954
Construction in progress	6,748,840	8,636,703	7,966,659	7,416,884	10,779,932	3,632,709	14,564,107
Subtotal	8,839,794	8,666,703	7,966,659	9,537,838	10,779,932	3,632,709	16,685,061
Depreciable Capital Assets							
Land improvements	13,526,245	1,148,653	-	14,674,898	893,907	-	15,568,805
Infrastructure	28,658,227	-	-	28,658,227	1,988,510	-	30,646,737
Buildings	282,897,640	7,526,019	30,000	290,393,659	1,694,199	51,020	292,036,838
Furniture, fixtures and equipment	29,863,160	1,314,583	1,087,992	29,589,831	1,215,116	1,533,383	29,271,564
Library materials	20,070,035	1,424,459	1,574,872	20,919,622	1,331,200	1,077,185	29,183,637
Subtotal	383,514,507	11,423,714	2,662,794	392,245,227	7,022,932	2,661,588	396,606,371
Total Capital Assets	392,354,101	20,090,417	10,661,453	401,793,065	17,852,864	6,294,297	413,341,632
Less accumulated depreciation:							
Land improvements	4,232,189	403,893	-	4,636,082	462,730	-	5,098,812
Infrastructure	15,259,176	885,652	-	16,144,828	911,989	-	17,056,817
Buildings	83,384,013	5,733,182	-	89,117,195	5,806,832	25,592	94,898,435
Furniture, fixtures and equipment	21,539,019	2,476,647	1,087,993	22,925,743	2,352,052	1,496,237	23,781,558
Library materials	17,745,591	936,715	1,574,873	17,107,433	1,023,478	1,077,185	17,053,726
Total accumulated depreciation	142,159,988	10,434,089	2,662,796	149,931,281	10,557,081	2,599,014	157,889,448
Capital assets, net of depreciation	\$ 250,194,113	\$ 9,656,328	\$ 7,998,657	\$ 251,861,784	\$ 7,295,783	\$ 3,695,283	\$ 255,452,284

The Spokane Higher Education Center, a four-story building located at 705 W. 1st Ave in downtown Spokane, is currently vacant (idle) and is being marketed for sale. The University no longer intends to use the property, instead focusing on providing educational programs and services in the nearby University District. The property is reported on the Statement of Net Assets at carrying value which is lower than the estimated fair value of the asset.

Note 8: Long-term Liabilities

Long-term liability activity for the two-year period ended June 30, 2011 is summarized as follows:

	June 30, 2009	Additions	Reductions	June 30, 2010	Additions	Reductions	Current Portion June 30, 2011
Leases and bonds payable:							
General obligations (Note 9)	\$ 4,313,826	\$ 117,927	\$ 546,087	\$ 3,885,666	\$ 417,862	\$ 417,862	\$ 417,862
Revenue obligations (Note 10)	203,359	-	129,040	74,319	74,319	-	74,319
General obligations (Note 10)	34,505,000	-	1,365,000	33,140,000	1,420,000	-	1,420,000
Total leases and bonds payable	39,022,185	117,927	1,840,127	37,099,985	1,912,181	-	1,912,181
Other liabilities:							
Charitable gift annuities (Note 1)	-	66,699	9,820	56,879	56,879	8,732	8,732
Net pension obligation (Note 12)	1,444,661	1,055,000	158,088	2,341,573	-	-	-
Compensated absences (Note 5)	4,869,815	4,057,969	3,192,458	5,735,326	5,065	5,065	5,065
Total long-term liabilities	\$ 45,336,661	\$ 5,297,595	\$ 5,400,493	\$ 45,233,763	\$ 1,925,978	\$ 1,925,978	\$ 1,925,978
Continued from above:							
Leases and bonds payable:							
General obligations (Note 9)	\$ 3,885,666	-	\$ 417,862	\$ 3,467,804	\$ 403,161	\$ 403,161	\$ 403,161
Revenue obligations (Note 10)	74,319	-	74,319	-	-	-	-
General obligations (Note 10)	33,140,000	-	1,420,000	31,720,000	1,490,000	-	1,490,000
Total leases and bonds payable	37,099,985	-	1,912,181	35,187,804	1,893,161	-	1,893,161
Other liabilities:							
Charitable gift annuities (Note 1)	56,879	\$ 178,865	36,663	199,171	199,171	32,172	32,172
Net pension obligation (Note 12)	2,341,573	96,000	3,130,281	197,292	197,292	3,889	3,889
Compensated absences (Note 5)	5,735,326	3,864,818	3,640,305	5,959,839	5,959,839	3,889	3,889
Total long-term liabilities	\$ 45,233,763	\$ 5,066,773	\$ 5,786,439	\$ 44,454,097	\$ 1,928,622	\$ 1,928,622	\$ 1,928,622

guaranteed by the U.S. government or those covered by the FDIC or by collateral held in a multiple financial institution collateral pool.

Foreign Currency Risk. A small percentage of underlying securities within untized investments may be denominated in foreign currency. Any adverse effect on the fair value of investments resulting from changes in exchange rates is not considered to be significant to the portfolio as a whole.

exposure to concentration of credit risk. However, operating funds are invested only in securities issued by or explicitly

Portfolio	Target	Policy Range
Operating funds	25%	20-40%
Liquidity pool	50%	30-60%
Intermediate pool	25%	15-40%
Long Term pool		
Endowment funds		
Domestic equity	60%	50-70%
Fixed income	30%	20-40%
Foreign equity	5%	0-10%
Cash	5%	0-5%

Note 3: Accounts and Student Loans Receivable

Accounts and student loans receivable at June 30, 2011 and 2010 consist of the following:

	June 30, 2011	June 30, 2010
Accounts receivable		
Student tuition and fees (less allowance of \$103,102 and \$0, respectively)	\$ 5,560,789	\$ 5,018,720
Auxiliary enterprises (less allowances of \$251,871 and \$238,742, respectively)	784,738	727,606
Contracts and grants	1,899,486	2,618,674
State reimbursement	1,001,479	2,531,150
Other (less allowances of \$84,083 and \$78,745, respectively)	642,751	2,226,339
Total accounts receivable	\$ 9,889,243	\$ 13,122,489
Student loans receivable		
Federal programs (less allowances of \$746,693 and \$718,593, respectively)	\$ 5,085,193	\$ 5,508,380
Institutional loans (less allowances of \$6,155 and \$15,929, respectively)	136,344	144,150
Total student loans receivable	\$ 5,241,537	\$ 5,652,530

Note 4: Funds with State Treasurers

The Normal School Permanent Fund, established under RCW 43.79.160, is a permanent endowment fund that derives its corpus from the sale of state lands/ timber. The investing activities are handled by the Washington State Treasurer's Office, while the sale of land/timber is handled by the State Department of Natural Resources. Interest earned from the investments are either reinvested or used exclusively for the benefit of Eastern Washington University Central Washington University, Western Washington University and The Evergreen State College. The balance of the fund represents the University's share of the net earnings and tuition distributions, reduced by expenses for capital projects and debt service incurred over the years.

Note 5: Compensated Absences
Vacation leave represents a liability to the University and is recorded and reported accordingly. Earned compensatory time is expected to be used within one year and is therefore classified as a short-term liability.

Note 6: Risk Management
The University participates in a State

Compensated Absences	June 30, 2011	June 30, 2010
Leave Type	\$ 4,725,668	\$ 4,601,260
Vacation	\$ 1,207,884	\$ 1,129,001
Sick	\$ 3,289	\$ 5,065
Compensatory	\$ -	\$ -

of Washington risk management self-insurance program. Premiums are based on actuarially-determined projections and include allowances for payments of both outstanding and current liabilities. The University assumes its potential liability and property losses for all properties except for auxiliary enterprise buildings and contents. The auxiliary enterprise buildings were acquired with the proceeds of bond issues where the bond agreement requires the University to carry insurance on property.

The University has elected to become a self-insurer of unemployment compensation. Cash reserves total \$3,131,293 and \$2,970,218 at June 30, 2011 and 2010, respectively.

Notes to Financial Statements – June 30, 2011

Note 9: Leases

The University leases facilities and furnishings for student dormitory residences, office and computer equipment, and other assets under a variety of agreements. The University's non-cancelable operating leases having remaining terms of more than one year expire in various fiscal years from 2012 through 2016. Total operating lease expenses in fiscal year 2011 were \$735,628.

The University also entered into certain agreements that are classified as capital leases; the related assets and liabilities are recorded in the financial records at the inception of the lease. Minimum lease payments under leases together with the present value of the net minimum capital lease payments as of June 30, 2011, are as follows:

Fiscal Year	Annual Payment	Operating	Capital
2012	\$ 376,567	\$ 592,640	
2013	289,661	483,775	
2014	223,260	410,503	
2015	151,245	397,751	
2016	2,389	385,000	
2017-21	-	1,925,000	
2022-26	-	432,627	
Obligation under leases	\$ 1,043,122	4,627,296	
Less: Amount representing interest costs		(1,159,492)	
Present value of minimum obligation under capital leases		\$ 3,467,804	

Note 10: Bonds Payable

Bonds payable consist of revenue bonds for auxiliary enterprises issued by the University, and the University's portion of the State of Washington General Obligation bonds issued for capital projects construction as shown below.

The Housing and Dining System net revenues and student and activities fees paid by each student enrolled are pledged for debt service on the bonds of Eastern Washington University. State law requires that the University reimburse the State for debt service payments relating to the State of Washington General Obligation and Refunding Bonds from tuition revenue and earnings on investments held by the State Treasurer.

Eastern Washington University Housing and Dining System Revenue/Refunding Bonds, Series 2002	Maturity Date	Interest Rate	Original Balance	Balance Outstanding
Housing and Dining System Revenue Bonds, Series 2006	2011-2013	2.50% - 3.80%	\$ 4,515,000	\$ 1,045,000
Service and Activities Refunding Bonds, Series 2006	2011-2038	4.00% - 5.00%	28,090,000	26,600,000
Service and Activities Refunding Bonds, Series 2006	2011-2019	4.00% - 4.00%	5,625,000	4,075,000
Total Revenue Bonds payable			\$ 38,230,000	\$ 31,720,000

Eastern Washington University debt service requirements for the next five years and thereafter are as follows:

Fiscal Year	Principal	Interest
2012	\$ 1,490,000	\$ 1,330,183
2013	1,555,000	1,270,582
2014	1,065,000	1,218,718
2015	1,110,000	1,175,217
2016	1,155,000	1,129,918
2017-2021	5,305,000	4,948,987
2022-2026	4,415,000	4,041,863
2027-2031	5,445,000	3,020,581
2032-2036	6,890,000	1,683,874
2037-2038	3,290,000	166,500
Totals	\$ 31,720,000	\$ 19,986,423

Note 11: Pledged Revenues

The University has pledged specific revenues, net of certain operating expenses, to repay the principal and interest of revenue and refunding bonds as follows:

Source of Revenue Pledged Housing & Dining revenues, net of operating expense	Current Year Revenues Pledged (net)	Total Future Revenue Pledged	Description of Debt Bonds - Series 2002	Purpose of Debt	Term of Commitment
S&A fee revenue and earnings on invested fees	654,769	4,764,500	Service & Activities Fee Refunding Bonds - Series 2006	Refund outstanding debt on S&A Revenue Bonds of 1993	2019
S&A fee revenue and earnings on invested fees	2,086,458	45,856,993	Service & Activities Fee Revenue Bonds - Series 2006	Construction of a new student recreation center	2038

Note 12: Pension Plans

The University offers four contributory pension plans. The Public Employees' Retirement System (PERS), Teachers' Retirement System (TRS), and the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) are cost-sharing, multi-employer defined benefit plans; PERS and TRS also have a defined contribution component. The Eastern Washington University Retirement Plan is a defined contribution plan with supplemental payment, when required. The University's total payroll for the year ended June 30, 2011, was \$83,567,192. The payroll for employees covered by PERS was \$24,002,609; payroll for employees covered by TRS was \$100,912; payroll for employees covered by LEOFF was \$517,722; and payroll for employees covered by the Eastern Washington University Retirement Plan was \$46,148,474.

PERS Plan I	PERS Plan II	PERS Plan III	TRS	LEOFF Plan I	LEOFF Plan II	Contribution Rates at June 30, 2011		Required Employee Contributions	
						Employee	University	FY 2009	FY 2010
6.00%	5.31%	5.31%	6.00%	6.14%	3.36%	6.14%	\$ 146,543	\$ 75,715	\$ 58,541
Varies	5.31%*	5.31%*	Varies	Varies	Varies	6.14%*	1,709,532	1,036,222	1,024,555
							300,498	189,222	191,201
							\$ 6,349	\$ 3,341	\$ 2,827
							8,231	4,529	3,369
							\$ 49,604	\$ 48,010	\$ 44,628

PERS, TRS, and LEOFF

Plan Descriptions. The Washington State Department of Retirement Systems administers the PERS, TRS and LEOFF plans. The Washington State Legislature establishes or amends benefit provisions. Retirement benefits vary by plan according to years of service credit, participation dates, age upon retirement, and average compensation periods as prescribed by state statute. Certain plans also contain disability provisions. The PERS and TRS defined contribution portion can be distributed according to various member-selected options, either as a lump sum or through installments. Vesting periods vary by plan and employee service date. Additional information concerning plan descriptions and benefit provisions is included in a Comprehensive Annual Financial Report

publicly available from the Washington State Department of Retirement Systems, P.O. Box 48380, Olympia, WA 98504. The level established by state law. The required contribution rates expressed as a percentage of current year covered and/or employer contribution rates for PERS and TRS plans, except where employee and employer rates are set by statute. Under LEOFF, employer and employee contribution rates for Plan II are developed by the Office of the State Actuary to fully fund the plan. All employees are required to contribute at the level established by state law. The required contribution rates expressed as a percentage of current year covered payroll are shown below. The University and the employees made the required contributions. The University's required contributions for the years ending June 30 are as follows:

Eastern Washington University Retirement System

TIAA-CREF benefits are payable upon termination at the member's option unless the participant is re-employed in another institution that participates in TIAA-CREF. Benefits are determined as follows: TIAA-CREF fixed guaranteed annuities payable for life with an additional dividend payment each year depending on investment performance; CREF-variable annuities which are not guaranteed but rise and fall with the value of equity investments. The supplemental payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. The

Notes to Financial Statements — June 30, 2011

University makes direct payments to qualifying retirees when the retirement benefit provided by TIAA-CREF does not meet the benefit goal. Employees are eligible for a non-reduced supplemental payment after the age of 65 with 10 years of full-time service. The benefit goal is two percent of the average annual salary for each year of full-time service up to a maximum of 25 years. However, if the participant does not elect to make the 10 percent TIAA-CREF contribution after age 50, the benefit goal is 1.5 percent for each year of full-time service for the years in which the lower contribution rate was selected. On June 8, 2011, the supplemental benefit payment was discontinued for new employees hired after July 1, 2011. This action caps and will eventually eliminate net pension obligations. No other significant changes were made in the benefit provision for the year ended June 30, 2011.

Contribution. Employee contribution rates, which are based on age, are 5 percent, 7.5 percent and 10 percent. The University matches the employee contributions. The University contributions during the year ended June 30, 2011, total \$3,966,378.

The University supplemental pension benefits are unfunded and charged to operations in the years in which they are paid. The University makes no contributions other than benefit payments and there are no plan assets. An actuarial study of the supplemental pension benefits was performed as of July 1, 2011. The actuarial assumptions for the evaluation included an investment rate of return of 4.25 percent per annum and projected salary increases of two percent (2%) for two years and four percent (4%) thereafter. The previous evaluation was performed in 2009. Based on assumptions made regarding expected benefit payments, the actuarial present value of the supplemental pension liability is projected to be \$986,000. The actuarial present value of the supplemental pension liability is projected to be \$986,000. The net pension obligation is the cumulative excess, if any, of the ARC over the actual benefit payments and is reported as a liability on the University's financial statements. The table below reflects net pension obligation activity for the fiscal years ended June 30:

	FY 2011	FY 2010	FY 2009
Net Pension Obligation Balance as of July 1	\$ 2,341,573	\$ 1,444,661	\$ 528,365
Add: Annual Required Contribution	986,000	1,055,000	1,055,000
Less: Payments to Beneficiaries	197,292	158,088	138,704
Balance as of June 30	\$ 3,130,281	\$ 2,341,573	\$ 1,444,661

Note 13: Other Post-Employment Benefits

Effective for fiscal year 2008, the Governmental Accounting Standards Board issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. Other post-employment benefits (OPEB) are those provided to retired employees beyond those provided by their pension plans. Statement No. 45 requires systematic, accrual-basis measurement and recognition of OPEB expense in the year in which such benefits are earned by the member. Disclosure information, as required under GASB 45, does not exist at department level and, as a result, the net OPEB obligation is recorded in the State of Washington comprehensive annual financial report which is available from the Office of Financial Management, Insurance Building, PO Box 43113, Olympia, Washington 98504-3113.

The University funds OPEB obligations on a pay-as-you-go basis. Funding status through the fiscal years ended June 30 follows:

	FY 2011	FY 2010	FY 2009
Net OPEB Obligation Balance as of July 1	\$ 9,572,000	\$ 6,154,000	\$ 3,064,000
Add: Estimated annual OPEB expenses	3,613,000	3,928,000	3,637,000
Less: Estimated contributions	605,000	510,000	547,000
Balance as of June 30	\$ 12,580,000	\$ 9,572,000	\$ 6,154,000

Note 14: Segment Information

The following financial information represents identifiable activities for which one or more revenue bonds or other revenue-backed debt is outstanding, and where expenses, gains and losses, assets, and liabilities are identifiable. These bonds provide funding for residential housing and student activity facilities. For more information, separately issued financial statements are available from the Office of Controller, Eastern Washington University, 319 Showalter-Hall, Cheney, WA 99004. Summarized activity as of and for the years ended June 30 follows:

	FY 2011		FY 2010		FY 2009	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Condensed Statement of Net Assets						
Housing and Dining System Refunding Revenue Bonds Series 2002						
Assets						
Current assets	\$ 4,267,220	\$ 4,984,396	\$ 2,578,113	\$ 2,159,412		
Non-current assets	22,055,490	22,149,262	37,644,301	37,881,693		
Total assets	26,322,710	27,133,658	40,222,414	40,041,105		
Liabilities						
Current liabilities	1,944,970	1,902,877	1,421,438	1,375,834		
Non-current liabilities	3,888,718	4,745,795	29,994,625	30,988,108		
Total liabilities	5,833,688	6,648,672	31,386,063	32,363,942		
Net assets						
Invested in capital assets, net of related debt	14,191,382	13,885,283	4,303,531	4,214,904		
Restricted	187,250	187,250	-	-		
Unrestricted	6,110,390	6,412,853	4,532,830	3,462,259		
Total net assets	\$ 20,489,022	\$ 20,484,966	\$ 8,836,351	\$ 7,677,163		

	Series 2002		Series 2006	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Housing and Dining System Refunding Revenue Bonds				
Operating revenues	\$ 15,513,229	\$ 15,024,961	\$ 5,781,415	\$ 5,111,682
Operating expenses	15,306,099	14,096,840	3,460,995	3,444,460
Net operating income	207,130	928,121	2,220,420	1,667,222
Non-operating revenues (expenses)	(203,094)	(235,021)	(1,307,632)	(1,348,759)
Transfers	-	-	140,400	146,400
Change in net assets	4,036	703,100	1,159,188	464,863
Net assets, beginning of year	20,484,986	19,781,886	7,677,163	7,212,300
Net assets, end of year	\$ 20,489,022	\$ 20,484,986	\$ 8,836,351	\$ 7,677,163

Condensed Statement of Cash Flows

Net cash flows provided by operating activities

Net cash flows provided (used) by non-capital and related financing activities

Net cash flows used by capital and related financing activities

Net cash flows provided by investing activities

Net increase (decrease) in cash

Cash—beginning of year

Cash—end of year

Net cash flows provided by operating activities	\$ 1,397,967	\$ 2,286,444	\$ 3,218,868	\$ 2,668,058
Net cash flows provided (used) by non-capital and related financing activities	-	-	90,000	90,000
Net cash flows used by capital and related financing activities	(1,669,597)	(1,147,801)	(2,289,014)	(2,343,046)
Net cash flows provided by investing activities	536,167	(2,330,325)	(631,303)	(1,060,080)
Net increase (decrease) in cash	264,537	(119,682)	388,551	(645,068)
Cash—beginning of year	2,369,347	3,561,029	1,122,248	1,767,316
Cash—end of year	\$ 2,633,884	\$ 2,369,347	\$ 1,510,799	\$ 1,122,248

Note 15: Operating Expenses by Function

Operating expenses by functional classification for the years ended June 30 are summarized as follows:

	FY 2011	FY 2010
Operating Expenses		
Educational and general	\$ 60,675,599	\$ 60,543,209
Instruction	1,164,227	1,307,352
Research	6,762,792	5,365,294
Public service	10,665,057	11,900,098
Academic support	13,543,619	13,441,537
Student services	17,542,236	16,657,918
Institutional support	18,858,608	16,696,491
Operation and maintenance of plant	20,347,804	18,984,800
Scholarships and fellowships	27,014,237	25,296,188
Auxiliary enterprises	10,619,655	10,434,089
Depreciation	187,199,834	179,917,296
Total operating expenses	\$ 187,199,834	\$ 179,917,296

Note 16: Other Matters

The University is contingently liable in connection with claims arising in the normal course of its activities. University management believes that the outcome of such matters will not have a material effect on the financial statements. An exception may be Moore v. Health Care Authority. This is a class action lawsuit brought on behalf of state employees who allege they were improperly denied health care benefits. The plaintiffs and class requested an undetermined amount plus double damages, which means the potential for damages may be substantial. Discovery related to damages remains ongoing. A hearing has been scheduled for Dec. 16, 2011, to determine whether to certify a class on damages for the time period June 1, 2003 through Dec. 31, 2009. Due to the current status of the case, it is difficult to assess potential damages.

On Jan. 1, 2011 the EWU Board of Trustees approved Phase 1 of the Long Term Housing & Dining System Improvement Plan which includes the construction of a new 350-bed residence hall at the cost of \$25 million plus financing costs and issuance of Housing and Dining system bonds to fund the project. Design work is underway for the new residence hall which is financed with existing university resources. The anticipated bond issuance date is spring 2012. While information is being gathered for the preliminary official statement, there is not currently any requirement that the University move forward with bond issuance and there is no contractual commitment at this time. Outstanding purchase orders and other commitments at June 30, 2011 total \$3,954,904 for various goods and services.



The Office of Controller is responsible for preparing this report. Additional copies of this publication are available from:
Eastern Washington University | Office of Controller | 319 Showalter Hall | Cheney, WA 99004
509.359.6614 | www.ewu.edu

APPENDIX D
FORM OF BOND COUNSEL OPINION

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April 11, 2012

Eastern Washington University
Cheney, Washington

Robert W. Baird & Co., Inc.
Milwaukee, Wisconsin

Re: Eastern Washington University
 Housing and Dining System Revenue Bonds, 2012 - \$25,330,000

Ladies and Gentlemen:

We have acted as bond counsel to Eastern Washington University (the “University”) and have examined a certified transcript of all of the proceedings taken in the matter of the issuance by the University of its Housing and Dining System Revenue Bonds, 2012, in the aggregate principal amount of \$25,330,000 (the “Bonds”), issued for the purpose of financing additions and improvements to its housing and dining system (the “System”) and to pay the costs of issuance of the Bonds. The Bonds are issued pursuant to a Resolution of the Board of Regents of the University, adopted on March 23, 2012 (“Bond Resolution”). Capitalized terms used in this opinion which are not otherwise defined shall have the meanings given to such terms in the Bond Resolution.

The Bonds are subject to redemption as provided in the Bond Resolution and the Approved Bid.

Regarding questions of fact material to our opinion, we have relied on representations of the University in the Bond Resolution and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been legally issued and constitute valid special obligations of the University, both principal thereof and interest thereon being payable solely out of a special fund of the University known as the “Eastern Washington University Housing and Dining System Revenue Bond Fund” (the “Bond Fund”) created in the office of the Treasurer of the University by the Bond Resolution, except to the extent that the enforcement of the rights and remedies of such owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, insolvency, moratorium or other similar laws of general

application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

2. The University has irrevocably bound itself to set aside and pay into the Bond Fund out of the Gross Revenue of the System and/or the Revenue Fund, those amounts which, together with any money on hand in the Bond Fund, are necessary to pay the interest on the Bonds, and to pay the principal of the Bonds as such principal and interest become due and payable.

3. The University has pledged in the Bond Resolution that amounts to be paid out of the Gross Revenue of the System and/or the Revenue Fund into the Bond Fund are a prior lien and charge upon the Gross Revenue and/or the monies in the Revenue Fund of the System superior to all other charges of any kind or nature whatsoever except charges for normal maintenance and operation of the System, and except that the amounts so pledged are equal in rank to the lien and charge upon such Gross Revenue and/or the monies in the Revenue Fund of any other revenue bonds hereafter issued on a parity with the Bonds. The University has reserved the right to issue bonds in the future with a lien against the Net Revenues equivalent to the lien thereon of the Bonds.

4. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the University comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The University has covenanted to comply with all applicable requirements. Failure to comply with certain of such covenants may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

The University has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

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We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material related to the Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto, or relating to the undertaking by the University to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

K&L GATES LLP

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APPENDIX E BOOK-ENTRY TRANSFER SYSTEM

The information in this section concerning the Depository Trust Company, New York, New York (“DTC”) and DTC’s book-entry system has been obtained from sources that the University believes to be reliable, but the University takes no responsibility for the accuracy thereof. Beneficial Owners (as hereinafter defined) should therefore confirm the following with DTC or the Participants (as hereinafter defined). For purposes of this section, references to the Issuer mean the University, and references to Agent mean the Registrar. For the purposes of this Official Statement, the term “Beneficial Owner” includes the person for whom the Participant acquires an interest in the Bonds.

1. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in the principal amount of such maturity and will be deposited with DTC.
2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing services. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.
3. Purchases of the Bonds under the DTC system, in denominations of \$5,000 or any integral multiple thereof, must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.
4. To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. When notices are given, they will be sent by the Bond Registrar to DTC only. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.
6. Redemption notices will be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the University as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the University or the Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Registrar, or the University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or any other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University or the Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the University and the Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.
10. Issuer may decide to discontinue use of the system of the book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.