

OFFICIAL STATEMENT DATED JUNE 27, 2012

**NEW ISSUE
BOOK-ENTRY ONLY
NOT BANK QUALIFIED**

**MOODY'S RATING: A1
STANDARD & POOR'S RATING: A+
(See "RATINGS," herein)**

In the opinion of K&L Gates LLP, Bond Counsel, assuming compliance with certain covenants of the University, interest on the Series 2012 Bonds is excludable from gross income for federal income tax purposes under existing law. Interest on the Series 2012 Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax. Interest on the Series 2012 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.



\$9,205,000
Western Washington University
Housing and Dining System Revenue Refunding Bonds, Series 2012

Dated: As of the Delivery Date

Due: October 1, as shown on the inside cover

The Western Washington University (the "University") Housing and Dining System Revenue Refunding Bonds, Series 2012 (the "Series 2012 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 Series 2012 Bonds. Individual purchases of interests in the Series 2012 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 Series 2012 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 "Bond Registrar") for the Series 2012 Bonds.

Interest on the Series 2012 Bonds is payable semiannually on each April 1, and October 1, commencing October 1, 2012. Principal of the Series 2012 Bonds is payable on October 1 in each of the years shown on the inside cover hereof. 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 Series 2012 Bonds, as described under the caption "THE SERIES 2012 BONDS" herein.

Proceeds of the Series 2012 Bonds will be used to pay the cost of refunding a portion of the University's Housing and Dining System Revenue Bonds, Series 2003 for the purpose of debt service savings, and to pay costs of issuance of the Series 2012 Bonds.

The Series 2012 Bonds are not subject to redemption in advance of their stated maturity dates.

The Series 2012 Bonds, the University's outstanding system revenue bonds and any bonds to be issued in the future under the Master Resolution as Parity Bonds are secured solely by (i) a lien on the Gross Revenue of the System, subject to the obligation of the System to pay Operating Expenses, and (ii) other rights and money as provided in the Master Resolution, and are payable from Net Revenues. The Series 2012 Bonds are revenue obligations of the University and are not general obligations of the University or the state of Washington, its agencies, instrumentalities, or political subdivisions. 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 Series 2012 Bonds to potential investors is made only by means of the entire Official Statement.

The Series 2012 Bonds are offered when, as and if executed and delivered, 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 Series 2012 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 July 19, 2012 (the "Delivery Date").

\$9,205,000
Western Washington University
Housing and Dining System Revenue Refunding Bonds, Series 2012

Due October 1	Principal	Interest Rate	Price or Yield	CUSIP Number ⁽¹⁾
2013	\$750,000	3.00%	0.75%	959878MN6
2014	765,000	3.00	0.90	959878MP1
2015	785,000	3.00	1.15	959878MQ9
2016	810,000	3.00	1.30	959878MR7
2017	840,000	3.00	1.55	959878MS5
2018	860,000	3.00	1.85	959878MT3
2019	875,000	3.00	2.10	959878MU0
2020	925,000	5.00	2.40	959878MV8
2021	980,000	4.00	2.60	959878MW6
2022	825,000	3.00	2.75	959878MX4
2023	790,000	4.00	2.90	959878MY2

⁽¹⁾ *The CUSIP numbers herein are provided by CUSIP Global Services. These numbers are not intended to create a database and do not serve in any way as a substitute for the CUSIP Global Services. CUSIP numbers are provided herein for the convenience of reference only. CUSIP numbers are subject to change. CUSIP numbers are assigned by CUSIP Global Services. The Bondholders are responsible for verifying the CUSIP numbers for the Series 2012 Bonds. The University takes no responsibility for the accuracy of such CUSIP numbers.*

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 Series 2012 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 Series 2012 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 SERIES 2012 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 SERIES 2012 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2012 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 SERIES 2012 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 Series 2012 Bonds.

The CUSIP numbers herein are provided by Standard and Poor’s, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. These numbers are not intended to create a database and do not service in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for the convenience of reference only. CUSIP numbers are subject to change. Neither the University nor the Underwriter takes any responsibility for the accuracy of such CUSIP numbers.

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⁽¹⁾ 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 Series 2012 Bonds. Any references to the website addresses are not hyperlinks and do not incorporate any of the websites by reference.

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\$9,205,000
Western Washington University
Housing and Dining System Revenue Refunding Bonds, Series 2012

This Official Statement of Western 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 Refunding Bonds, Series 2012 (the “Series 2012 Bonds”).

The Series 2012 Bonds are payable from and secured by Gross Revenues of the University’s Housing and Dining System (the “System”) as defined in the Bond Resolution, available after providing for the payment of Operating Expenses not paid from other sources. The University has irrevocably obligated and bound itself to set aside and pay into the Series 2012 Bond Fund out of Net Revenues, on or prior to the date on which the interest on or principal of and interest on the Series 2012 Bonds shall become due, the amount necessary to pay such interest or principal and interest coming due on the Series 2012 Bonds. Amounts pledged to be paid into the Series 2012 Bond Fund are a 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 for the charges equal in rank that have been made thereon to pay and secure the payment of the principal of and interest on the Outstanding Parity Bonds and that may be made in the future to pay and secure any Future Parity Bonds. Net Revenues is defined in the Bond Resolution as Gross Revenue less any part thereof that must be used to pay Operating Expenses. See “SECURITY FOR THE SERIES 2012 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 SERIES 2012 BONDS

General Description

The Series 2012 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 Series 2012 Bonds will be payable semiannually on each April 1 and October 1, commencing October 1, 2012. The Series 2012 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 Series 2012 Bonds

The Series 2012 Bonds are authorized pursuant to a master resolution adopted by the Board on December 5, 1997 (the “Master Resolution”), and a series resolution, No. 2012-03, adopted by the Board on June 8, 2012 (the “Series Resolution”) (collectively, the “Bond Resolution”) in accordance with the authority granted to the University in sections 28B.10.300 through 28B.10.330, inclusive, of the Revised Code of Washington (“RCW”). Copies of the Master Resolution and Series Resolution are attached as Appendix B hereto.

Form of the Series 2012 Bonds

The Series 2012 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 Series 2012 Bonds. Individual purchases will initially be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the Series 2012 Bonds so purchased. See Appendix E - “Book-Entry Transfer System.”

Bond Registrar

The University has adopted the system of registration for the Series 2012 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 “Bond Registrar”) under the terms of the Bond Resolution.

In order to meet payment requirements for interest on and principal of the Series 2012 Bonds as the same becomes due and payable, the University will remit money to the Bond Registrar. The Bond Registrar will remit payment to DTC in accordance with the terms of the DTC procedures as then in effect.

Neither the University nor the Bond Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Series 2012 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 Series 2012 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 Bond 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 Series 2012 Bonds, or any consent given or other action taken by DTC as the Registered Owner. For so long as any Series 2012 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 Series 2012 Bonds might be adversely affected if the book-entry system of transfer is continued, the University shall execute, authenticate and deliver the Series 2012 Bonds in fully registered form, in the denomination of \$5,000 or any integral multiple thereof within a maturity. Thereafter, the principal of the Series 2012 Bonds shall be payable upon due presentment and surrender thereof at the principal office of the Bond Registrar. Interest on the Series 2012 Bonds will be payable by check or draft mailed to the persons in whose names such Series 2012 Bonds are registered, at the address appearing upon the registration books on the 15th day of the month preceding an interest payment date; and the Series 2012 Bonds will be transferable as provided in the Bond Resolution.

Redemption Provisions

The Series 2012 Bonds are not subject to redemption prior to their stated maturity date.

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 Series 2012 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 Series 2012 Bonds, and such Series 2012 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 Series 2012 Bonds offered to or solicited by the University.

PURPOSE

Proceeds of the Series 2012 Bonds will be used, together with other funds of the University, to pay the cost of refunding a portion of the University’s Housing and Dining System Revenue Bonds, Series 2003 (the “2003 Bonds”) for the purpose of debt service savings, and to pay costs of issuance of the Series 2012 Bonds.

Sources and Uses of Funds

<u>Sources of Funds</u>	<u>Total</u>
Par Amount of the Series 2012 Bonds	\$ 9,205,000
Plus Premium	717,586
Transfer from Prior Debt Service Fund	<u>110,000</u>
Total Sources of Funds	\$10,032,586
<u>Uses of Funds</u>	
Deposit to Escrow Fund	\$ 9,871,030
Estimated Costs of Issuance ⁽¹⁾	<u>161,556</u>
Total Uses of Funds	\$10,032,586

⁽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 Series 2012 Bonds.*

Refunding Plan

Proceeds of the Series 2012 Bonds will be used, together with funds of the University, to refund on an advance basis a portion of the 2003 Bonds, which were originally scheduled to mature October 1, 2013 through 2023 (the “Refunded Bonds”). Funds will be deposited with U.S. Bank National Association, as Escrow Agent, and held in cash or used to purchase noncallable direct obligations of the United States (“Government Obligations”). The amount deposited with the Escrow Agent will be sufficient, together with interest earnings thereon, to redeem the Refunded Bonds on April 1, 2013, at a price equal to 100 percent of the principal amount thereof, plus accrued interest to the date of redemption.

The Refunded Bonds are shown in the table below.

Housing and Dining System Revenue Bonds, Series 2003

October 1	Amount	Interest Rate	CUSIP No.
2013	\$ 735,000	3.750%	959878GG8
2014	755,000	3.850	959878GH6
2015	785,000	4.000	959878GJ2
2016	815,000	4.000	959878GK9
2017	855,000	4.125	959878GL7
2018	885,000	4.250	959878GM5
2019	915,000	4.350	959878GN3
2020	970,000	4.400	959878GP8
2021	1,025,000	4.500	959878GQ6
2022	880,000	4.600	959878GR4
2023	860,000	4.650	959878GS2

Verification of Mathematical Calculations

The Arbitrage Group, Inc., will certify the accuracy of the mathematical computations concerning the adequacy of the maturing principal amounts of and interest earned on the Government Obligations, to be placed together with other escrowed moneys in the escrow account to pay when due, pursuant to stated maturity or call for redemption, as the case may be, the principal of, premium, if any, and interest on the Refunded Bonds.

SECURITY FOR THE SERIES 2012 BONDS

The Series 2012 Bonds are being issued on a parity of lien with the Outstanding Parity Bonds, as described under the heading “Outstanding Parity Bonds,” below. Under the terms of the Master Resolution, the University is permitted to issue Parity Bonds in series from time to time upon compliance with the conditions set forth in the Master Resolution.

Pledge of Revenue

The Series 2012 Bonds and all Parity Bonds are secured by a lien on Net Revenues of the System and are payable from the special funds established in the Bond Resolution.

The term “Net Revenues” means Gross Revenue minus any part thereof that must be used to pay Operating Expenses. The term “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, and including interest income. Services and Activities Fees, in the Pledged Amount (described below), and Pledged Building Fee are a part of Gross Revenues. In addition, a Series Resolution may pledge additional amounts as Gross Revenue.

The term “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 applicable to the operation of the System, as in effect from time to time, excluding any allowances for depreciation or amortization or interest on any obligations of the System incurred in connection with and payable from Gross Revenue. Operating Expenses also excludes general administrative expenses of the University, not directly applicable to the System through the application of generally accepted accounting principles.

Pledged Amount. 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 \$32.00 per academic quarter and \$6.40 per academic quarter levied against each part-time student, as a services and activities fee, pursuant to RCW 28B.15.041 to .045 for as long as any Parity Bonds are Outstanding (the “Pledged Amount”). The Pledged Amount is included as part of Gross Revenue of the System. See “THE HOUSING AND DINING SYSTEM – Pledged Services and Activities Fees.”

Pledged Building Fee. A \$39 per academic quarter building fee is charged to all University students enrolled for at least six credits, which is pledged to the System for the life of the Housing and Dining System Revenue Refunding Bonds, Series 2005 (the “Series 2005 Bonds”), which are Parity Bonds, and are scheduled for final maturity in 2026. See “THE HOUSING AND DINING SYSTEM – Pledged Building Fee.”

The Series 2012 Bonds are limited special obligations of the University payable from and secured solely by the sources described above. The Series 2012 Bonds will not in any manner or to any extent constitute general obligations of the University, the State or any political subdivision of the State or a charge upon any general fund or upon any money or other property of the University or the State, its agencies, instrumentalities, or political subdivisions not specifically pledged thereto by the Master Resolution. The University has no taxing power.

Outstanding Parity Bonds

The University has outstanding the following parity bonds payable from Housing and Dining System revenue (the “Outstanding Parity Bonds”) as of June 1, 2012.

Name of Issue	Outstanding Principal	Final Scheduled Maturity Date
Housing and Dining System Revenue Refunding Bonds, Series 1998A	\$10,850,000	10/1/2022
Housing and Dining System Revenue and Refunding Bonds, Series 2003 ⁽¹⁾	695,000	10/1/2012
Housing and Dining System Revenue Refunding Bonds, Series 2005 ⁽²⁾	10,905,000	6/1/2026
Housing and Dining System Revenue Bonds, Series 2006	7,515,000	4/1/2026
Housing and Dining System Revenue Bonds, Series 2009A	895,000	4/1/2015
Housing and Dining System Revenue Bonds, Series 2009B	<u>12,835,000</u>	4/1/2034
Total Outstanding Parity Bonds	<u>\$43,695,000</u>	

⁽¹⁾ Excludes the Refunded Bonds.

⁽²⁾ Reflects outstanding principal after the payment of principal due June 1, 2012.

Funds and Accounts

Series 2012 Bond Fund. Debt service funds for the payment of debt service on Parity Bonds are maintained by the University on a series by series basis. The Bond Resolution established the Series 2012 Bond Fund for the purpose of paying and securing the payment of debt service on the Series 2012 Bonds. The University is obligated to deposit funds into the Series 2012 Debt Service Account on or prior to each date on which a payment of debt service is due in amount sufficient for the payment coming due.

No Series 2012 Reserve Account. The University will not establish a reserve account as additional security for the Series 2012 Bonds. The University may use money in its Renewal and Replacement Fund (described below) to pay principal and interest on any Parity Bonds to the extent other funds are not legally available. The reserve requirement for each series of currently outstanding Parity Bonds for which there is a reserve account, has been funded with separate surety policies, and those surety policies are not available as security for the Series 2012 Bonds.

Flow of Funds from the Revenue Fund

The University maintains one or more funds separately to account for and receive Gross Revenue of the System (the “Revenue Fund”). All Gross Revenue is deposited in the Revenue Fund as collected. Gross Revenue deposited is 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 debt service account(s) of any bond redemption 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 any reserve account(s) to secure the payment of any Parity Bonds;

Fourth, to make all payments required to be made into any other revenue bond redemption fund and debt service account or reserve account established for junior lien revenue obligations of the University;

Fifth, to make all payments required to be made into the Renewal and Replacement Fund to maintain the required balance therein (see “Renewal and Replacement”); 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.

Rate Covenant

The University has covenanted at all times to establish, maintain and collect rates, fees, and charges in the operation of the System for as long as any Parity Bonds are outstanding that will produce Net Revenues 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 Parity Bonds or (ii) amounts required to be deposited during such fiscal year from Net Revenues into bond funds and reserve accounts established for Parity Bonds (including the Series 2012 Bond Fund) and into the Renewal and Replacement Fund (the "Rate Covenant").

Other Specific Covenants

Payment of Debt Service. The University is to duly and punctually pay or cause to be paid out of the bond fund for each series of Bonds the principal of and interest on the Series 2012 Bonds at the times and places as provided in each Series Resolution and is to at all times faithfully perform and observe any and all covenants, undertakings and provisions contained in the Master Resolution, the Series Resolution, as applicable, and in the Series 2012 Bonds.

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

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 is to 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.

Insurance on Facilities. The University is to 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. 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.

Liability and Property Damage Insurance. The University is to at all times keep or arrange to keep in full force and effect policies of public liabilities 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. 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.

Books and Accounts. The University is to 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 as in effect from time to time.

Pledged Amount. For as long as any Parity Bonds remain Outstanding, the Board is to establish, maintain and collect Services and Activities Fees at least equal to the Pledged Amount, which is to be at least equal to \$32.00 per academic quarter for each full-time student and \$6.40 per academic quarter for each part-time student. For as long as the Series 2005 Bonds remain Outstanding, the Board is to establish, maintain and collect Pledged Building Fees, and the Pledged Building Fees are deemed to be part of the Pledged Amount.

Renewal and Replacement Fund

The University has covenanted to make deposits into the Renewal and Replacement Fund from Gross Revenue of the System, after payment of Operating Expenses and any and all payments with respect to the Parity Bonds, sufficient to maintain a balance therein that is not less than five percent of the principal balance of Parity Bonds outstanding. Money in the Renewal and Replacement Fund may be used by the University to pay extraordinary operating and maintenance expenses, make capital replacements, additions, expansions, additions, repairs and renewals of the System, and to pay principal of and interest on any Parity Bonds to the extent other funds are not legally available. If withdrawals are made from the Renewal and Replacement Fund such that the remaining balance therein is less than five percent of the principal balance of the Outstanding Parity Bonds, the University will restore said balance within the next 36-month period.

Annual budgeted reserve contributions as well as any unanticipated net revenues are transferred to the Renewal and Replacement Reserve to increase both debt capacity and resources for planned future capital plan projects. The balance in the Renewal and Replacement Fund as of May 31, 2012, was \$9,702,305, which is equal to 18.3 percent of the principal balance of all Outstanding Parity Bonds (including the principal amount of the Series 2012 Bonds, and excluding the Refunded Bonds).

Future Parity Bonds

Future Parity Bonds may be issued upon satisfaction of certain conditions set forth in the Master Resolution so long as (i) the University is not in default of the Rate Covenant for the immediately preceding fiscal year and (ii) a certificate is filed (prepared as described in the Master Resolution) demonstrating fulfillment of the Additional Bonds Test, commencing with the first full fiscal year following the later of (a) the Date of Commercial Operation of the System to be financed with the proceeds of the series of Parity Bonds then being issued or (b) the date on which any portion of interest on the series of Parity Bonds then being issued no longer will be paid from the proceeds of such series of Parity Bonds, and for the following two fiscal years.

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

The System is defined in the Bond Resolution as the existing housing and dining system of the University as the same shall be added, to, improved and extended out of the proceeds of the sale of bonds and as such System may be added to, improved and extended, for as long as bonds are outstanding. The System was established by the University in 1965. All facilities are located on or near the University campus. The System provides housing and support programs to approximately 4,054 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, but over 92 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 account. Students living in University-owned apartments and students living off campus may purchase an off-campus meal plan

System Facilities

The System currently includes 16 residence halls, an apartment complex, three dining halls, eleven retail food venues, a commissary building, and two student union/activity buildings.

The residence halls were constructed at various times from 1921 to 2011, with each building's designed occupancy ranging from 105 to 667 students. The residential program supports key elements of the University mission and strategic plan. Total operating capacity in the 16 residence halls was 3,539 students for fall 2011. The University-owned apartments were constructed in 1970, and offer 132 two-bedroom units with shared living and dining areas, for a student operating capacity of 515. The System's housing capacity can vary from year to year based on unit configuration and additional arrangements for lease of private facilities by the University.

The Viking Union and Lakewood facility at Lake Whatcom provide student activity and meeting space for campus constituents and guests. The Viking Union was remodeled in 2002.

The dining halls and retail food venues are managed by Aramark, a private contractor. The University contracts with Aramark to provide for its residential, retail, conference, and catering dining needs. Four residential dining plans are offered, all using a "Campus Card" which allows a portion of the dining plan to be used in the retail venues of the dining system. Aramark has committed to provide \$7.3 million in renovations and acquisition of capital assets for the benefit of the System, including renovations to the Arntzen Atrium, Ridgeway Commons, and the Viking Union Market completed during fiscal year 2012, and renovations to the Viking Commons and Fairhaven Commons which are expected to be completed in September 2012 and 2013 respectively.

The System provides a program for Housing Conference Services that offers accommodations to conference groups in order to generate revenue during summer months and other periods of low student occupancy. Meals and a variety of other services are available to conference participants. A majority of the conferences are repeat business. For fiscal year 2011, Housing Conference Services resulted in revenue to the System of \$515,250.

Occupancy

Occupancy levels are related to the University's enrollment management decisions. System management expects to maintain high occupancy levels through competitive rate structuring and infrastructure enhancements such as sprinkler installation, room renovations, and wireless access point installations. Occupancy rate is calculated as the number of students accommodated as a percentage of housing capacity, based on housing policies in effect each fall. The following table shows fall occupancy data for the System for the past five fiscal years.

Housing Capacity, Occupancy Rates, and Students Housed on Campus ⁽¹⁾

	<u>Fall 2011</u>	<u>Fall 2010</u>	<u>Fall 2009</u>	<u>Fall 2008</u>	<u>Fall 2007</u>
Housing Capacity					
Residence Halls (bed spaces)	3,539	3,436	3,447	3,460	3,396
Apartments – Family Units ⁽²⁾	<u>515</u>	<u>594</u>	<u>593</u>	<u>603</u>	<u>540</u>
Total Housing Capacity	4,054	4,030	4,040	4,063	3,936
Number of Students Housed					
Residence Halls	3,516	3,440	3,396	3,500	3,418
Apartments	<u>513</u>	<u>577</u>	<u>576</u>	<u>596</u>	<u>535</u>
Total Students Housed on Campus	4,029	4,017	3,972	4,096	3,953
Housing Occupancy Rates					
Residence Halls	99.4%	100.1%	98.5%	101.2%	100.7%
Apartments	99.6%	97.1%	97.1%	98.8%	99.1%
Enrollment, Bellingham Campus	14,031	14,095	13,785	13,777	13,352
Percent of Students Housed by System	28.7%	28.5%	28.8%	29.7%	29.6%

⁽¹⁾ Residence hall capacity changes due to room configuration changes and completion of the Buchanan Towers Addition for fall 2011.

⁽²⁾ Apartment capacity changes are due to apartments leased by the System to accommodate student demand in some years.

Room and Board Rates

Rates for room and board are established by the Board each year based on evaluation and recommendation from the administration, after review by a student advisory committee. Rates are generally increased annually, with increases averaging approximately 3.75 percent over the past three years.

The following table shows typical room and board rates at the University based on double occupancy and the most frequently selected meal plan level (125 Plan).

Room and Board Rates

<u>Academic Year</u>	<u>Annual Rate</u>
2012-13	\$9,019
2011-12	8,775
2010-11	8,419
2009-10	8,076
2008-09	7,712

Pledged Services and Activities Fees

Student Services and Activities Fees ("S&A Fees") are set by the Board in accordance with the budgeting procedures set forth in RCW 28B.15.045. RCW 28B.15.069 limits the annual percentage increase of these fees to the percentage increase in student tuition fees (which fees are set or limited by the State legislature). Such limitation on this increase does not apply to that portion of the S&A Fees previously committed to the repayment of bonded debt.

S&A Fees are charged to all University students, and are prorated by credit for students enrolled less than full time. The total S&A Fee for fall 2012 is \$173 per student per academic quarter. The Master Resolution includes a pledge of S&A Fees in the amount of at least \$32 per academic quarter per full-time student and at least \$6.40 per academic quarter for each part-time student for the payment of debt service on Parity Bonds. For fiscal year 2011, this resulted in revenues to the System of \$1,288,148, and the University estimates this revenue to be \$1,272,500 for fiscal year 2012.

Pledged Building Fee

A \$39 building fee is charged to all University students enrolled for at least six credits, which is pledged to the System for the life of the Series 2005 Bonds, which are Parity Bonds. This fee is intended to provide for payment of financing for the Viking Union renovations completed in 2002, although the revenue from the pledged building fee has exceeded the debt service on the Series 2005 Bonds for several years. The pledge of the building fee will continue until retirement of the Series 2005 Bonds, which is scheduled for fiscal year 2026. For fiscal year 2011, this building fee resulted in revenue to the System of \$1,531,024, and the University estimates this revenue to be \$1,607,000 for fiscal year 2012.

System Financial Principles

The Board approved a set of "Housing and Dining Principles," which were updated in 2000, to provide guidance for the System's financial planning. The six principles address (i) Revenue Fund levels, (ii) Renewal and Replacement Fund levels, (iii) Major maintenance expenditures, (iv) Capital planning efforts, (v) Debt Service Coverage Ratio, and (vi) Occupancy. The System has exceeded the minimum requirements set by these principles. The Board periodically reviews the principles to ensure that they continue to support the goals of the System and that the System is in compliance.

Housing and Dining System Capital Plan

The University maintains a System capital plan to address major capital project needs of the System over a ten year planning horizon. The plan has the following goals: provide housing to support the University's enrollment plan; meet or exceed the System's financial principles; invest in infrastructure to ensure System facility longevity, health, and safety needs; and respond to the changing student needs and expectations. The plan is updated every two years. For the next five years these projects include the addition of sprinklers in five residence halls which, when coupled with other renovations in those buildings is estimated to cost \$22.9 million; renovations to two residence halls, estimated to cost \$6.2 million; and minor remodeling and seismic enhancements of other facilities, estimated to cost \$2.9 million. It is expected that these projects will be funded from net revenue of the System and reserves.

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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. The University anticipates an increase in net assets of the System of approximately eight percent for fiscal year 2012, primarily reflecting an increase in operating revenue.

Housing and Dining System Statement of Revenues, Expenses and Changes in Net Assets For Fiscal Years ending June 30 ⁽¹⁾

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating Revenues					
Room rent and food services	\$30,572,528	\$28,573,696	\$28,606,445	\$25,535,649	\$23,790,796
Service and activity fees	1,288,148	1,264,473	1,253,082	1,224,544	1,183,110
Student building fees	1,531,024	1,364,176	1,422,069	1,393,386	1,353,148
Conferences	515,250	548,254	965,216	1,040,075	1,026,502
Viking Union income ⁽²⁾	152,185	156,103	171,172	159,766	464,044
Contribution for dining services	300,000	300,000	300,000	300,000	300,000
Rent	140,504	135,166	129,710	126,722	121,544
Commissions ⁽²⁾	633,289	601,896	538,496	466,148	151,668
Fees, penalties, and other income	<u>449,805</u>	<u>590,876</u>	<u>478,266</u>	<u>298,858</u>	<u>325,889</u>
Total operating revenue	\$35,582,733	\$33,534,640	\$33,864,456	\$30,545,148	\$28,716,701
Operating Expenditures					
Cost of food services	\$10,472,437	\$10,133,715	\$11,065,325	\$ 9,326,157	\$ 8,516,304
Salaries and related benefits	6,009,581	6,036,846	6,073,217	5,905,123	5,504,597
Utilities	2,412,212	2,447,093	2,811,812	2,786,317	2,600,950
Repairs and maintenance	1,884,728	2,131,965	2,109,011	2,017,922	1,978,712
Communications	249,359	299,512	327,474	436,448	456,619
Insurance	407,008	437,089	354,572	325,748	337,846
Supplies	228,968	247,745	268,035	252,869	231,190
Furniture and equipment	22,823	133,560	184,568	291,030	493,357
Institutional services	1,139,493	804,073	718,574	638,448	352,437
Depreciation	3,346,986	2,879,799	2,838,392	2,619,748	2,405,868
Non-capitalizable renewals and replacements	1,019,956	1,338,921	1,753,380	1,513,950	1,446,871
Other	<u>695,037</u>	<u>739,576</u>	<u>851,280</u>	<u>646,249</u>	<u>830,759</u>
Total operating expenses	\$27,888,588	\$27,629,894	\$29,355,640	\$26,760,009	\$25,155,510
Income from operations	\$ 7,694,145	\$ 5,904,746	\$ 4,508,816	\$ 3,785,139	\$ 3,561,191
Non-operating Revenues (Expenses)					
Investment income	\$ 136,511	\$ 238,053	\$ 407,277	\$ 774,404	\$ 1,005,671
Build America Bonds interest subsidy	318,574	239,815	-	-	-
Interest expense	(2,720,742)	(2,788,212)	(2,093,705)	(2,176,617)	(2,272,757)
Amortization of bond discounts and costs	<u>(207,466)</u>	<u>(222,900)</u>	<u>(207,734)</u>	<u>(213,550)</u>	<u>(219,052)</u>
Total non-operating revenues (expenses)	\$ (2,473,123)	\$ (2,533,244)	\$ (1,894,162)	\$ (1,615,763)	\$ (1,486,138)
Increase (Decrease) in net assets	\$ 5,221,022	\$ 3,371,502	\$ 2,614,654	\$ 2,169,376	\$ 2,075,053
Net assets, beginning of year	\$43,289,841	\$39,918,339	\$37,303,685	\$35,134,309	\$33,059,256
Net assets, end of year	\$48,510,863	\$43,289,841	\$39,918,339	\$37,303,685	\$35,134,309

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

⁽²⁾ Beginning in 2008, retail dining commissions were recorded as Commissions rather than Viking Union income.

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

Fiscal Year	Outstanding Bonds ⁽¹⁾			The Series 2012 Bonds			Total Debt Service
	Principal	Interest ⁽²⁾	Total	Principal	Interest ⁽²⁾	Total	
2013	\$ 2,785,000	\$ 2,065,549	\$ 4,850,549	\$ -	\$ 218,645	\$ 218,645	\$ 5,069,194
2014	2,160,000	1,856,465	4,016,465	750,000	301,100	1,051,100	5,067,565
2015	2,270,000	1,764,365	4,034,365	765,000	278,375	1,043,375	5,077,740
2016	2,360,000	1,663,002	4,023,002	785,000	255,125	1,040,125	5,063,127
2017	2,475,000	1,554,088	4,029,088	810,000	231,200	1,041,200	5,070,288
2018	2,590,000	1,439,787	4,029,787	840,000	206,450	1,046,450	5,076,237
2019	2,700,000	1,319,322	4,019,322	860,000	180,950	1,040,950	5,060,272
2020	2,845,000	1,192,606	4,037,606	875,000	154,925	1,029,925	5,067,531
2021	2,975,000	1,056,698	4,031,698	925,000	118,675	1,043,675	5,075,373
2022	3,110,000	914,552	4,024,552	980,000	75,950	1,055,950	5,080,502
2023	2,815,000	782,318	3,597,318	825,000	43,975	868,975	4,466,293
2024	2,185,000	673,403	2,858,403	790,000	15,800	805,800	3,664,203
2025	2,360,000	580,454	2,940,454	-	-	-	2,940,454
2026	2,470,000	475,341	2,945,341	-	-	-	2,945,341
2027	800,000	365,320	1,165,320	-	-	-	1,165,320
2028	840,000	326,839	1,166,839	-	-	-	1,166,839
2029	880,000	286,436	1,166,436	-	-	-	1,166,436
2030	920,000	244,107	1,164,107	-	-	-	1,164,107
2031	965,000	199,856	1,164,856	-	-	-	1,164,856
2032	1,015,000	153,439	1,168,439	-	-	-	1,168,439
2033	1,060,000	104,617	1,164,617	-	-	-	1,164,617
2034	<u>1,115,000</u>	<u>53,631</u>	<u>1,168,631</u>	-	-	-	<u>1,168,631</u>
Total	\$43,695,000	\$19,072,195	\$62,676,195	\$9,205,000	\$2,081,170	\$11,286,170	\$74,053,365

⁽¹⁾ Excludes the Refunded Bonds and includes \$110,000 transfer contribution from the 2003 Bond Debt Service Fund.

⁽²⁾ Reflects net interest after the application of a 35 percent federal credit payments relating to the University's Housing and Dining System Revenue Bonds, Series 2009B (Taxable – Build America Bonds).

Calculation of Debt Service Coverage

The following table shows the calculation of debt service coverage for the five most recent fiscal years, based on audited financial data. The University estimates the debt service coverage ratio will be between 1.95 and 2.0 for fiscal year 2012.

	2011	2010	2009	2008	2007
Operating Revenues	\$35,582,733	\$33,534,640	\$33,864,456	\$30,545,148	\$28,716,701
Operating Expenditures ⁽¹⁾	<u>(24,541,602)</u>	<u>(24,750,095)</u>	<u>(26,517,248)</u>	<u>(24,140,261)</u>	<u>(22,749,642)</u>
Net Operating Revenue	\$11,041,131	\$ 8,784,545	\$ 7,347,208	\$ 6,404,887	\$ 5,967,059
Plus: Interest & Other Earnings	<u>455,085</u>	<u>477,868</u>	<u>407,277</u>	<u>774,404</u>	<u>1,005,671</u>
Available for Debt Service	\$11,496,216	\$ 9,262,413	\$ 7,754,485	\$ 7,179,291	\$ 6,972,730
Annual Debt Service	\$ 5,465,173	\$ 4,963,929	\$ 4,276,011	\$ 4,247,614	\$ 4,252,903
Debt Service Coverage Ratio	2.10	1.87	1.81	1.69	1.64

⁽¹⁾ Excludes depreciation.

Debt Payment Record

The University has always promptly met principal and interest payments on outstanding bonds when due. No refunding bonds have been issued for the purpose of preventing an impending default.

Future Financing

The University does not anticipate the issuance of additional Parity Bonds within the next 18 months.

LEGAL INFORMATION

Litigation

At the time of delivery of and payment for the Series 2012 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 Series 2012 Bonds, application of the proceeds of the Series 2012 Bonds as contemplated by the Bond Resolution, in any way contesting or affecting the validity of the Series 2012 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 Series 2012 Bonds.

Approval of Counsel

Legal matters incident to the authorization, execution and delivery of the Series 2012 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 Series 2012 Bonds and the authority to issue them conform to the Series 2012 Bonds and the applicable laws under which they are issued. The form of the opinion relating to the Series 2012 Bonds is included in Appendix D of this Official Statement.

Limitations on Remedies

Any remedies available to the owners of the Series 2012 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 Series 2012 Bonds, there can be no assurance that available remedies will be adequate to fully protect the interest of the Registered Owners of the Series 2012 Bonds.

In addition to the limitations on remedies contained in the Bond Resolution, the rights and obligations under the Series 2012 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 Series 2012 Bonds, will be subject to limitations regarding bankruptcy, insolvency and other laws relating to or affecting creditors' rights. A complete copy of the form of opinion of Bond Counsel is set forth in Appendix D.

TAX MATTERS

In the opinion of Bond Counsel, interest on the Series 2012 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 Series 2012 Bonds is taken into account in determining adjusted current earnings for the purpose of the federal alternative minimum tax imposed on certain corporations.

Federal income tax law contains a number of requirements that apply to the Series 2012 Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the Series 2012 Bonds and the facilities financed or refinanced with proceeds of the Series 2012 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 Series 2012 Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2012 Bonds, regardless of the date on which the event causing taxability occurs. In rendering its opinion, Bond Counsel has relied on the report of The Arbitrage Group, Inc. with respect to the accuracy of certain mathematical calculations.

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 Series 2012 Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Series 2012 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 Series 2012 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 Series 2012 Bonds should be aware that ownership of the Series 2012 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 Series 2012 Bonds. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the Series 2012 Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations, such as the Series 2012 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 of amendments to the Code, if enacted into law, will not cause the interest on the Series 2012 Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Series 2012 Bonds from realizing the full current benefit of the tax status of the interest on the Series 2012 Bonds. Prospective purchasers of the Series 2012 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 Series 2012 Bonds. Owners of the Series 2012 Bonds are advised that, if the IRS does audit the Series 2012 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 Series 2012 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 Series 2012 Bonds until the audit is concluded, regardless of the ultimate outcome.

Not Qualified Tax-Exempt Obligations. The Series 2012 Bonds are not “qualified tax-exempt obligations” within the meaning of Section 265(b)(3)(B) of the Code.

Original Issue Premium. An amount equal to the excess of the purchase price of a Series 2012 Bond over its stated redemption price at maturity constitutes premium on that Series 2012 Bond. A purchaser of a Series 2012 Bond must amortize any premium over that Series 2012 Bond’s term using constant yield principles, based on the Series 2012 Bond’s yield to maturity. As premium is amortized, the purchaser’s basis in the Series 2012 Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2012 Bond prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed. Purchasers of Series 2012 Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and the state and local tax consequences of owning such Series 2012 Bonds.

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 GASB and generally of the type included in this Official Statement in the table “Housing and Dining System Statement of Revenues, Expenses and Changes in Net Assets;” and in Appendix C, “Audited Financial Statements of the University.” Additionally, the University will provide operating data generally of the type included in this Official Statement in the tables “Outstanding Parity Bonds,” “Housing Capacity, Occupancy Rates, and Students Housed on Campus,” “Room and Board Rates,” “Schedule of Housing and Dining System Revenue Bond Debt Service,” “Calculation of Debt Service Coverage;” and in Appendix A, under the following headings:

- 1) the Table entitled “Average Annual Enrollment;”

- 2) the Table entitled “Enrollment Statistics – Fall Quarter;”
- 3) the Table entitled “Academic Year Tuition and Fees;”
- 4) the Table entitled “Western Washington University Statement of Revenues, Expenses, and Changes in Net Assets;”
- 5) the Table entitled “University Operating Budget;”
- 6) the Table entitled “Investments at Fair Market Value;”
- 7) the contribution and covered payroll for the WWURP under “Pension Plans;” and
- 8) the contribution rates table and total employer contributions for PERS, TRS and LEOFF, 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 regulations 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 Series 2012 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-exempt status of the Series 2012 Bonds;
- (7) Modifications to the rights of Series 2012 Bondholders, if material;
- (8) Optional, contingent or unscheduled Series 2012 Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property, securing the repayment of the Series 2012 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 Series 2012 Bonds, the University advises that no property or reserve secures repayment of the Series 2012 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 Series 2012 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 Series 2012 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.

Series 2012 Bondowner's Remedies Related to Continuing Disclosure Undertaking. A Series 2012 Bondowner's or a Beneficial Owner's right to enforce the provisions of the University's undertaking described in the undertaking 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 Series 2012 Bonds under the Series 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 Series 2012 Bonds, including persons holding Series 2012 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 and is in compliance with its obligations thereunder.

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 Legislature are submitted to the Legislature at its regular session each January. Once submitted, the 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 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 Legislature; after two years, the law is subject to amendment or repeal by the 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.

OTHER SERIES 2012 BOND INFORMATION

Ratings

Ratings of A1 and A+ have been assigned to the Series 2012 Bonds by Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies ("S&P"), respectively. Such ratings reflect only the views of the rating organizations and an explanation of the significance of the ratings may be obtained from Moody's and S&P. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the agencies, circumstances so warrant. An explanation of the significance of the rating may be obtained from Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, NY 10007, (212) 553-0300, and from Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., Public Finance Department, 55 Water Street, New York, New

York, 10041, (212) 438-7280. Any such downward revision or withdrawal of any of the ratings may have an adverse effect on the market price of the Series 2012 Bonds.

Financial Advisor

SDM Advisors, Inc. has served as financial advisor to the University relative to the preparation of the Series 2012 Bonds for sale, timing of the sale and other factors relating to the Series 2012 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 Series 2012 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 the sale of the Series 2012 Bonds and delivery thereof to the Underwriter.

Underwriter

The Series 2012 Bonds are being purchased by UBS Securities, LLC (the "Underwriter") at a price of \$9,827,774.90. The Series 2012 Bonds will be re-offered at a price of \$9,922,586.40. The Underwriter has represented that the Series 2012 Bonds will be reoffered at the prices or yields set forth on the cover of this Official Statement. The Underwriter may offer and sell the Series 2012 Bonds to certain dealers (including dealers depositing Series 2012 Bonds into investment trusts) and others at prices lower than the initial offering prices set forth on the 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 Series 2012 Bonds.

At the time of the delivery of the Series 2012 Bonds, one or more officials of the University will furnish a certificate stating that to the best of his knowledge and belief at the time of the sale or delivery of the Series 2012 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

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APPENDIX A WESTERN WASHINGTON UNIVERSITY

THE UNIVERSITY

The University is one of six public, four-year institutions of higher education in the state of Washington (the “State”). In 1893 Governor John H. McGraw signed legislation creating New Whatcom Normal School, which later became Western Washington College of Education in 1937, Western Washington State College in 1961, and achieved university status in 1977. Since the first class of 88 students entered in 1899, the school has grown into a comprehensive university of over 14,800 full and part-time students, making it the third largest institution of higher education in the State.

The University is located in Bellingham, a city of 81,070 that overlooks Bellingham Bay and many of Puget Sound’s 172 San Juan Islands. The University is located 90 miles north of Seattle, 55 miles south of Vancouver, British Columbia, and within a one hour drive from the recreational ski area on 10,778-foot Mount Baker. The University is the second largest employer in Whatcom County.

The main campus of the University, including Sehome Arboretum (38 acres), measures 212 acres. Off-campus sites include the Shannon Point Marine Center in Anacortes (87 acres), Lakewood Recreational Center on Lake Whatcom (15 acres), Whatcom County property utilized for environmental/aquatic analysis (25 acres), administrative offices owned near the Sehome Village Shopping Center, and various other smaller parcels of land.

The University’s facilities include 55 academic and support buildings, eight auxiliary buildings, and 35 residential housing/food service facilities. Academic facilities, both on and off the main campus, total roughly 2.2 million square feet of gross enclosed area, and the academic/service support functions and residential/food facilities add approximately 1.2 million additional square feet of enclosed area. The University offers extended education which provides students the opportunity to complete their degree through evening or distance education options; the University collaborates with colleges, departments and the community to provide the same high standards of quality for which the University is known. The University offers evening degree programs at five sites in western Washington: Bellingham, Bremerton, Everett, Port Angeles and Seattle.

The University was ranked third for public universities in the 14-state western region, according to the 2011 and 2012 U.S. News & World Report college rankings, and as the highest ranking public master’s granting university in the Pacific Northwest, according to the 2011 U.S. News & World Report college rankings. The Carnegie Foundation for the Advancement of Teaching has granted the University its Community Engagement classification, for its efforts to operate community outreach programs, deepen students’ civic and academic learning and enhance overall community well being.

Academic Programs

The University is a liberal arts institution. The University offers over 160 academic programs in its eight colleges, which include the College of Humanities and Social Sciences, College of Sciences and Technology, College of Business and Economics, Fairhaven College of Interdisciplinary Studies, College of Fine and Performing Arts, Huxley College of the Environment, Woodring College of Education, and the Graduate School. The University offers seven masters programs, including masters in teaching, arts, business administration, education, music, professional accounting and science.

Accreditation

The University is accredited by (i) the Northwest Association of Schools and Colleges, (ii) the National Association of Schools of Music, (iii) the National Recreation and Parks Association, (iv) the American Speech and Hearing Association, (v) the National Council for Accreditation of Teacher Education, (vi) the Computing Sciences Accreditation Board, (vii) the Technology Accreditation Commission of the Accreditation Board for Engineering and Technology, (viii) the American Assembly of Collegiate Schools of Business, (ix) the Council for Accreditation of Counseling and Related Education Programs, (x) National Association of Schools of Arts and Design, and (xi) the American Chemical Society.

Governance

The University is governed by an eight-member Board of Trustees (the “Board”), 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

<u>Individual</u>	<u>Professional Affiliation</u>	<u>Year of Initial Appointment</u>	<u>Expiration of Term</u>
Peggy Zoro, Chair	Executive Director, Northwest Economic Council	2003	9/30/2014
Karen Lee, Vice-Chair	CEO Pioneer Human Services	2010	9/30/2016
Betti Fujikado, Secretary	Co-Founder, Copacino + Fujikado, LLC	2009	9/30/2012
Dennis Madsen	CEO, Recreational Equipment, Inc. - retired	2004	9/30/2013
Ralph Munro	Secretary of State – retired	2009	9/30/2015
Philip E. Sharpe, Jr.	Attorney & Partner of Adelstein, Sharpe, Serka	2002	9/30/2012
Dick Thompson	University of Washington - retired	2002	9/30/2015
Jacob Whitish	Student Trustee	2011	6/31/2012

Officers of the Board of Trustees

Peggy Zoro, Chair, was first appointed to the Board in 2003 and reappointed in 2008 with a current term ending in 2014. Ms. Zoro is currently the Executive Director of the Northwest Economic Council and is also the principal in her own consulting firm, Mark of Zoro Enterprises. A former local banking executive, Ms. Zoro’s 40-year banking career includes her role as Senior Vice President and Regional Director of Wells Fargo Bank’s Wealth Management Group and many years at Key Bank where she served as Senior Vice President and District President and with Security Pacific Bank where she served as First Vice President and Regional Manager. Ms. Zoro earned her Bachelor of Science degree from Grove City College and a master’s of education degree in Guidance and Psychology from the University of Louisiana.

Karen Lee, Vice Chair, was appointed to the Board on December 10, 2010 to fill a term through 2016. Ms. Lee is Chief Executive Officer of Pioneer Human Services. Prior to her recent appointment at Pioneer, Ms. Lee served for five years as Commissioner of the Washington State Employment Security Department. Ms. Lee also held a variety of positions from 1997 to 2005 at Puget Sound Energy and as an Associate Attorney at K & L Gates. Ms. Lee earned her bachelor’s degree in Russian studies from the United States Military Academy at West Point and holds a law degree from the University of Washington School of Law.

Betti Fujikado, Secretary, was appointed to the Board in 2009 with a current term ending in 2012. Ms. Fujikado is the co-founder of Copacino+Fujikado, an advertising agency. She previously held executive positions from CFO, COO to CEO at a number of companies, after starting her career as an accountant. Ms. Fujikado earned her bachelor’s degree in business administration from the University of Washington with an emphasis in accounting.

University Administration

The University is administered by a President, who is appointed by the Board to act as the chief executive officer of the University. The President leads the University in development and fulfillment of institution-wide goals and its long-term strategic plan. The President has appointed a team to assist in management of the University.

The University’s administrative officers are listed below.

Administrative Officers of the University

<u>Individual</u>	<u>Office</u>	<u>Year Hired by the University</u>	<u>Year of Current Appointment</u>
Dr. Bruce Shepard	President	2008	2008
Stephanie Bowers	Vice President for University Advancement/ Executive Director for WWU Foundation	2001	2002
Dr. Eileen V. Coughlin	Senior Vice President and Vice President for Enrollment and Student Services	1994	1994 ⁽¹⁾
Dr. Catherine Riordan	Provost/Vice President for Academic Affairs	2009	2009
Steve Swan	Vice President for University Relations	2009	2009
Richard Van Den Hul	Vice President for Business and Financial Affairs	2010	2010

⁽¹⁾ *Dr. Coughlin has served as Vice President for Enrollment and Student Services since 1994, and in 2011 her title changed to reflect additional appointment as Senior Vice President.*

Brief resumes for the President and Provost follow.

Dr. Bruce Shepard, President. Dr. Shepard was appointed as the University’s thirteenth president in 2008. Prior to his appointment, Dr. Shepard served as chancellor of the University of Wisconsin-Green Bay from 2001 through 2008. From 1995-2001, Dr. Shepard served as provost at Eastern Oregon University, where he was also a professor of political science. Prior to joining Eastern Oregon University, Dr. Shepard spent 23 years at Oregon State University, earning tenure as a faculty member in the Department of Political Science before moving into university administration. His administrative positions at Oregon State included state government liaison specialist, special assistant to the provost, assistant vice president for undergraduate studies and director of undergraduate academic programs. Dr. Shepard earned bachelor’s, master’s and doctoral degrees in Political Science from the University of California, Riverside.

Dr. Catherine Riordan, Provost/Vice President for Academic Affairs. Dr. Riordan was appointed as the University’s Provost and Vice President for Academic Affairs in August 2009. Prior to her appointment, Dr. Riordan served as the Vice Provost for Academic Affairs at Central Michigan University from 2001 to 2009 and Director of Management Systems at the University of Missouri-Rolla from 1991-2000. Dr. Riordan earned a B.S. in Social Welfare from Eastern Michigan University and a Ph.D. in Social Psychology from the State University of New York at Albany.

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 that eliminates the HECB as of July 1, 2012 and divides 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. Except for 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

As of May 1, 2012, the University has 1,413 full-time equivalent (“FTE”) employees and 2,525 part-time/temporary employees, including 1,849 student employees.

The following shows the number of full and part-time instructional faculty, percentage tenured, and degree status.

Instructional Faculty, Tenure and Degrees

<u>Instructional Faculty</u>	<u>Fall 2011</u>	<u>Fall 2010</u>	<u>Fall 2009</u>	<u>Fall 2008</u>	<u>Fall 2007</u>
Full-time Instructional Faculty	501	504	513	522	505
Part-time Instructional Faculty	<u>286</u>	<u>302</u>	<u>295</u>	<u>286</u>	<u>232</u>
Total Instructional Faculty	787	806	808	808	737
Percent of full-time faculty tenured	67.7%	67.5%	65.3%	64.0%	66.5%
Percent of full-time faculty with PhD or Terminal Degree	82.4%	83.6%	81.8%	83.6%	89.9%
Percent of total faculty with PhD or Terminal Degree	69.4%	67.0%	65.1%	67.2%	70.1%

The University’s classified employees are represented by two unions, the Washington Federation of State Employees (the “WFSE”), representing 456 employees, and the Public School Employees union (the “PSE”), representing 314 employees. In accordance with the State’s Personnel System Reform Act and RCW 41.80, the University negotiates two-year contracts with the unions, which require ratification of the union membership, and submission to the State Legislature for funding. The University was initially unable to reach an agreement for the 2011-2013 biennium, so the terms and conditions from the 2009-2011 biennial contract continued until agreement was reached for the 2012-2013 fiscal year. Negotiations began in spring 2012 for the 2013-2015 contracts which must be submitted to Office of Financial Management for review of financial feasibility by October 1, 2012.

The University's faculty is represented by the United Faculty of Western Washington (the "UFWW"). In June 2008 the University and the UFWW completed negotiations of their first contract, which extended through July 1, 2011, and was subsequently continued through the end of 2011. The UFWW Membership and the University have ratified a new collective bargaining agreement. The collective bargaining agreement was signed on June 8, 2012, will become effective September 16, 2012 and will remain in effect until September 15, 2015.

University management considers relations with all categories of its employees to be good.

Student Enrollment

Approximately 92 percent of the University's students are State residents. Approximately 31 percent of students are from King County, followed by Snohomish, Whatcom and Pierce counties, which together make up 64 percent of students. Additionally, the student body includes residents from 48 other states and the District of Columbia, led by California, Oregon, Colorado and Alaska. International students come from 39 other nations, led in number by Japan, Canada and Vietnam.

Historically, the highest share of the University's students enters directly from high school and, therefore, the campus is characterized by a young student body with an average age of 21 for undergraduates. Most students enrolled at the University are full-time students. For Fall 2011, the average grade point average ("GPA") for entering freshmen was 3.5 and the average GPA for transfer students was 3.2. The following shows average annual enrollment, by FTE and headcount, for the current and five prior academic years.

Average Annual Enrollment ⁽¹⁾

<u>Year</u>	<u>FTE Enrollment</u>	<u>Headcount Enrollment</u>
2011-12	13,341	14,292
2010-11	13,314	14,367
2009-10	13,038	14,079
2008-09	13,010	14,045
2007-08	12,782	13,836
2006-07	12,645	13,676

⁽¹⁾ Includes students enrolled in distance and evening degree programs.

Freshman applications for Fall 2012 reached an all-time record at 9,788, a 7.76 percent increase from 9,083 for Fall 2011. Transfer student applications to date total 2,386 for Fall 2012 compared with 2,490 this time last year and 2,498 final number for Fall 2011. Yield of admitted students, retention of continuing students, transfers admitted and enrolled mid-year, and credit load all impact total average annual FTE enrollment. The University expects 2012-13 enrollment to fall within its standard targeted 1-2 percent margin.

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

Enrollment Statistics – Fall Quarter

	<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					
Seniors	4,270	4,021	3,871	3,997	3,774
Juniors	3,607	3,717	3,418	3,354	3,601
Sophomores	2,569	2,687	2,673	2,550	2,397
Freshmen	<u>3,239</u>	<u>3,228</u>	<u>3,287</u>	<u>3,335</u>	<u>3,195</u>
<i>Total Undergraduates</i>	13,685	13,653	13,249	13,236	12,967
Graduates and Post-Baccalaureates					
Graduates	721	757	786	804	780
Post-Baccalaureates	<u>338</u>	<u>413</u>	<u>393</u>	<u>410</u>	<u>397</u>
<i>Total Graduates and Post-Baccalaureates</i>	1,059	1,170	1,179	1,214	1,177
Non-Matriculated	<u>98</u>	<u>156</u>	<u>147</u>	<u>170</u>	<u>132</u>
Total Headcount Enrollment	14,842	14,979	14,575	14,620	14,276
Fall Quarter Enrollment (FTE)	13,910	13,851	13,555	13,527	13,180
Freshmen Applications and Enrollment					
Applications	9,083	9,336	9,621	9,520	8,850
Offered	7,118	6,896	6,990	6,752	6,447
Percent of Applications Offered	78 %	74%	73%	71%	73%
Enrolled	2,695	2,748	2,689	2,697	2,586
Enrolled Percent of Admissions	38%	40%	38%	40%	40%
Transfer Students Applications and Enrollment					
Applications	2,648	2,459	2,419	2,140	2,142
Offered	1,555	1,424	1,415	1,488	1,506
Percent Applicants Offered	59%	58%	58%	70%	70%
Enrolled	949	924	892	972	1,003
Enrolled as a Percent of Admissions	61%	65%	63%	65%	67%

Tuition and Fees

The State Legislature authorizes the public institutions of higher education to set tuition rates. For the 2011-13 biennium, the State Legislature granted flexibility to public universities to set tuition levels for resident undergraduates, without limitation, while creating new requirements that increase the amount of financial aid to be funded from revenues from the operating portion of tuition 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 public institutions. The State Legislature also granted flexibility to public 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 tuition by 16 percent for fiscal years 2012 and 2013. S&A and other mandatory fees as a group were increased by 0.47 percent and 0.93 percent for fiscal years 2012 and 2013, respectively. Because mandatory fee increases have intentionally been held to a low level over the past several years during periods of higher tuition increases, mandatory fees as a percent of total tuition and mandatory fees has fallen from 22.7 percent in 2007-08 to 14.8 percent in 2012-13.

Resident and non-resident tuition and fees for the current academic year, and the four prior academic years are shown below, as well as approved tuition and fees for the 2012-13 academic year. This information includes the building fee and operating fee components of tuition and State-mandated S&A fees, which excludes the SRC Fee.

Academic Year Tuition and Fees

Academic Year	Undergraduate Students		Graduate Students	
	Resident	Non-Resident	Resident	Non Resident
2012-13	\$7,503	\$17,850	\$7,974	\$17,655
2011-12	6,973	17,320	7,445	17,125
2010-11	6,081	16,428	6,567	16,242
2009-10	5,397	16,428	6,567	16,242
2008-09	4,788	16,419	6,558	16,233
2007-08	4,568	15,642	6,252	16,216

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

	Resident Undergraduate	Resident Graduate
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 and Scholarships

A total of 9,459 financial aid recipients received \$120.8 million in financial aid during 2010-2011. In addition to the disbursements outlined below, 1,981 students earned an estimated \$7.9 million in wages in the Bellingham community, through part-time employment obtained through the University Federal Job Location and Development Program.

Summary of Financial Aid

Funding Source	2010-2011	Percent of Totals	2009-2010	Percent of Totals
Federal	\$ 83,837,377	69.4%	\$ 77,089,247	68.8%
State	11,010,335	9.1	11,811,589	10.6
Institutional	19,917,442	16.5	17,673,572	15.8
Private Donor/Other	<u>6,036,905</u>	<u>5.0</u>	<u>5,420,648</u>	<u>4.8</u>
Total	\$120,802,059	100.0%	\$111,995,056	100.0%
Programs				
Grants	\$ 31,512,261	26.1%	\$ 28,233,682	25.2%
Scholarships	9,890,186	8.2	8,496,998	7.6
Employment	8,428,926	7.0	9,053,390	8.1
Loans	<u>70,970,686</u>	<u>58.7</u>	<u>66,210,986</u>	<u>59.1</u>
Total	\$120,802,059	100.0%	\$111,995,056	100.0%

Beginning in fiscal year 2012, 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). Although State allocation for the State Need Grant and State Work-study funding has diminished over the past several years, the programs continue to provide critical support to certain students.

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 1.2 percent for fiscal year 2009 (the most recent year for which data is available) and 1.4 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 is a long-

standing participant in the Federal Quality Assurance Program, 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 generally accepted accounting principles (“GAAP”) following guidance given by the Governmental Accounting Standards Board (“GASB”). For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. As defined by GAAP, the financial reporting entity consists of the University, as well as its component unit, the Western Washington University Foundation, described below. The Statement of Revenues, Expenses and Changes in Net Assets from the audited financial statements for the five most recent fiscal years is shown below.

Western Washington University Statement of Revenues, Expenses, and Changes in Net Assets ⁽¹⁾ For Fiscal Years Ended June 30

	2011	2010	2009	2008	2007
Operating Revenues					
Student tuition and fees ⁽²⁾	\$106,569,013	\$ 94,533,107	\$ 86,555,613	\$ 81,217,433	\$ 76,176,650
less tuition discounts	(18,363,862)	(14,833,867)	(12,982,879)	(12,215,513)	(10,687,587)
Federal grants and contracts	8,268,690	6,639,781	8,338,523	11,272,466	17,033,926
State and local grants and contracts	13,319,279	13,953,989	13,257,130	12,595,085	12,303,871
Nongovernmental grants and contracts	2,357,881	1,969,470	1,752,564	1,264,074	1,387,721
Sales and services of educational activities and other	4,956,121	4,922,961	2,229,928	4,836,640	3,240,086
Interest earned on loans to students	140,522	144,792	136,800	136,871	144,086
Auxiliary enterprises ⁽²⁾	55,375,031	52,947,114	53,481,768	50,334,001	47,663,899
less auxiliary discounts	(4,718,356)	(4,115,218)	(3,856,618)	(3,452,539)	(2,973,160)
Total operating revenue	<u>\$167,904,319</u>	<u>\$156,162,129</u>	<u>\$148,912,829</u>	<u>\$145,988,518</u>	<u>\$144,289,492</u>
Operating Expenditures					
Salaries and wages	\$117,885,280	\$118,163,753	\$119,402,233	\$114,509,642	\$105,961,453
Benefits	36,692,598	34,181,520	31,713,625	33,268,166	30,468,850
Scholarships and fellowships	17,805,709	17,634,179	14,675,348	14,527,102	14,002,459
Utilities	5,638,304	5,515,941	6,126,735	6,340,414	6,548,415
Supplies and materials	43,890,835	41,794,644	41,053,047	38,674,456	39,537,729
Purchased and personal services	4,246,383	4,362,892	5,008,483	5,505,286	5,261,560
Depreciation	18,070,849	16,336,531	14,581,784	13,639,067	13,388,100
Total operating expenses	<u>\$244,229,958</u>	<u>\$237,989,460</u>	<u>\$232,561,255</u>	<u>\$226,464,133</u>	<u>\$215,168,566</u>
Operating income (loss)	\$(76,325,639)	\$(81,827,331)	\$(83,648,426)	\$(80,475,615)	\$(70,879,074)
Non-operating Revenues(Expenses)					
State appropriations	\$ 63,760,769	\$ 64,621,417	\$ 78,535,426	\$ 75,417,882	\$ 64,481,771
Federal Pell Grant Revenue	13,887,899	11,458,908	7,658,503	6,868,173	-
Investment income	775,087	1,188,261	4,706,526	5,892,772	6,095,800
Interest on indebtedness	(4,061,271)	(4,156,297)	(3,491,660)	(3,607,772)	(3,677,177)
Gains (Loss) on endowments	1,684,904	516,960	(978,004)	(668,488)	826,223
Non-operating rental property income	7,118	15,490	201,443	26,143	9,778
Net Non-operating revenues (expenses)	<u>\$ 76,054,506</u>	<u>\$ 73,644,739</u>	<u>\$ 86,632,234</u>	<u>\$ 83,928,710</u>	<u>\$ 67,736,395</u>
Income or (loss) before other revenues, expenses, gains, or losses	\$ (271,133)	\$ (8,182,592)	\$ 2,983,808	\$ 3,453,095	\$ (3,142,679)
Capital appropriations	24,166,239	27,609,379	14,839,312	44,268,118	16,526,811
Other capital revenue	3,229,426	4,014,907	2,562,413	-	-
Gifts to permanent endowments	-	50,000	550,000	10,000	100,000
Total other revenues	<u>\$ 27,395,665</u>	<u>\$ 31,674,286</u>	<u>\$ 17,951,725</u>	<u>\$ 44,278,118</u>	<u>\$ 16,626,811</u>
Increase (Decrease) in net assets	\$ 27,124,532	\$ 23,491,694	\$ 20,935,533	\$ 47,731,213	\$ 13,484,132
Net assets, beginning of year	\$409,788,893	\$386,297,199	\$365,361,665	\$317,630,452	\$304,146,320
Net assets, end of year	\$436,913,425	\$409,788,893	\$386,297,198	\$365,361,665	\$317,630,452

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

⁽²⁾ Beginning in 2008 (and restated for 2007) a component of tuition is recorded as auxiliary enterprise revenue. In prior years, all tuition was recorded as student tuition and fees, despite a component being used for auxiliary purposes.

The University expects an estimated three to four percent increase in net assets in fiscal year 2012, resulting from a combination of increased tuition fees, decreased state appropriations and decreased salary expense.

Auditing

The University's Financial Statements and selected auxiliary units are audited annually by the State Auditor's Office, which provides an opinion on the financial statements. The auditor's opinion on the University and auxiliary financial statements is 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 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 current and historical budgeted and actual enrollment for the University.

State Funded Enrollment – Budgeted Compared to Actual Annual Average FTE

Fiscal Year	Budgeted	Actual	Difference
2012	11,762	12,647	885
2011	11,762	12,647	885
2010	11,373	12,475	1,102
2009	12,175	12,408	233
2008	12,022	12,141	119

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. 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 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	\$83,333,000	\$117,121,000	\$146,683,527	\$127,691,000	\$112,586,000

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 State's Office of Financial Management, which is scored relative to capital project lists provided by other public higher education institutions. A ranked list of capital priorities for the public higher education institutions is presented to the Governor and the State Legislature.

The following table shows the history of new capital budget appropriations to the University for the five most recent biennia.

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	\$28,291,000	\$74,599,002	\$47,610,002	\$73,452,002	\$32,464,330

University Operating Budget

The information below shows the University 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 operations, which are separately budgeted.

University Operating Budget

Fund	2011-13 Biennium ⁽¹⁾	2009-11 Biennium ⁽²⁾
State General Fund	\$ 66,515,000	\$ 89,505,000
Education Legacy Trust	13,204,000	12,917,000
Capital Projects Account	3,614,000	5,814,000
Federal Stimulus	-	8,885,000
Total State Appropriations	\$ 83,333,000	\$117,121,000
WWU Operating Fees Account	164,932,136	126,834,806
Local Fund	59,200,000	53,400,000
Grants and Contracts	80,000,000	77,243,218
Total Operating Funds	\$387,465,136	\$374,599,024

⁽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 appropriated \$83,333,000 and \$117,121,000 of operating funds for the 2011-13 biennium and the 2009-2011 biennium, respectively. The State Legislature built the 2011-13 State appropriation budget based on an assumed 16 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 initial 2009-11 biennial budget provided funding of \$121,428,000 for the University, which was subsequently decreased to \$117,121,000. If the State continues to face budget challenges in the future, the State Legislature could reduce appropriations to the University for the current and future biennia.

WWU 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, after appropriation by the State Legislature.

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, and 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.

Grants and Contracts. Federal and state grant programs provide the largest source of funding in this category of activity, including student work study programs. Revenue in this category, other than financial aid, scholarships and students loans, includes approximately \$10 million in Federal research grants and other grants.

Western Washington University Foundation and University Endowments

The University is supported by a private not-for-profit corporation, the Western Washington University Foundation (the "Foundation"). The Foundation is legally separate from the University, and acts as the University's primary fundraising organization to supplement State and other funding. 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. Since July 2011, University endowment funds are held, invested and managed by the Foundation, together with the Foundation endowments, in accordance with the Foundation's investment policies under direction of the Foundation's Finance and Audit Committee. Total Foundation investments as of April 30, 2012 (unaudited) are \$56.7 million, which includes \$5.5 million in donor restricted and unrestricted funds and \$4.3 million in quasi-endowments invested by the Foundation on behalf of the University.

The Foundation's Finance and Audit Committee is comprised of ten members: two members are faculty and/or staff of the University, two or more are Foundation directors appointed by the President of the Foundation board, and the Treasurer of the Foundation board, who serves as the Chair of the committee. The Executive Director and Finance Officer of the Foundation serve as ex-officio members and do not have voting rights. Members of the committee work in professions ranging from banking to investment management to business development.

The Foundation has investment and spending policies relating to endowments and investments. The target asset allocation for endowment investments is 70 percent equity and 30 percent fixed income investments. The Foundation seeks investments within these broad categories that provide diversification and enhance fund returns. It is the policy of the Foundation to spending formula is weighted with a base of 4.5 percent and a three year rolling market value average.

During fiscal year 2011, the Foundation raised \$4.7 million from 9,320 donors and earned approximately \$7.6 million in investment gains. During fiscal year 2012, through April 30, the Foundation raised \$3.3 million from 7,022 donors and earned approximately \$1.6 million in investment gains. As of April 30, 2012, total net assets of the Foundation (unaudited) were \$50.2 million, of which \$25.6 million were permanently restricted and \$12.3 million were temporarily restricted. Funds are used primarily for direct academic support and scholarships.

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.

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Investments

The University manages cash and investments centrally, and pools University operating funds for investment purposes. Funds such as bond and reserve funds, unexpended bond proceeds, and renewal and replacement funds for certain auxiliary enterprises are separately invested. The University's investment policy is structured to limit exposure to fair value losses by limiting the duration of the portfolio. Prior to July 2011, the University managed investment of its endowment funds, pursuant to a separate investment policy, with the primary objective of achieving long term growth.

Investments at Fair Market Value

	As of April 30, 2012 ⁽¹⁾	As of June 30, 2011	As of June 30, 2010
University Investment Pool			
Cash and cash equivalents	\$ 59,915,616	\$35,101,160	\$51,085,200
Certificates of deposit	6,042,009	6,000,000	18,650,063
U.S. Treasuries	-0-	5,000,000	-0-
U.S. Agencies	35,000,000	30,000,000	-0-
University Endowment Funds			
Cash and cash equivalents	47,711	100,050	1,011,589
Fixed Income	2,034,430	1,887,625	2,331,691
Equity securities	6,052,270	6,332,456	4,657,981
Real estate	563,171	515,882	-0-
Alternative investments	1,131,182	1,020,611	-0-
Other University Funds ⁽²⁾			
Certificates of Deposit	1,493,498	2,977,258	2,812,169
State Treasurer's LGIP	740,890	2,055,907	6,044,593
U.S. Agencies	1,525,000	-0-	-0-
Miscellaneous	1,010	1,010	1,010
Total	\$114,546,787	\$90,991,959	\$86,594,296

⁽¹⁾ Information as of April 30, 2012 is unaudited.

⁽²⁾ Includes bond funds and reserves and unexpended bond proceeds.

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 \$3,229,426 in earnings and distributions from the Permanent Fund, which is used for capital purposes of the University, after appropriation by the State Legislature. For the year ending June 30, 2012, the University anticipates receiving approximately \$2,408,000 in earning and distributions from the Permanent Fund.

Risk Management

The University participates in a State risk management self-insurance program. Premiums paid by the University to the State are based on actuarially determined projections and include allowances for payments of both outstanding and current liabilities. The University self-insures unemployment compensation for all employees. In addition, commercial insurance coverage for property casualty loss on the System and the Wade King Student Recreation Center is maintained in accordance with the related bond resolutions.

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 Western Washington University Retirement Plan ("WWURP"). 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 19, for additional discussion of the University's pension plans.

WWURP. The WWURP is a defined contribution pension plan with a supplemental payment, when required. The WWURP plan covers faculty, professional staff, 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 WWURP 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 WWURP contributions for the year ending June 30, 2011, were \$5,624,889 for employees and \$5,612,217 for the University. The WWURP contributions for year ending June 30, 2012 are anticipated to be approximately \$5,484,237 for employees and \$5,064,232 for the University.

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%	5.24%

The required contributions for the year ending June 30, 2011, were as follows:

	<u>Employee</u>	<u>University</u>
PERS	\$1,466,592	\$1,738,991
TRS	28,122	26,711
LEOFF	65,066	66,202

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
<u>PERS</u>		
Plan I	6.00%	7.25%
Plan II	4.64	7.25
Plan III	5% to 15%	7.25
<u>TRS</u>		
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 WWURP no longer applies for new employees hired after June 30, 2011. The University received an actuarial evaluation of the supplemental component of the WWURP during fiscal 2011, which determined the Unfunded Actuarial Accrued Liability as of June 30, 2011 was \$10,035,000, which is amortized over a 13 year period. The evaluation established an Annual Required Contribution of \$1,400,000. The actuarial assumptions included an investment rate of return of 6 percent to 8 percent and projected salary increases ranging from 2 percent to 4 percent. Approximately \$72,672,927 of the University's payroll was covered under this plan during fiscal year 2011.

Other Post Employment Benefits

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/>.

The University was billed and paid approximately \$18.2 million for active and retiree health care expenses during fiscal year 2012 and \$18.7 million in fiscal year 2011.

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.

**APPENDIX B
COPIES OF THE MASTER RESOLUTION AND
THE 2012 SERIES RESOLUTION**

**COPIES OF THE MASTER RESOLUTION
AND THE 2012 SERIES RESOLUTION**

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MASTER RESOLUTION
RESOLUTION NO. 97-09

A RESOLUTION OF THE BOARD OF TRUSTEES OF WESTERN WASHINGTON UNIVERSITY, AUTHORIZING REVENUE BONDS OF THE HOUSING AND DINING SYSTEM TO BE ISSUED IN SERIES TO FINANCE AND REFINANCE FACILITIES FOR THE SYSTEM; CREATING AND ESTABLISHING A NEW LIEN UPON NET REVENUES OF THE HOUSING AND DINING SYSTEM FOR THE PAYMENT OF SUCH BONDS; CLOSING THE SENIOR LIEN AND MAKING COVENANTS AND AGREEMENTS IN CONNECTION WITH THE FOREGOING.

ADOPTED: December 5, 1997

Prepared by:

PRESTON GATES & ELLIS LLP
Seattle, Washington

MASTER RESOLUTION
RESOLUTION NO. 97-09

A RESOLUTION OF THE BOARD OF TRUSTEES OF WESTERN WASHINGTON UNIVERSITY, AUTHORIZING REVENUE BONDS OF THE HOUSING AND DINING SYSTEM TO BE ISSUED IN SERIES TO FINANCE AND REFINANCE FACILITIES FOR THE SYSTEM; CREATING AND ESTABLISHING A NEW LIEN UPON NET REVENUES OF THE HOUSING AND DINING SYSTEM FOR THE PAYMENT OF SUCH BONDS; CLOSING THE SENIOR LIEN AND MAKING COVENANTS AND AGREEMENTS IN CONNECTION WITH THE FOREGOING.

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

WHEREAS, the University currently has outstanding two series of revenue bonds, issued under dates of November 1, 1991 and October 1, 1992 (hereinafter defined as the "Senior Lien Bonds") pursuant to Master Resolution No. 91-6 and series resolutions authorized thereunder; and

WHEREAS, the University and its financial advisor have reviewed the existing Master Resolution No. 91-6 and have determined that certain technical updates and amendments are appropriate; and

WHEREAS, each of the resolutions authorizing the issuance of the Senior Lien Bonds permitted the University to issue revenue bonds in the future with a subordinate lien on the revenues of the University; and

WHEREAS, the Board of Trustees hereby further deems it advisable to close the lien of the outstanding senior lien revenue bonds and issue no bonds in the future on a parity therewith, except as specifically provided herein; and

WHEREAS, the Board of Trustees deems it advisable and in the best interest of the University and the System to establish a new lien of revenue bonds of the System hereafter

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issued for any of its legal purposes under the provisions, terms and conditions of this resolution; and

WHEREAS, the principal of and interest on the revenue bonds authorized by this resolution shall be payable solely from and shall constitute a lien and charge against net revenues of the System (hereinafter defined more specifically as the "Net Revenues");

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

Section 1. Definitions. As used in this resolution, the following words and phrases shall have the meanings hereinafter set forth unless the context clearly shall indicate that another meaning is intended:

"Accreted Value" means (1) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in the Series Resolution as the amount representing the initial principal amount of such 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 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 Series Resolution authorizing the issuance of such Bonds.

"Additional Bonds Test" means, for each fiscal year or part of a fiscal year, as required in Section 5(b) of this resolution, Net Revenues at least equal to 1.25 times the average Annual Debt Service for the period during which the Bonds then proposed to be issued will remain Outstanding. For purposes of this test, Net Revenues generated from Pledged Amounts (fees levied on upon all students of the University and/or other amounts specifically pledged under any Series Resolution) may be computed on the basis of student population officially enrolled on the records of the University as of the Fall quarter during which Parity Bonds are to be issued (if Parity Bonds are being issued during a Fall quarter) or immediately preceding the date of issuance of Parity Bonds. Such calculation shall be made by multiplying the number of full-time

and part-time students by the actual fee charged on an annualized basis to determine the Pledged Amount.

"Aggregate Annual Debt Service" means Annual Debt Service for all Outstanding Bonds and all Bonds authorized but unissued under a Series Resolution unless such 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 Bond or series of Bonds in any fiscal year or Base Period.

"Balloon Maturity Bonds" means any Bonds which are so designated in the Series Resolution pursuant to which such 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 30-month period next preceding the date of issuance of an additional series of Bonds. The calculation of Gross Revenues from the Pledged Amount during any Base Period shall be based on the number of full-time and part-time students officially enrolled on the records of the University as of the Fall quarter during which Parity Bonds are to be issued (if Parity Bonds are being issued during a Fall quarter) or immediately preceding the date of issuance of Parity Bonds. Such calculation shall be made by multiplying the number of full-time and part-time students by the actual fee charged on an annualized basis to determine the Pledged Amount.

"Board" means the Board of Trustees of the University, or any successor thereto as provided by law.

"Bonds" means the bonds, notes or other evidences of indebtedness issued from time to time in series pursuant to and under authority of Section 4 hereof. The term "Bonds" may include reimbursement obligations of the University to the issuer of a Credit Facility.

"Capital Appreciation Bonds" means 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

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"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 by Standard & Poor's Ratings Group and Moody's Investors Service or their successors at rating(s) not lower than the then current long term rating on the 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 Bonds or meeting reserve requirements therefor.

"Date of Commercial Operation" means (1) the date upon which any facilities of the System are first ready for normal continuous operation or, (2) if portions of the System are placed in normal continuous operation at different times, shall mean the midpoint of the dates of continuous operation of all portions of such System, as estimated by the Designated University Representative or, (3) if used with reference to facilities to be acquired, shall mean the date on which such acquisition is final.

"Debt Service" means, for any period of time,

(1) with respect to any Outstanding Original Issue Discount Bonds or Capital Appreciation Bonds which are not designated as Balloon Maturity Bonds in the Series Resolution authorizing their issuance, the principal amount thereof shall be equal to the Accreted Value thereof maturing or scheduled for redemption in such period, and the interest payable during such period;

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

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Bonds. If so provided in the Series Resolution authorizing their issuance, Bonds may be deemed to be Capital Appreciation Bonds for only a portion of their term. On the date on which Bonds no longer are Capital Appreciation Bonds, they shall be deemed Outstanding in a principal amount equal to their Accreted Value.

"Consultant" means at any time an independent consultant recognized in education matters or an engineer or engineering firm or other expert appointed by the Designated University Representative to perform the duties of the Consultant as required by this resolution. For the purposes of delivering any certificate required by Section 5 hereof and making the calculation required by Section 5 hereof, the term Consultant shall also include any independent public accounting firm appointed by the Designated University Representative to make such calculation or to provide such certificate or recognized financial advisor appointed by the University for purposes of making such calculation.

"Costs of Construction" means all costs paid or incurred by the University in connection with the acquisition and construction of capital additions, improvements and betterments to and extensions of the System, and the placing of the same in operation, including, but without limiting the generality of the foregoing, paying all or a portion of the interest on the series of Bonds or any portion thereof issued to finance the costs of such improvements during the period of construction of such improvements, and for a period of time thereafter; paying amounts required to meet any reserve requirement for the fund or account established or maintained for such series of Bonds from the proceeds thereof; paying or reimbursing the System or any fund thereof or any other person for expenses incident and properly allocable to the acquisition and construction of said improvements and the placing of the same in operation; and all other items of expense incident and properly allocable to the acquisition and construction of said additions and improvements, the financing of the same and the placing of the same in operation.

"Coverage Requirement" means Net Revenues equal to or greater than 125% of Aggregate Annual Debt Service.

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the assumption that mandatory sinking fund installments will be applied to the redemption or retirement of such Bonds on the date specified in the Series Resolution authorizing such Bonds;

(3) with respect to Balloon Maturity Bonds, an amount for any period equal to the amount which would have been payable for principal and interest on such Bonds during such period computed on the assumption that the amount of Bonds Outstanding as of the date of such computation would be amortized on an essentially level debt service basis during the period such Bonds are Outstanding;

(4) with respect to Bonds bearing variable rates of interest and Commercial Paper, an amount for any period equal to the amount which would have been payable for principal and interest on such Bonds during such period computed on the assumption that the amount of Bonds Outstanding as of the date of such computation would be amortized in accordance with the Series Resolution at the maximum rate of interest permitted under the terms of the Series Resolution are Outstanding; and

(5) with respect to all other series of Bonds Outstanding (other than those mentioned in the preceding paragraphs), an amount for any period equal to the amount which would have been payable for principal and interest on such Bonds during such period computed on the assumption that the amount of Bonds Outstanding as of the date of such computation would be amortized (i) in accordance with the mandatory redemption provisions, if any, set forth in the Series Resolution authorizing the issuance of such 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 (ii) at an interest rate equal to the maximum rate of interest permitted under the terms of the Series Resolution, (iii) to provide for essentially level annual debt service of principal and interest over such period.

With respect to any Bonds payable in other than U. S. Dollars, Debt Service shall be calculated as provided in the Series Resolution authorizing the issuance of such Bonds. Debt Service shall be net of any interest funded out of Bond proceeds. Debt Service shall include reimbursement obligations (calculated in accordance with the terms of the Reimbursement

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Agreement) to providers of Credit Facilities which are issued on a parity of lien with Parity Bonds.

"Designated University Representative" means the President of the University or his or her designee or such other person as may be directed from time to time by resolution of the Board.

"Fixed Rate Bonds" means those Bonds other than Capital Appreciation Bonds, Original Issue Discount Bonds or Balloon Maturity Bonds issued under a Series Resolution in which the rate of interest on such Bonds is fixed and determinable through their final maturity or for a specified period of time. If so provided in the Series Resolution authorizing their issuance, Bonds may be deemed to be Fixed Rate Bonds for only a portion of their term.

"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, and including interest income, but shall not include:

- (1) the proceeds of any borrowing by the University and the earnings thereon (other than earnings on proceeds deposited in reserve funds),
- (2) income and revenue which may not legally be pledged for revenue bond debt service,
- (3) state or federal grants or substitutes therefor allocated to capital projects;
- (4) payments made under Credit Facilities issued to pay or secure the payment of a particular series of Bonds;
- (5) proceeds of insurance or condemnation proceeds other than business interruption insurance;
- (6) 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

"Parity Bonds" means any Bonds issued in the future under a Series Resolution which provides that such Bonds shall be on a parity of lien with other series of Bonds, as provided in Section 5 hereof.

"Paying Agent" shall mean any person, firm, association, corporation or public body as designated and appointed from time to time by resolution of the Board or by a Series Resolution to act as paying agent for one or more series of Bonds.

"Pledged Amount" means Services and Activities Fees of \$32.00 per academic quarter levied against each full-time student and \$6.40 per academic quarter levied against each part-time student or such increased amount as shall be established pursuant to Section 7(h) of this resolution. In addition, the term "Pledged Amount" shall include any additional revenues and/or fees which are levied upon all full-time and/or part-time students by the Board of Trustees and specifically pledged to be maintained in substance for any period while one or more series of Bonds are Outstanding.

"Rate Covenant" means for each fiscal year of the University, Net Revenues in each such 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 Senior Lien Bonds and Bonds, or (ii) amounts required to be deposited during such fiscal year from Net Revenues into bond funds and reserve funds established for Outstanding Senior Lien Bonds and Bonds and into the Renewal and Replacement Fund, but excluding from each of the foregoing, payments made from refunding debt and capitalized debt service.

"Rating Agencies" means Moody's Investors Service or its successors and assigns, Standard & Poor's Ratings Group or its successors and assigns, Fitch Investors Services or its successors and assigns and/or such other securities rating agency selected by the University to provide a rating with respect to a series of Bonds, or any portion thereof, which Rating Agency, as of the applicable date, shall have assigned a rating to any series of Bonds or any portion thereof.

nothing in this subparagraph (6) 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

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

Services and Activities Fees, in the Pledged Amount, shall be deemed to be a part of Gross Revenues to the extent so pledged in a Series Resolution. Any other available revenues pledged by a Series Resolution also shall be deemed to be a part of Gross Revenues.

"Maximum Annual Debt Service" means, with respect to the Outstanding Bonds, the highest remaining Annual Debt Service for such Outstanding Bonds.

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

"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 applicable to the operation of the System, as in effect from time to time, excluding any allowances for depreciation or amortization or interest on any obligations of the System incurred in connection with and payable from Gross Revenue. Operating Expenses also shall exclude general administrative expenses of the University, not directly applicable to the System through the application of generally accepted accounting principles.

"Original Issue Discount Bonds" means Bonds which are sold at an initial public offering price of less than 90% of their face value and which are specifically designated as Original Issue Discount Bonds in the Series Resolution authorizing their issuance.

"Outstanding" means, as of any date, any Senior Lien Bonds or Bonds theretofore issued except such Senior Lien Bonds or Bonds deemed to be no longer Outstanding as provided in the resolution authorizing the issuance thereof.

"Registrar" means any person, firm, association, corporation or public body as designated and appointed from time to time by resolution of the Board or by a Series Resolution, to act as registrar for one or more series of Bonds.

"Renewal and Replacement Fund" means the special fund authorized to be created pursuant to Section 2(b) of this resolution.

"Revenue Fund" means, collectively, the University's Housing and Dining Revenue Fund and any other fund established in the office of the Treasurer for the receipt of Gross Revenues.

"Senior Lien Bonds" means each of the series of housing and dining system revenue bonds of the issued under the following dates and in the following principal amounts (as of June 1, 1997):

Series Resolution Number	Date of Original Issue	Original Principal Amount	Currently Outstanding Principal	Final Maturity Dates
91-8	Nov. 1, 1991	\$ 11,690,000	\$10,865,000	Oct. 1, 2021
92-5	Oct. 1, 1992	11,000,000	10,825,000	Oct. 1, 2022

"Senior Lien Resolutions" means Master Resolution No. 91-6 and each of the series resolutions authorizing the issuance of each series of the Senior Lien Bonds.

"Series Resolution" means a resolution authorizing the issuance of a series of Bonds, as such resolution may thereafter be amended or supplemented. Each Series Resolution shall be supplemental to this resolution.

"Services and Activities Fees" means the fees charged to all students registered at the University pursuant to RCW Sections 29B.15.041-.045, as amended, or any successor statutes for the purpose of funding student activities and programs of the University.

"Special Facilities" means particular facilities financed with the proceeds of Special Revenue Bonds.

"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 of the University as the same shall be added to, improved and extended out of the proceeds of the sale of the Bonds and as such System may be added to, improved and extended, for as long as Bonds are Outstanding. The System includes lands, buildings and facilities for dormitory, hospital, infirmary, dining, student activities and student, faculty and employee housing and boarding purposes. The System currently includes the following facilities:

Ridgeway Residences and Commons	Nash Hall
Fairhaven Residences and Commons	Mathes Hall
Buchanan Towers	Higginson Hall
Edens Hall North and South	Commissary
Viking Union, Addition and Commons	Highland Hall
Birnam Wood Residences	Lakewood Student Center
Douglas & 24 Streets Parcel	

The System shall not include Special Facilities.

"Treasurer" means the Vice President for Business and Financial Affairs of the University or any successor to the functions of such office, and also shall include any designee of the Treasurer for the performance of specific functions under this resolution.

"University" means Western Washington University, a regional university of the State of Washington.

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. Priority of Use of Gross Revenue/Renewal and Replacement Fund.

(a) *Priority in Use and Application of Gross Revenue.* The Gross Revenue shall be deposited in the Revenue Fund as collected. The Revenue Fund shall be held separate

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(b) *Renewal and Replacement Fund.* There has heretofore been created a separate fund of the University designated as the "Renewal and Replacement Fund." The University hereby covenants and agrees that it will make deposits into the Renewal and Replacement Fund from the Gross Revenue, after making provision for the payments provided in paragraphs First through Fifth of subsection (a) of this Section 2 sufficient to maintain a balance therein of a dollar amount that is not less than five percent of the principal balance Outstanding of all Senior Lien Bonds and Bonds. Money in the Renewal and Replacement Fund may be used by the University to pay extraordinary operating and maintenance expenses, make capital replacements, additions, expansions, additions, repairs and renewals of the System, and to pay principal of and interest on any Bonds and Senior Lien Bonds to the extent other funds are not legally available. If withdrawals are made from the Renewal and Replacement Fund such that the remaining balance therein is less than five percent of the principal balance Outstanding Bonds and Senior Lien Bonds, the University will restore said balance within the next 36-month period.

Section 3. Closure of Senior Lien; Authorization of Bonds.

(a) *Closure of Senior Lien.* The University covenants and agrees that it will not issue any additional Senior Lien Bonds under the parity conditions established in the Senior Lien Resolutions as they apply to the Senior Lien Bonds, unless the University has received the opinion referred to in Section 2(a) to the effect that the lien of the Bonds on Net Revenues is *pari passu* with the lien thereon of the Senior Lien Bonds.

As long as any Senior Lien Bonds are Outstanding, the University shall observe and comply with all covenants established therein with respect to the Senior Lien Bonds.

(b) *Authorization of Bonds.* Revenue bonds of the University, unlimited in amount, to be known as the "Western Washington University Housing and Dining System [Junior Lien] Revenue Bonds," are hereby authorized to be issued in series, and each such series may be issued from time to time pursuant to this resolution in such amounts and upon such terms

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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 debt service account(s) of any bond redemption fund to pay the principal of and interest and premium, if any, on any Senior Lien Bonds, subject to the option described below;

Third, to make all payments, including sinking fund payments, required to be made into the debt service account(s) of any Bond redemption fund to pay the principal of and interest and premium, if any, on any Bonds, subject to the option described below;

Fourth, to make all payments required to be made into any reserve account(s) to secure the payment of any Bonds;

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 Bonds;

Sixth, to make all payments required to be made into the Renewal and Replacement Fund to maintain any required balance therein; and

Seventh, 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.

Notwithstanding the foregoing, the priority of payments described in paragraphs Second and Third may be combined in the future in the event that the University receives an opinion of its bond counsel to the effect that the lien on Net Revenues for the payment of the Bonds is on a parity with the lien thereon for the payment of Senior Lien Bonds.

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and conditions as the Board may from time to time deem to be necessary or advisable, for any purposes of the System now or hereafter permitted by law.

The Bonds and the lien thereof created and established hereunder shall be obligations only of the special fund(s) established in the Series Resolution authorizing their issuance. The Bonds shall be payable solely from and secured solely by Net Revenues available after providing for the payments specified in paragraphs First through Third of Section 2(a) of this resolution; *provided, however*, that any series of Bonds also may be payable from and secured by a Credit Facility pledged specifically to or provided for that series of Bonds.

From and after the time of issuance and delivery of the Bonds of each series and so long thereafter as any of the same remain Outstanding, the University hereby irrevocably obligates and binds itself to set aside and pay into the special funds created for the payment of each series of Bonds out of Net Revenues, on or prior to the date on which the interest on or principal of and interest on the Bonds shall become due, the amount necessary to pay such interest or principal and interest coming due on the Bonds of such series.

Said amounts so pledged to be paid into such special funds are hereby declared to be a prior lien and charge upon the Gross Revenue superior to all other charges of any kind or nature whatsoever except for Operating Expenses and for the lien thereon for the payment of the Senior Lien Bonds and except for charges equal in rank that may be made thereon to pay and secure the payment of the principal of and interest on Bonds issued under authority of a Series Resolution in accordance with the provisions of Sections 4 and 5 of this resolution.

The Bonds shall not in any manner or to any extent constitute general obligations of the University or of the State of Washington, or of any political subdivision of the State of Washington.

Section 4. Authorization of Series of Bonds. The University may issue hereunder from time to time one or more series of Bonds by means of a Series Resolution for any purpose of the University now or hereafter permitted by law, provided that the University shall comply

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with the terms and conditions for the issuance of Bonds hereinafter set forth in this Section 4 and in Section 5 hereof.

Each series of Bonds shall be authorized by a Series Resolution which shall, among other provisions, specify and provide for:

- (a) the authorized principal amount, designation and series of such Bonds;
- (b) the general purpose or purposes for which such series of Bonds is being issued, and the deposit, disbursement and application of the proceeds of the sale of the Bonds of such series;
- (c) the date or dates, and the maturity date or dates, of the Bonds of such series, and the principal amount maturing on each maturity date;
- (d) the interest rate or rates on the Bonds of such series (which may be a rate of zero) and the interest payment date or dates therefor, and whether such interest rate or rates shall be fixed, variable or a combination of both and, if necessary, the manner of determining such rate or rates;
- (e) the circumstances, if any, under which the Bonds of such series will be deemed to be no longer Outstanding;
- (f) the currency or currencies in which the Bonds of such series are payable;
- (g) the denominations of, and the manner of dating, numbering, and, if necessary, authenticating, the Bonds of such series;
- (h) the Paying Agent or Paying Agents, if any, for the Bonds of such series and the duties and obligations thereof;
- (i) the place or places of payment of the principal, redemption price, if any, or purchase price, if any, of and interest on, the Bonds of such series;
- (j) the tender agent or tender agents, if any, for the Bonds of such series and the duties and obligations thereof;
- (k) the remarketing agent or remarketing agents, if any, for the Bonds of such series and the duties and obligations thereof;

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Section 5. Parity Bonds.

All Bonds authorized to be issued under Series Resolutions shall be Parity Bonds, having an equal lien and charge upon the Net Revenues of the University upon fulfillment of the conditions of this resolution, whether at the time of authorization or issuance of such Bonds. Except as provided in subsection (a) below, the University shall not issue any series of Bonds or incur any additional indebtedness with a parity lien or charge on Net Revenues (on a parity of lien with Bonds at the time Outstanding) unless (i) the University shall not have been in default of its covenant under Section 7(a) of this resolution for the immediately preceding fiscal year, and (ii) there shall have been filed a certificate (prepared as described in subsection (b)) demonstrating fulfillment of the Additional Bonds Test, commencing with the first full fiscal year following the later of (1) the Date of Commercial Operation of the System to be financed with the proceeds of the Bonds or (2) the date on which any portion of interest on the series of Bonds then being issued no longer will be paid from the proceeds of such series of Bonds and for the following two fiscal years.

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

(i) if the Bonds being issued are for the purpose of refunding Senior Lien Bonds or Outstanding Bonds upon compliance with the provisions of Section 6 of this resolution; or

(ii) if the Bonds are being issued to pay Costs of Construction of the facilities of the System for which Bonds have been issued previously and the principal amount of such Bonds being issued for completion purposes does not exceed an amount equal to an aggregate of 15% of the principal amount of Bonds theretofore issued for such facilities and reasonably allocable to the facilities to be completed as shown in a written certificate of the Designated University Representative, and there is delivered a Consultant's certificate stating that the nature and purpose of such facilities has not materially changed.

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(l) the Registrar or Registrars, if any, for the Bonds of such series and the duties and obligations thereof;

(m) the escrow agent for the proceeds of any refunding Bonds;

(n) the form or forms of the Bonds of such series and any coupons attached thereto, which may include but shall not be limited to, registered form, bearer form with or without coupons, and book-entry form, and the methods, if necessary, for the registration, transfer and exchange of the Bonds of such series;

(o) the terms and conditions, if any, for the redemption of the Bonds of such series prior to maturity, including the redemption date or dates, the redemption price or prices and other applicable redemption terms;

(p) the terms and conditions, if any, for the purchase of the Bonds of such series upon any optional or mandatory tender for purchase prior to maturity, including the tender date or dates, the purchase date or dates, the purchase price or prices and other applicable terms;

(q) the manner of sale of the Bonds of such series, with or without a premium or a discount, including the sale of Original Issue Discount Bonds;

(r) if so determined by the University, the authorization of and any terms and conditions with respect to credit or liquidity support for the Bonds of such series and the pledge or provision of moneys, assets or security other than Net Revenues to or for the payment of the Bonds of such series or any portion thereof;

(s) a special fund or account to provide for the payment of the Bonds of such series and, if so determined by the University, any other special funds or accounts, including, without limitation, reserve funds or accounts, for the Bonds of such series and the application of moneys or security therein; and

(t) any other provisions which the University deems necessary or desirable in connection with the Bonds of such series.

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(b) *Certificate of the University.* A certificate may be delivered by the Designated University Representative if the Net Revenues, based upon the financial statements of the University for the Base Period, corroborated by the certified statements 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, demonstrate that the Additional Bonds Test will be fulfilled commencing with the first full fiscal year following (and including any partial year prior to the commencement of such fiscal year) the later of (i) the date of Commercial Operation of the facilities of the System to be financed with the proceeds of the Bonds as reasonably estimated by the University, or (ii) the date on which any portion of interest on the series of Bonds then being issued will not be paid from the proceeds of such series of Bonds and for the following two fiscal years.

Section 6. Refunding Bonds. The University, by means of a Series Resolution adopted in compliance with the provisions of Section 4 hereof, may issue refunding Bonds hereunder as follows:

(a) Bonds may be issued at any time for the purpose of refunding (including by purchase) Senior Lien Bonds or Bonds, including amounts to pay principal thereof and redemption premium, if any, and interest thereon to the date of redemption (or purchase) and the expenses of issuing the Bonds to purchase or refund the same and of effecting such refunding upon delivery of a certificate as provided in Section 5 hereof. Such refunding Bonds also may be issued without a certificate if the Maximum Annual Debt Service on all Senior Lien Bonds and Bonds to be Outstanding after the issuance of the refunding Bonds shall not be greater than the Maximum Annual Debt Service were such refunding not to occur.

(b) Bonds may be issued at any time for the purpose of refunding (including by purchase) any other bonds of the University, including amounts to pay principal thereof and redemption premium, if any, and interest thereon to the date of redemption of such bonds (or purchase) and the expenses of issuing the Bonds to purchase or refund the same and of effecting

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such refunding; provided, however, that prior to the issuance of such Bonds the University must provide a certificate if required by Section 5 hereof.

(c) Bonds may be issued for the purpose of refunding (including by purchase) at any time within one year prior to maturity, any Senior Lien Bonds or Bonds for the payment of which sufficient Net Revenues or other moneys are not available, without the requirement of a certificate pursuant to Section 5 hereof.

Section 7. Specific Covenants. The University hereby covenants and agrees with the owners and holders of each of the Bonds for as long as any of the same remain Outstanding that it will observe the following covenants.

(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 sufficient to meet 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 Rate Covenant. 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

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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 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) *Maintenance of Books and Records.* 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, the University 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 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 Bonds.

(h) *Maintenance of Services and Activities Fees.* For as long as any Bonds remain Outstanding, the Board shall establish, maintain and collect Services and Activities Fees at least equal to the Pledged Amount. The Pledged Amount shall be at least equal to \$32.00 per academic quarter for each full-time student and at least equal to \$6.40 per academic quarter for each part-time student.

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under this Section 7(a) or Default under the provisions of Section 20(c) of this resolution during such fiscal year, unless the University fails to meet the Rate Covenant for two consecutive fiscal years.

(b) *Performance of Covenants in Series Resolution and 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 Bonds the principal of and interest on the Bonds at the times and places as provided in each Series Resolution and in said Bonds provided and will at all times faithfully perform and observe any and all covenants, undertakings and provisions contained in this resolution, each Series Resolution, as applicable, and in the Bonds.

(c) *Maintenance of System.* 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) *Disposition of System.* 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 Bonds then Outstanding.

(e) *Property Insurance.* 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 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) *Liability Insurance.* The University will at all times keep or arrange to keep in full force and effect policies of public liabilities and property damage insurance which

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Section 8. Adoption of Supplemental Resolutions and Purposes Thereof. The University may adopt at any time and from time to time and without the consent or concurrence of the owner of any Bond, a resolution or resolutions amendatory or supplemental to this resolution for any one or more of the following purposes:

(a) To provide for the issuance of a series of Bonds pursuant to Section 4 hereof, and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;

(b) To add covenants and agreements of the University for the purpose of further securing the payment of the Bonds; provided that such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the University contained in this resolution;

(c) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the University payable from the Net Revenues which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(d) To surrender any right, power or privilege reserved to or conferred upon the University by the terms of this resolution;

(e) To confirm as further assurance any pledge or provision for payment of the Bonds under and the subjection to any lien, claim or pledge created or to be created by the provisions of this resolution of the Net Revenues or of any other moneys, securities or funds;

(f) To cure any ambiguity or defect or inconsistent provision in this resolution or to insert such provisions clarifying matters or questions arising under this resolution as are necessary or desirable; provided that such modifications shall not materially and adversely affect the rights of any owners;

(g) To qualify this resolution under the Trust Indenture Act of 1939, as amended;

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(h) To modify the provisions of this resolution to obtain from any Rating Agency a rating on any series of Bonds or any portion thereof which is higher than the rating which would be assigned without such modification so long as the rating on any other series of Bonds or Senior Lien Bonds or portion thereof is not adversely affected; or

(i) To modify any of the provisions of this resolution in any other respects; provided that such modifications shall not materially and adversely affect the rights of any Bondowners. Notwithstanding anything in this Section 8 to the contrary, without the specific consent of the owner of each Bond, no such resolution amending or supplementing the provisions hereof or of any Series Resolution shall (1) permit the creation of a lien or charge on the Net Revenues superior or prior to the payment of the Senior Lien Bonds or Bonds; (2) reduce the percentage of Bonds, the owners of which are required to consent to any such resolution amending or supplementing the provisions hereof; or (3) give to any Bond or Bonds any preference over any other Bond or Bonds secured hereby. No resolution amending or supplementing the provisions hereof or any Series Resolution shall change the date of payment of the principal of any Bond, or reduce the principal amount or Accreted Value of any Bond, or change the rate or extend the time of payment of interest thereof, or reduce any premium payable upon the redemption or prepayment thereof, or advance the date upon which any Bond may first be called for redemption prior to its fixed maturity date (except as provided in the Series Resolution authorizing the issuance of such Bond) without the specific consent of the owner of that Bond; and no such amendment shall change or modify any of the rights or obligations of any Paying Agent or other agent for a series of Bonds without its written assent thereto.

The provisions of this resolution also may be modified at any time or from time to time by a resolution supplemental hereto, subject to the consent of Bondowners in accordance with and subject to the provisions of Sections 9 through 17 hereof.

Section 9. Call of Bondowners' Meetings. The University or the owners of not less than 25% in principal amount or Accreted Value of the Bonds of any series then Outstanding or the owners of not less than 25% in principal amount or Accreted Value of all Bonds then

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be made in lieu thereof such publication as shall be decided upon by the University, and the same shall constitute a sufficient publication of such notice.

Section 11. Proxies; Proof of Ownership of Bonds; Execution of Instruments by Bondowners. Attendance and voting by Bondowners at such meetings may be in person or by proxy. Owners of registered Bonds or coupon Bonds registered as to principal, may, by an instrument in writing under their hands, appoint any person or persons, with full power of substitution, as their proxy to vote at any meeting for them.

In order that owners of Bonds payable to bearer and their proxies may attend and vote without producing their Bonds, the University may make and from time to time vary such regulations as it shall think proper for the deposit of Bonds with or exhibit of Bonds to any bank, bankers or trust companies, or other depositories, including firms and corporations which are members of The National Association of Securities Dealers, wherever situated, and for the issuance by them to the persons depositing or exhibiting such Bonds, of certificates in form approved by the University, which shall constitute proof of ownership entitling the owners thereof to be present and vote at any such meeting in the same way and if the persons so present and voting, either personally or by proxy, were the actual bearers of the Bonds in respect of which such certificates shall have been issued, and any regulations so made shall be binding and effective. Copies of such regulations shall be kept on file by any Paying Agents, officers or nominees of the University may be present or represented at such meeting and take part therein, but shall not be entitled to vote, except as such officers or nominees are Bondowners or proxies for Bondowners.

Any registered owner of Bonds and any owners of a certificate provided for in this Section 11 shall be entitled in person or by proxy to attend and vote at bondowners meetings as holder of the Bonds registered or certified in his name without producing such Bonds (unless the Bonds described in such certificate shall be registered in the name of, or be produced by, some other person at such meeting), and such persons and their proxies shall, if required, produce such proof of personal identity as shall be satisfactory to the Secretary of the meeting (appointed as

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Outstanding may at any time call a meeting of the owners of the Bonds of such series or of all Bonds, as the case may be. Every such meeting shall be held at such place as may be specified in the notice calling such meeting. Written notice of such meeting, stating the place and the time of the meeting and in general terms the business to be submitted, shall be mailed to the owners of each series of Bonds for which the meeting is to be held by the University or the Bondowners calling such meeting not less than 30 nor more than 60 days before such meeting, and shall be published at least once a week for four successive fiscal weeks on any day of the week, the date of first publication to be not less than 30 days nor more than 60 days preceding the meeting; provided, however, that the mailing of such notice shall in no case be a condition precedent to the validity of any action taken at any such meeting. Any meeting of Bondowners shall, however, be valid without notice if the owners of all Bonds of the affected series then Outstanding are present in person or by proxy or if notice is waived before or within 30 days after the meeting by those not so present.

Section 10. Notice to Bondowners. Except as otherwise specifically provided in this resolution, any provision in this resolution for the mailing of a notice or other paper to owners of Bonds of any series shall be fully complied with if it is mailed by first class mail, postage prepaid, to each registered owner of any of the Bonds of that series then Outstanding at his address, if any, appearing upon the registration books maintained by or on behalf of the University, and to each owner of any of the Bonds of that series payable to bearer who shall have filed with the University an address for notices. Any provision in this resolution contained for publication of a notice or other matter shall require the publication thereof in a financial journal or daily newspaper printed in the English language and customarily published on each business day and of general circulation in each of the cities of Seattle, Washington and New York, New York. If, because of the temporary or permanent suspension of the publication or general circulation of any financial paper or newspaper in any particular city, the University deems it impossible to publish any such notice in such city in the manner herein provided, then there shall

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hereinafter provided). All other persons seeking to attend or vote in such meeting must produce the Bonds claimed to be owned or represented at such meeting.

The vote at any such meeting of the owner of any Bond entitled to vote shall be binding upon such owner and upon every subsequent owner of such Bond (whether or not such subsequent owner has notice thereof).

Any request, direction, consent, revocation of consent, approval, objection or other instrument in writing required or permitted by this resolution to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondowners in person or by an agent duly appointed by an instrument in writing. Proof of the execution of any such instrument shall be sufficient for any purpose of this resolution, if made in the following manner: the fact and date of the examination by any person of any such instrument may be proved by either (A) an acknowledgment executed by a notary public or other officer empowered to take acknowledgments of deeds to be recorded in the particular jurisdiction, (B) an affidavit of a witness to such execution sworn to before such a notary public or other officer, or (C) a signature guarantee. Where such execution is by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association, or partnership, such acknowledgment or affidavit shall also constitute sufficient proof of his authority.

The foregoing shall not be construed as limiting the University to such proof, it being intended that the University may accept any other evidence of the matters herein stated which to it may seem sufficient.

The right of a proxy for a Bondowner to act may be proved (subject to the University's right to require additional proof) by a written proxy executed by such Bondowner as aforesaid.

Section 12. Quorum at Bondowners Meetings. The owners of not less than a majority in principal amount or Accreted Value of the Bonds of a series at a meeting of the owners of the Bonds of that series or the owners of not less than a majority in principal amount or Accreted Value of the Bonds of all series at a meeting of all Bondowners must be present at such meeting

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in person or by proxy in order to constitute a quorum for the transaction of business, less than a quorum, however, having power to adjourn from time to time without any other notice than the announcement thereof at the meeting; *provided, however*, that if such meeting is adjourned by less than a quorum for more than ten days, notice thereof shall be published by the University at least five days prior to the adjourned date of the meeting.

Section 13. Vote Required to Amend Resolution. Any amendment of the provisions of this resolution or any Series Resolution in any particular, except the percentage of Bondowners whose approval is required to approve such amendment, may be made by a supplemental resolution of the University and a resolution duly adopted either:

(a) at a duly convened and held meeting of the owners of Bonds whose contract with the University will be altered by such amendment by an affirmative vote of the owners of not less than a majority in principal amount or Accreted Value of such Bonds whose owners are present at such meeting; or

(b) with written consent as hereinafter provided in Section 15 hereof, of the owners of not less than a majority in principal amount or Accreted Value of the Outstanding Bonds whose contract with the University will be altered by such amendment;

provided, however, that, without the specific consent of the owner of each Bond, no such resolution amending or supplementing the provisions hereof or of any Series Resolution shall (1) permit the creation of a lien or charge on the Net Revenues superior or prior to the payment of the Bonds or Senior Lien Bonds; (2) reduce the aforesaid percentage of Bonds, the owners of which are required to consent to any such resolution amending or supplementing the provisions hereof; or (3) give to any Bond or Bonds any preference over any other Bond or Bonds secured hereby and no such resolution amending or supplementing the provisions hereof or any Series Resolution shall change the date of payment of the principal of any Bond, or reduce the principal amount of any Bond, or change the rate or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption or prepayment thereof, or advance the date upon which any Bond may first be called for redemption prior to its fixed maturity date (except

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conclusively to be binding upon the University, the Paying Agents and other agents, if any, for that series, and the owners of all Bonds of that series and coupons, if any, appurtenant thereto, at the expiration of 30 days after the first publication of the notice provided for in this Section.

Section 15. Alternate Method of Obtaining Approval of Amendments. The University may at any time adopt a resolution amending the provisions of this resolution or any Series Resolution to the extent that such amendment is permitted by this resolution, to take effect when and as provided in this Section. A copy of such resolution (or summary thereof) together with a request to owners of all Bonds whose contract with the University will be altered by such resolution for their consent thereto shall be mailed by the University to the owners of such series of Bonds, and notice thereof shall be published once in each fiscal week for four successive fiscal weeks on any day of the week in the manner provided in Section 10 hereof (but failure to mail copies of such resolution and request shall not affect the validity of the resolution when consented to as in this Section provided). Such resolution shall not be effective unless and until there shall have been filed with the University the written consents of the owners of a majority in aggregate principal amount or Accreted Value of the Outstanding Bonds of the Series whose contract with the University will be altered by such resolution and notice shall have been published as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds of the series for which such consent is given, which proof shall be such as is permitted by Section 11 hereof. Any such consent shall be binding upon the owner of the Bonds of the series giving such consent and on every subsequent owner of such Bonds (whether or not such subsequent owner has notice thereof). A notice, stating the substance of the resolution and stating that the resolution has been consented to by the owners of a majority in aggregate principal amount or Accreted Value of the Bonds of the series whose contract with the University will be altered thereby and will be effective as provided in this Section, may be given to the owners of the Bonds of the affected series by mailing such notice to such Bondowners, and shall be given by publishing the same twice in the manner provided in Section 10 hereof, with an interval of not less than seven days between such

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as provided in the Series Resolution authorizing the issuance of such Bond) without the specific consent of the owner of that Bond; *provided further, however*, that no such amendment shall change or modify any of the rights or obligations of any Paying Agent or other agent for a series of Bonds without its written assent thereto. Nothing herein contained shall be construed as making necessary the approval by the owners of the Bonds of any series of the adoption of any supplemental resolution authorized by Section 8 of this resolution or authorized by any Series Resolution.

Section 14. Obtaining Approval of Amendments at Bondowners Meetings. The University may at any time adopt a resolution amending the provisions of this resolution or any Series Resolution to the extent that such amendment is permitted by this resolution, to take effect when and as provided in this Section. Upon the adoption of such resolution, a copy thereof, certified by the Secretary of the Board, shall be filed with the Trustee for the affected series of Bonds, if theretofore appointed. At any time thereafter such resolution may be submitted by the University for approval to a meeting of the owners of each series of Bonds whose contract with the University will be altered by such resolution, duly convened and held in accordance with the provisions of this resolution. Any record so signed and verified shall be proof of the matters therein stated. If the resolution of the University making such amendment shall be approved by a resolution duly adopted at such meeting of Bondowners pursuant to the provisions of Section 13 hereof, a notice stating that a resolution approving such amendment has been so adopted and briefly summarizing such amendment shall be mailed by the University to the owners of Bonds affected thereby (but failure so to mail copies of such resolution shall not affect the validity of such resolution), and shall be published twice in the manner provided in Section 10 hereof, with an interval of not less than seven days between such publications, the first publication to be made not more than 15 days after the date of the adoption of such resolution. Proof of such mailing and publication by the affidavit or affidavits of a person or persons having knowledge of the facts shall be filed with the Bondowners' Trustee, if theretofore appointed for that series, and with the University. Such amendatory resolution shall be deemed

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publications, the first publication to be made not more than 15 days after the owners of a majority in aggregate principal amount or Accreted Value of the Bonds of the affected series shall have filed their consent to the resolution. A record, consisting of the papers required by this Section to be filed with the University, shall be proof of the matters therein stated, and the resolution shall be deemed conclusively to be binding upon the University the Paying Agents and other agents, if any, for that series and the owners of all Bonds of that series and coupons, if any, appurtenant thereto, at the expiration of 30 days after the first publication of the notice last provided for in this Section.

Section 16. Amendment of Resolution in any Respect by Approval of All Bondowners of a Series. Notwithstanding anything contained in the foregoing provisions of this resolution, the rights and obligations of the University and of the owners of the Bonds of any series and coupons, if any, appurtenant thereto, and the terms and provisions of the Bonds of any series and of this resolution and of any Series Resolution, may be amended in any respect with the consent of the University by the affirmative vote of the owners of all of the Outstanding Bonds of the series whose contract with the University will be altered by such amendment, at a meeting of Bondowners of that series called and held as hereinabove provided, or upon the adoption of a resolution by the University and the consent of the owners of all of the Outstanding Bonds of the series whose contract with the University will be altered by such amendment, such consent to be given as provided in Section 15, except that no notice to Bondowners either by mailing or publication shall be required, and the amendment shall be effective immediately upon such unanimous vote or written consent of all such owners of Bonds.

Section 17. Endorsement of Amendment on Bonds. Bonds of any series delivered after the effective date of any action amending this resolution or the Series Resolution with respect to that series taken as hereinabove provided may bear a notation by endorsement or otherwise in form approved by the University as to such action, and in that case, upon demand of the owner of any Outstanding Bond of that series at such effective date and presentation of his Bond for such purpose at the principal office of the Registrar therefor, suitable notation shall be

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made on such Bond by the Registrar as to any such action. If the University shall so determine, new Bonds of such series, so modified as in the opinion of the University and its counsel to conform to such Bondowners' action, shall be prepared, delivered and upon demand of the owner of any Bond of that series then Outstanding shall be exchanged without cost to such Bondowner for Bonds of that series then Outstanding hereunder, upon surrender of such Bonds with all unmatured coupons, if any, appurtenant thereto.

Section 18. Resolution and Laws 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, including Title 28B of the Revised Code of Washington, as amended and supplemented. 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 and of any Series Resolution and of said laws 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 and under any Series 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 19. Moneys Held by Paying Agents One Year After Due Date. Unless otherwise provided in the Series Resolution authorizing a series of Bonds, moneys or securities held by the Paying Agents in trust for the payment and discharge or purchase of any of the Bonds or coupons of a series which remain unclaimed for one year after the date when such Bonds or coupons are purchased or shall have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by such Paying Agents at such date, or for one year after the date of deposit of such moneys if deposited with the Paying Agents after the date when such Bonds become due and payable, shall be repaid by the Paying Agents to the University free from the trust created by this resolution and the Paying Agents shall thereupon be released and discharged with respect thereto, and the owners of the Bonds of

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The bank or trust company acting as a Bondowners' Trustee may be removed at any time, and a successor Bondowners' Trustee may be appointed by the owners of a majority in principal amount or Accreted Value of the Bonds Outstanding of the applicable series, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondowners or by their attorneys-in-fact duly authorized.

The Bondowners' Trustee appointed in the manner herein provided, and each successor thereto, is hereby declared to be a trustee for the owners of all the Bonds of the series for which such appointment is made and is empowered to exercise all the rights and powers herein conferred on the Bondowners' Trustee.

A Bondowners' Trustee may upon the happening of a Default and during the continuance thereof, take such steps and institute such suits, actions or other proceedings in its own name, or as trustee, all as it may deem appropriate for the protection and enforcement of the rights of Bondowners to collect any amounts due and owing the University, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in this resolution.

Any action, suit or other proceedings instituted by a Bondowners' Trustee hereunder shall be brought in its name as trustee for the Bondowners and all such rights of action upon or under any of the Bonds or the provisions of this resolution or applicable Series Resolution may be enforced by a Bondowners' Trustee without the possession of any of said Bonds, and without the production of the same at any trial or proceedings relating thereto except where otherwise required by law, and the respective owners of said Bonds by taking and holding the same, shall be conclusively deemed irrevocably to appoint a Bondowners' Trustee the true and lawful trustee to the respective owners of said Bonds, with authority to institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums that become distributable on account of said Bonds; to execute any paper or documents for the receipt of such moneys, and to do all acts with respect thereto that the Bondowner himself might have done in person. Nothing herein contained shall be deemed to authorize or empower any Bondowners' Trustee to consent

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the series payable from such moneys shall look only to the University for the payment of such Bonds and coupons or the purchase price thereof.

Section 20. Defaults and Remedies. The University hereby finds and determines that the continuous operation of the System and the collection, deposit and disbursement of Gross Revenue are essential to the payment and security of the Bonds and the failure or refusal of the University or any of its officers to perform the covenants and obligations of this resolution will endanger the operation of the System and the application of Gross Revenue and such other moneys, funds and securities to the purposes herein set forth. Accordingly, the provisions of this section are specified and adopted for the additional protection of the owners from time to time of the Bonds. Any one or more of the following events shall constitute a "Default" under this resolution:

(a) The University shall fail to make payment of the principal of any Bonds when the same shall become due and payable whether by maturity or scheduled redemption prior to maturity;

(b) The University shall fail to make payments of any installment of interest on any Bonds when the same shall become due and payable;

(c) The University shall default in the observance or performance of any other covenants, conditions, or agreements on the part of the University contained in this resolution, and such default shall have continued for a period of 90 days.

In such case, so long as such Default shall not have been remedied, a Bondowners' Trustee may be appointed for the Bonds of any series by the owners of 51% in principal amount or Accreted Value of the Bonds of such series by an instrument or concurrent instruments in writing signed and acknowledged by such Bondowners or by their attorneys-in-fact duly authorized and delivered to such Trustee, notification thereof being given to the University. Any Bondowners' Trustee appointment under the provisions of this Section shall be a bank or trust company organized under the laws of any state or a national banking association. The fees and expenses of a Bondowners' Trustee shall be borne by the Bondowners and not by the University.

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to accept or adopt, on behalf of any owner of said Bonds or appurtenant coupons, any plan of reorganization or adjustment affecting the said Bonds or any right of any owner thereof, or to authorize or empower the Bondowners' Trustee to vote the claims of the owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the University shall be a party.

No owner of any one or more of the Bonds shall have any right to institute any action, suit or proceedings at law or in equity for the enforcement of the same or coupons appertaining thereto, unless Default shall have happened and be continuing, and unless no Bondowners' Trustee has been appointed for such series as herein provided, but any remedy herein authorized to be exercised by a Bondowners' Trustee may be exercised individually by any Bondowner, in his own name and on his own behalf or for the benefit of all Bondowners, in the event no Bondowners' Trustee has been appointed, or with the consent of the Bondowners' Trustee if such Bondowners' Trustee has been appointed; provided however, that nothing in this resolution, any Series Resolution or in the Bonds shall affect or impair the obligation of the University which is absolute and unconditional, to pay from Net Revenues the principal of and interest on said Bonds to the respective owners thereof and the coupons appertaining thereto at the respective due dates therein specified, or affect or impair the right of action, which is absolute and unconditional, of such owners to enforce such payments.

The remedies herein conferred upon or reserved to the owners of the Bonds and to a Bondowners' Trustee are not intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. The privileges herein granted shall be exercised from time to time and continued so long as and as often as the occasion therefor may arise and no waiver of any default hereunder or under any Series Resolution, whether by a Bondowners' Trustee or by the owners of Bonds, shall extend to or shall affect any subsequent default or shall impair any rights or remedies consequent thereon. No delay or omission of the Bondowners or of a Bondowners' Trustee to exercise any right or

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power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein.

Notwithstanding the foregoing, no default may be waived with respect to any series of Bonds or portion thereof secured or supported by a Credit Facility unless the Bondowners' Trustee with respect thereto has received written confirmation from the issuer thereof that such Credit Facility has been fully reinstated.

Upon any such waiver, such default shall cease to exist, and any Default arising therefrom shall be deemed to have been cured, for every purpose of this resolution; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 21. Severability. If any one or more of the provisions of this resolution shall be declared by any court of competent jurisdiction to be contrary to law, then such provision or provisions shall be deemed separable from, and shall in no way affect the validity of, any of the other provisions of this resolution or of the Bonds issued pursuant to the terms hereof.

ADOPTED AND APPROVED by the Chairperson of the Board of Trustees of Western Washington University, at a regular meeting of the Board held this 5th day of December, 1997.

WESTERN WASHINGTON UNIVERSITY

Chairperson, Board of Trustees

ATTEST:

Secretary of the Board

SECRETARY'S CERTIFICATE

I, the undersigned, the duly chosen, qualified and acting Secretary of the Board of Trustees of Western Washington University (the "University"), and keeper of the records of the Board of Trustees (herein called the "Board"), DO HEREBY CERTIFY:

1. That the attached Resolution No. 97-09 (herein called the "Resolution") is a true and correct copy of a resolution of the Board of Trustees, as adopted at a regular meeting of the Board held on the 5th day of December, 1997, 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 legal quorum 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 as of this 5th day of December, 1997.

Secretary, Board of Trustees

SERIES RESOLUTION

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ADOPTED: JUNE 8, 2012

Prepared by:

K&L GATES LLP
Seattle, Washington

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SERIES RESOLUTION

WESTERN WASHINGTON UNIVERSITY

RESOLUTION NO. 2012-03

A RESOLUTION OF THE BOARD OF TRUSTEES OF WESTERN WASHINGTON UNIVERSITY; AUTHORIZING THE ISSUANCE AND SALE OF HOUSING AND DINING SYSTEM REVENUE REFUNDING BONDS OF THE UNIVERSITY IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$9,900,000 FOR THE PURPOSE OF REFUNDING CERTAIN OUTSTANDING HOUSING AND DINING SYSTEM REVENUE BONDS OF THE UNIVERSITY; PROVIDING FOR THE REDEMPTION OF THE OUTSTANDING BONDS TO BE REFUNDED; AUTHORIZING THE SALE OF THE BONDS AND THE PREPARATION OF A PRELIMINARY OFFICIAL STATEMENT; AND AUTHORIZING THE DESIGNATED UNIVERSITY REPRESENTATIVE TO MAKE CERTAIN DETERMINATIONS AND APPOINTMENTS WITH RESPECT TO THE BONDS UNDER THE TERMS AND CONDITIONS SET FORTH HEREIN.

WHEREAS, Western Washington University, a regional university of the State of Washington (the "University"), maintains a housing and dining system (defined in the hereinafter referred to Master Resolution 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. 97-09, adopted on December 5, 1997 (the "Master Resolution"); and

WHEREAS, the bonds authorized under the Master Resolution are payable from Net Revenues (as such term is defined in the Master Resolution); and

WHEREAS, the University has issued and has outstanding bonds secured by a parity lien on the revenues of the University (the "Outstanding Parity Bonds"), as follows:

Resolution Number	Date of Issue	Designation	Original Principal Amount	Currently Outstanding	Final Maturity
97-09 and 98-01	2/1/98	Housing and Dining System Junior Lien Revenue Refunding Bonds, 1998 Series A	\$17,225,000	\$10,850,000	10/1/22
97-09 and 2003-03	5/7/03	Housing and Dining System Revenue and Refunding Bonds, Series 2003	\$15,180,000	\$10,175,000	10/1/23
97-09 and 2005-01	5/24/05	Housing and Dining System Revenue Refunding Bonds, Series 2005	\$12,580,000	\$11,485,000	6/1/26
97-09 and 2006-02	2/23/06	Housing and Dining System Revenue Bonds, Series 2006	\$ 9,620,000	\$ 7,515,000	4/1/26
97-09 and 2009-09	6/30/09	Housing and Dining System Revenue Bonds, Series 2009A and Series 2009B	\$14,280,000	\$13,730,000	4/1/34

; and

WHEREAS, under the terms of the Master Resolution, the University is authorized to issue additional bonds having a parity of lien on Net Revenues with the Outstanding Parity Bonds; and

WHEREAS, the University has outstanding its Housing and Dining System Revenue and Refunding Bonds, Series 2003, issued under date of May 7, 2003, pursuant to Resolution Nos. 97-09 and 2003-03, maturing in principal amounts and bearing as follows:

Maturity Years (October 1)	Principal Amounts	Interest Rates
2012	\$ 695,000	3.650%
2013	735,000	3.750
2014	755,000	3.850
2015	785,000	4.000
2016	815,000	4.000
2017	855,000	4.125
2018	885,000	4.250
2019	915,000	4.350
2020	970,000	4.400
2021	1,025,000	4.500
2022	880,000	4.600
2023	860,000	4.650

(the "2003 Bonds"); and

WHEREAS, the 2003 Bonds maturing on and after October 1, 2013 (hereinafter defined as the "Refunded Bonds"), are subject to optional redemption at the option of the University in whole or in part on any date on or after April 1, 2013 at par; and

WHEREAS, the University has been advised that substantial debt service savings may be obtained by refunding the "Refunded Bonds" through the issuance of revenue refunding bonds in the aggregate principal amount of not to exceed \$9,900,000, herein authorized to be issued under the Master Resolution (hereinafter defined as the "Series 2012/2013 Bonds"); and

WHEREAS, the Board wishes to delegate authority to the Designated University Representative to determine the manner of sale of the Series 2012/2013 Bonds, the approval of the final principal amount of the bonds, interest rates, principal maturities and redemption provisions of such bonds to be fixed under such terms and conditions as are approved by this Series Resolution;

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

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Competitive Sale means the process by which the Series 2012/2013 Bonds are sold through the public solicitation of bids from underwriting firms.

Disclosure Agreement means the commitment of the University to comply with the ongoing disclosure requirements of the Rule.

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 Series 2012/2013 Bonds pursuant to Section 6 hereof.

Escrow Agent means the escrow agent as selected by the Designated University Representative in accordance with Section 8 of this Series Resolution.

Escrow Agreement means the Escrow Deposit Agreement to be dated as of the date of closing and delivery of the Series 2012/2013 Bonds substantially in the form attached hereto as Exhibit A.

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.

Insurer means such bond insurance company, if any, from which a Bond Insurance Policy may be acquired for the Series 2012/2013 Bonds, in accordance with this Series Resolution.

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

MSRB means the Municipal Securities Rulemaking Board or any successor to its functions. Until otherwise designated by the MSRB or the SEC, any information, reports or

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Section 1. Definitions. Unless otherwise defined herein, the terms used in this Series

Resolution, including the preamble hereto, which are defined in the Master Resolution shall have the meanings set forth in the Master Resolution. In addition, the following terms shall have the following meanings in this Series Resolution:

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

Approved Bid means the winning bid submitted for the Series 2012/2013 Bonds if the Series 2012/2013 Bonds are sold by Competitive Sale.

Beneficial Owner means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2012/2013 Bonds (including persons holding Series 2012/2013 Bonds through nominees, depositories or other intermediaries).

Bond Insurance Policy means the municipal bond insurance policy issued by the Insurer insuring the payment when due of the principal of and interest on the Series 2012/2013 Bonds as provided therein.

Bond Purchase Contract means, if the Series 2012/2013 Bonds shall be sold by Negotiated Sale, the purchase contract relating to the Series 2012/2013 Bonds between the University and the Underwriter.

Call Date means April 1, 2013.

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

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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 Series 2012/2013 Bonds are sold by negotiation to one or more underwriting firms selected by the Designated University Representative.

Net Proceeds when used with reference to the Series 2012/2013 Bonds, means the face amount of the Series 2012/2013 Bonds, plus accrued interest and original issue premium, if any, and less original issue discount and proceeds deposited into the Series 2012/2013 Reserve Account, if any.

Official Notice of Sale means, if the Series 2012/2013 Bonds shall be sold by Competitive Sale, the notice of bond sale authorized to be given in Section 15 of this Series Resolution.

Outstanding Parity Bonds means the outstanding parity bonds identified in the recitals of this Series Resolution.

Parity Bonds means any revenue obligations issued by the University pursuant to the Master 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 Series 2012/2013 Bonds, and the term "Parity Bonds" shall mean and include the Outstanding Parity Bonds, the Series 2012/2013 Bonds and any Future Parity Bonds.

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

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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.

Qualified Insurance means any non-cancellable 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) (A) which insurance company or companies, as of the time of issuance of such policy or surety bond, are rated in one of the two highest Rating Categories by Moody's Investors Service and Standard & Poor's Ratings Group or their legal successors for unsecured debt or insurance underwriting or claims paying ability or (B) by issuing its policies causes obligations insured thereby to be rated in one of the two highest Rating Categories.

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 as of

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Series 2012/2013 Bond Fund means the Western Washington University Housing and Dining System Revenue Bond Fund, Series 20__ created in the office of the Treasurer of the University by Section 7 of this Series Resolution.

Series 2012/2013 Bonds means the Western Washington University, Housing and Dining System Revenue Refunding Bonds, Series 20__, authorized to be issued by Section 3 of this Series Resolution.

Series 2012/2013 Debt Service Account means the account of that name created in the Series 2012/2013 Bond Fund by Section 7 of this Series Resolution.

Series 2012/2013 Reserve Account means the account of that name, if any, created in the Series 2012/2013 Bond Fund by Section 7 of this Series Resolution.

Series 2012/2013 Reserve Account Requirement means the amount, if any, specified in the Bond Purchase Contract if the Series 2012/2013 Bonds are sold by Negotiated Sale and/or by the University in the Official Notice of Sale if the Series 2012/2013 Bonds are sold by Competitive Sale.

Surety Bond means the surety bond, if any, issued by the Insurer on the date of issuance and delivery of the Series 2012/2013 Bonds for the purpose of satisfying the Series 2012/2013 Reserve Account Requirement.

Surety Bond Agreement means the agreement pursuant to which the Surety Bond is issued.

System has the meaning given such term in the Master Resolution and in addition, the term "System" shall include all Residence Halls, Birnam Wood Apartments, Dining Commons, Viking Union, Lakewood Recreational Facility and the Commissary.

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the time of issuance of such letter of credit, is rated in one of the three highest Rating Categories by Moody's Investors Service and Standard & Poor's Ratings Group or their legal successors, if any.

Rating Agency means Moody's Investors Service or Standard & Poor's Ratings Group.

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

Refunded Bonds means any or all of the 2003 Bonds maturing on and after October 1, 2013.

Refunding Candidates means the 2003 Bonds maturing on and after October 1, 2013.

Registered Owner means the person named as the registered owner of a Series 2012/2013 Bond in the Bond Register. The Registered Owner shall be deemed to be the owner of all the Series 2012/2013 Bonds, except for the purposes of Section 16 of this Series Resolution.

Registrar means, collectively, the fiscal agency of the State of Washington in New York, New York, appointed by this Series Resolution for the purposes of registering and authenticating the Series 2012/2013 Bonds, maintaining the Bond Register, and effecting transfer of ownership of the Series 2012/2013 Bonds.

Rule means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Savings Target means a dollar amount at least equal to five percent (5.0%) of the principal amount of the Refunded Bonds.

SEC means the United States Securities and Exchange Commission.

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Term Bonds means any Series 2012/2013 Bonds designated as "Term Bonds" in the Bond Purchase Contract or Approved Bid for such Series 2012/2013 Bonds.

Treasurer means the Vice President for Business and Financial Affairs of the University or any successor to the functions of such office, and also shall include any designee of the Treasurer for the performance of specific functions under this resolution.

2003 Bond Resolution means Resolution No. 2003-03 adopted on April 11, 2003 authorizing the 2003 Bonds.

2003 Bonds means the Housing and Dining System Revenue and Refunding Bonds, Series 2003 of the University issued pursuant to the 2003 Bond Resolution, issued under date of May 7, 2003, and presently outstanding in the aggregate principal amount of \$10,175,000.

Underwriter means the initial purchaser or representative of the purchasers (if more than one firm acts collectively with one or more additional underwriting firms) of the Series 2012/2013 Bonds.

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

(a) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Series Resolution, refer to this Series 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 Series 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;

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(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 Series 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 Series 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.

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

In this Series 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 Series Resolution.

Section 2. Compliance with Parity Conditions. The University has reserved the right pursuant to the Master Resolution to issue Future Parity Bonds upon compliance with certain conditions set forth therein. The University hereby finds and determines, as required by Sections 5 and 6 of the Master Resolution as follows:

First, the University has not been in default of its covenant under Section 7(a) of the Master Resolution for the immediately preceding year (year ending June 30, 2011); and

Second, that the Maximum Annual Debt Service on all Outstanding Bonds after the issuance of the Series 2012/2013 Bonds shall not be greater than the Maximum Annual Debt Service were such refunding not to occur.

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maturities may be combined and issued as term bonds ("Term Bonds"), subject to mandatory redemption as provided in the Approved Bid or Bond Purchase Contract.

Section 4. Right of Prior Redemption and Purchase.

(a) Optional Redemption. The Series 2012/2013 Bonds may include provision for 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 15.

(b) Mandatory Redemption. The Series 2012/2013 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 15.

(c) Purchase of Series 2012/2013 Bonds. The Series 2012/2013 Bonds may be purchased at any time, to the extent that such Series 2012/2013 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 2(a) of the Master Resolution.

(d) Selection of Series 2012/2013 Bonds for Redemption. As long as the Series 2012/2013 Bonds are held in book-entry only form, the maturities to be redeemed, if any, shall be selected by the University and, within a maturity, the selection of Series 2012/2013 Bonds of such series to be redeemed shall be made in accordance with the operational arrangements in effect at DTC. If the Series 2012/2013 Bonds are no longer held in uncertificated form, the selection of such Series 2012/2013 Bonds to be redeemed shall be made as provided in this subsection (d). If the University redeems at any one time fewer than all of the Series 2012/2013 Bonds having the same series and maturity date, the particular Series 2012/2013 Bonds or

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The Series 2012/2013 Bonds will not be issued unless the Designated University Representative certifies that the University has not been in default of its covenant under Section 7(a) of the Master Resolution for the immediately preceding year. The limitations contained and the conditions provided in the Master Resolution having been complied with or assured, the payments required herein to be made out of the Net Revenues to pay and secure the principal of and interest on the Series 2012/2013 Bonds shall constitute a lien and charge upon such Net Revenues equal in rank to the lien and charge thereon of the Outstanding Parity Bonds.

Section 3. Authorization of Series 2012/2013 Bonds; Bond Details.

(a) Authorization of the Series 2012/2013 Bonds. For the purpose of refunding the Refunded Bonds and thereby effecting a savings to the University, paying the cost of funding the Series 2012/2013 Reserve Account Requirement, if any, and paying costs of issuance of the Series 2012/2013 Bonds, the University shall issue its housing and dining system revenue refunding bonds in the aggregate principal amount of not to exceed \$9,900,000.

(b) Bond Details. The Series 2012/2013 Bonds shall be designated as "Western Washington University Housing and Dining System Revenue Refunding Bonds, Series 20__" (the "Series 2012/2013 Bonds") shall be registered as to both principal and interest shall be in the denomination of \$5,000 each, or any integral multiple thereof, provided that no Series 2012/2013 Bond shall represent more than one maturity; shall be numbered separately in the manner and with any additional designation as the Registrar deems necessary for purposes of identification, shall be dated and 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 15 of this Series Resolution. The Series 2012/2013 Bonds of any of the

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portions of Series 2012/2013 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 Series 2012/2013 Bond of a denomination greater than \$5,000, the University and Registrar shall treat each Series 2012/2013 Bond as representing such number of separate Series 2012/2013 Bonds each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of such Series 2012/2013 Bond by \$5,000. In the event that only a portion of the principal sum of a Series 2012/2013 Bond is redeemed, upon surrender of the such Series 2012/2013 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 Series 2012/2013 Bond or Series 2012/2013 Bonds of like maturity and interest rate in any of the denominations herein authorized.

(e) Notice of Redemption.

(1) Official Notice. Unless waived by any owner of Series 2012/2013 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 Series 2012/2013 Bond or Series 2012/2013 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,

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(C) if fewer than all Outstanding Series 2012/2013 Bonds are to be redeemed, the identification by series and maturity (and, in the case of partial redemption, the respective principal amounts) of the Series 2012/2013 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 Series 2012/2013 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 Series 2012/2013 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 Series 2012/2013 Bonds cancelled if for any reason funds will not be available on the date fixed for redemption.

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 Series 2012/2013 Bonds or portions of Series 2012/2013 Bonds which are to be redeemed on that date.

Failure to give notice as to redemption of any Series 2012/2013 Bond or any defect in such notice shall not invalidate redemption of any other Series 2012/2013 Bond.

Notwithstanding the foregoing, if the Series 2012/2013 Bonds are then held in book-entry only form, notice of redemption to any Registered Owner or beneficial owner of Series 2012/2013 Bonds shall be given only in accordance with the operational arrangements then in effect at DTC but not less than twenty (20) days prior to the date of redemption.

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Series 2012/2013 Bonds being redeemed. Each further notice of redemption may be sent at least twenty (20) before the redemption date to the Insurer, if any, and to each party entitled to receive notice pursuant to Section 16 of this Series Resolution, and to the original purchaser of the Series 2012/2013 Bonds or to its business successors, if any, and to such persons (including the MSRB who customarily at the time receive notices of redemption in accordance with rules promulgated by the SEC) and with such additional information as the Registrar deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Series 2012/2013 Bonds.

(4) Use of CUSIP Numbers. Upon the payment of the redemption price of Series 2012/2013 Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by maturity, the Series 2012/2013 Bonds being redeemed with the proceeds of such check or other transfer.

(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 Series 2012/2013 Bonds shall be payable in lawful money of the United States of America. Interest on the Series 2012/2013 Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. For so long as all Series 2012/2013 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.

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(2) Effect of Notice; Series 2012/2013 Bonds Due. Official notice of redemption having been given as aforesaid, the Series 2012/2013 Bonds or portions of Series 2012/2013 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 Series 2012/2013 Bonds or portions of Series 2012/2013 Bonds shall cease to bear interest. Upon surrender of such Series 2012/2013 Bonds for redemption in accordance with said notice, such Series 2012/2013 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 Series 2012/2013 Bond, there shall be prepared for the Registered Owner a new Series 2012/2013 Bond or Series 2012/2013 Bonds of the same series and maturity in the aggregate amount of the unpaid principal. All Series 2012/2013 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 Series 2012/2013 Bonds being redeemed; (B) the date of issue of the Series 2012/2013 Bonds as originally issued; (C) the rate of interest borne by each Series 2012/2013 Bond being redeemed; (D) the maturity date of each Series 2012/2013 Bond being redeemed; and (E) any other descriptive information needed to identify accurately the

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In the event that the Series 2012/2013 Bonds are no longer in fully immobilized form, interest on the Series 2012/2013 Bonds shall be paid by check or draft mailed (or by wire transfer to a Registered Owner of such Series 2012/2013 Bonds in aggregate principal amount of \$1,000,000 or more who so requests) to the Registered Owners of the Series 2012/2013 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 Series 2012/2013 Bonds shall be payable upon presentation and surrender of such Series 2012/2013 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 Series 2012/2013 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 Series 2012/2013 Bonds remain Outstanding, the Registrar shall make all necessary provisions to permit the exchange and registration of transfer of Series 2012/2013 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 Series 2012/2013 Bonds transferred or exchanged in accordance with the provisions of such Series 2012/2013 Bonds and this Series Resolution and to carry out all of the Registrar's powers and duties under this Series Resolution. The Registrar

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shall be responsible for its representations contained in the Certificate of Authentication on the Series 2012/2013 Bonds.

(b) *Registered Ownership.* The University and the Registrar, each in its discretion, may deem and treat the Registered Owner of each Series 2012/2013 Bond as the absolute owner thereof for all purposes (except as provided in Section 16 of this resolution), and neither the University nor the Registrar shall be affected by any notice to the contrary. Payment of any such Series 2012/2013 Bond shall be made only as described in Section 5 hereof, but such Series 2012/2013 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 Series 2012/2013 Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letter of Representations.* To induce DTC to accept the Series 2012/2013 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 Series 2012/2013 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 Series 2012/2013 Bonds, any notice which is permitted or required to be given to Registered Owners under this Series 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 Series 2012/2013 Bonds are held in fully immobilized form hereunder, DTC or its

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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 Series 2012/2013 Bonds, together with a written request on behalf of the Board, issue a single new Series 2012/2013 Bond for each maturity of the Series 2012/2013 Bonds 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 Board.

(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 Board determines that it is in the best interest of the beneficial owners of the Series 2012/2013 Bonds that such owners be able to obtain such bonds in the form of Series 2012/2013 Bond certificates, the ownership of such Series 2012/2013 Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held in fully immobilized form. The Designated University Representative shall deliver a written request to the Registrar, together with a supply of definitive Series 2012/2013 Bonds, to issue Series 2012/2013 Bonds as herein provided in any authorized denomination. Upon receipt by the Registrar of all then Outstanding Series 2012/2013 Bonds together with a written request on behalf of the Board to the Registrar, new Series 2012/2013 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 Series 2012/2013 Bonds are no longer held in book-entry only form, the transfer of any Series 2012/2013 Bond may be registered and Series 2012/2013 Bonds may be exchanged, but

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successor depository shall be deemed to be the Registered Owner for all purposes hereunder, and all references herein to the Registered Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Series 2012/2013 Bonds.

If any Series 2012/2013 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 Series 2012/2013 Bond until such Series 2012/2013 Bond is paid.

(d) *Use of Depository.*

(1) The Series 2012/2013 Bonds shall be registered initially in the name of "CEDE & CO.", as nominee of DTC, with one Series 2012/2013 Bond maturing on each of the maturity dates for the Series 2012/2013 Bonds in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such immobilized Series 2012/2013 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 Board pursuant to subsection (ii) below or such substitute depository's successor; or (C) to any person as provided in subsection (iv) 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 Board to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Board may hereafter appoint a substitute depository. Any such substitute

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no transfer of any such Series 2012/2013 Bond shall be valid unless such Series 2012/2013 Bond is surrendered to the Registrar with the assignment form appearing on such Series 2012/2013 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 Series 2012/2013 Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Series 2012/2013 Bond (or Series 2012/2013 Bonds at the option of the new Registered Owner) of the same date, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Series 2012/2013 Bond, in exchange for such surrendered and canceled Series 2012/2013 Bond. If the Series 2012/2013 Bonds are no longer held in book-entry only form, any Series 2012/2013 Bond may be surrendered to the Registrar and exchanged, without charge, for an equal aggregate principal amount of Series 2012/2013 Bonds of the same 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 Series 2012/2013 Bond during the 15 days preceding the date any such Series 2012/2013 Bond is to be redeemed.

(f) *Registrar's Ownership of Series 2012/2013 Bonds.* The Registrar may become the Registered Owner of any Series 2012/2013 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 Series 2012/2013 Bonds.

(g) *Registration Covenant.* The University covenants that, until all Series 2012/2013 Bonds have been surrendered and canceled, it will maintain a system for recording the

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ownership of each Series 2012/2013 Bond that complies with the provisions of Section 149 of the Code.

(h) *Series 2012/2013 Bonds Payable from Series 2012/2013 Bond Fund.* The Series 2012/2013 Bonds shall be obligations only of the Series 2012/2013 Bond Fund and shall be payable and secured as provided herein and in the Master Resolution. The Series 2012/2013 Bonds are not general obligations of the University or of the State of Washington. The Series 2012/2013 Bonds do not constitute an indebtedness of the University within the meaning of the constitutional provisions and limitations of the State of Washington.

Section 7. Series 2012/2013 Bond Fund. A special fund of the University designated the "Western Washington University Housing and Dining System Revenue Bond Fund, Series 20__" (the "Series 2012/2013 Bond Fund") is hereby authorized to be created in the office of the Treasurer for the purpose of paying and securing the payment of the Series 2012/2013 Bonds. The Series 2012/2013 Bond Fund shall be held separate and apart from all other funds and accounts of the University and shall be a trust fund for the owners, from time to time, of the Series 2012/2013 Bonds.

(a) *Series 2012/2013 Debt Service Account.* If the Bond Purchase Contract or University specifies an amount to be held as the Series 2012/2013 Reserve Account Requirement in the Series 2012/2013 Reserve Account, a separate account within the Series 2012/2013 Bond Fund, to be designated as the Series 2012/2013 Debt Service Account is hereby authorized to be created in the Series 2012/2013 Bond Fund for the purpose of paying the principal of, premium, if any, and interest on the Series 2012/2013 Bonds.

The University hereby irrevocably obligates and binds itself for as long as any Series 2012/2013 Bonds remain Outstanding to set aside and pay into the Series 2012/2013 Debt

maintained by deposits of cash, a Qualified Letter of Credit or Qualified Insurance, or a combination of the foregoing. In computing the amount on hand in the Series 2012/2013 Reserve Account, Qualified Insurance and/or a Qualified Letter of Credit shall be valued at the face amount thereof, and all other obligations purchased as an investment of moneys therein shall be valued at its market value, and shall be revalued at least once each year. At the time of revaluation of obligations held in the Series 2012/2013 Reserve Account, if it is determined that the balance on hand in the Series 2012/2013 Reserve Account is less than the Series 2012/2013 Reserve Account Requirement, then the University shall transfer sufficient funds to make up this deficiency within one year of the date of such determination.

Whenever there is a sufficient amount in the Series 2012/2013 Bond Fund, including the Series 2012/2013 Reserve Account and the Series 2012/2013 Debt Service Account to pay the principal of, premium, if any, and interest on all outstanding Series 2012/2013 Bonds, the money in the Series 2012/2013 Reserve Account may be used to pay such principal, premium, if any, and interest. Money in the Series 2012/2013 Reserve Account may be withdrawn to redeem and retire, and to pay the interest due to such date of redemption and premium, if any, on any Outstanding Series 2012/2013 Bonds, so long as the moneys left remaining on deposit in the Series 2012/2013 Reserve Account are equal to the Series 2012/2013 Reserve Account Requirement. The University may also transfer out of the Series 2012/2013 Reserve Account any moneys required in order to prevent any Series 2012/2013 Bonds from becoming "arbitrage bonds" under the Code.

If a deficiency in the Series 2012/2013 Debt Service Account shall occur, such deficiency shall be made up from the Series 2012/2013 Reserve Account by the withdrawal of cash therefrom for that purpose and by the sale or redemption of obligations held in the

Service Account from Net Revenues or moneys in the Revenue Fund, on or prior to the respective dates the same become due:

(1) Such amounts as are required to pay the interest scheduled to become due on Outstanding Series 2012/2013 Bonds; and

(2) Such amounts with respect to Outstanding Series 2012/2013 Bonds as are required (A) to pay maturing principal, (B) to make required sinking fund payments, and (C) to redeem Outstanding Series 2012/2013 Bonds in accordance with any mandatory redemption provisions.

(b) *Series 2012/2013 Reserve Account.* If the Bond Purchase Contract or University specifies an amount to be maintained as the Series 2012/2013 Reserve Account Requirement, a Series 2012/2013 Bond Reserve Account (the "Series 2012/2013 Reserve Account") shall be created in the Series 2012/2013 Bond Fund for the purpose of securing the payment of the principal of and interest on Series 2012/2013 Bonds.

The University hereby covenants and agrees that on the date of issuance of the Series 2012/2013 Bonds, it will provide for the funding of the Series 2012/2013 Reserve Account in an amount sufficient to satisfy the Series 2012/2013 Reserve Account Requirement, if any. Such deposit will be made in the form of a surety bond, as Qualified Insurance, or in the form of cash or other securities, as necessary. The Designated University Representative is hereby authorized and directed to determine the method of funding of the Series 2012/2013 Reserve Account Requirement.

The University further covenants and agrees that it will maintain the Series 2012/2013 Reserve Account Requirement throughout the term of the Series 2012/2013 Bonds, except for permitted withdrawals therefrom. The Series 2012/2013 Reserve Account Requirement may be

Series 2012/2013 Reserve Account, if necessary, in such amounts as will provide cash in the Series 2012/2013 Reserve Account sufficient to make up any such deficiency, and if a deficiency still exists immediately prior to an interest payment date and after the withdrawal of cash, the University shall then draw from any Qualified Letter of Credit, Qualified Insurance, or other equivalent credit facility for the Series 2012/2013 Bonds in sufficient amount to make up the deficiency. Such draw 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 shall be made to the issuer of the Surety Bond in accordance with the terms of the Surety Bond Agreement, and after making necessary provision for the payments required to be made in paragraph First through Third of Section 2(a) of the Master Resolution. Any deficiency created in the Series 2012/2013 Reserve Account 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 approximately equal installments) after making necessary provision for the payments required to be made into the Series 2012/2013 Debt Service Account within such year.

In making the payments and credits to the Series 2012/2013 Reserve Account required by this Section 7(b), 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 Series 2012/2013 Reserve Account, such amounts so covered by Qualified Insurance or a Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Series 2012/2013 Reserve Account by this Section 7(b) to the extent that such payments and credits to be made are insured by an insurance company, or guaranteed by a letter of credit from a financial institution. Such Qualified Letter of Credit or Qualified Insurance shall not be

cancellable on less than one year's notice. In the event of any cancellation of the Qualified Insurance, or Qualified Letter of Credit, for reasons other than insolvency of the issuer of the Qualified Insurance or the Qualified Letter of Credit, the Series 2012/2013 Reserve Account Requirement shall be satisfied within one year of the date of cancellation with Qualified Insurance or another Qualified Letter of Credit, or if the issuer of the Qualified Insurance or the Qualified Letter of Credit shall be insolvent the Series 2012/2013 Reserve Account Requirement shall be satisfied within five years (in 60 approximately equal installments) of the insolvency or cancellation out of Net Revenues (or out of moneys on hand legally available for such purpose) after making necessary provisions for the payments required to be made into the Series 2012/2013 Debt Service Account.

(c) *Pledged Amount.* In Section 7(h) of the Master Resolution, the Board has covenanted and agreed to establish, maintain and collect Services and Activities Fees at least equal to the Pledged Amount. Further, the Master Resolution retains the authority of the Board to increase the "Pledged Amount" to include additional fees specifically pledged to one or more series of Bonds. The Board hereby covenants and agrees that it will allocate such additional portion of the aggregate Services and Activities Fees (imposed by the Board from time to time in the future) as are necessary to meet the required payments into the Series 2012/2013 Debt Service Account to pay the principal of and interest on the Series 2012/2013 Bonds as the same becomes due and payable.

(d) *Lien of Deposits into Series 2012/2013 Bond Fund.* Said amounts so pledged to be paid into the Series 2012/2013 Debt Service Account and Series 2012/2013 Reserve Account with respect to the Series 2012/2013 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,

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(a) interest on the Refunded Bonds coming due on or before the Call Date; and

(b) the redemption price (100% of the principal amount thereof) on the Call Date of the Refunded Bonds.

Such Acquired Obligations shall be purchased at a yield not greater than the yield permitted by the Code and regulations relating to acquired obligations in connection with refunding bond issues.

The Designated University Representative is hereby authorized to appoint a qualified banking association to act as the escrow agent (the "Escrow Agent") for the Refunded Bonds and to designate an accounting firm to act as escrow verification 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 Refunded Bonds. The proceeds of the Series 2012/2013 Bonds remaining after acquisition of the Acquired Obligations and provision for the necessary beginning cash balance shall be utilized to pay expenses of the acquisition and safekeeping of the Acquired Obligations and expenses of the issuance of the Bonds and/or returned to the University for the payment of such expenses.

Section 9. Call For Redemption of Refunded Bonds. The University hereby directs that sufficient funds be irrevocably set aside for the purchase of Acquired Obligations from proceeds of the Bonds to make the payments described in Section 8 of this Series Resolution.

The University hereby irrevocably calls the Refunded Bonds for redemption on the Call Date in accordance with terms of the resolution pursuant to which the Refunded Bonds was issued authorizing the redemption and retirement of the Refunded Bonds prior to their fixed maturities.

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except for Operating Expenses and except that the amounts so pledged are of equal lien to the lien and charge of the Outstanding Parity Bonds and to 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 Series 2012/2013 Bond Fund not needed to pay the interest or principal and interest next coming due on any Outstanding Series 2012/2013 Bonds or to maintain required reserves therefor may be used to purchase or redeem and retire Series 2012/2013 Bonds. Money in the Revenue Fund, the Series 2012/2013 Debt Service Account and the Series 2012/2013 Reserve Account may be commingled for investment purposes and may be invested in any investments legal for the University; subject to the limitations set forth in Section 11 hereof.

Section 8. Application of Proceeds of Series 2012/2013 Bonds. Proceeds of sale of the Bonds shall be delivered to the Escrow Agent for the purpose of defeasing the Refunded Bonds and paying related costs of issuance.

Money received by the Escrow Agent from Series 2012/2013 Bond proceeds and other money provided by the University, shall be used immediately upon receipt thereof to defease the Refunded Bonds as authorized by the resolution authorizing the issuance of the Refunded Bonds and to pay costs of issuance. The University shall defease the Refunded Bonds and discharge such obligations by the use of money deposited with the Escrow Agent 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:

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Said defeasance and call for redemption of the Refunded 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 redemption of the Refunded Bonds in accordance with the applicable provisions of the resolution pursuant to which the Refunded Bonds was 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 System.

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 of Section 8 of this Series Resolution. All such sums shall be paid from the moneys and Acquired Obligations deposited with said Escrow Agent pursuant to the previous section of this Series Resolution, and the income therefrom and proceeds thereof. All moneys and Acquired Obligations deposited with said bank and any income therefrom shall be held, invested (but only at the direction of the Treasurer) and applied in accordance with the provisions of this Series Resolution and with the laws of the State of Washington for the benefit of the University and owners of the Refunded Bonds.

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 Refunded Bonds shall be paid when due.

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In order to carry out the purposes of the preceding section of this Series Resolution and this section, the Treasurer of the University is authorized and directed to execute and deliver a copy of such agreement to the Escrow Agent when the provisions thereof have been fixed and determined. A form of such agreement is attached hereto as "Exhibit A," and the final form of the Escrow Agreement may be modified to meet the actual terms of the refunding.

Section 10. 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 Series 2012/2013 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 Series 2012/2013 Bond Fund or any account therein for the payment of the principal of and interest on the certain Series 2012/2013 Bonds so provided for, and such Series 2012/2013 Bonds shall then cease to be entitled to any lien, benefit or security of the Master Resolution and this Series Resolution, except the right to receive the funds so set aside and pledged and notices of early redemption, if any, and such Series 2012/2013 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.

Section 11. 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 Series 2012/2013 Bonds or any other funds of the University which may be deemed to be proceeds of the Series 2012/2013 Bonds pursuant to Section 148 of the Code

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(4) More than five percent of the principal or interest payments on the Series 2012/2013 Bonds in a Bond Year are (under the terms of this Series 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 Projects, and (ii) any Private Person Use will not exceed the amount of Net Proceeds of the Series 2012/2013 Bonds used for the state or local governmental use portion of the project to which the Private Person Use of such portion of the Projects 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 Series 2012/2013 Bonds. The covenants of this section are specified solely to assure the continued exemption from regular income taxation of the interest on the Series 2012/2013 Bonds.

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and the regulations promulgated thereunder which, if such use had been reasonably expected on the date of delivery of the Series 2012/2013 Bonds to the initial purchasers thereof, would have caused the Series 2012/2013 Bonds as "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code.

The University represents that it has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is an issuer whose arbitrage certifications may not be relied upon. The University will comply with the requirements of Section 148 of the Code and the applicable regulations thereunder throughout the term of the Series 2012/2013 Bonds.

(b) *Private Person Use Limitation for Series 2012/2013 Bonds.* The University covenants that for as long as the Series 2012/2013 Bonds are Outstanding, it will not permit:

(1) More than 10% of the Net Proceeds of the Series 2012/2013 Bonds to be used for any Private Person Use; and

(2) More than 10% of the principal or interest payments on the Series 2012 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 Series 2012/2013 Bonds are to be used for any Private Person Use; and

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Section 12. Form of Series 2012/2013 Bonds and Registration Certificate. The Series 2012/2013 Bonds shall be in substantially the following form:

STATEMENT OF INSURANCE, if any
UNITED STATES OF AMERICA
NO. _____ \$ _____
STATE OF WASHINGTON
WESTERN WASHINGTON UNIVERSITY
HOUSING AND DINING SYSTEM
REVENUE REFUNDING BOND, SERIES 20____
Maturity Date: _____ CUSIP No.
Interest Rate:
Registered Owner: Cede & Co.
Principal Amount:

WESTERN WASHINGTON UNIVERSITY, a regional university organized and existing under and by virtue of the laws of the State of Washington (the "University"), 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 "Western Washington University Housing and Dining System Revenue Bond Fund, 20____" (the "Series 2012/2013 Bond Fund") created by Resolution No. 2012-03 of the Board of Trustees (together with Resolution No. 97-09, hereinafter collectively referred to as the "Bond Resolution") the Principal Amount indicated above and to pay interest thereon from the Bond Fund from _____, 2012, or the most recent date to which interest has been paid or duly provided for or until payment of this bond at the Interest Rate set forth above, payable on _____ 1, 2012, and semiannually thereafter on the first days of each _____ 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"). Capitalized terms used in this bond which are not specifically defined have the meanings given such terms 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 to refund certain outstanding revenue bonds of the University.

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The bonds of this issue are subject to redemption as stated in the Bond Purchase Contract or Approved Bid.

The bonds of this issue are not private activity bonds. The bonds of this issue have not been designated by the University as eligible investments for financial institutions under Section 265 of the Internal Revenue Code of 1986, as amended.

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 Series 2012/2013 Bond Fund [and the Series 2012/2013 Reserve Account created therein] the various amounts required by the Bond Resolution to be paid into and maintained in said Fund [and Account], all within the times provided by said Bond Resolution.

Said amounts so pledged to be paid out of Gross Revenue into said Series 2012/2013 Bond Fund and Series 2012/2013 Bond Reserve Account 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 the University's Housing and Dining System Junior Lien Revenue Refunding Bonds, 1998 Series A, Housing and Dining System Revenue and Refunding Bonds, Series 2003, Housing and Dining System Revenue Refunding Bonds, Series 2005, Housing and Dining System Revenue Bonds, Series 2006, Housing and Dining System Revenue Bonds, Series 2009A (Tax-Exempt – Bank Qualified), Housing and Dining System Revenue Bonds, Series 2009B (Taxable – Build America Bonds) and any revenue bonds of the University hereafter issued on a parity with such bonds and the bonds of this issue.

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.

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have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Series Resolution.

In case either of the officers of the University who shall have executed the Series 2012/2013 Bonds shall cease to be such officer or officers of the University before the Series 2012/2013 Bonds so signed shall have been authenticated or delivered by the Registrar, or issued by the University, such Series 2012/2013 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 Series 2012/2013 Bond may also be signed and attested on behalf of the University by such persons as at the actual date of execution of such Series 2012/2013 Bond shall be the proper officers of the University although at the original date of such Series 2012/2013 Bond any such person shall not have been such officer.

Section 14. Defaults and Remedies. The University hereby finds and determines that the failure or refusal of the University or any of its officers to perform the covenants and obligations of this Series Resolution will endanger the operation of the System and the application of Gross Revenue and such other moneys, funds and securities to the purposes herein set forth. Any one or more of the following shall constitute a Default under this Series Resolution:

(a) The University shall fail to make payment of the principal of any Series 2012/2013 Bonds when the same shall become due and payable whether by maturity or scheduled redemption prior to maturity;

(b) The University shall fail to make payments of any installment of interest on any Series 2012/2013 Bonds when the same shall become due and payable; or

IN WITNESS WHEREOF, Western 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.

WESTERN 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 Refunding Bonds, Series 20__ of Western Washington University, dated _____, 2012.

WASHINGTON STATE FISCAL
AGENCY, Registrar

By _____
Authorized Signer

Section 13. Execution. The Series 2012/2013 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 Series 2012/2013 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 Series Resolution. Such Certificate of Authentication shall be conclusive evidence that the Series 2012/2013 Bonds so authenticated

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(c) The University shall default in the observance or performance of any other covenants, conditions, or agreements on the part of the University contained in this Series Resolution, and such default shall have continued for a period of 90 days.

Upon the occurrence and continuation of any Default, the Registered Owners of the Series 2012/2013 Bonds shall be entitled to exercise the remedies specified in Section 20 of the Master Resolution.

The failure to observe any term of an ongoing disclosure agreement under the Rule shall not constitute a Default hereunder or under the Master Resolution.

Section 15. Designation of the Refunded Bonds; Sale of Series 2012/2013 Bonds.

(a) **Designation of Refunded Bonds.** As outlined in the recitals to this ordinance, certain principal maturities of the 2003 Bonds may be called for redemption prior to their scheduled maturities. All or some of these bonds may be refunded and refinanced with the proceeds of the Series 2012/2013 Bonds authorized by this Series Resolution ("Refunding Candidates"). The Designated University Representative may select some or all of the Refunding Candidates and designate those Refunding Candidates as the "Refunded Bonds" if the net present value aggregate savings with respect to all Refunded Bonds to be realized as a result of the refunding of the Refunded Bonds, after payment of all costs of issuance, is at least equal to the Savings Target.

(b) **Bond Sale.** The Board has determined that it would be in the best interest of the District to delegate to the Designated Representative the authority to designate the Refunded Bonds by selection from the Refunding Candidates as described in subsection (a) above, approve the manner of sale, the final interest rates, maturity dates, aggregate principal amount, principal amounts of each maturity, redemption rights and other terms and conditions of the Refunded

Bonds. The Designated Representative is hereby authorized to approve the manner of sale, the final interest rates, maturity dates, aggregate principal amount, principal maturities and redemption rights for the Refunded Bonds in the manner provided hereafter so long as (i) the aggregate principal amount of the Refunded Bonds does not exceed \$9,900,000; (ii) the true interest cost for the Series 2012/2013 Bonds (in the aggregate) does not exceed 3.5%; (iii) the net present value aggregate savings with respect to all Refunded Bonds to be realized as a result of the refunding of the Refunded Bonds, after payment of all costs of issuance), is at least equal to the Savings Target; and (iv) the Maximum Annual Debt Service on all Outstanding Bonds after the issuance of the Bonds shall not be greater than the Maximum Annual Debt Service if the Bonds were not to be issued.

In determining the final interest rates, maturity dates, 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/her judgment, will result in the lowest true interest cost of 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 Series 2012/2013 Bonds.

Initially, the Designated University Representative is hereby authorized to determine whether the Series 2012/2013 Bonds shall be sold by Negotiated Sale or by a Competitive Sale. If the Series 2012/2013 Bonds are sold by Negotiated Sale, the Designated University Representative shall select one or more underwriting firms to underwrite the Series 2012/2013 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

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of the final interest rates, maturity dates, aggregate principal amounts, principal maturities and redemption rights set forth therein. Following the sale of the Series 2012/2013 Bonds, the Designated University Representative shall provide a report to the Board, describing the final terms of the Series 2012/2013 Bonds approved pursuant to the authority delegated in this section.

The authority granted to the Designated University Representative by this Section shall remain in effect until December 31, 2013. If the sale for the Series 2012/2013 Bonds has not been completed by December 31, 2013, the authorization for the issuance of the Series 2012/2013 Bonds shall be rescinded, and the Series 2012/2013 Bonds shall not be issued nor their sale approved unless such Series 2012/2013 Bonds shall have been re-authorized by resolution of the University. The resolution re-authorizing the issuance and sale of such Series 2012/2013 Bonds may be in the form of a new resolution repealing this resolution in whole or in part or may be in the form of an amendatory resolution establishing terms and conditions for the authority delegated under this Section.

The Designated University Representative or his/her designee are hereby authorized to review and approve on behalf of the University the preliminary and final Official Statements relative to the Series 2012/2013 Bonds with such additions and changes as may be deemed necessary or advisable to them. The Designated University Representative is hereby further authorized to deem final the Preliminary Official Statement for the Series 2012/2013 Bonds for purposes of compliance with the Rule.

Upon the adoption of this Series 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 Series 2012/2013

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the Series 2012/2013 Bonds, including the terms described in this section, in a contract of sale (the "Bond Purchase Contract"). If the Series 2012/2013 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 Series 2012/2013 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.

All bids submitted for the purchase of the Series 2012/2013 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 determined by the University's financial advisor. 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 Series 2012/2013 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 15, 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/her approval

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Bonds and further to execute all closing certificates and documents required to effect the closing and delivery of the Series 2012/2013 Bonds in accordance with the terms of the Official Notice of Sale, Approved Bid and/or Bond Purchase Contract.

Section 16. Undertaking to Provide Ongoing Disclosure. The Designated University Representative is authorized to, in his/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 17. Bond Insurance; Surety Bond.

(a) *Bond Insurance.* The payments of the principal of and interest on the Series 2012/2013 Bonds 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 Series 2012/2013 Bonds. The Designated University Representative may execute a commitment received from the 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 the Insurer in preparing such additional agreements, certificates, and other documentation on behalf of the University as shall be necessary or advisable in providing for the Bond Insurance Policy. To the extent that the Series 2012/2013 Bonds are insured by a Bond Insurance Policy, the Insurer of each maturity of the Series 2012/2013 Bonds

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so insured shall be deemed to be the Registered Owner of such Series 2012/2013 Bonds for all purposes, including consent, under this Series Resolution and the Master Resolution.

(b) *Surety Bond.* The guaranteeing of certain payments into the Series 2012/2013 Reserve Account may be secured by a surety bond (the "Surety Bond"). 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 Surety Bond (the "Surety Bond Provider"). 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 Series 2012/2013 Bonds. The Designated University Representative may execute a commitment received from the Surety Bond Provider 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 the Surety Bond Provider in preparing such additional agreements, certificates, and other documentation on behalf of the University as shall be necessary or advisable in providing for the Surety Bond.

Section 18. Severability. If any one or more of the covenants or agreements provided in this Series Resolution to be performed on the part of the University shall be declared by any court of competent jurisdiction 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 Series Resolution and shall in no way affect the validity of the other provisions of this Series Resolution or of any Series 2012/2013 Bonds.

Section 19. Effective Date. This Series Resolution shall be effective immediately upon its adoption.

ADOPTED AND APPROVED by the Board of Trustees of Western Washington University, at a regular meeting held this 8th day of June, 2012.

WESTERN WASHINGTON UNIVERSITY

Chair, Board of Trustees

ATTEST:

Secretary of the Board

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 Refunding Bonds have been duly authorized to be issued, sold, and delivered for the purpose of obtaining the funds required to provide for the payment of the principal of, interest on and redemption premium (if any) on the Refunded Bonds when due as shown on Exhibit C; and

WHEREAS, the University desires that, concurrently with the delivery of the Refunding Bonds to the purchasers, the proceeds of the Refunding Bonds, together with 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 the Refunded Bonds as it accrues and becomes payable and the principal of the Refunded Bonds as it becomes due and payable; 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 Refunded 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 Refunded Bonds.

EXHIBIT A

FORM OF ESCROW AGREEMENT

ESCROW DEPOSIT AGREEMENT

WESTERN WASHINGTON UNIVERSITY
HOUSING AND DINING SYSTEM REVENUE REFUNDING BONDS, SERIES 20__

THIS ESCROW AGREEMENT, dated as of _____, 20__ (herein, together with any amendments or supplements hereto, called the "Agreement") is entered into by and between Western 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 "Refunded Bonds"); and

WHEREAS, pursuant to Resolution No. 2012-03, adopted on June 8, 2012 (the "Series Resolution"), the University has determined to issue its Western Washington University Housing and Dining System Revenue Refunding Bonds, Series 20__ (the "Refunding Bonds"). A portion of the Refunding Bonds are being used for the purpose of providing funds to pay the costs of refunding the Refunded 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 _____, 20__ (the "Verification Report") relating to the source and use of funds available to accomplish the refunding of the Refunded 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 Refunded Bonds; and

WHEREAS, pursuant to the Series Resolution, the Refunded Bonds have been designated for redemption prior to their scheduled maturity dates and, after provision is made for such redemption, the Refunded Bonds will come due in such years, bear interest at such rates, and be payable at such times and 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 Refunded Bonds when due, then the Refunded

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 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 Refunded Bonds.

Section 1.2. Other Definitions.

The terms "Agreement," "University," "Escrow Agent," "Series Resolution," "Verification Report," "Refunded Bonds," and "Refunding 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 Refunded Bonds in accordance with applicable law.

Article 2. Deposit of Funds and Escrowed Securities

Section 2.1. Deposits in the Escrow Fund.

Concurrently with the sale and delivery of the Refunding Bonds 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 [and pay costs of issuance] 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

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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 Refunded Bonds; and a special account shall at all times be maintained on the books of the Escrow Agent. The owners of the Refunded 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 Refunded 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.

Article 4. Limitation on Investments

Section 4.1. Investments.

Except for the initial investment in the Escrowed Securities, and except as provided in Section 4.2, 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.

Section 4.2. Substitution of Securities.

At the written request of the University, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall utilize cash balances in the Escrow Fund, or sell, transfer, otherwise dispose of or request the redemption of the Escrowed Securities and apply the proceeds therefrom to purchase Government Obligations which do not permit the redemption thereof at the option of the obligor. Any such transaction may be effected by the Escrow Agent only if (a) the Escrow Agent shall have received a written verification from a firm of certified public accountants that such transaction will not cause the amount of money and securities in the Escrow Fund to be reduced below an amount sufficient to provide for the full and timely payment of principal of and interest on all of the remaining Refunded Bonds as they become due, taking into account any optional redemption thereof exercised by the University in connection with such transaction; and (b) the Escrow Agent shall have received the unqualified written legal opinion of its bond counsel or tax counsel to the effect that such transaction will not cause any of the Refunding Bonds or Refunded Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

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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 Escrow Fund (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 payment of the principal of and interest on the Refunded Bonds, which payment shall be made by timely transfers of such amounts at such times as are provided for in Section 3.2. When the final transfers have been made for the payment of such principal of and interest on the Refunded 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 Refunded Bonds at their respective redemption dates and interest thereon to such redemption dates in the amounts and at the times 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 the Refunded Bonds as such interest comes due and the principal of the Refunded Bonds as the Refunded Bonds are paid on an optional redemption date prior to maturity, 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;

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Article 5. Application of Cash Balances

Section 5.1. In General.

Except as provided in Sections 2.1, 3.2 and 4.2, 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. Redemption of Refunded Bonds

Section 6.1. Call for Redemption.

The University hereby irrevocably calls the Refunded Bonds for redemption on their earliest redemption dates, as shown in the Verification Report and on Appendix A attached hereto.

Section 6.2. Notice of Redemption/Notice of Defeasance.

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

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Section 8.4. Successor Escrow Agents.

If at any time the Escrow Agent or its legal successor or successors should become unable, through operation or 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 Western Washington 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 Refunded 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 vacancy shall have occurred, the owner of any Refunded 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.

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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.

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.

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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 Refunded Bonds or to any other person or persons in connection with this Agreement.

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 Refunded 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.

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Section 9.7. Notice to Moody's, Fitch and Standard & Poor's.

In the event that this agreement or any provision thereof is severed, amended or revoked, the State shall provide written notice of such severance, amendment or revocation to Moody's Investors Service at 7 World Trade Center at 250 Greenwich Street, New York, New York, 10007, Attention: Public Finance Rating Desk/ Refunded Bonds, Fitch Ratings at One State Street Plaza, New York, New York, 10004, Attention: Public Finance Rating Desk/Refunded Bonds and to Standard & Poor's Ratings Group, 55 Water Street, New York, New York 10041, Attention: Municipal Bond Department.

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 Refunded Bonds. No such amendment shall be made without first receiving written confirmation from the rating agencies, (if any) which have rated the Refunded Bonds that such amendment will not result in a withdrawal or reduction of its rating then assigned to the Refunded 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 Refunded Bonds.

EXECUTED as of the date first written above.

WESTERN WASHINGTON UNIVERSITY

Title: _____

[ESCROW AGENT]

Title: _____

- Exhibit A — Addresses of the University and the Escrow Agent
- Exhibit B — Description of the Refunded Bonds
- Exhibit C — Schedule of Debt Service on Refunded Bonds
- Exhibit D — Description of Beginning Cash Deposit (if any) and Escrowed Securities
- Exhibit E — Escrow Fund Cash Flow
- Appendix A — Notice of Redemption — 2003 Bonds
- Appendix B — Notice of Defeasance — 2003 Bonds
- Appendix C — Fee Schedule

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A-12

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

University: Western Washington University
516 High Street
Bellingham, Washington 98225
Attention: Vice President, Business and Financial Affairs

Escrow Agent: _____

Attention: Corporate Trust Services

**EXHIBIT B
Description of the Refunded Bonds**

**Western Washington University
Housing and Dining System Revenue and Refunding Bonds, Series 2003
("Refunded Bonds")**

Maturity Years (October 1)	Principal Amounts	Interest Rates
2013	\$ 735,000	3.750%
2014	755,000	3.850
2015	785,000	4.000
2016	815,000	4.000
2017	855,000	4.125
2018	885,000	4.250
2019	915,000	4.350
2020	970,000	4.400
2021	1,025,000	4.500
2022	880,000	4.600
2023	860,000	4.650

EXHIBIT C
Schedule of Debt Service on Refunded Bonds

Date	Interest	Principal/ Redemption Price	Total
[Month, Date, Year]	\$	\$	\${Total Amount}
Total			\${Total Amount}

A-C-1

EXHIBIT D
Escrow Deposit

I. Cash: \$ _____

II. Other Obligations

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

III. Costs of Issuance [as applicable]

Escrow Agent Fee (_____)	\$
Bond Counsel Fee (PGE)	
Escrow Verification Fee ([Escrow Verification])	
OS Printing and Mailing Costs (_____)	
Rating Agency ([Rating Agency(ies)])	_____
TOTAL:	\$ _____

A-D-1

EXHIBIT E
Escrow Fund Cash Flow

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

A-E-1

APPENDIX A
Notice of Redemption*
Western Washington University
Housing and Dining System Revenue and Refunding Bonds, Series 2003

NOTICE IS HEREBY GIVEN that the University has called for redemption on April 1, 2013, its then outstanding Housing and Dining System Revenue and Refunding Bonds, Series 2003 (the "Bonds").

The Bonds will be redeemed at a price of 100% of their principal amount, plus interest accrued to April 1, 2013. The redemption price of the Bonds is payable on presentation and surrender of the Bonds at the office of:

The Bank of New York Mellon Worldwide Securities Processing 2001 Bryan Street, 9th Floor Dallas, TX 75201	-or-	Wells Fargo Bank, National Association Corporate Trust Department 14 th Floor 999 Third Avenue Seattle, WA 98104
--	------	---

Interest on all Bonds or portions thereof which are redeemed shall cease to accrue on April 1, 2013.

The following Bonds are being redeemed:

Maturity Years (October 1)	Principal Amounts	Interest Rates	CUSIP Nos.
2013	\$ 735,000	3.750%	
2014	755,000	3.850	
2015	785,000	4.000	
2016	815,000	4.000	
2017	855,000	4.125	
2018	885,000	4.250	
2019	915,000	4.350	
2020	970,000	4.400	
2021	1,025,000	4.500	
2022	880,000	4.600	
2023	860,000	4.650	

By Order of Western Washington University

* This notice shall be given not more than 60 nor less than 30 days prior to April 1, 2013 by first class mail to each registered owner of the Refunded Bonds. In addition notice shall be mailed at least 30 days prior to April 1, 2013 to The Depository Trust Company of New York, New York; Piper Jaffray & Co., Ambac Assurance Corporation, Moody's Investors Service and Standard & Poor's Ratings Services; and to the MSRBI.

The Bank of New York Mellon, as Paying Agent

Dated: _____.

Withholding of 28% of gross redemption proceeds of any payment made within the United States may be required by the Jobs and Growth Tax Relief Reconciliation Act of 2003 (the "Act") unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your Bonds.

APPENDIX B
Notice of Defeasance*
Western Washington University
Housing and Dining System Revenue and Refunding Bonds, Series 2003

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 _____, 20__, by and between Western 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 respective maturity or redemption 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 Resolution No. 2003-03 of the University authorizing the Defeased Bonds, but will be paid by application of the assets in such escrow.

The Defeased Bonds are described as follows:

Western Washington University
Housing and Dining System Revenue and Refunding Bonds, Series 2003

(Dated May 7, 2003)

Maturity Years (October 1)	Par Amounts Defeased	Interest Rates	CUSIP Nos.	Call Date (@100%)
2013	\$ 735,000	3.750%		04/01/2013
2014	755,000	3.850		04/01/2013
2015	785,000	4.000		04/01/2013
2016	815,000	4.000		04/01/2013
2017	855,000	4.125		04/01/2013
2018	885,000	4.250		04/01/2013
2019	915,000	4.350		04/01/2013
2020	970,000	4.400		04/01/2013
2021	1,025,000	4.500		04/01/2013
2022	880,000	4.600		04/01/2013
2023	860,000	4.650		04/01/2013

* This notice shall be given immediately by first class mail to each registered owner of the Defeased Bonds and to the MSRB.

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Bond Numbers of 2003 Defeased 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

APPENDIX C
Fee Schedule

Escrow Agent Fee: \$_____

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FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTAL
INFORMATION

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November 8, 2011

Dennis Madsen, Chair
Board of Trustees
Western Washington University
Bellingham, WA 98225

Dear Mr. Madsen:

We are pleased to submit the Annual Financial Report of Western Washington University. The accounts of the University are maintained in accordance with policies and regulations established by Washington State and its Office of Financial Management. This report has been prepared in accordance with generally accepted accounting principles and following the guidance of the Governmental Accounting Standards Board.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Washington State Auditors' Office has issued an unqualified (clean) opinion on the Western Washington University financial statements for the year ended June 30, 2011. This opinion is included in the independent auditor's report.

Management's discussion and analysis, located at the front of the financial section of this report, provides a narrative introduction, overview, and analysis of the basic financial statements. Western Washington University is recognized nationwide as a premier public comprehensive university. Western Washington University is the highest-ranking public, master's-granting university in the Pacific Northwest, according to the 2011 U.S. News & World Report college rankings. Western's national academic reputation, excellent faculty, as well as its prime location, make it an institution "in demand", factors which will continue to help it weather the current economic challenges.

Sincerely,



Bruce Shepard
President



Richard Van Den Hul
Vice President for Business and Financial Affairs

BOARD OF TRUSTEES

Dennis Madsen, Chair
Ralph Munro, Vice Chair
Betti Fujikado, Secretary
Ramiro Espinoza, Student Trustee
Karen Lee
Phil Sharpe, Jr.
Dick Thompson
Peggy Zoro

ADMINISTRATIVE OFFICERS

Bruce Shepard, President
Catherine R Jordan, Provost and Vice President for Academic Affairs
Eileen V. Coughlin, Vice President for Student Affairs and Academic Support Services
Richard Van Den Hul, Vice President for Business and Financial Affairs
Steve Swan, Vice President for University Relations
Stephanie Bowers, Vice President for University Advancement
Teresa Mroczkiewicz, Interim Director, Financial Services
Sally McKechnie, Interim Director, Business Services
Michael Ulrich, Interim Director, Accounting Services

Overview of the Financial Statements and Financial Analysis

The following discussion and analysis provides an overview of the financial position and activities of Western Washington University (the University) for the years ended June 30, 2011 and 2010. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

Reporting Entity

The University is a comprehensive, degree granting public university in the State of Washington. It is governed by a Board of eight Trustees appointed by the Governor. One of the members is a full-time student of the University. The University was established in 1893 and currently has approximately 15,000 full-time and part-time students.

Located on the shores of Bellingham Bay with Mount Baker as its backdrop, Bellingham is the last major city before the Washington coastline meets the Canadian border. The City of Bellingham, which serves as the county seat of Whatcom County, is at the center of a uniquely picturesque area offering a rich variety of recreational, cultural, educational and economic activities.

Using the Financial Statements

The University's financial reports include the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, the Statements of Cash Flows and the Notes to the Financial Statements. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. GASB standards require that financial statements include all funds.

Statements of Net Assets

The Statements of Net Assets present the financial condition of the University at the end of the last three fiscal years and report all assets and liabilities of the University.

A summarized comparison of the University's assets, liabilities and net assets as of June 30, 2011, 2010 and 2009, follows:

	2011	2010	2009
	<i>(Dollars in thousands)</i>		
Assets			
Current assets	\$ 61,660	\$ 81,794	\$ 80,418
Noncurrent assets	52,958	34,627	37,433
Capital assets, net	435,638	413,200	384,343
Total assets	550,256	529,621	502,194
Liabilities			
Current liabilities	31,323	36,046	29,881
Noncurrent liabilities	82,020	83,786	86,016
Total liabilities	113,343	119,832	115,897
Total net assets	\$ 436,913	\$ 409,789	\$ 386,297

Assets

Current assets consist primarily of cash and cash equivalents, short-term investments, funds held with the State Treasurer, and accounts receivable from students. The \$20.1 million (-24.6%) decrease in total current assets during fiscal 2011 compared to fiscal 2010 is primarily due to a reduction in cash and cash equivalents of \$16.2 million, used in fiscal 2011 to purchase investments. Current assets increased by a net \$1.4 million (1.7%) during fiscal 2010 compared to fiscal 2009 due to increased holdings of cash and cash equivalents and an increase in funds held by the Office of the State Treasurer.

Noncurrent assets (excluding capital assets) increased \$18.3 million (52.9%) in fiscal 2011 over fiscal 2010 primarily due to the increase in long-term restricted and unrestricted investments offset by decreases in cash and cash equivalents and the amount due from State Treasurer. The increase in long-term restricted and unrestricted investments was due to purchases of U.S. Treasury and Agency Securities. The change in the amount due from the State Treasurer is attributable to an increase in capital expenditures that occurred at the end of fiscal 2010 with cash requested in fiscal 2011. Restricted cash and cash equivalents decreased \$3.8 million (-54.6%) in fiscal 2011 primarily due to spending \$4.0 million of the remaining amount of the \$14.3 million in Housing and Dining System 2009 revenue bond proceeds. Noncurrent assets (excluding capital assets) decreased \$2.8 million (-7.5%) comparing fiscal 2010 to fiscal 2009, primarily due to spending \$8.3 million of the \$14.3 million in Housing and Dining System revenue bonds issued in 2009, offset by a \$5.1 million (186.2%) increase in the amounts due from the State Treasurer to cover expenditures on the Miller Hall renovation.

Growth in net assets over the last three fiscal years is due to the continuation of the University's capital program. Capital assets grew in fiscal 2011 by \$22.4 million (5.4%) and \$28.9 million (7.5%) comparing fiscal 2010 to fiscal 2009, primarily due to the capitalization of work performed on the Miller Hall renovation and the Buchanan Towers remodel.

Liabilities

The excess of current assets over current liabilities of \$90.3 million in fiscal 2011 and \$45.7 million in fiscal 2010 reflects the continuing ability of the University to meet its short-term obligations with liquid or easily liquidated assets. Current liabilities decreased \$4.7 million (-13.1%) comparing fiscal 2011 to fiscal 2010 due to the payment of capital expenditure invoices recorded at fiscal 2010 year end. The current liabilities increase of \$6.2 million (20.6%) when comparing fiscal 2010 to fiscal 2009 is related to higher invoices at year end in construction project activity, including the Miller Hall renovation (\$3.2 million) and the Buchanan Towers renovation (\$1.8 million). Deferred revenues increased \$826 thousand (15.3%) when comparing fiscal 2011 to fiscal 2010 due to a 14.0% increase in summer session undergraduate tuition and an enrollment increase of over 2.0%. Deferred revenues increased \$698 thousand (14.8 %) comparing fiscal 2010 to fiscal 2009 due to an increase of 14.0% in undergraduate summer tuition rates, an increase in summer 2010 enrollment of over 1,000 students and an increase in summer 2010 faculty led travel courses that carry higher fees. The current portion of bonds and notes payable increased slightly by \$150 thousand (4.3%) when comparing fiscal 2011 to fiscal 2010 due to the addition of two State Certificates of Participation to fund equipment purchases in Athletics. The current portion of bonds and notes payable increased \$411 thousand (13.4%) comparing fiscal 2010 to fiscal 2009 as principal payments became due on the 2009 Housing and Dining bond issue during fiscal 2010.

Long-term liabilities decreased \$1.8 million (-2.1%) when comparing fiscal 2011 to fiscal 2010 due to the retirement of \$3.6 million in bonds and notes payable. The \$3.6 million decrease is offset by an increase of \$1.3 million to the unfunded net pension obligation to certain state employees based on the estimated State Actuarial valuation of the plan, combined with the addition of \$450 thousand in new notes payable to fund equipment in the Athletic Department. Long-term liabilities decreased by \$2.2 million (-2.6%) comparing fiscal 2010 to fiscal 2009 due to the retirement of \$3.2 million in bonds and notes payable, offset by an increase of \$923 thousand to the unfunded net pension obligation.

Net Assets

The difference between total assets and total liabilities is net assets, or equity. The change in net assets measures whether the overall financial condition has improved or deteriorated during the year. Net assets are reported in the following categories:

Invested in Capital Assets (net of related debt) – The University's total investments in property, plant equipment, and infrastructure, net of accumulated depreciation and outstanding debt obligations related to those capital assets.

Restricted/Net Assets:

- Nonexpendable net assets consists of funds on which the donor or other external party has imposed the restriction that the corpus is not available for expenditures but for investment purposes only.
 - Expendable net assets are resources which the University is legally or contractually obligated to spend in accordance with time or purpose restrictions placed upon them by donors or other external parties.
- Unrestricted Net Assets** – All remaining funds available to the institution for any purpose, although these net assets are often internally designated for specific purposes.

The University's net assets as of June 30, 2011, 2010 and 2009 are summarized as follows:

	2011	2010	2009
	<i>(Dollars in thousands)</i>		
Net Assets			
Invested in capital assets, net of related debt	\$ 357,815	\$ 336,630	\$ 312,263
Restricted:			
Nonexpendable	4,629	4,629	4,149
Expendable	24,391	26,321	23,683
Unrestricted	<u>50,078</u>	<u>42,209</u>	<u>46,202</u>
Total net assets	<u>\$ 436,913</u>	<u>\$ 409,789</u>	<u>\$ 386,297</u>

Invested in capital assets, net of related debt increased \$21.2 million (6.3%) when comparing fiscal 2011 to fiscal 2010 due to increases in construction in progress for the Miller Hall and Buchanan Towers renovations, along with a reduction in long-term debt from principal payments. Invested in capital assets, net of related debt increased \$24.4 million (7.8%) comparing fiscal 2010 to fiscal 2009 primarily due to the increase in construction in progress for the Miller Hall and Buchanan Towers renovations, offset by the change in long-term debt.

Restricted nonexpendable net assets include donations and matching State contributions for the purpose of establishing distinguished professorships and graduate fellowships. When comparing fiscal 2011 to fiscal 2010, there was no change to restricted nonexpendable net assets as no new additions to endowments were received. During fiscal 2010, \$50 thousand was received to establish a new graduate fellowship compared to the receipt of \$550 thousand during fiscal 2009. When combined with investment gains, the net increase in restricted nonexpendable net assets was \$480 thousand (11.6%).

Restricted expendable net assets decreased \$1.9 million (-7.3%) when comparing fiscal 2011 to fiscal 2010 due to a decrease in funds held by the State Treasurer, offset by increases to student loan funds and grants. Restricted expendable net assets increased \$2.6 million (11.4%) comparing fiscal 2010 to fiscal 2009 due to an increase in funds held by the State Treasurer. The State Permanent Fund represents the University's share of net earnings of the Normal School Permanent Fund and tuition distributions, reduced by expenditures for capital projects. In addition, reserves were set aside for renewals and replacements in the Housing and Dining System and the Wade King Student Recreation Center as required by bond covenants.

Unrestricted net assets increased \$7.9 million (18.6%) when comparing fiscal 2011 to fiscal 2010 due to increases in tuition, Housing and Dining capital plan reserves, investment gains on endowments and other program fees. Unrestricted net assets decreased by \$4.0 million (-8.6%) in fiscal 2010 when compared to fiscal 2009, attributable to using unrestricted reserve funds to compensate for reduced state appropriations.

Capital Improvements and Related Debt

During fiscal 2011 and 2010, \$35.8 million and \$40.1 million (excluding library materials and equipment) were expended on capital improvements, compared to \$21.7 million in fiscal 2009. Of the \$35.8 million in capital improvements, \$20.3 million was expended on the Miller Hall building remodel, \$5.2 million on the Buchanan Towers renovations, \$4.4 million on network infrastructure switches and \$1.2 million on the Ridgeway beta renovation. In fiscal 2010, \$40.1 million (excluding library materials and equipment) was expended on capital improvements; \$18.2 million on the Miller Hall building remodel, \$9.3 million on the Buchanan Towers renovation, \$3.9 million on the Chemistry Building addition, \$1.2 million on the Fairhaven Fire Sprinkler project, and \$972 thousand on the Haggard Hall/Wilson Library renovation.

Specific projects completed or underway in fiscal 2011 include:

Buchanan Towers Addition. A 105-bed, 37,000 square feet addition is being constructed on the east side of the Buchanan Towers building. The project is designed with principles of day lighting and natural ventilation to achieve a USGBC LEED Silver and possibly Gold rating. The project is scheduled to be completed for Fall 2011 occupancy.

Miller Hall Renovation. Due to the historical significance and its prominent location in the heart of campus, Miller Hall was selected to undergo a major renovation beginning in the 2009-2011 biennium. The project will provide general University classrooms, computer labs, instructional space, and support facilities for the Woodring College of Education and the Department of Modern and Classical Languages.

Chemistry Building Addition. The addition of 4,300 square feet will provide additional chemistry and biology research and instructional space recognizing the collaborative nature of chemistry and biology research. Construction began in June 2009 with substantial completion during fiscal 2011.

Statement of Revenues, Expenses and Changes in Net Assets

The Statements of Revenues, Expenses and Changes in Net Assets present the University's results of operations and nonoperating items that result in the changes in net assets for the year. In accordance with GASB reporting principles, revenues and expenses are classified as operating or nonoperating.

A condensed comparison of the University's revenues, expenses and changes in net assets for the years ended June 30, 2011, 2010 and 2009 follows:

	2011	2010	2009
	<i>(Dollars in thousands)</i>		
Operating revenues	\$ 167,904	\$ 156,162	\$ 148,913
Operating expenses	<u>244,230</u>	<u>237,989</u>	<u>232,561</u>
Operating loss	<u>(76,326)</u>	<u>(81,827)</u>	<u>(83,648)</u>
State appropriations revenue	63,761	64,621	7,8535
Other nonoperating revenues	16,355	13,180	12,566
Nonoperating expenses	<u>(4,061)</u>	<u>(4,156)</u>	<u>(4,470)</u>
(Loss) income before other revenues	<u>(271)</u>	<u>(8,182)</u>	<u>2,983</u>
Other revenues	27,395	31,674	17,952
Increase in net assets	<u>27,124</u>	<u>23,492</u>	<u>20,935</u>
Net assets, beginning of year	<u>409,789</u>	<u>386,297</u>	<u>365,362</u>
Net assets, end of year	<u>\$ 436,913</u>	<u>\$ 409,789</u>	<u>\$ 386,297</u>

Primary Funding Sources

The University relies primarily on student tuition and fees and state appropriations as revenue sources to support operations. Tuition revenue, net of scholarship allowances, has continued to grow, increasing \$8.5 million (10.7%) and \$6.1 million (8.3%) in fiscal 2011 and fiscal 2010, respectively.

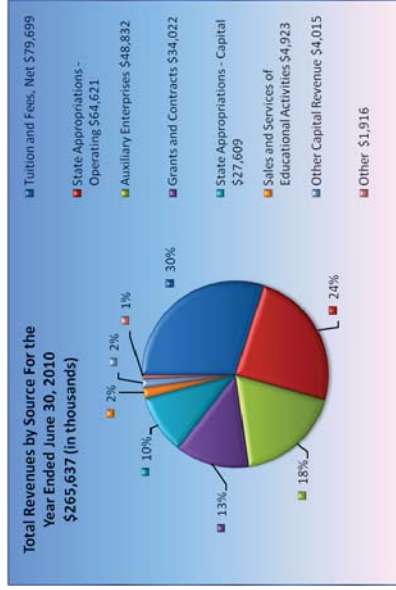
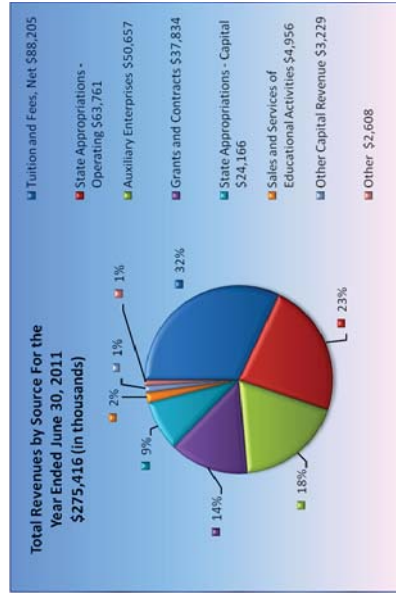
The Washington State Legislature provides the Board of Trustees with tuition setting authority for all student categories at the University: resident undergraduate, non-resident undergraduate, resident graduate, and non-resident graduate. The University is free to set tuition at any level in the latter three categories. Tuition increased 14.0% during fiscal 2011 and fiscal 2010 compared to an increase of 5.0% during fiscal 2009, with enrollment increasing to an average annual headcount of 13,521 in fiscal 2011, compared to 13,300 students in fiscal 2010 and 13,240 in fiscal 2009.

During fiscal 2011, state appropriations used for operations declined by \$861 thousand (-1.3%) compared to a decrease of \$13.9 million (-17.7%) in fiscal 2010. The fiscal 2011 decrease is attributable to the continuing budget challenges at the state level that resulted in a reduction of \$5.8 million in state appropriations to the University, offset by \$4.9 million in capital appropriation funds that are used to support operations as these expenditures are below the University's capitalization threshold. The majority of the decrease in fiscal 2010 state appropriations is also due to budget challenges at the state level that resulted in a decrease in state funding of \$12.6 million combined with a decrease from the prior year of \$1.3 million in capital appropriation funds that are used to support operations. The University's state supported enrollments (FTE) were 11,762 for fiscal 2011. The actual average FTE was 12,647 (the 885 additional FTE are not supported by State dollars).

Capital appropriations are recognized as revenue when expenditures are incurred on capital projects, and the University is entitled to receive the cash. Capital appropriations decreased by \$3.4 million (-12.5%) when comparing fiscal 2011 to fiscal 2010 due to a reduction in capital funds received as some smaller capital projects were completed in fiscal 2010, such as improvements to Wilson Library and Parks Hall. This revenue source increased \$12.8 million (86.1%) during fiscal 2010 compared to fiscal 2009 primarily due to funds received to fund the Miller Hall renovation. No significant new projects were started during fiscal 2009.

Other capital revenue is the revenue earned from the State of Washington Normal School Permanent Fund. The decrease of \$785 thousand (-10.6%) when comparing fiscal 2011 to fiscal 2010 is due to reduced investment earnings from the State Treasurer. The increase of \$1.5 million (56.7%) in fiscal 2010 compared to fiscal 2009 is due to additional funds held by the State Treasurer in the Normal School Permanent Fund.

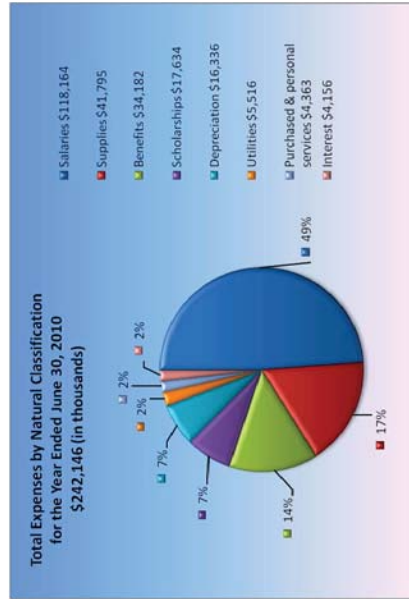
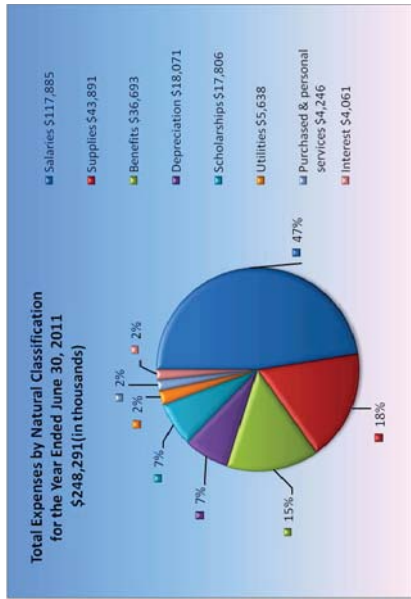
The following graphs illustrate revenues by source for the years ended June 30, 2011 and 2010:



The University's operating expenses increased by \$6.2 million (2.6%) when comparing fiscal 2011 to fiscal 2010 and \$5.4 million (2.3%) in fiscal 2010 compared to fiscal 2009. A significant portion of the fiscal 2011 and fiscal 2010 increases relate to benefits expense, which increased \$2.5 million (7.3%) in fiscal 2011 and \$2.5 million (7.8%) in fiscal 2010 due to a \$105 and \$184 per month increase in the employer cost for the state benefits package in each fiscal year.

Supplies and purchased and personal services increased \$2.0 million (4.3%) when comparing fiscal 2011 to fiscal 2010 due to the purchasing of non-capitalized furnishings and equipment necessary for the Miller Hall and Buchanan Towers buildings. Supplies and purchased and personal services increased slightly by \$96 thousand (0.2%) between fiscal 2010 and fiscal 2009. Depreciation expense increased \$1.7 million (10.6%) over fiscal 2010 and \$1.8 million (12.0%) over fiscal 2009 as additional capital assets were completed and depreciated.

The following graphs illustrate expenses by natural classification for the years ended June 30, 2011 and 2010:



Operating Loss

The University's operating losses were \$76.3 million in fiscal 2011, a decrease of \$5.5 million (-6.7%) from fiscal 2010, and \$81.8 million in fiscal 2010, a decrease of \$1.8 million (-2.2%) from fiscal 2009. Overall operating revenues increased \$11.7 million (7.5%) during fiscal 2011 and \$7.2 million (4.9%) during fiscal 2010, while operating expenditures increased in fiscals 2011 and 2010 by \$6.2 million (2.6%) and \$5.4 million (2.3%), respectively.

GASB standards require that State appropriations and Federal Pell grants are classified as nonoperating revenues, thereby creating the significant operating loss. If these revenues were classified as operating, the operating gain would be \$1.3 million in fiscal 2011 and the operating loss would have been \$5.7 million in fiscal 2010.

Economic Factors That Will Affect the Future

During the next biennium, State support for operations will average 35% of the University's operating budget, with the balance of the operational requirements relying on tuition increases. Beginning with fiscal 2012, the legislature has provided the Board of Trustees (the Board) with tuition setting authority for all student categories at the University: resident undergraduate, non-resident undergraduate, resident graduate, and non-resident graduate. The legislature defines "tuition" as the tuition operating fee and the capital building fee. The operating fee contributes to the day-to-day operations of the university and supports the University's operating budget plans.

The 2011-2013 operating budget includes tuition increases of 16.0% per year for the biennium, an increase of \$802 per year for resident undergraduate students. The University will also increase non-resident and graduate tuition rates by a similar amount as the resident undergraduate. Increases in State and Federal financial aid and the expansion of Federal education tax credits are available to students and can be used to offset the tuition increase. The State also increased the State Need Grant program to help lower and middle income families.

Approximately 81.0% of the operating budget is committed to compensation-related expenditures. The decrease in state support has resulted in position eliminations that are pending for fiscal 2012, the majority of which are from vacant positions. Reduced revenue projections at the state level may result in further budget reductions in fiscals 2012 and 2013.

INDEPENDENT AUDITOR'S REPORT



**Washington State Auditor
Brian Sonntag**

November 8, 2011

Board of Trustees
Western Washington University
Bellingham, Washington

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Western Washington University as of and for the year ended June 30, 2011, 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 audit. We did not audit the financial statements of the Western Washington University Foundation, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included in the accompanying financial statements, is based on the report of the other auditors. The basic financial statements of the University as of June 30, 2010, were audited by other auditors whose report dated November 15, 2010, expressed unqualified opinions on the University's financial statements and discretely presented component unit.

We conducted our audit 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 audit and the report of other auditors provide a reasonable basis for our opinions.

Insurance Building, P.O. Box 40021 • Olympia, Washington 98504-0021 • (360) 902-0370 • TDD Relay (800) 833-6388
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INDEPENDENT AUDITOR'S REPORT

As discussed in Note 1, the financial statements of Western Washington University are intended to present the financial position, and the changes in financial position, and, where applicable, cash flows of only that portion of the governmental activities and 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, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The management's discussion and analysis on pages 5 through 12, 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,

A handwritten signature in black ink, appearing to read "Brian Sonntag".

BRIAN SONNTAG, CGFM
STATE AUDITOR

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WESTERN WASHINGTON UNIVERSITY
STATEMENTS OF NET ASSETS

June 30, 2011 and 2010

Assets	2011	2010
Current assets:		
Cash and cash equivalents (Note 3)	\$ 34,003,071	\$50,178,923
Restricted cash and cash equivalents (Note 3)	-	430
Investments (Note 4)	16,000,000	18,330,634
Funds with State Treasurer (Note 5)	4,874,701	7,716,564
Interest receivable	557,219	812,792
Accounts receivable, net (Note 6)	4,247,368	2,981,108
Prepaid expenses	603,223	512,721
Inventories (Note 8)	1,374,790	1,261,289
Total current assets	<u>61,660,372</u>	<u>81,794,461</u>
Noncurrent assets:		
Restricted cash and cash equivalents (Note 3)	3,153,996	6,950,440
Restricted investments (Note 4)	7,607,275	7,761,616
Investments (Note 4)	30,227,617	3,372,253
Due from State Treasurer	3,367,960	7,902,379
Student loans receivable, net (Note 7)	7,709,833	7,692,178
Non-depreciable capital assets (Note 9)	75,803,387	55,652,815
Depreciable capital assets, net (Note 9)	359,834,231	357,547,011
Other assets (Note 1)	800,900	947,644
Total noncurrent assets	<u>488,595,199</u>	<u>447,826,336</u>
Total assets	<u>550,255,571</u>	<u>529,620,797</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	10,661,210	16,540,440
Deposits payable	2,375,317	2,355,911
Deferred revenues	6,227,956	5,402,277
Compensated absences (Note 11)	7,924,797	7,892,285
Current portion of bonds and notes payable (Notes 12,13,15)	3,630,585	3,480,216
Current portion of net pension obligations (Note 15,19)	214,000	195,000
Deposits held in custody for others	288,652	180,371
Total current liabilities	<u>31,322,517</u>	<u>36,046,450</u>
Noncurrent liabilities:		
Long-term portion of bonds and notes payable (Note 12, 13,15)	78,028,174	81,025,590
Long-term net pension obligations (Note 15,19)	3,991,455	2,759,864
Total Liabilities	<u>113,342,146</u>	<u>119,831,904</u>
Net Assets		
Invested in capital assets, net of related debt	357,814,998	336,630,060
Restricted for:		
Nonexpendable: scholarships and professorships	4,629,007	4,629,007
Expendable:		
Instruction and research	2,948,566	2,469,590
Loans	12,805,253	12,155,933
Capital Projects	8,637,422	11,694,956
Unrestricted	50,078,179	42,209,347
Total net assets	<u>\$436,913,425</u>	<u>\$409,788,893</u>

See Accompanying Notes to the Financial Statements

WESTERN WASHINGTON UNIVERSITY
FOUNDATION STATEMENTS OF FINANCIAL POSITION

June 30, 2011 and 2010

Assets	2011	2010
Cash and cash equivalents	\$1,725,048	\$1,400,178
Investments:		
Operating investment pool	8,609,833	7,326,702
Endowment investment pool		
Externally managed investments	43,621,454	28,413,817
Real estate held for investment, net	2,531,800	2,407,800
Annuity and life income investments	4,426,814	4,158,764
Other	458,757	458,757
Total investments	<u>59,648,658</u>	<u>42,765,840</u>
Receivables:		
Promises to give, net	2,375,289	2,696,403
Other	20,198	327,611
Total receivables	<u>2,395,487</u>	<u>3,024,014</u>
Other assets	34,506	28,891
Total assets	<u>63,803,699</u>	<u>47,308,923</u>
Liabilities		
Accounts payable	140,643	112,995
Due to Western Washington University	277,951	121,163
Annuity and life income obligations	1,296,441	1,304,331
Investments held in trust for		
Western Washington University	9,856,624	-
Contingent obligation to Northwest		
Indian College Foundation	1,058,773	962,809
Total liabilities	<u>12,630,432</u>	<u>2,501,298</u>
Net Assets		
Unrestricted	12,172,122	9,846,966
Temporarily restricted	16,818,546	13,392,949
Permanently restricted	22,182,599	21,567,710
Total net assets	<u>51,173,267</u>	<u>44,807,625</u>
Total Liabilities and Net Assets	<u>\$63,803,699</u>	<u>\$47,308,923</u>

See Accompanying Notes to the Financial Statements

WESTERN WASHINGTON UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES & CHANGES IN NET ASSETS

June 30, 2011 and 2010

	2011	2010
Operating Revenues		
Student tuition and fees	\$ 106,569,013	\$ 94,533,107
Less scholarship allowances	(18,363,862)	(14,833,867)
Net student tuition and fees	88,205,151	79,699,240
Federal grants and contracts	8,268,690	6,639,781
State and local grants and contracts	13,319,279	13,953,989
Nongovernmental grants and contracts	2,357,881	1,969,470
Sales and services of educational activities	4,956,121	4,922,961
Interest earned on loans to students	140,522	144,792
Auxiliary enterprises	55,375,031	52,947,114
Less scholarship allowances	(4,718,356)	(4,115,218)
Net auxiliary enterprises	50,656,675	48,831,896
Total operating revenues	167,904,319	156,162,129
Operating Expenses		
Salaries and wages	117,885,280	118,163,753
Benefits	36,692,598	34,181,520
Scholarships and fellowships	17,805,709	17,634,179
Utilities	5,638,304	5,515,941
Supplies and materials	43,890,835	41,794,644
Purchased and personal services	4,246,383	4,362,892
Depreciation	18,070,849	16,336,531
Total operating expenses	244,229,958	237,989,460
Operating loss	(76,325,639)	(81,827,331)
Nonoperating Revenues (Expenses)		
State appropriations	63,760,769	64,621,417
Federal Pell grant revenue	13,887,899	11,458,908
Investment income	7,75,087	1,188,261
Interest on indebtedness	(4,061,271)	(4,156,297)
Gain (loss) on endowments	1,684,904	516,960
Nonoperating rental property income	7,118	15,490
Total nonoperating revenues (expenses)	76,054,506	73,644,739
(Loss) income before other revenues	(271,133)	(8,182,592)
Other Revenues		
Capital appropriations	24,166,239	27,609,379
Other capital revenue	3,229,426	4,014,907
Gifts to permanent endowments	-	50,000
Total other revenues	27,395,665	31,674,286
Increase in net assets	27,124,532	23,491,694
Net assets, beginning of year	409,788,893	386,297,199
Net assets, end of year	\$ 436,913,425	\$ 409,788,893

See Accompanying Notes to the Financial Statements

WESTERN WASHINGTON UNIVERSITY
FOUNDATION STATEMENTS OF ACTIVITIES & CHANGES IN NET ASSETS

June 30, 2011 and 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011
Support and Revenue				
Contribution	\$ 496,580	\$ 3,642,647	\$ 555,360	\$ 4,694,587
Services and facilities provided by Western Washington University	2,682,678	-	-	2,682,678
Interest and dividends	452,194	551,594	112	1,003,900
Net realized gains (losses) on investments	132	39,243	-	39,375
Net unrealized gains (losses) on investments	1,972,115	4,606,198	1,000	6,579,313
Fund raising events and other	35,788	438,835	-	474,623
Total support and revenue before net assets released from restrictions	5,639,487	9,278,517	556,472	15,474,476
Net assets released from restrictions	5,420,237	(5,420,237)	-	-
Change in restrictions	84,383	(142,800)	58,417	-
Total support and revenue	11,144,107	3,715,480	614,889	15,474,476
Expenses and Change in Valuation of Annuity Obligations				
Program services and grants	5,000,183	-	-	5,000,183
Management and general - WWU in-kind	1,525,786	-	-	1,525,786
Management and general - other	238,931	-	-	238,931
Fund raising - WWU in-kind	1,156,892	-	-	1,156,892
Fund raising	896,035	-	-	896,035
Total expenses	8,817,827	-	-	8,817,827
Change in valuation of annuity obligations	1,124	289,883	-	291,007
Total expenses and change in valuation of annuity obligations	8,818,951	289,883	-	9,108,834
Change in Net Assets	2,325,156	3,425,597	614,889	6,365,642
Net Assets, beginning of year	9,846,966	13,392,949	21,567,710	44,807,625
Net Assets, end of year	\$ 12,172,122	\$ 16,818,546	\$ 22,182,599	\$ 51,173,267

See Accompanying Notes to the Financial Statements

WESTERN WASHINGTON UNIVERSITY
 FOUNDATION STATEMENTS OF ACTIVITIES & CHANGES IN
 NET ASSETS

June 30, 2011 and 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010
Support and Revenue				
Contributions	\$ 37,337	\$ 3,238,045	\$ 1,765,421	\$ 5,376,793
Services and facilities provided by Western Washington University	2,617,671	-	-	\$ 2,617,671
Interest and dividends	551,648	420,343	1,002	\$ 972,993
Net realized gains (losses) on investments	1,227	(32,638)	4	(\$ 31,407)
Net unrealized gains (losses) on investments	1,926,731	2,028,039	5,143	\$ 3,959,913
Fund raising events and other	54,716	414,474	300,053	\$ 769,243
Total support and revenue before net assets released from restrictions	5,525,320	6,068,263	2,071,623	13,665,206
Net assets released from restrictions	3,663,167	(3,663,167)	-	-
Change in restrictions	(7,9651)	62,901	16,750	-
Total support and revenue	9,108,886	2,467,997	2,088,373	13,665,206
Expenses and Change in Valuation of Annuity Obligations				
Program services and grants	3,700,171	-	-	3,700,171
Management and general - WWU in-kind	1,268,858	-	-	1,268,858
Management and general - other	206,974	-	-	206,974
Fund raising - WWU in-kind	1,348,813	-	-	1,348,813
Fund raising	261,243	-	-	261,243
Total expenses	6,786,059	-	-	6,786,059
Change in valuation of annuity obligations	312	237,014	-	237,326
Total expenses and change in valuation of annuity obligations	6,786,371	237,014	-	7,023,385
Change in Net Assets	2,322,465	2,230,983	2,088,373	6,641,821
Net Assets, beginning of year	7,524,501	11,161,956	19,479,337	38,165,804
Net Assets, end of year	\$ 9,846,966	\$ 13,392,949	\$ 21,567,710	\$ 44,807,625

See Accompanying Notes to the Financial Statements

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WESTERN WASHINGTON UNIVERSITY
 STATEMENTS OF CASH FLOWS

June 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Tuition and fees	\$ 88,402,182	\$ 80,375,582
Grants and contracts	23,527,054	22,846,670
Payments to vendors	(68,466,742)	(70,388,458)
Payments to employees for salaries and benefits	(153,646,109)	(151,671,022)
Loans issued to students	(1,325,722)	(1,328,887)
Collection of loans to students	1,350,172	1,306,216
Sales of auxiliary enterprises	50,680,489	48,893,026
Sales and services of educational activities	4,784,588	4,897,853
Interest received on loans to students	140,522	144,792
Net cash used by operating activities	(\$ 4,553,566)	(64,924,228)
Cash Flows from Noncapital Financing Activities		
State appropriations	63,760,769	64,621,417
Direct Lending proceeds	66,522,389	60,938,017
Direct Lending disbursements	(66,531,195)	(60,927,005)
Federal Pell grant receipts	13,887,899	11,458,908
Gifts to permanent endowments	-	50,000
Net cash provided by noncapital financing activities	77,639,862	76,141,337
Cash Flows from Investing Activities		
Purchases of investments	(52,910,243)	(19,890,897)
Net proceeds from sales of investments	30,224,758	33,402,898
Interest received on investments	1,022,582	1,603,730
Net cash provided by investing activities	(21,662,903)	15,115,731
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	443,623	150,000
Interest earned on bond proceeds	8,078	44,302
Capital appropriations	28,700,658	22,467,797
Other capital revenue	3,229,426	4,014,907
Proceeds from disposal of capital assets	28,196	28,657
Purchases of capital assets	(46,300,988)	(40,259,571)
Principal paid on capital debt	(3,481,908)	(3,069,460)
Interest paid on capital debt	(4,030,322)	(3,842,789)
Other activities	7,118	15,490
Net cash used by capital and related financing activities	(21,396,119)	(20,450,667)
Net increase in cash and cash equivalents	(19,972,726)	5,882,173
Cash and cash equivalents, beginning of year	57,129,793	51,247,620
Cash and cash equivalents, end of year	\$ 37,157,067	\$ 57,129,793

See Accompanying Notes to the Financial Statements

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The Foundation's financial statements can be obtained by contacting the Foundation at (360) 650-3408.

Financial Statement Presentation
The financial statements are presented in accordance with generally accepted accounting principles and following the guidance given by GASB. The University has special purpose reports reflecting the net assets, results of operations and cash flows for certain auxiliary units: Housing and Dining System, Wade King Recreational Center, Parking Services and Associated Students Bookstore. These financial statements present only a selected portion of the activities of the University. As such, they are not intended to and do not present either the financial position, results of operations, or changes in net assets of the University. The auxiliary unit financial statements can be obtained by contacting Western Washington University at (360) 650-3675.

Basis of Accounting
For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All intra-agency transactions have been eliminated. The University has elected not to apply any FASB pronouncements issued after November 30, 1989.

New Accounting Pronouncements
On July 1, 2009, the University adopted GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets". This pronouncement includes provisions that all intangible assets not specifically excluded by its scope be classified as capital assets. The University has no additional capital assets resulting from this pronouncement.

On July 1, 2009, the University adopted GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments". This pronouncement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The University does not have any derivative instruments within the scope of this standard.

On July 1, 2010, the University adopted GASB Statement No. 54, "Fund Balance Reporting and

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity
Western Washington University (the University) is a comprehensive, degree granting public university in the State of Washington. It is governed by a Board of eight Trustees appointed by the Governor. These financial statements summarize all the fund types of the University including agency funds.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component unit, the Western Washington University Foundation (the Foundation).

The Foundation is a legally separate, tax-exempt entity. The Board of Directors is self-perpetuating and consists of 31 members. The University has an agreement with the Foundation to design and implement such programs and procedures so as to persuade continuous and special philanthropic support for the benefit of the University. In exchange, the University provides the Foundation with office facilities, furniture and equipment, and a significant number of full-time employees and support services, including depository, disbursing, and payroll and purchasing functions. Although the University does not control the timing or amount of receipts from the Foundation, the majority of the resources or income the Foundation holds and invests is restricted for the activities of the University by the donors. The Foundation's activity is reported in separate financial statements because of the difference in its reporting model as described below.

The Foundation reports its financial results under Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 958-605, *Revenue Recognition*, and ASC 958-205, *Presentation of Financial Statements*.

As such, certain revenue recognition criteria and presentation features are different from GASB. No modifications have been made to the Foundation's financial information in the University's financial statements for these differences; however, significant note disclosures (see Note 2) to the Foundation's financial statements have been incorporated into the University's notes to the financial statements.

	2011	2010
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating loss	(\$7,632,639)	(\$8,827,331)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	18,070,849	16,336,531
Amortization of bond issuance cost	191,238	176,100
Gain on disposal of fixed assets	(23,291)	(15,291)
Changes in assets and liabilities:		
Funds with the State Treasurer	2,841,863	(1,373,028)
Accounts receivable	(1,266,260)	316,253
Student loans receivable	(17,655)	(71,288)
Inventories	(113,501)	234,530
Prepaid expenses	(90,502)	(204,820)
Accounts payable and accrued expenses	(65,993)	(162,905)
Deferred revenue	825,679	697,589
Student and other deposits	19,406	9,896
Deposits held in custody	117,087	35,964
Compensated absences	32,562	446
Net pension obligation expense	1,250,591	923,126
Net cash used by operating activities	<u>(\$5,455,356)</u>	<u>(\$6,924,228)</u>
Supplemental disclosure of cash flow information		
Acquisition of capital assets through accounts payable	<u>\$2,399,838</u>	<u>\$8,187,280</u>

See Accompanying Notes to the Financial Statements

Governmental Fund Type Definitions": This pronouncement establishes fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported. The reported fund balances of the University did not change based on this pronouncement.

On July 1, 2010, the University adopted GASB Statement No. 59, "Financial Instruments Omnibus". This pronouncement improves the consistency of investment measurements that are reported by pension and other post-employment benefit plans. The University financial statements did not change based on this pronouncement.

Other Accounting Policies

Cash, Cash Equivalents and Investments
Cash and cash equivalents include cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). Cash and cash equivalents that are held with the intent to fund University operations are classified as current assets along with operating funds invested in the LGIP. Cash, cash equivalents, and investments that represent unspent bond proceeds or are held with the intent to fund capital projects are classified as noncurrent assets. Endowment investments are also classified as noncurrent assets. The University records all cash, cash equivalent, and investments at amortized cost, which approximates fair value.

The University combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated on a proportional basis. The internal investment pool is comprised of cash, cash equivalents, certificates of deposit, U.S. Treasuries and U.S. Agency securities.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from the Federal government, State and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are shown net of estimated uncollectible amounts.

Inventories

Inventories are carried at the lower of cost or market value.

Capital Assets

Land, buildings and equipment are recorded at cost or, if acquired by gift, at fair market value on the date of the gift. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Interest expense incurred during capital construction is capitalized as part of the building cost. During fiscal 2011 and fiscal 2010, \$142,677 and \$176,208 in construction related interest was capitalized, respectively. Depreciation is computed using the straight line method over the estimated useful lives of the assets, generally 40 to 50 years for buildings, 20 to 25 years for infrastructure and land improvements, 15 years for library resources, and 5 to 7 years for equipment.

Bond Premiums/Discounts and Issuance Costs

Bond premiums/discounts and issuance costs are deferred and amortized over the term of the bonds using the effective interest method. The remaining balances of bond premiums/discounts are presented in the Statements of Net Assets net of the face amount of bonds payable. Bond issuance costs are shown as other assets on the Statements of Net Assets.

Deferred Revenues

Deferred revenues occur when revenues have been collected in advance for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but relate to services to be provided in the following fiscal year.

Net Assets

The University's net assets are classified as follows:

Invested in capital assets, net of related debt

This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of

capital assets but are included as a component of restricted expendable net assets described below.

Restricted net assets, expendable

Restricted expendable net assets include resources in which the University is legally or contractually

obligated to spend in accordance with restrictions imposed by external third parties.

Restricted net assets, nonexpendable

Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets

Unrestricted net assets represent resources derived from student tuition and fees, State appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet expenses. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

Classification of Revenues and Expenses

The University has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

Operating revenues

Operating revenues include activities that have the characteristics of exchange transactions such as: (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) most Federal, State and local grants and contracts, and (4) interest on institutional student loans.

Operating expenses

Operating expenses are those costs incurred in daily operations, such as salaries and wages, benefits, scholarships and fellowships expenses, depreciation, utilities, and supplies.

Nonoperating revenues

Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as State appropriations, Federal Pell grant revenue and investment income. Included in fiscal 2010 are State Appropriations one-time Federal Reinvestment and Recovery Act stimulus funds of \$8.9 million.

Nonoperating expenses
Nonoperating expenses include costs related to financing or investing activities such as interest on indebtedness.

Other Revenues

Other revenues include activities that have the characteristics of non-exchange transactions, such as state capital appropriations and gifts to endowments.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or nonoperating revenues in the University's financial Statements.

To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Tax Exemption

The University is a tax-exempt instrumentality of the State of Washington organized under the provisions of Section 115(a) of the Internal Revenue Code and is exempt from Federal income taxes on related income.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

2. COMPONENT UNIT

The Foundation presents information about its financial position and activities according to the following three classes of net assets, depending on the existence and nature of donor restrictions:

Unrestricted net assets

Support received that is not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control is classified as unrestricted.

Temporarily restricted net assets
Support received subject to donor-imposed use restrictions or time restrictions that will be met either through actions of the Foundation or by the passage of time is classified as temporarily restricted. In the period donor restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets
Support received subject to donor-imposed restrictions stipulating that funds be invested in perpetuity is classified as permanently restricted. In accordance with purposes stipulated by the donors, earnings from such funds may be either unrestricted or temporarily restricted.

3. CASH AND CASH EQUIVALENTS

The University combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated to the departments on a proportional basis. The internal investment pool is comprised of cash and cash equivalents and investments.

Cash and cash equivalents include cash on hand, petty cash, change funds, bank balances, and funds held in the Local Government Investment Pool (LGIP).

Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP is an unrated investment pool.

At June 30, 2011 and 2010, the carrying amount of cash and cash equivalents is \$37,457,067 and \$57,129,793, respectively. These balances include restricted cash and cash equivalents of \$2,055,907 and \$6,044,593 of unspent Housing and Dining System bond proceeds at June 30, 2011 and 2010, respectively. The carrying amount of cash and cash equivalents approximates the market value.

4. INVESTMENTS

Investments include internally pooled cash operating funds invested in certificates of deposit (CDs) and U.S. Treasury and Agency securities, renewal and

replacement funds, unspent bond proceeds, and University endowment funds.

The certificates of deposit held in the internal investment pool are insured by the FDIC or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The University held \$6,000,000 and \$18,650,063 of certificates of deposits in pooled investments at June 30, 2011 and 2010, respectively. U.S. Treasury and Agency securities are rated AAA by Standard & Poor's and Fitch and Aaa by Moody's Investors Service. The University held \$35,000,000 and \$0 of U.S. Treasury and Agency securities in the investment pool at June 30, 2011 and 2010, respectively.

The University separately invests the Housing and Dining System Renewal and Replacement funds. As of June 30, 2011 and 2010, the Renewal and Replacement funds of \$2,977,258 and \$2,812,169 were separately invested in CD's.

University endowment funds are invested under the direction of the Endowment Investment Committee. The committee is responsible for reviewing and recommending policy to define investment objectives and allowable investments, monitoring investment performances and social concerns and recommending investments, investment managers, and/or mutual funds. Effective July, 2011 the university endowment funds are invested in accordance with Western Washington University Foundation policy under the direction of the Foundation Finance Committee.

Endowment funds are comprised of \$5,608,043 in donor restricted and unrestricted and \$4,248,581 in quasi endowments at June 30, 2011 and \$4,653,294 in donor restricted and unrestricted and \$3,377,967 in quasi endowments at June 30, 2010.

Interest Rate Risk

The University manages its exposure to fair-value losses in the internal investment pool by limiting the duration of its portfolio to a maximum of 1.82 years, with a target of 1.46 years.

Endowment funds are invested under Endowment Investment Policy guidelines. These guidelines include the primary objective of achieving long-term growth using prudent investing practices and do not limit investment maturities as a means to managing interest rate exposure.

Concentration of Credit Risk
Concentration of credit risk for investments is the risk of loss attributable to the magnitude of an investment in a single issuer. The University does not have a formal policy for managing concentration of credit risk in the internal investment pool. The

Endowment Investment Policy limits the endowment investments to no more than 5.0% of the portfolio for a single issuer.

At June 30, 2011, the University held the following in cash, cash equivalents and investments:

Description	Fair Value	Weighted Average Maturity (in Years)
WWU Investment Pool:		
Cash & Cash Equivalents	\$ 35,101,160	0.003
Time Certificates of Deposits (CDs)	6,000,000	0.046
U.S. Treasuries	5,000,000	0.006
U.S. Agencies	30,000,000	0.722
WWU Endowment Funds:		
Cash & cash equivalents	100,050	0.003
Fixed income investments:		
U.S. Treasuries	271,759	5.500
U.S. Agencies	279,228	4.040
Other fixed income	1,336,638	n/a
Equity investments	6,332,456	n/a
Real estate	515,882	n/a
Alternative investments	1,020,611	n/a
Other Investments:		
Renewal and Replacement Time CDs	2,977,258	0.030
Bond Proceeds Invested in LGIP	2,055,907	0.003
Miscellaneous	1,010	n/a
TOTAL CASH AND INVESTMENTS		
	<u>\$ 90,991,950</u>	

At June 30, 2010, the University held the following in cash, cash equivalents and investments:

Description	Fair Value	Weighted Average Maturity (in Years)
WWU Investment Pool:		
Cash & Cash Equivalents	\$ 51,085,200	0.003
Time Certificates of Deposits (CDs)	18,650,063	0.145
WWU Endowment Funds:		
Mutual Funds - Money Market	1,011,589	1.353
U.S. Treasuries	1,084,631	5.872
U.S. Agencies	1,247,060	2.759
Equity Securities	4,657,981	n/a
Other Investments:		
Renewal and Replacement Time CDs	2,812,169	0.063
Bond Proceeds Invested in LGIP	6,044,593	0.003
Miscellaneous	1,010	n/a
TOTAL CASH AND INVESTMENTS	\$ 86,594,296	

5. FUNDS WITH STATE TREASURER

This account represents the University's share of net earnings of the State of Washington Normal School Permanent Fund and tuition distributions, reduced by expenditures for capital projects and debt service incurred over the years. The Normal School Permanent Fund, established under RCW 43.79.160, is a permanent endowment fund. Earnings from the investment are either reinvested or used for the benefit of Central Washington University, Eastern Washington University, Western Washington University, and The Evergreen State College.

The investing activities are the responsibility of the Washington State Treasurer's Office. The primary

sources of new principal for the Normal School Permanent fund are revenues, primarily timber sales, from certain State lands. The State lands include 100,000 acres granted by the United States government for state normal schools and are managed by the State Department of Natural Resources.

The University's earnings and distributions on the fund for the years ending June 30, 2011 and 2010 are \$3,229,426 and \$4,014,907, respectively, which are reported as other capital revenue.

6. ACCOUNTS RECEIVABLE, NET

At June 30, 2011 and 2010, the major components of accounts receivable are as follows:

	2011	2010
Student tuition and fees	\$1,736,767	\$1,164,003
Federal, State and private grants and contracts	2,316,255	1,448,921
Auxiliary enterprises and other operating activities	697,270	887,683
Total accounts receivable	4,750,293	3,500,607
Less allowance for doubtful accounts	(502,924)	(519,499)
Accounts receivable, net	<u>\$4,247,368</u>	<u>\$2,981,108</u>

7. STUDENT LOANS RECEIVABLE, NET

At June 30, 2011 and 2010, student loans receivable are as follows:

	2011	2010
Federal Perkins student loans	\$8,554,856	\$8,518,653
Other long-term loans	37,203	41,407
Institutional loans	50,817	62,041
Total student loans	8,642,876	8,622,101
Less allowance for doubtful accounts	(933,042)	(929,923)
Student loans receivable, net	<u>\$7,709,833</u>	<u>\$7,692,178</u>

8. INVENTORIES

At June 30, 2011 and 2010, inventories, stated at cost using various methods: retail, first-in, first-out (FIFO), or average cost, consist of the following:

Location	Valuation Method	2011	2010
Bookstore	Retail	\$854,084	\$710,393
Central Stores	Average Cost	103,773	138,134
Facilities Maintenance	FIFO	161,570	152,913
Lock Shop	FIFO	128,460	123,816
Other inventory	FIFO	126,904	136,033
Total inventory		<u>\$1,374,790</u>	<u>\$1,261,289</u>

WESTERN WASHINGTON UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011 and 2010

9. LAND AND CAPITAL ASSETS, NET

The depreciation expense for the fiscal years ended June 30, 2011 and 2010 was \$18,070,849 and \$16,336,531, respectively.

Following are the changes in land and capital assets for the year ended June 30, 2011:

	6/30/2010	Additions/ Transfers	Retirements	6/30/2011
Non-depreciable Capital Assets				
Land	\$12,772,593	\$ -	\$ -	\$12,772,593
Construction in progress	42,880,222	20,150,572	-	63,030,794
Total non-depreciable capital assets	\$55,652,815	\$20,150,572	\$ -	\$75,803,387
Depreciable Capital Assets				
Infrastructure	\$53,656,654	\$ -	\$ -	\$53,656,654
Buildings	377,328,309	5,741,144	-	383,069,453
Furniture, fixtures and equipment	27,364,557	3,174,345	323,097	30,215,805
Library materials, art collection	50,909,835	1,959,928	-	52,869,763
Improvements	60,478,233	9,487,557	-	69,965,790
Total depreciable capital assets	569,737,588	20,362,974	323,097	589,777,465
Less Accumulated Depreciation				
Infrastructure	22,078,690	1,378,414	-	23,457,104
Buildings	119,195,893	8,223,624	-	127,419,517
Furniture, fixtures and equipment	19,306,952	2,554,877	318,192	21,543,637
Library materials, art collection	36,477,412	1,826,028	-	38,303,440
Improvements	15,131,630	4,087,907	-	19,219,537
Total accumulated depreciation	212,190,577	18,070,849	318,192	229,943,234
Capital Assets, Net of depreciation	\$357,547,011	\$2,292,125	\$4,905	\$359,834,231

WESTERN WASHINGTON UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011 and 2010

Following are the changes in land and capital assets for the year ended June 30, 2010:

	6/30/2009	Additions/ Transfers	Retirements	6/30/2010
Non-depreciable Capital Assets				
Land	\$12,772,593	\$ -	\$ -	\$12,772,593
Construction in progress	15,241,879	27,638,343	-	42,880,222
Total non-depreciable capital assets	\$28,014,472	\$27,638,343	\$ -	\$55,652,815
Depreciable Capital Assets				
Infrastructure	\$53,656,654	\$ -	\$ -	\$53,656,654
Buildings	376,526,486	801,823	-	377,328,309
Furniture, fixtures and equipment	38,120,527	2,985,846	13,741,816	27,364,557
Library materials, art collection	48,788,816	2,121,019	-	50,909,835
Improvements	48,818,558	11,659,675	-	60,478,233
Total depreciable capital assets	565,911,041	17,568,363	13,741,816	569,737,588
Less Accumulated Depreciation				
Infrastructure	20,700,230	1,378,460	-	22,078,690
Buildings	110,929,274	8,266,619	-	119,195,893
Furniture, fixtures and equipment	30,680,140	2,355,262	13,728,450	19,306,952
Library materials, art collection	34,830,452	1,646,960	-	36,477,412
Improvements	12,442,400	2,689,230	-	15,131,630
Total accumulated depreciation	209,582,496	16,336,531	13,728,450	212,190,577
Capital Assets, Net of depreciation	\$356,328,545	\$1,231,832	\$13,366	\$357,547,011

10. ART COLLECTIONS

The University has several collections of art that it does not capitalize. The Outdoor Sculpture Collection is a public art collection displayed throughout the entire campus. There are also collections of 19th and 20th century prints and drawings, the Whittington Collection of Asian Ceramics, and the Chair Collection. These collections adhere to the University's policy to (a) maintain

them for public exhibition, education, or research; (b) protect, keep unencumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. The University's policy is to permit collections maintained in this manner to be charged to operations at the time of purchase rather than capitalized.

11. COMPENSATED ABSENCES

The accrued leave balances as of June 30, 2011 and 2010 are \$7,924,797 and \$7,892,235, respectively. This consists of unused vacation leave and compensatory time earned for exempt professionals and classified staff. It also includes a percentage of earned and unused sick leave for exempt professionals and classified staff. For reporting purposes, the entire balance of accrued leave is considered a current liability.

In 2004, the University began participating in the Voluntary Employees' Beneficiary Association Medical Expense Plan (VEBA-MEP). The plan is a post-retirement medical expense reimbursement account available to professional staff employees of the University. The VEBA-MEP enables the University to deposit funds equivalent to the cash-out of compensable unused sick leave at retirement, tax free to a VEBA trust account on the employee's behalf.

Funds deposited into a VEBA-MEP account, as well as the earnings on the accounts, are not subject to federal income or social security taxes. During fiscal 2011 and fiscal 2010, \$34,133 and \$77,556, respectively, were contributed to VEBA accounts by the University on behalf of employees.

12. NOTES PAYABLE

The University finances certain land and equipment purchases through certificates of participation issued by the Washington State Treasurer. The University's debt service requirements for these agreements for the next five years and thereafter are as follows:

Fiscal Year	Principal	Interest
2012	310,586	117,355
2013	249,025	107,843
2014	260,376	99,261
2015	219,463	90,619
2016	197,558	82,504
2017-2021	819,691	302,223
2022-2026	835,000	137,538
2027-2031	190,000	4,275
Total	3,081,699	\$941,618
Plus unamortized premium	20,930	
Total	3,102,629	

13. BONDS PAYABLE

Bonds payable consist of revenue bonds issued by the University for Housing and Dining System facilities and the Wade King Student Recreation Center. Bonds outstanding are shown on the following page.

Housing and Dining Revenue Bonds As specified in Master Resolution 97-09, the Housing and Dining System Revenue Fund is used to pay operating expenses, principal and interest, fund debt service reserve accounts required in subsequent series resolutions, pay the renewal and replacement fund and, if desired, retire debt in the open market. Net revenues are pledged to equal at least 125% of debt service. The System has funded a reserve account for debt service, and maintains a renewal and replacement fund equal to at least 5% of outstanding bonds.

The Housing and Dining System has the following outstanding bond issues:

Series 2009 A and B Revenue Bonds with interest rates ranging from 3.0% to 7.4% and an aggregate

30, 2011, which is reported net of the unamortized original issue premium and loss on defeasance of \$281,743?

Wade King Student Recreation Center Revenue and Refunding Bonds The Recreation Center issued the Revenue Bonds Series, 2002, in February 2002. The bonds bear interest at rates of 4% to 5% and have an aggregate face value of \$24,235,000 at June 30, 2011, which is reported net of the unamortized original issue discount and loss on defeasance of \$300,395.

Advance Refunding The scheduled liabilities as of June 30, 2011 and 2010 do not include \$11,165,000 and 10,725,000

The debt service requirements for the revenue/refunding bonds for the next five years and thereafter are as follows:

Fiscal Year	Housing and Dining Revenue and Refunding Bonds		Student Recreation Center Revenue Bonds	
	Principal	Interest	Principal	Interest
2012	2,680,000	2,783,678	640,000	1,198,750
2013	2,785,000	2,676,712	670,000	1,172,230
2014	2,895,000	2,563,847	700,000	1,142,750
2015	3,025,000	2,443,432	725,000	1,111,250
2016	3,145,000	2,311,835	765,000	1,075,000
2017-2021	18,025,000	9,179,379	4,440,000	4,761,000
2022-2026	15,705,000	4,848,750	5,655,000	3,556,250
2027-2031	4,405,000	2,158,550	7,225,000	1,972,750
2032-2034	3,190,000	479,520	3,415,000	258,250
Total	\$55,855,000	\$29,445,683	24,235,000	\$16,229,230
Unamortized premium/(discount)	(33,067)		(249,902)	
Less unamortized loss on defeasance	1,266,542		(50,493)	
Total	\$54,621,525		23,934,605	

14. PLEDGED REVENUES

The University has pledged certain revenues, net of specified operating expenses, to repay the principal and interest of revenue bonds. The following is a schedule of the pledged revenues and related debt:

Source of Revenue Pledged	Description of Debt	Purpose of Debt	Term of Commitment	Proportion of Debt Service to Pledged Revenues (current yr)
Total Future Revenues Pledged*				
\$85,300,688	Housing and Dining bonds issued in 1998, 2003, 2005, 2006, 2009	Construction and renovation of student housing projects	2034	84.8%
\$40,464,230	Student Recreation Center bonds issued in 2002	Construction of the Student Recreation Center	2033	42.6%

* Total future principal and interest payments on debt

15. LONG TERM LIABILITIES

Following are the changes in long term liabilities for the years ended June 30, 2011, 2011 and 2010:

	6/30/2010	Additions/ Amortization	Retirements	6/30/2011	Current Portion
Bonds and notes payable					
Revenue and refunding bonds	\$81,581,307	\$169,823	\$3,195,000	\$78,556,130	\$3,320,000
Notes payable	2,924,499	465,038	286,908	3,102,629	310,585
Net pension obligation	2,954,864	1,400,000	149,409	4,205,455	214,000
Total long term liabilities	\$87,460,670	\$2,034,861	\$3,631,317	\$85,864,214	\$3,844,585
		Additions/ Amortization	Retirements	6/30/2010	Current Portion
Bonds and notes payable					
Revenue and refunding bonds	\$84,210,207	\$176,100	\$2,805,000	\$81,581,307	\$3,195,000
Notes payable	3,038,959	150,000	264,460	2,924,499	285,216
Net pension obligation	2,031,738	1,053,000	129,874	2,954,864	195,000
Total long term liabilities	\$89,280,904	\$1,379,100	\$3,199,334	\$87,460,670	\$3,675,216

16. LEASES

The University finances certain equipment through non-cancelable operating leases. At June 30, 2011, future payments under these operating leases are as follows:

Fiscal Year	Lease Payment
2012	\$ 845,249
2013	467,727
2014	362,538
2015	335,316
2016	136,507
2017 -2027	408,231
Total minimum lease payments	\$ 2,555,568

17. DEFERRED COMPENSATION

The University, through the State of Washington, offers its employees a Deferred Compensation Plan created under Internal Revenue Code Section 457. The plan, available to all State employees, permits individuals to defer a portion of their

salary until future years. The State of Washington administers the plan on behalf of the University's employees; the University does not have legal access to the funds.

18. OPERATING EXPENSES BY FUNCTIONAL CATEGORIES

In the Statement of Revenues, Expenses and Changes in Net Assets, operating expenses are displayed by natural classifications which include salaries, employee benefits, goods and services, and other similar categories.

Operating expenses by functional classification for the years ended June 30, 2011 and 2010 are as follows:

	2011	2010
Operating Expenses		
Instruction	90,067,491	87,127,977
Research	4,861,733	5,066,585
Academic Support	10,925,640	11,295,613
Student Services	16,166,086	16,162,863
Institutional Support	17,585,199	19,415,907
Operation and Maintenance of Plant	45,299,943	38,718,526
Scholarships and other student aid	17,805,709	17,544,179
Auxiliary enterprise expenditures	41,518,151	42,657,810
Total operating expenses	244,229,958	237,989,460

19. PENSION PLANS

The University offers four contributory pension plans: the Washington State Public Employees' Retirement System (PERS) plan, the Washington State Teachers Retirement System (TRS), and the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) and the Western Washington University Retirement Plan (WWURP).

The payroll for the University employees covered by PERS for the year ended June 30, 2011 and 2010 is \$33,254,220 and \$34,382,460; the payroll for employees covered by TRS is \$97,518 and \$1,096,647; the payroll covered by WWURP is \$72,672,927 and \$72,402,864; the payroll for LEOFF is \$768,010 and \$654,234, respectively.

Western Washington University Retirement Plan (WWURP)

Plan Description

The Western Washington University Retirement Plan (WWURP) is a defined contribution pension plan with a supplemental payment, when required. The

The WWURP contributions for the years ending June 30, 2011, and 2010 are as follows:

	2011	2010
Employee	\$5,624,889	\$5,598,912
University	5,612,217	5,595,963

Supplemental Component

The supplemental payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date.

The University makes direct payments to qualified retirees when the retirement benefit provided by the fund sponsor does not meet the benefit goal.

The University received an actuarial evaluation of the supplemental component of the WWURP during fiscal 2011. The previous evaluation was performed in 2009. The Unfunded Actuarial Accrued Liability (UAL) calculated as of June 30, 2011 and 2009 was

WWURP plan covers faculty, professional staff, and certain other employees. It is administered by the University. The University's Board of Trustees 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 member's option. Employees have at all times a 100% vested interest in their accumulations.

Funding Policy

Employee contribution rates, which are based on age, range from 5% to 10% of salary. The University matches the employee contributions. All required employer and employee contributions have been made.

The following table reflects the activity in the Net Pension Obligation for the year ended June 30, 2011:

Balance as of June 30, 2009	\$2,031,738
Annual Required Contribution FY10	1,053,000
Payments to Beneficiaries FY10	(129,874)
Balance as of June 30, 2010	2,954,864
Annual Required Contributions FY11	1,400,000
Payments to Beneficiaries FY11	(149,409)
Balance as of June 30, 2011	<u>\$4,205,455</u>

PERS, TRS and LEOFF

Plan Description

The University contributes to PERS, TRS and LEOFF cost sharing multiple-employer defined benefit pension plans administered by the State of Washington Retirement System.

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.

Funding Policy

Each biennium, the Office of the State Actuary, using funding methods prescribed by statute, determines actuarially required employee and/or employer contribution rates for PERS, TRS, and LEOFF plans, except where employee contribution rates are set by statute. All employers are required to contribute at the level established by State law.

The required contribution rates expressed as a percentage of current year covered payroll at June 30, 2011 follow:

	Employee	University
PERS		
Plan I	6.00%	5.31%
Plan II	3.90%	5.31%
Plan III	5%-15%	5.31%
TRS		
Plan I	6.00%	6.14%
Plan II	3.36%	6.14%
Plan III	5%-15%	6.14%
LEOFF		
Plan II	8.46%	5.24%

The required contributions for the years ending June 30, 2011 and 2010 are as follows:

	2011	2010
PERS		
Employee	\$1,466,592	\$1,518,542
University	1,738,991	1,794,471
TRS		
Employee	28,122	32,253
University	26,711	32,890
LEOFF		
Employee	65,066	55,337
University	66,202	56,384

All required employer and employee contributions have been made.

20. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Health care and life insurance programs for employees of the State of Washington are administered by the Washington State Health Care Authority (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.

State of Washington 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 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

Washington Office of the State Actuary calculated the total OPEB obligation of the State of Washington 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

21. RISK MANAGEMENT

The University participates in a State of Washington risk management self-insurance program. Premiums to the State are based on actuarially determined projections and include allowances for payments of both outstanding and current liabilities. The University self-insures unemployment compensation for all employees.

In addition, sufficient insurance coverage for property casualty loss on the residence halls and the Wade King Student Recreation Center is maintained in accordance with the Housing and Dining System and Wade King Student Recreation Center Master Bond Resolutions.

22. COMMITMENTS

Goods and services for operating and capital projects, contracted for but not yet received, are considered commitments at year end. The amount of these commitments at June 30, 2011 and 2010 are:

	2011	2010
Operating	\$4,589,201	\$4,599,505
Research	785,125	359,320
Capital projects	14,398,499	33,577,523
Total commitments	\$19,772,825	\$38,536,348

23. JOINT VENTURE

In fiscal 2010, the University participated in the formation of a not-for-profit corporation titled Western Crossing Development Corporation (WCDC). WCDC was formally incorporated pursuant to the articles of incorporation dated October 7, 2009 and is a 501(c)(3) corporation under the Internal Revenue code of 1986, amended. The five member Board of Directors includes a member of the University Board of Trustees

appointed by the University Board of Trustees, the President of the University, a member of the Commission of the Port of Bellingham appointed by the Commission of the Port, the Executive Director who was appointed by a majority vote of the other four board members who are not affiliated with either entity. The board of directors may in the future allow other Washington governments or



NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011 and 2010

educational institutions to become members under such terms and conditions as they determine. The purpose of the joint venture is to help facilitate the timely development of new facilities on the Bellingham waterfront. This investment is not reflected on the University's Statement of Net Assets.

APPENDIX D
FORM OF BOND COUNSEL OPINION

July 19, 2012

Western Washington University
Bellingham, Washington

UBS Financial Services Inc.
New York, New York

Re: Western Washington University Housing and Dining System Revenue Refunding Bonds, Series 2012 - \$9,205,000

Ladies and Gentlemen:

We have acted as bond counsel to Western Washington University (the "University") and have examined a certified transcript of the proceedings taken in the matter of the issuance by the University, of its Housing and Dining System Revenue Refunding Bonds, Series 2012, in the aggregate principal amount of \$9,205,000 (the "Series 2012 Bonds"), issued pursuant to Resolution No. 97-09 of the University, adopted on December 5, 1997 (the "Master Resolution") and Resolution No. 2012-03 of the University, adopted on June 8, 2012, (the "Series Resolution," which Master Resolution and Series Resolution are herein collectively referred to as the "Bond Resolution") for the purpose of providing funds to refund certain outstanding housing and dining bonds of the University and to pay issuance costs. Capitalized terms used herein which are not otherwise defined shall have the meanings given such terms in the Bond Resolution.

The Series 2012 Bonds are subject to redemption prior to their stated maturities as set forth in the Official Statement dated June 27, 2012.

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 Series 2012 Bonds have been legally issued and constitute valid and binding 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 "Western Washington University Housing and Dining System Revenue Bond Fund, Series 2012" (the "Series 2012/2013 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 Series 2012 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 Series 2012/2013 Bond Fund out of Net Revenues or from such other money as may be provided for such purpose amounts necessary to pay the principal of and interest on the Series 2012 Bonds as the same become due.

3. The University has pledged in the Bond Resolution that payments to be made out of Gross Revenue and moneys in the Revenue Fund into the Series 2012/2013 Bond Fund shall be a prior lien and charge upon Gross Revenue and moneys in the Revenue Account superior to all other charges of any kind or nature except for the Operating Expenses of the System; and equal in rank to its Housing and Dining System Junior Lien Revenue Refunding Bonds, 1998 Series A, its Housing and Dining System Revenue and Refunding Bonds, Series 2003, its Housing and Dining System Revenue Refunding Bonds, Series 2005, its Housing and Dining System Revenue Bonds, Series 2006, its Housing and Dining System Revenue Bonds, Series 2009A (Tax-Exempt), its Housing and Dining System Revenue Bonds, Series 2009B (Taxable – Build America Bonds) and the lien and charge thereon of any other revenue bonds hereafter issued on a parity

with the Series 2012 Bonds as provided in the Bond Resolution. The University has reserved the right to issue bonds in the future with a lien against the Net Revenue equivalent to the lien thereon of the Series 2012 Bonds.

4. Interest on the Series 2012 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 Series 2012 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 Series 2012 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 Series 2012 Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2012 Bonds.

The University has not designated the Series 2012 Bonds as "qualified tax-exempt obligations" under 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 Series 2012 Bonds. Owners of the Series 2012 Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Series 2012 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.

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 Series 2012 Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto or relating to the undertaking of 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

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 Bond 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.
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 Bond 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 Bond 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 Bond 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 Bond 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.