New Issue	**Moody's Rating: Aaa**
Book-Entry Only	**S&P Global Rating: AA+**
Not Bank Qualified	**(See "OTHER BOND INFORMATION—Ratings")**

In the opinion of Pacifica Law Group LLP, Seattle, Washington, Bond Counsel, under existing law and subject to certain qualifications described herein, interest on the 2016A Bonds is excludable from gross income for federal income tax purposes. In addition, interest on the 2016A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the 2016A Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. See "TAX MATTERS RELATING TO THE 2016A BONDS" herein. Interest on the 2016B Bonds is not intended to be excluded from gross income for federal income tax purposes. See "CERTAIN INCOME TAX CONSEQUENCES RELATING TO THE 2016B BONDS" herein.

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UNIVERSITY of
WASHINGTON

UNIVERSITY OF WASHINGTON

$195,145,000	**$10,015,000**
General Revenue and Refunding Bonds, 2016A	**General Revenue Refunding Bonds, 2016B (Taxable)**

Dated: Date of delivery **Due: December 1, as shown on the inside cover**

The University of Washington (the "University") is issuing its General Revenue and Refunding Bonds, 2016A (the "2016A Bonds") and its General Revenue Refunding Bonds, 2016B (Taxable) (the "2016B Bonds" and, together with the 2016A Bonds, the "Bonds"). The Bonds are issuable only as fully registered obligations and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form, in denominations of $5,000 each and integral multiples thereof within a series and maturity. Purchasers will not receive certificates representing their interests in the Bonds, except as described herein. So long as DTC or its nominee is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made directly to DTC or to such nominee. Disbursements of such payments to DTC's Direct Participants are the responsibility of DTC, and disbursements of such payments to the Beneficial Owners are the responsibility of the Direct Participants and the Indirect Participants, as more fully described in Appendix D.

The University is issuing the Bonds to pay, or pay commercial paper issued to finance, costs of University projects; to defease and advance refund a portion of the University's outstanding General Revenue Refunding Bonds, 2008; and to pay costs of issuance and refunding costs.

Interest on the Bonds from their date of delivery is payable on December 1 and June 1 of each year, commencing June 1, 2017. The fiscal agent of the State of Washington (the "State"), is the registrar, authenticating agent and paying agent for the Bonds.

The Bonds are subject to redemption prior to maturity as described in this Official Statement.

The Bonds are special fund obligations of the University, payable from General Revenues, as defined herein. The Bonds are not an obligation, either general, special or moral, of the State. General Revenues include all non-appropriated income, revenues and receipts of the University if and to the extent such funds are not restricted in their use by law, regulation or contract. The University has no taxing power.

The University reserves the right to include in General Revenues other sources of revenue or income upon compliance with certain conditions, and to exclude items from General Revenues in the future. The University has previously issued bonds and commercial paper notes payable from General Revenues and has entered into lease and other financing arrangements payable from General Revenues. The University may issue additional bonds or enter into leases or other contractual obligations payable from General Revenues.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued, subject to receipt of the approving legal opinion of Pacifica Law Group LLP, Seattle, Washington, "Bond Counsel." Certain legal matters will be passed upon for the Underwriters by their counsel, Foster Pepper PLLC, Seattle, Washington. It is expected that delivery of the Bonds will be made by *Fast Automated Securities Transfer* through DTC in New York, New York, on or about November 9, 2016.

BofA MERRILL LYNCH

BARCLAYS **CITIGROUP** **DREXEL HAMILTON**

Official Statement Dated: October 18, 2016

UNIVERSITY OF WASHINGTON

GENERAL REVENUE AND REFUNDING BONDS, 2016A
$195,145,000

Maturity Year December 1	Principal Amount	Interest Rate	Yield	CUSIP[1] Number
2017	$ 2,575,000	5.00%	0.75%	91523NQP4
2018	5,110,000	5.00	0.95	91523NQQ2
2019	5,355,000	5.00	1.07	91523NQR0
2020	5,620,000	5.00	1.18	91523NQS8
2021	5,900,000	5.00	1.29	91523NQT6
2022	4,375,000	5.00	1.40	91523NQU3
2023	4,560,000	4.00	1.55	91523NQV1
2024	4,765,000	5.00	1.70	91523NQW9
2025	4,990,000	5.00	1.86	91523NQX7
2026	5,240,000	5.00	2.01	91523NQY5
2027	5,490,000	5.00	2.12[2]	91523NQZ2
2028	5,755,000	5.00	2.23[2]	91523NRA6
2029	6,045,000	5.00	2.33[2]	91523NRB4
2030	6,345,000	5.00	2.40[2]	91523NRC2
2031	5,650,000	5.00	2.47[2]	91523NRD0
2032	5,930,000	5.00	2.53[2]	91523NRE8
2033	6,235,000	5.00	2.59[2]	91523NRF5
2034	6,545,000	5.00	2.63[2]	91523NRG3
2035	6,875,000	5.00	2.67[2]	91523NRH1
2036	7,225,000	5.00	2.69[2]	91523NRJ7

$37,385,000, 4.00% Term Bond, due December 1, 2041
(Yield of 3.11%[2]), CUSIP[1] No. 91523NRK4

$47,175,000, 5.25% Term Bond, due December 1, 2046
(Yield of 2.81%[2]), CUSIP[1] No. 91523NRL2

GENERAL REVENUE REFUNDING BONDS, 2016B (TAXABLE)
$10,015,000

Maturity Year December 1	Principal Amount	Interest Rate	Yield	CUSIP[1] Number
2017	$ 90,000	5.00%	1.00%	91523NRM0
2018	970,000	5.00	1.05	91523NRN8
2019	1,015,000	5.00	1.30	91523NRP3
2020	1,045,000	1.55	1.55	91523NRQ1
2021	1,060,000	1.80	1.80	91523NRR9
2022	465,000	2.05	2.05	91523NRS7
2023	475,000	2.25	2.25	91523NRT5
2024	480,000	2.40	2.40	91523NRU2
2025	490,000	2.50	2.50	91523NRV0
2026	495,000	2.60	2.60	91523NRW8
2027	505,000	2.75	2.75	91523NRX6
2028	515,000	2.85	2.85	91523NRY4
2029	530,000	3.00	3.00	91523NRZ1
2030	540,000	3.10	3.10	91523NSA5
2031	210,000	3.15	3.15	91523NSB3

$1,130,000, 3.40% Term Bond, due December 1, 2036
(Yield of 3.40%), CUSIP[1] No. 91523NSC1

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(2) Priced to the par call date of December 1, 2026.

UNIVERSITY OF WASHINGTON
4311 11th Avenue NE, Suite 600
Seattle, Washington 98105-4608
Telephone: (206) 685-1822
Website: http://f2.washington.edu/treasury(1)

BOARD OF REGENTS

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Ana Mari Cauce	President
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Dr. Paul G. Ramsey	Executive Vice President for Medical Affairs
Elizabeth Cherry	Associate Vice Provost of Compliance and Risk Services and Interim Vice President of Finance and Facilities

BOND COUNSEL
Pacifica Law Group LLP
Seattle, Washington

FINANCIAL ADVISOR
Piper Jaffray & Co.
Seattle, Washington

REGISTRAR
U.S. Bank National Association
Seattle, Washington

(1) The University's website and other websites referenced herein are not part of this Official Statement, and investors should not rely on information presented on the University's or other websites in determining whether to purchase the Bonds. This inactive textual reference to the University's website and other website references herein are not hyperlinks and do not incorporate the University's or other websites by reference.
(2) Pending State Senate confirmation.
(3) Student Regent (serves a one-year term).
(4) Regents continue to serve until a successor is appointed, or the Regent resigns or is reappointed by the Governor. As of this date, the Governor has not announced a reappointment or replacement for Regents with terms ending on September 30, 2016.

No dealer, broker, salesperson or any other person has been authorized to give any information or to make any representation, other than the information and representations contained in this Official Statement, in connection with the sale of the Bonds and, if given or made, such information or representation must not be relied upon as having been authorized by the University. This Official Statement does not constitute an offer to sell or a solicitation or sale of the Bonds.

Certain statements contained in this Official Statement do not reflect historical facts but are forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, words such as "estimate," "project," "anticipate," "expect," "intend," "forecast," "plan," "believe" and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

CUSIP numbers are included in this Official Statement for convenience of the holders and potential holders of the Bonds. The CUSIP numbers were provided by CUSIP Global Services. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance and delivery of the Bonds. Neither the University nor the Underwriters take any responsibility for the accuracy of such CUSIP numbers.

This Official Statement is not to be construed as a contract or agreement between the University and purchasers or owners of any of the Bonds.

TABLE OF CONTENTS

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OFFICIAL STATEMENT

UNIVERSITY OF WASHINGTON

$195,145,000 General Revenue and Refunding Bonds, 2016A	$10,015,000 General Revenue Refunding Bonds, 2016B (Taxable)

INTRODUCTORY STATEMENT

This Official Statement, including the inside cover, table of contents and appendices, provides information regarding the University of Washington (the "University"), its General Revenue and Refunding Bonds, 2016A (the "2016A Bonds") and its General Revenue Refunding Bonds, 2016B (Taxable) (the "2016B Bonds" and, together with the 2016A Bonds, the "Bonds").

The University is issuing the Bonds (a) to pay, or to pay commercial paper issued to finance, costs of University projects; (b) to defease and advance refund a portion of the University's General Revenue Refunding Bonds, 2008 (as refunded, the "Refunded Bonds"); and (c) to pay costs of issuance and the administrative costs of the refunding. See "SOURCES AND USES OF BOND PROCEEDS." The fiscal agent of the State of Washington (the "State") has been appointed as the fiscal agent and registrar (the "Registrar") for the Bonds.

The University is issuing the Bonds pursuant to chapter 28B.142 of the Revised Code of Washington ("RCW"). The issuance of the Bonds was authorized pursuant to a resolution of the Board of Regents of the University adopted on July 14, 2016 (the "Resolution").

Brief descriptions of the Bonds, the University, the Registrar, the Resolution, and certain statutes and agreements are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references to the statutes, agreements, or other instruments described herein are qualified in their entirety by reference to each such document, statute, or other instrument. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds shall under any circumstances create any implication that there has been no change in the affairs of the University since the date of this Official Statement. Capitalized terms used in this Official Statement but not defined herein have the meanings set forth in the Resolution, a copy of which is included in this Official Statement as Appendix A.

THE BONDS

General

The Bonds will be dated their date of delivery and will bear interest at the rates set forth on the inside cover of this Official Statement. The Bonds will mature on December 1 in the years set forth on the inside front cover, subject to prior redemption. The interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds is payable on each December 1 and June 1, commencing June 1, 2017.

The Bonds will be issued as fully registered bonds in denominations of $5,000 each or any integral multiple of $5,000 within a series and maturity (each an "Authorized Denomination"). The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to DTC's book-entry only system (the "Book-Entry Only System"). Purchases of beneficial interests in the Bonds will be made in book-entry form only. If at any time the Book-Entry Only System is discontinued for the Bonds, the Bonds will be exchangeable for other fully registered certificated Bonds of the same series and maturity in Authorized Denominations. See Appendices A and D.

For so long as Cede & Co. is the Registered Owner of the Bonds, interest and principal shall be paid and delivery shall be made as described in the operational arrangements referred to in the Letter of Representations and pursuant to DTC's standard procedures. See Appendices A and D.

The interest due on any Bond on any Interest Payment Date shall be paid to the Registered Owner of such Bond as shown on the Bond Register as of the 15th day (whether or not a Business Day) of the month next preceding each Interest Payment Date (the "Record Date"). If the Bonds are no longer held in book-entry only form, the interest on the Bonds shall be payable by check, provided that any Registered Owner of $1,000,000 or more in aggregate principal amount of the Bonds, upon written request given to the Registrar at least five business days prior to the Record Date designating an account in a domestic bank, may be paid by wire transfer of immediately available funds. If the Bonds are no longer held in book-entry only form, all payments of principal shall be made solely upon presentation of the Bond to the Registrar.

Registrar

The University has adopted the system of registration for the Bonds approved, from time to time, by the State Finance Committee (the "Committee"). Pursuant to chapter 43.80 RCW, the Committee designates one or more fiscal agencies for bonds issued within the State. The State's fiscal agent, currently U.S. Bank National Association, will authenticate the Bonds and act as the paying agent and registrar for the purpose of paying the principal of and interest on the Bonds, recording the purchase and registration, exchange or transfer, and payment of Bonds and performing the other respective obligations of the paying agent and registrar.

Optional Redemption

The 2016A Bonds. The 2016A Bonds maturing on and after December 1, 2027, are subject to redemption at the option of the University, as a whole or in part on any date on or after December 1, 2026, at a redemption price equal to 100 percent of the principal amount thereof, plus interest accrued to the date fixed for redemption.

The 2016B Bonds. The 2016B Bonds maturing on and after December 1, 2027, are subject to redemption at the option of the University, as a whole or in part on any date on or after December 1, 2026, at a redemption price equal to 100 percent of the principal amount thereof, plus interest accrued to the date fixed for redemption.

The 2016B Bonds also are subject to redemption at the option of the University as a whole or in part on any date, with the maturities to be selected by the University, and within a maturity on a "pro rata pass-through distribution of principal" basis or, if the 2016B Bonds are no longer in book-entry only form, on a *pro rata* basis, at the redemption price described below (the "Make-Whole Redemption Price").

The Make-Whole Redemption Price is equal to the greater of (1) 100 percent of the principal amount of the 2016B Bonds to be redeemed; or (2) the sum of the present value of the remaining scheduled payments of principal and interest on the 2016B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2016B Bonds are to be redeemed, discounted to the date on which the 2016B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 20 basis points (0.20 percent); plus, in each case, accrued interest on the 2016B Bonds to be redeemed to the date on which the 2016B Bonds are to be redeemed.

"Treasury Rate" means, with respect to any redemption date for a particular 2016B Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, truncated to the fifth decimal, assuming that the Comparable Treasury Issue is purchased on such redemption date for a price equal to the Comparable Treasury Price.

"Comparable Treasury Issue" means, with respect to any redemption date for a particular 2016B Bond, the United States Treasury security or securities that has an actual or interpolated maturity comparable to the remaining average life of such 2016B Bond, as determined by an investment banking firm or financial advisory firm retained by the University, that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of such 2016B Bond.

"Comparable Treasury Price" means, with respect to any redemption date for a particular 2016B Bond, the price of the Comparable Treasury Issue, as determined by an investment banking firm or financial advisory firm retained by the University.

Selection of Bonds for Redemption. If the University elects to redeem fewer than all of the Bonds for optional redemption, the University shall select the series, amount and maturities to be redeemed. In no event shall any Bond be Outstanding in a principal amount that is not an Authorized Denomination. If less than all the Outstanding Bonds within a series and maturity are to be redeemed, the Bonds to be redeemed shall be selected in accordance with the then effective operational arrangements of DTC referred to in the Letter of Representations, with the 2016A Bonds being redeemed randomly and the 2016B Bonds being redeemed on a "pro rata pass-through distribution of principal" basis or, if the Bonds are no longer in book-entry only form, the 2016A Bonds shall be selected randomly by the Registrar and the 2016B Bonds shall be selected on a *pro rata* basis.

Notice of Redemption. For so long as the book entry-only system is in effect, notice of redemption shall be provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations, and no additional published or other notice shall be provided by the University. Notice of redemption may be conditional. Notice of redemption shall be given by the University to the Registrar, who shall give notice to DTC at least 20 days prior to the proposed date of redemption.

Conditional Redemption. Any notice for redemption may be conditional, in which case the conditions shall be set forth therein.

Effect of Redemption. If an unconditional notice of redemption has been given or if a conditional notice of redemption has been given and the conditions set forth in a conditional notice of redemption have been satisfied, then on the Redemption Date the Bonds or portions thereof so called for redemption shall become payable at the Redemption Price specified in such notice; and from and after the Redemption Date, interest thereon or on portions thereof so called for redemption shall cease to accrue, and such Bonds or portions thereof shall cease to be Outstanding and to be entitled to any benefit, protection or security under the Resolution. Thereafter the Owners of such Bonds or portions thereof shall have no rights in respect thereof except to receive payment of the Redemption Price upon delivery of such Bonds to the Registrar.

Any notice mailed as described above will be conclusively presumed to have been given, whether or not actually received by any owner of a Bond. The failure to mail notice with respect to any Bond will not affect the validity of the proceedings for the redemption of any other Bond with respect to which notice was so mailed.

Mandatory Sinking Fund Redemption

The 2016A Bonds maturing on December 1, 2041 (the "2041 Term Bonds"), are subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption on December 1 in the years and amounts as follows:

Date	Mandatory Sinking Fund Redemption
2037	$ 6,890,000
2038	7,175,000
2039	7,465,000
2040	7,770,000
2041*	8,085,000

* Maturity.

The 2016A Bonds maturing on December 1, 2046 (the "2046 Term Bonds") are subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption on December 1 in the years and amounts as follows:

Date	Mandatory Sinking Fund Redemption
2042	$ 8,470,000
2043	8,930,000
2044	9,410,000
2045	9,915,000
2046*	10,450,000

* Maturity.

The 2016B Bonds maturing on December 1, 2036 (the "2036 Term Bonds" and together with the 2041 Term Bonds and 2046 Term Bonds, the "Term Bonds") are subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption on December 1 in the years and amounts as follows:

Date	Mandatory Sinking Fund Redemption
2032	$ 215,000
2033	220,000
2034	225,000
2035	230,000
2036*	240,000

* Maturity.

If the University redeems the Term Bonds under the optional redemption provisions described above or purchases or defeases Term Bonds, the Term Bonds so redeemed, purchased, or defeased (irrespective of their actual redemption or purchase prices) will be credited at the par amount thereof against one or more scheduled mandatory redemption amounts for the Term Bonds in accordance with the then effective operational arrangements of DTC referred to in the Letter of Representations, with the 2016A Bonds being redeemed in the scheduled redemption amounts to be selected by the University, and randomly within each scheduled redemption amount, and with the 2016B Bonds being redeemed on a "pro rata pass-through distribution of principal" basis. In the event the Bonds are no longer in book-entry only form, the 2016A Bonds shall be redeemed in the scheduled redemption amounts to be selected by the University, and randomly within each scheduled redemption amount, and the 2016B Bonds shall be redeemed on a *pro rata* basis.

Purchase of Bonds by the University

The University may acquire Bonds by purchase of Bonds offered to the University at any time at such purchase price as the University deems appropriate, or by gift at any time on terms as the University deems appropriate. The Resolution does not require that Bonds so acquired be cancelled.

Defeasance

Any Bonds shall be deemed to have been paid and not Outstanding under the Resolution and shall cease to be entitled to any benefit or security of the Resolution except the right to receive the money and the proceeds and income from Government Obligations set aside and pledged in the manner hereafter described, if (a) in the event that any or all of the Bonds are to be optionally redeemed, the University shall have given to the Registrar irrevocable instructions to give such notice of redemption of such Bonds as may be required by the provisions of the Resolution; (b) there shall have been made an Irrevocable Deposit, in trust, with the Registrar or another corporate fiduciary of money in an amount which shall be sufficient, and/or noncallable Government Obligations maturing at such time or times and bearing such interest to be earned thereon, without considering any earnings on the reinvestment thereof, as will provide a series of payments which shall be sufficient, together with any money initially deposited, to provide for the payment of the principal of and the interest on the defeased Bonds when due in accordance with their terms, or upon the earlier prepayment thereof in accordance with a refunding plan; and (c) there shall have been delivered to the University an opinion of Bond Counsel, to the effect that interest on the 2016A Bonds will not become subject to federal income taxation by reason of such defeasance.

As currently defined in chapter 39.53 RCW, "Government Obligations" means: (a) direct obligations of or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, and bank certificates of deposit secured by such obligations; (b) bonds, debentures, notes, participation certificates or other obligations issued by the Banks for Cooperatives, the Federal Intermediate Credit Bank, the Federal Home Loan Bank System, the Export-Import Bank of the United States, federal land banks or the Federal National Mortgage Association; (c) public housing bonds and project notes fully secured by contracts with the United States; and (d) obligations of financial institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, to the extent insured or guaranteed as permitted under any other provision of State law.

If the University defeases any 2016B Bonds, such 2016B Bonds may be deemed to be retired and "reissued" for federal income tax purposes as a result of the defeasance. In such event, the Owner of a 2016B Bond would recognize a gain or loss on the 2016B Bond at the time of defeasance. See "CERTAIN INCOME TAX CONSEQUENCES RELATING TO THE 2016B BONDS."

SOURCES AND USES OF BOND PROCEEDS

Use of Proceeds

2016A Bonds. The proceeds from the sale of the 2016A Bonds are to be applied, together with a University cash contribution, (a) to pay, or pay commercial paper issued to finance, costs of University projects including the construction of academic, research, and housing and dining facilities and an expansion of UW Medical Center; (b) to defease and refund a portion of the Refunded Bonds for debt service savings; and (c) to pay a portion of costs of issuance and the administrative costs of the refunding.

2016B Bonds. The proceeds from the sale of the 2016B Bonds will be used, together with a University cash contribution, (a) to refund the portion of the Refunded Bonds not eligible for refunding on a tax-exempt basis for debt service savings; and (b) for payment of a portion of costs of issuance and the administrative costs of the refunding.

Refunding Plan

The University will refund the following Refunded Bonds for aggregate debt service savings.

REFUNDED BONDS

General Revenue Refunding Bonds, 2008

Maturity Date (December 1)	Interest Rate	Par Amount	Call Date	Call Price	CUSIP Nos.
2018	4.000%	$ 3,420,000	12/01/2017	100	91523NEY8
2019	5.000	3,555,000	12/01/2017	100	91523NEZ5
2020	5.000	3,730,000	12/01/2017	100	91523NFA9
2021	5.000	3,905,000	12/01/2017	100	91523NFB7
2022	4.250	1,650,000	12/01/2017	100	91523NFC5
2023	4.375	1,710,000	12/01/2017	100	91523NFD3
2024	4.500	1,770,000	12/01/2017	100	91523NFE1
2025	4.500	1,835,000	12/01/2017	100	91523NFF8
2026	4.500	1,905,000	12/01/2017	100	91523NFG6
2027	4.500	1,970,000	12/01/2017	100	91523NFH4
2028	4.625	2,045,000	12/01/2017	100	91523NFJ0
2036(1)	4.750	10,725,000	12/01/2017	100	91523NFK7
Total		$38,220,000			

(1) Term Bonds.

A portion of the proceeds of the Bonds, together with cash to be contributed from accounts held in connection with the Refunded Bonds, will be escrowed to the redemption date for the Refunded Bonds at which time the Refunded Bonds will be redeemed at a price of par plus accrued interest to the date of redemption. To fund the escrow, the University will purchase certain direct non-callable Government Obligations. These Government Obligations will be deposited in the custody of U.S. Bank National Association (the "Escrow Agent"). The maturing principal of the Government Obligations, interest earned thereon, and necessary cash balance, if any, will provide payment of:

(a) interest on the Refunded Bonds when due up to and including the redemption date; and

(b) on the redemption date, the redemption price of the Refunded Bonds.

The Government Obligations, interest earned thereon, and necessary cash balance, if any, will irrevocably be pledged to and held in trust for the benefit of the owners of the Refunded Bonds by the Escrow Agent, pursuant to an escrow deposit agreement to be executed by the University and the Escrow Agent.

Verification of Mathematical Calculations

Causey Demgen & Moore P.C. will verify 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 money in the escrow account to pay when due, pursuant to the call for redemption, the principal of and interest on the Refunded Bonds. The verification will also confirm the mathematical computations supporting the conclusion of Bond Counsel that the 2016A Bonds are not "arbitrage bonds" as defined by Section 148 of the Internal Revenue Code of 1986, as amended (the "Tax Code").

Sources and Uses of Funds

The proceeds of the Bonds are to be applied, together with other funds, as follows (amounts in table have been rounded to the nearest dollar):

Sources of Funds	**2016A Bonds**	**2016B Bonds**	**Total[(1)]**
Par Amount of the Bonds	$ 195,145,000	$ 10,015,000	$ 205,160,000
Original Issue Premium	35,401,486	194,029	35,595,516
Cash Contributions[(2)]	582,543	201,212	783,754
Total Sources of Funds[(1)]	$ 231,129,029	$ 10,410,241	$ 241,539,270
Uses of Funds			
Project Fund Deposit[(3)]	$ 200,000,000	$ --	$ 200,000,000
Escrow Deposit	30,265,567	10,364,898	40,630,465
Issuance Costs[(4)]	863,462	45,343	908,805
Total Uses of Funds[(1)]	$ 231,129,029	$ 10,410,241	$ 241,539,270

(1) Totals may not foot due to rounding.
(2) Includes amounts to be contributed from accounts held in connection with the Refunded Bonds and an additional University contribution.
(3) Includes payment of approximately $45 million of University's outstanding General Revenue Notes (Commercial Paper).
(4) Issuance costs include Underwriters' discount, legal fees, Financial Advisor's fees, Escrow Agent fees, verification agent fees, rating agency fees, additional proceeds, and other costs incurred in connection with the issuance of the Bonds and the refunding of the Refunded Bonds.

SECURITY FOR THE BONDS

Special Limited Obligations

The Bonds are special fund obligations of the University, payable from General Revenues and the money and investments that are deposited into the special fund designated as the General Revenue Bond Redemption Fund, 2016 (the "Bond Fund"). The Bonds are not an obligation, either general, special or moral, of the State, nor a general or moral obligation of the University. The Registered Owners of the Bonds shall have no right to require the State, nor has the State any obligation or legal authorization, to levy any taxes or appropriate or expend any of its funds for the payment of the principal of or the interest or any premium on the Bonds. **The University has no taxing power.**

The University is obligated to pay debt service on the Bonds from General Revenues; however, the obligations of the University are not secured by a statutory lien on or security interest in General Revenues. The University's commitment to apply General Revenues to pay debt service on the Bonds is a legally enforceable covenant.

There is no coverage covenant, debt service reserve requirement or additional bonds test in the Resolution.

General Revenues

"General Revenue" or "General Revenues" means all non-appropriated income, revenues, and receipts of the University if and to the extent such funds are not restricted in their use by law, regulation, or contract. For example, the following items are restricted and, therefore, <u>excluded</u> from General Revenues:

(a) Appropriations to the University by the State from the State's General Fund;

(b) Each fund the purpose of which has been restricted in writing by the terms of the gift or grant under which such fund has been donated, or by the donor thereof;

(c) Fees imposed upon students as a condition of enrollment at the University, including but not limited to services and activities fees, building fees ("Building Fees") and technology fees; and

(d) Revenues and receipts attributable to the Metropolitan Tract Revenue (which consists of revenues of 11 acres owned by the University in downtown Seattle, known as the "Metro Tract").

As noted under subsection (b) above, grants or other funds that are restricted by contract or donor terms are excluded from General Revenues. See "UNIVERSITY OF WASHINGTON—General Revenues." Unrestricted fund balances, to the extent that they were accumulated from money that was received as General Revenues, are included in and available to pay obligations secured by General Revenues. Any interest subsidy received from the federal government with respect to General Revenue Bonds is included and available to pay obligations secured by General Revenues.

Additions to General Revenues

The University reserves the right to include in General Revenues, at its sole option, in the future, other sources of revenue or income excluded in the definition of General Revenues. Such additions shall occur on the date and as provided in a certificate executed by the controller of the University (the "Controller") (or the successor to the functions of the Controller). The Controller shall, in the case of additions of items or auxiliaries to General Revenues, certify that for the preceding two Fiscal Years for which audited financial statements are available, the item or auxiliary maintained a "coverage ratio" of at least 125 percent. In the event an auxiliary or item is added to General Revenues, the obligations of that auxiliary or item may remain outstanding and have a prior claim on auxiliary Net Revenue.

Deletions from General Revenues

The University reserves the right to remove, at its sole option, in the future, without limitation, any revenues from General Revenues. The removal of General Revenues shall be evidenced by a certificate executed by the Controller identifying the items to be deleted. The University is not required to meet any coverage or other test prior to removing revenues from General Revenues.

Building Fee Revenue Bonds

The State Legislature (the "Legislature") has previously and may in the future authorize the University to issue a bond or bonds to be paid from building fee (the "Building Fee") and trust land revenues deposited into the University of Washington bond retirement account, in accordance with RCW 28B.20.700 through 28B.20.740

(the “Building Fee Revenue Bond Statute”). The Building Fee Revenue Bond Statute permits the University to issue bonds payable from and secured by a pledge of any or all of the Building Fee and trust land revenues deposited in the University of Washington bond retirement fund (“Building Fee Revenue Bonds”). In addition, Building Fee Revenue Bonds are payable from General Revenues and money and investments in the Bond Fund. The Building Fee Revenue Bond Statute is subject to amendment from time to time. Although Building Fee and trust land revenues may be pledged, and may be applied, to pay a portion of the Bonds, Bondowners should look to the University’s General Revenues as the credit for payment of the Bonds.

Under the Resolution, the Board of Regents has covenanted to establish, maintain and collect Building Fees in such amounts that will provide money sufficient to pay the principal of and interest on all bonds (outstanding Building Fee Revenue Bonds and any additional building fee revenue bonds hereafter issued) payable out of the University of Washington bond retirement fund, to set aside and maintain reserves, if any, required to secure the payment of such principal and interest, and to maintain coverage, if any, which may be required over such principal and interest.

Building Fee Revenue Bonds are not general or special obligations of the State, but are limited obligation bonds of the University payable only from Building Fees, money and investments in the University of Washington bond retirement fund, General Revenues and money and investments in the Bond Fund.

Additional Bonds

The University may incur additional obligations, including bonds, Payment Agreements (such as interest rate swaps) and lease or other contractual obligations, that are payable from General Revenues, in addition to the University’s outstanding General Revenue Notes (Commercial Paper) (the “Commercial Paper Notes”), the Outstanding General Revenue Bonds, the Bonds and other lease and contractual obligations. There are no limitations, either statutory or contractual, that would prevent the University from incurring such additional obligations.

Payment Agreements

To the extent permitted by State law, the University may enter into Payment Agreements payable from General Revenues subject to the satisfaction of certain conditions precedent. Payment Agreements, as defined in chapter 39.96 RCW, include interest rate swaps entered into in connection with the issuance of bonds.

The University currently has no Payment Agreements in place.

No Acceleration Upon Default

If the University were to default on the payment of principal of or interest on the Bonds, payment of the principal of and accrued interest on the Bonds would not be subject to acceleration. The University is liable for principal and interest payments only as they become due. In the event of multiple defaults in payment of principal of or interest on the Bonds, the Bondholders would be required to bring a separate action for each such payment not made. Any such action to compel payment or for money damages would be subject to the limitations on legal claims and remedies against public bodies under State law.

Debt Payment Record

The University has never defaulted on the payment of principal of or interest on any of its bonds or other debt.

Future Debt

The University currently does not anticipate additional borrowing, other than Commercial Paper Notes and line of credit draws, prior to January 1, 2018. See “UNIVERSITY DEBT AND ESTIMATED DEBT SERVICE—General Revenue Obligations.” Between January 2018 and June 2021, the University expects to borrow approximately $232 million for projects already authorized by the Board of Regents. Additional projects may also be funded on an interim basis with proceeds of Commercial Paper Notes or on a long-term basis with proceeds of bonds, in each case if approved by the Board of Regents.

UNIVERSITY DEBT AND ESTIMATED DEBT SERVICE

General Revenue Obligations

The University's General Revenue obligations take three forms:

(a) General Revenue bonds, including the Bonds, and Commercial Paper Notes. The University is authorized to issue Commercial Paper Notes from time to time in an aggregate principal amount not to exceed $250 million, for University purposes, pursuant to a Resolution of the Board of Regents adopted on July 16, 2009. The University issues Commercial Paper Notes generally to provide interim financing for University projects, including the projects to be financed by the Bonds and by future General Revenue bonds. The University provides self-liquidity for the payment of its Commercial Paper Notes, which are not secured by a bank credit or liquidity facility.

(b) Leases and other contractual obligations payable from General Revenues.

(i) Leases Supporting Lease Revenue Bonds. The University has entered into a number of financing and other leases in connection with lease revenue bonds, which are payable from General Revenues. University lease payments are applied to pay debt service on lease revenue bonds issued by the Washington Economic Development Finance Authority or by nonprofit corporations issuing bonds on behalf of the University. Lease revenue bonds have financed the University's multi-phase South Lake Union biomedical research facilities and other clinic, research and administrative facilities.

(ii) Other Contractual Obligations. The University has entered into other contracts payable from all or a component of General Revenues and, in some cases, other revenues. Reimbursed State General Obligation Bonds ("Reimbursed Bonds") refers to bonds authorized by the Legislature and issued as State general obligation bonds to provide proceeds to the University. These bonds are payable from all or a component of General Revenues and, in some cases, other revenues. The University also enters into equipment leases and leases in connection with State-issued certificates of participation ("Certificates of Participation") from time to time to finance equipment and other property.

(c) Line of Credit. The University has entered into a Master Financing Agreement with JPMorgan Chase Bank, N.A., which serves as a line of credit to be drawn upon to finance short-term University assets. The line of credit currently allows for draws in an aggregate amount not to exceed $12 million through November 14, 2016. The University anticipates extending the line of credit, and may increase the aggregate amount to be drawn under the line of credit to an amount not to exceed $30 million.

The Bonds, the Outstanding General Revenue Bonds, the Commercial Paper Notes, other lease or contractual obligations, and the University's line of credit are equally and ratably payable from General Revenues without preference, priority or distinction because of date of issue or otherwise.

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University Debt

The following table summarizes the University's outstanding obligations by type.

UNIVERSITY OUTSTANDING OBLIGATIONS
(as of October 2, 2016)
(dollars in thousands)

	Total
University Obligations	
University Revenue Bonds[1]	$ 1,614,545
Leases (supporting lease revenue bonds)	395,785
State-Issued Reimbursed Bonds and Certificates of Participation[2]	128,339
Commercial Paper Notes	95,000
Equipment Leases/Other[3]	17,666
Subtotal: General Revenue Obligations[4]	$ 2,251,334
Certain Component Unit Obligations[5][6]	
Northwest Hospital & Medical Center [7]	$ 7,904
Total Obligations[4]	$ 2,259,238

(1) Excludes the Bonds; includes the Refunded Bonds.
(2) Includes approximately $23 million of Reimbursed Bonds paid from Metro Tract Revenues, which are not included in General Revenues.
(3) Includes the line of credit.
(4) Totals may not foot due to rounding.
(5) Debt obligations are non-recourse to the University, but assets and liabilities are consolidated on University financial statements.
(6) Does not include obligations of Valley Medical Center ("Valley"). Valley is owned and operated by Public Hospital District No. 1 (the "District"). The District entered into a strategic alliance with the University in July 2011. Its revenues are not included in the University's General Revenues. See "UW MEDICINE—Components of UW Medicine—Valley Medical Center." As of October 2, 2016, the District has $77,385,000 in revenue bonds outstanding and $233,321,412 of limited tax general obligation bonds payable from nonvoted property taxes levied by the District and from other legally available funds.
(7) Northwest Hospital & Medical Center (now UW Medicine/Northwest dba Northwest Hospital & Medical Center, or "Northwest") affiliated with the University in January 2010. General Revenues do not include revenues of Northwest. See "UW MEDICINE—Components of UW Medicine—Northwest Hospital & Medical Center."

Source: The University.

Additional detail on the Commercial Paper Notes is shown in the following table:

UNUSED COMMERCIAL PAPER AUTHORIZATION
(as of October 2, 2016)
(dollars in thousands)

	Total
Maximum Amount Authorized	$ 250,000
Less: Amount outstanding[1]	(95,000)
Unused commercial paper authorization	$ 155,000

(1) The University expects to pay $45 million of Commercial Paper Notes with a portion of the proceeds of the 2016A Bonds.

Source: The University.

Estimated General Revenue Debt Service Schedule

The following table provides the debt service requirements for the Bonds and the Outstanding General Revenue Bonds. The table also provides debt service requirements for lease and other contractual obligations payable from General Revenues. The table does not include debt service requirements for the Commercial Paper Notes. $95 million of Commercial Paper Notes were outstanding as of October 2, 2016, as shown in the table "UNUSED COMMERCIAL PAPER AUTHORIZATION" above.

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UNIVERSITY OF WASHINGTON
GENERAL REVENUE DEBT SERVICE SCHEDULE

Fiscal Year Ending 6/30	General Revenue Bonds[(1)(2)]	2016 Bond Debt Service		Total General Revenue Bond Debt Service[(3)(4)]	Lease and Other Obligations Paid from General Revenues[(2)(4)(5)]	Total General Revenue Debt Service[(3)(4)(5)]
		Principal	Interest			
2017	$ 110,162,318	--	$ 5,475,246	$ 115,637,565	$ 63,808,874	$ 179,446,438
2018	110,925,313	$ 2,665,000	9,691,240	123,281,553	81,245,998	204,527,551
2019	105,229,866	6,080,000	9,472,615	120,782,481	54,937,041	175,719,522
2020	105,043,999	6,370,000	9,161,365	120,575,364	51,182,346	171,757,710
2021	105,969,862	6,665,000	8,853,516	121,488,378	50,791,666	172,280,044
2022	105,990,133	6,960,000	8,547,878	121,498,011	49,390,098	170,888,108
2023	104,828,843	4,840,000	8,276,696	117,945,539	47,947,116	165,892,655
2024	104,815,049	5,035,000	8,066,011	117,916,060	42,918,715	160,834,776
2025	104,679,198	5,245,000	7,844,583	117,768,781	38,816,101	156,584,882
2026	104,531,576	5,480,000	7,588,823	117,600,398	33,389,712	150,990,110
2027	104,818,755	5,735,000	7,320,513	117,874,268	32,754,236	150,628,504
2028	104,329,103	5,995,000	7,038,884	117,362,986	28,794,941	146,157,928
2029	104,038,616	6,270,000	6,743,476	117,052,092	24,147,491	141,199,583
2030	101,206,321	6,575,000	6,433,188	114,214,509	22,419,652	136,634,161
2031	97,152,435	6,885,000	6,107,118	110,144,552	21,926,858	132,071,410
2032	97,016,427	5,860,000	5,795,565	108,671,992	21,850,812	130,522,804
2033	90,070,065	6,145,000	5,499,103	101,714,167	21,762,837	123,477,004
2034	86,050,682	6,455,000	5,187,583	97,693,265	19,792,538	117,485,803
2035	86,018,464	6,770,000	4,860,518	97,648,982	17,889,239	115,538,220
2036	126,158,197	7,105,000	4,517,283	137,780,480	17,789,062	155,569,541
2037	81,232,095	7,465,000	4,156,793	92,853,887	17,692,319	110,546,206
2038	82,677,344	6,890,000	3,834,288	93,401,631	17,582,584	110,984,216
2039	81,724,225	7,175,000	3,552,988	92,452,213	11,513,919	103,966,132
2040	102,780,496	7,465,000	3,260,188	113,505,683	11,398,385	124,904,068
2041	85,643,360	7,770,000	2,955,488	96,368,848	11,280,581	107,649,429
2042	85,767,121	8,085,000	2,638,388	96,490,509	11,152,404	107,642,912
2043	85,896,912	8,470,000	2,254,350	96,621,262	11,018,566	107,639,828
2044	83,573,887	8,930,000	1,797,600	94,301,487	5,170,600	99,472,087
2045	9,388,080	9,410,000	1,316,175	20,114,255	5,170,600	25,284,855
2046	7,583,700	9,915,000	808,894	18,307,594	5,168,800	23,476,394
2047	--	10,450,000	274,313	10,724,313	5,170,000	15,894,313
2048	--	--	--	--	5,168,800	5,168,800
Total[(3)]	**$ 2,765,302,443**	**$ 205,160,000**	**$ 169,330,661**	**$ 3,139,793,104**	**$ 861,042,891**	**$ 4,000,835,995**

(1) Includes the Outstanding General Revenue Bonds; excludes the Refunded Bonds. Excludes Northwest and Valley debt service. Does not include debt service on Commercial Paper Notes or the Bonds.

(2) Amount reflects 100 percent of the University's debt service schedule. Subject to continued sequestration or other Congressional action, the University expects to receive an interest subsidy of up to 35 percent for certain outstanding bonds that were issued as Build America Bonds. Such subsidies are not reflected in this table.

(3) Totals may not foot due to rounding.

(4) Includes scheduled mandatory redemption payments.

(5) Includes lease and other contractual obligations payable from General Revenues, including lease obligations with respect to lease revenue bonds, equipment leases, and Reimbursed Bonds and Certificates of Participation.

Source: The University.

UNIVERSITY OF WASHINGTON

Founded in 1861, the University is a research university with campuses located in Seattle, Tacoma and Bothell. The University is the largest of six State-funded four-year institutions of higher education in the State. In the Fiscal Year ended June 30, 2016, more than 100,000 people studied and worked in approximately 22 million square feet of University-owned and University-leased facilities. Of these people, approximately 56 percent were students and 44 percent were staff and faculty. With approximately 44,500 full-time and part-time employees, the University is one of the largest employers in King County and the State.

The University provides baccalaureate, masters, doctoral and professional degree programs through 16 colleges and schools including arts and sciences, built environments, business, dentistry, education, educational outreach, engineering, environment, information, law, medicine, nursing, pharmacy, public affairs, public health, and social work. The University offers 530 degree options across 294 programs. In the 2014–2015 academic year, the University awarded 15,688 degrees, including 10,161 bachelor degrees, 4,118 master's degrees, 841 doctoral degrees and 568 professional degrees.

Governance

The University is governed by a 10-member Board of Regents, which includes one student of the University. Regents are appointed by the Governor of the State (the "Governor") with the consent of the State Senate, and, except for the student member, hold their offices for six-year terms or until their successors are appointed and qualified, whichever is later. The student member of the Board of Regents serves a one-year term from July 1 to June 30 of the following year, or until his or her successor is appointed and qualified, whichever is later.

The Board of Regents consists of the following individuals:

Patrick M. Shanahan, Chair (Senior Vice President and General Manager of Airplane Programs, Boeing Commercial Airplanes).

Jeremy Jaech, Vice Chair (Managing Partner, Harmony Meadows LLC).

William S. Ayer, Member (Retired Chairman and Former Chief Executive Officer, Alaska Airlines and Alaska Air Group).

Joel Benoliel, Member(1) (Retired Senior Vice President and Chief Legal Officer, Costco Wholesale Corporation).

Kristianne Blake, Member (President, Kristianne Gates Blake, P.S.).

Joanne R. Harrell, Member(1) (Senior Director, U.S. Citizenship and Public Affairs, Microsoft Corporation).

Constance Rice, Member (Senior Executive Fellow, Casey Family Programs).

Rogelio Riojas, Member (President and Chief Executive Officer, Sea Mar Community Health Centers).

Herb Simon, Member (Simon Johnson, LLC).

Austin Wright-Pettibone, Student Member(1) (University chemical engineering student with a minor in applied mathematics).

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(1) Pending State Senate confirmation.

The University's Administrative Officers include the following individuals:

Ana Mari Cauce, President. After a tenure as the University's Provost and Executive Vice President, Dr. Cauce became the President of the University in October 2015. Dr. Cauce joined the University's faculty in 1986, and is a full professor in the departments of Psychology and American Ethnic Studies, with secondary appointments in Gender, Women, and Sexuality Studies and the College of Education. President Cauce has held numerous leadership positions at the University, including Director of the University Honors Program, Chair of American Ethnic Studies, Chair of Psychology, Executive Vice Provost, and Dean of Arts and Sciences. Among the recognitions she has earned through her career are the Dalmas Taylor Distinguished Contribution Award, the Luis Fernando Esteban Public Service Award, the James M. Jones Lifetime Achievement Award of the American Psychological Association, the Grace Hopper Exemplary Leadership Award, and the Distinguished Contribution Award from the Society for Community Research and Action. In 1999, she joined a list of notable faculty by being awarded the Distinguished Teaching Award, the highest honor the University gives to faculty members for their work with students both within and outside the classroom. Dr. Cauce earned degrees in English and Psychology from the University of Miami, and a Ph.D. in Psychology, with a concentration in Child Clinical and Community Psychology from Yale University.

Gerald J. Baldasty, Provost and Executive Vice President. Dr. Baldasty was named Provost and Executive Vice President effective June 1, 2016. He joined the faculty of the University in 1978, and is a professor of Communication and an adjunct professor in two departments (Gender, Women and Sexuality Studies and American Ethnic Studies). Dr. Baldasty is the author of three books (*The Commercialization of News in the Nineteenth Century, E.W. Scripps and the Business of Newspapers*, and *Vigilante Newspapers*) and of numerous journal articles. He focuses his research on communication and media history, particularly on political communication, media as businesses, and on race, ethnicity and gender. He was chair of the Department of Communication from 2002 to 2008. He served as interim dean, and then dean and vice provost, of the University's Graduate School from 2008 to 2012. From 2012 to March 2015, he was Senior Vice Provost for Academic and Student Affairs. He is a former director of the University Teaching Academy. He has served on a wide variety of University committees and boards, including the University Book Store board of trustees, Diversity Research Institute advisory board, University Press Committee, Graduate Opportunity-Minority Achievement Program advisory board, and two faculty councils. He has been associate editor and senior editor of Journalism History. Dr. Baldasty received the University Distinguished Teaching Award in 2000, and he received honorable mention for the Landolt Graduate Mentor Award that same year. He was named one of the College of Arts and Sciences "Timeless Award" recipients in 2012. He received his Ph.D. in Communications from the University in 1978, M.A. in Journalism from the University of Wisconsin-Madison in 1974 and B.A. in Communications from the University in 1972.

Elizabeth Cherry, Associate Vice Provost of Compliance and Risk Services and Interim Vice President of Finance and Facilities. Ms. Cherry joined the University as Director of the Office of Risk Management in 1988 and, from 2004 to July 2015, was Executive Director of Risk Management. She is a member of the Risk and Insurance Management Society, the University Risk Management and Insurance Association, the National Association of College and University Attorneys, and the Society of Corporate Compliance and Ethics. She helped create the University Complaint Investigation and Resolution Office, and in 2002, founded Portage Bay Insurance, the University's internal insurance company of which she serves as President. Ms. Cherry is a former member of the University of Washington Club Board of Trustees (1999–2005, 2010–2012) and served as its president from 2004–2007 and again from 2010–2012. She received her B.S. in Forestry and Resource Conservation from the University of Montana and earned her J.D. in 1980 from the Northwestern School of Law of Lewis & Clark College. Ms. Cherry is also a Certified Compliance and Ethics Professional with an international designation. Among her other responsibilities, Ms. Cherry currently oversees Finance and Administration. The University is currently conducting a search to fill the position of Executive Vice President of Finance and Administration, and expects to make an appointment in fall 2016.

Dr. Paul G. Ramsey, CEO of UW Medicine, Executive Vice President for Medical Affairs and Dean of the School of Medicine. Dr. Ramsey has served as the senior executive leader of UW Medicine since 1997. He came to the University in 1978, following completion of his residency training in Internal Medicine at Massachusetts General Hospital. He served as acting chair and then chair of UW Medicine from 1990 to 1997, when he was appointed to his current administrative leadership position. Dr. Ramsey was the first holder of the Robert G. Petersdorf Endowed Chair in Medicine in 1995. He has received the Distinguished Teacher Award from the University School of

Medicine's graduating class three times (in 1984, 1986, and 1987) and the Margaret Anderson Award from the University graduating class of 1989, which recognizes exceptional support of medical students. Dr. Ramsey's research has focused on the development of methods to assess physicians' clinical competence. He has been the Principal Investigator on multiple research grants related to assessment of physicians' clinical skills, and served as a Henry J. Kaiser Family Foundation Faculty Scholar in General Internal Medicine for five years. Dr. Ramsey received the John P. Hubbard Award from the National Board of Medical Examiners in 1999 in recognition of his research contributions in the field of evaluation. He has served on many national committees, including serving as an elected member of the Association of American Physicians and the National Academy of Medicine (previously known as the Institute of Medicine), and is a member of multiple organizations. Dr. Ramsey graduated from Harvard College with honors in Biochemistry and received his M.D. from Harvard Medical School.

Accreditation

The University has been continuously accredited by the Northwest Commission on Colleges and Universities ("NWCCU"), its regional higher education authority, since 1918, and is a member of the Association of American Universities. NWCCU adheres to a seven-year accreditation cycle. The University's periodic NWCCU accreditation evaluation was last completed in October 2013, and the University will be undergoing a mid-cycle evaluation in spring 2017.

Admissions, Student Enrollment and Faculty Information

- For the 2014–2015 and 2015–2016 academic years, total student headcount(1) enrollment for the University's Autumn quarter was 54,670 and 55,767, respectively.
- For the 2014–2015 and 2015–2016 academic years, FTE(2) students at the Seattle, Bothell and Tacoma campuses for the Autumn quarter numbered 54,857 and 55,963, respectively.
- For both the 2014–2015 and 2015–2016 academic years, approximately 70 percent of undergraduate and graduate FTEs were in-State residents.

(1) Including undergraduate, graduate and professional school students.
(2) Full-time equivalent ("FTE") defined as an undergraduate carrying 12 credit hours or a graduate student carrying 10 credit hours. FTE enrollment exceeds headcount enrollment when students take more credit hours than the credit hour threshold equating to one FTE.

The following tables show the number of applicants to the University's undergraduate, graduate and professional schools, certain qualifications of these applicants, the number of applicants accepted into each school, the tuition and fees for each school, and the number of students enrolled in Autumn quarter 2011–2015. These figures are based on Autumn quarter of the indicated calendar year so correspond with a different fiscal year (e.g. Autumn 2011 is enrollment for Fiscal Year 2012, Autumn 2012 is enrollment for Fiscal Year 2013 and so on). The table also includes the number of undergraduate and graduate students who applied and were accepted in Autumn quarter 2016. Autumn quarter enrollment data will not be available until October 2016. In Autumn quarter 2015, 78 percent of undergraduate students were located at the Seattle campus, 12 percent at Bothell, and 10 percent at Tacoma. The Bothell and Tacoma campuses consist primarily of undergraduate students. The University expects future growth to occur largely at campuses other than the Seattle campus.

Student and Enrollment[1]

Undergraduate	Autumn Quarter					
Freshmen	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**[2]
Applied	27,469	29,723	33,857	35,382	41,257	48,453
Accepted	16,799[3]	18,328[3]	19,560	20,510	23,183	23,752
Percent Accepted to Applied	60%	61%	58%	58%	56%	49%
Enrolled	6,671[3]	7,039[3]	7,210[3]	7,341[3]	7,943[3]	--
Percent Enrolled to Accepted	40%	38%	37%	36%	34%	--
Transfers	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**[2]
Applied	8,277	8,415	8,809	9,480	9,819	9,498
Accepted	4,250	4,448	4,705	4,826	4,747	4,622
Percent Accepted to Applied	51%	53%	53%	51%	48%	49%
Enrolled	3,046	3,084	3,252	3,308	3,123	--
Percent Enrolled to Accepted	72%	69%	69%	69%	66%	--
Undergraduate FTE	**2011**	**2012**	**2013**	**2014**	**2015**	
Bothell	2,934	3,327	3,794	4,101	4,402	
Seattle	28,118	28,011	28,597	29,359	29,888	
Tacoma	2,775	3,064	3,346	3,565	3,685	
Total All Campuses	33,827	34,402	35,737	37,025	37,975	
Undergraduate Headcount	**2011**	**2012**	**2013**	**2014**	**2015**	
Bothell	3,254	3,648	4,106	4,406	4,698	
Seattle	29,822	29,771	30,148	31,099	31,525	
Tacoma	3,116	3,366	3,641	3,826	3,940	
Total All Campuses	36,192	36,785	37,895	39,331	40,163	
Additional Enrollment Statistics:	**2011**	**2012**	**2013**	**2014**	**2015**	
% of All Students From Outside State	32%	30%	30%	31%	32%	
% retention (Freshmen to Sophomore)	92%	91%	91%	92%	92%	
Mean GPA	3.70	3.69	3.69	3.69	3.70	
Median GPA	3.77	3.76	3.77	3.76	3.78	
% of class reporting GPA data	100%	100%	100%	100%	100%	
Mean Combined SAT scores	1193	1198	1200	1200	1210	
Median Combined SAT scores	1210	1210	1220	1210	1230	
% of class reporting SAT data	86%	86%	87%	84%	81%	

(1) Unless otherwise noted, all figures include Seattle, Tacoma, and Bothell campuses.
(2) Preliminary; 2016 Autumn enrollment data will not be available until later in October 2016.
(3) Restated to include only first time, first year freshmen.

Source: The University.

Student and Enrollment(1) Continued

Graduate	Autumn Quarter 2011	2012	2013	2014	2015	2016(2)
Applied	24,692	26,350	27,381	29,851	32,248	32,562
Accepted	7,493	8,106	8,980	9,106	9,693	9,703
Percent Accepted to Applied	30%	31%	33%	31%	30%	30%
Enrolled	3,720	3,643	4,383	4,389	4,717	--
Percent Enrolled to Accepted	50%	45%	49%	48%	49%	--
Graduate FTE	12,820	13,049	13,557	13,751	14,154	--
Graduate Headcount	12,574	12,782	13,177	13,333	13,595	--

Professional (3)	Autumn Quarter 2011	2012	2013	2014	2015
Applied	8,698	9,527	10,110	10,511	12,388
Accepted	1,059	1,116	1,195	1,269	1,291
Percent Accepted to Applied	12%	12%	12%	12%	10%
Enrolled	558	557	537	556	570
Percent Enrolled to Accepted	53%	50%	45%	44%	44%
Total Professional FTE	3,932	3,949	4,086	4,081	3,834
Total Professional Headcount	1,979	1,999	2,000	2,006	2,009

(1) Unless otherwise noted, all figures include Seattle, Tacoma, and Bothell campuses.
(2) Preliminary; 2016 Autumn enrollment data will not be available until later in October 2016.
(3) Includes Pharmacy, Dentistry, Law, and Medical schools.
Source: The University.

Tuition and Fees(1)
(Full Academic Year)

	Autumn Quarter 2012	2013	2014	2015	2016
Undergraduate Resident	$ 12,383	$ 12,397	$ 12,394	$ 11,839(2)	$ 10,752(2)
Undergraduate Non-Resident	29,938	31,971	33,513	34,143	34,791
Graduate Resident	14,698	15,666	16,683	16,665	16,653
Graduate Non-Resident	27,318	28,119	28,926	28,909	28,896
Professional School Resident(3)	24,018-32,948	26,325-36,150	26,496-39,654	28,362-43,494	29,577-46,875
Professional School Non-Resident(3)	40,158-57,198	42,126-59,175	44,175-61,206	44,124-66,483	44,112-71,703

(1) Includes Seattle, Tacoma, and Bothell campuses.
(2) The University reduced resident undergraduate tuition as part of an agreement with the Legislature that resulted in increased State appropriations. See "Other University Financial Information—State Funding."
(3) Includes Pharmacy, Dentistry, Law, and Medical schools and the Master of Business Administration program; figures shown represent the range from lowest to highest tuition and fees among these professional schools.
Source: The University.

University FTE[1]

	Autumn Quarter				
	2011	**2012**	**2013**	**2014**	**2015**
Undergraduate	33,827	34,402	35,737	37,025	37,975
Graduate	12,820	13,049	13,557	13,751	14,154
Professional	3,932	3,949	4,086	4,081	3,834
Total University FTE	50,579	51,400	53,380	54,857	55,963

(1) Includes Seattle, Tacoma, and Bothell campuses.
Source: The University.

University Headcount[1]

	Autumn Quarter				
	2011	**2012**	**2013**	**2014**	**2015**
Undergraduate	36,192	36,785	37,895	39,331	40,163
Graduate	12,574	12,782	13,177	13,333	13,595
Professional	1,979	1,999	2,000	2,006	2,009
Total University Headcount	50,745	51,566	53,072	54,670	55,767

(1) Includes Seattle, Tacoma, and Bothell campuses.
Source: The University.

The following tables show selected faculty and student housing and dining data for Autumn quarter for the past five years.

FACULTY DATA[1]

	2011	**2012**	**2013**	**2014**	**2015**
Number of Faculty	4,280	4,356	4,497	4,561	4,703
Tenure Rate (%)	39%	39%	37%	37%	36%
Percent Holding Terminal Degree (Ph.D., MD, DDS)	93	93	92	93	93

(1) Effective October 31, 2013, faculty headcount, tenure rate percentage, and terminal degree percentage were restated to reflect core faculty comprised of professorial, instructional, and research categories. Headcount associated with temporary faculty categories is excluded.
Source: University 2015 Bondholders Report, Supplemental Bondholder Information section.

HOUSING AND DINING DATA

	2012	**2013**	**2014**[1]	**2015**[1]	**2016**[1]
Room and Board[2]	$8,091	$9,360	$10,055	$10,576	$11,036
Autumn Opening Occupancy[3]	5,294	6,403	6,592[4]	7,010	7,024
Occupancy[5]	114%	111%	114%	112%	113%

(1) Figures for Autumn 2014–2016 include residence hall units and exclude single student and family housing apartments.
(2) Room and board pricing is for the full academic year. Room portion of annual room and board pricing is the weighted average of all residence hall double rooms in inventory, and dining amount is for a representative meal plan.
(3) Autumn opening occupancy is used to calculate capacity.
(4) Restated.
(5) Effective October 31, 2014 numbers were restated to reflect as-built capacity and 10th day occupancy (occupancy that exceeds 100 percent is the result of housing three students in a room designed for two).
Source: The University.

General Revenues

As described under the heading "SECURITY FOR THE BONDS—General Revenues," General Revenues include all non-appropriated income, revenues, and receipts of the University if and to the extent such funds are not restricted in their use by law, regulation, or contract. Unrestricted fund balances, to the extent that they were accumulated from money that was received as General Revenues, also are included in General Revenues.

The following table shows General Revenues and General Revenue balances of the University for Fiscal Years 2012 through 2016. The table shows the calculation of General Revenues in two ways: first as gross University revenues minus exclusions from General Revenues; and second as the specific components that comprise General Revenues. "Total Revenue" presented in the first calculation in the following table excludes Valley and Northwest revenue, and also is adjusted to include certain net non-operating revenue, interest on capital asset related debt and other revenues. See "Other University Financial Information—University Total Revenue By Source" for more information about gross University revenues.

Fiscal Year 2016 information is preliminary and unaudited. These figures are expected to be revised as the financial statements are finalized as part of the audit process.

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GENERAL REVENUES
(dollars in thousands)

General Revenue (Exclusions from Total Revenue)	2012	2013	2014[1]	2015[1]	2016[2]
Total Revenue	$3,965,450	$4,601,792	$4,953,409	$4,982,564	$5,021,482
Less:					
State operating appropriations	(218,343)	(218,165)	(262,146)	(255,156)	(302,097)
Grant and contract direct costs	(1,101,106)	(1,109,871)	(1,080,088)	(1,082,452)	(1,093,865)
Gifts	(76,718)	(101,823)	(117,071)	(115,636)	(115,000)
Revenues of component units [3]	(156,653)	(171,238)	(161,247)	(211,174)	(242,151)
Student activities fees and U-Pass fees	(30,827)	(40,082)	(43,539)	(44,080)	(43,134)
Student technology fees, Building Fees, student loan funds	(58,220)	(66,726)	(71,576)	(76,297)	(79,064)
Trust and endowment income, net unrealized gains on noninvested funds investments, Metro Tract net operating income, component unit investment income, and other restricted investment income	17,738	(324,901)	(440,903)	(187,599)	18,005
State capital appropriations	(6,066)	(47,123)	(7,693)	(20,812)	(39,221)
Capital grants, gifts and other	(25,514)	(26,763)	(26,156)	(21,986)	(21,645)
Other nonoperating revenues (expenses)	18,330	19,780	(42,816)	(9,042)	(9,565)
Gifts to permanent endowments	(53,259)	(57,882)	(55,541)	(67,359)	(88,267)
Total General Revenues	$2,274,812	$2,456,998	$2,644,633	$2,890,971	$3,005,478

General Revenue (By Component)	2012	2013	2014[1]	2015[1]	2016[2]
Student tuition and fees (less student activities fees, U-Pass fees, technology fees, Building Fees and loan funds)	$601,964	$711,056	$733,815	$804,391	$837,677
Grant and contract indirect costs	247,835	246,502	242,773	246,677	248,276
Invested funds distributions and net invested funds unrealized gains and losses	51,861	16,340	39,742	39,805	63,927
Sales and services of educational departments	185,521	198,320	212,592	223,494	221,792
Auxiliary systems and patient services [3]	1,125,187	1,194,740	1,332,929	1,505,444	1,581,772
Other operating revenues	62,444	90,040	82,782	71,160	52,034
Total General Revenues	$2,274,812	$2,456,998	$2,644,633	$2,890,971	$3,005,478
General Revenue Balances					
Net University Unrestricted - Available	$1,240,322	$1,459,610	$1,614,991	$754,822[4]	$864,432

(1) See accompanying notes to the University of Washington Supplementary Information, June 30, 2015(in Appendix B).
(2) Preliminary and unaudited; subject to change.
(3) Excludes revenues from Northwest and Valley. See "UW MEDICINE—Components of UW Medicine."
(4) Unrestricted net position decreased by $860 million in Fiscal Year 2015, primarily due to the impact of restating Fiscal Year 2015 beginning net position as a result of implementing Governmental Accounting Standards Board ("GASB") Statement No. 68. See University of Washington Financial Statements, June 30, 2015 (in Appendix B).

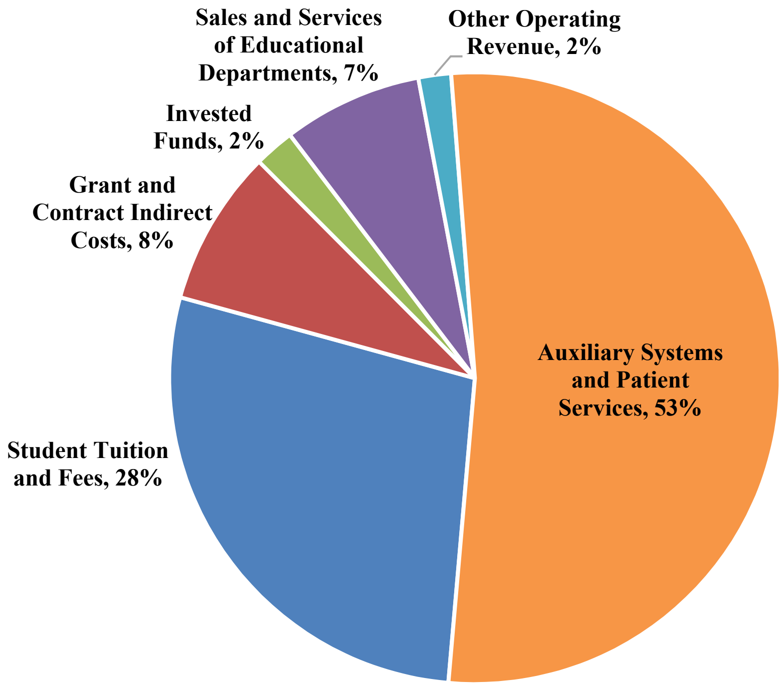
Source: The University's General Revenue Audit Supplement.

Overview of General Revenues

Financial support is received by the University from a variety of sources, including grants and contracts, patient services, tuition and fees, State funding, gifts, auxiliary enterprises, investment income and sales and services. As shown in the table entitled "GENERAL REVENUES," several of these sources are unrestricted and are included in General Revenues: auxiliary systems and patient services, student tuition and fees (less student activities fees, U-Pass fees, technology fees, Building Fees and loan funds), grant and contract indirect costs, sales and services of educational departments of the University, other operating revenue, and invested funds distribution and net invested funds' unrealized gains and losses.

The following chart shows the General Revenue components for Fiscal Year 2016.

GENERAL REVENUE COMPONENTS, FISCAL YEAR 2016[(1)]



(1) Preliminary and unaudited; subject to change.
Source: The University.

The following describes the largest components of General Revenues, which include auxiliary systems and patient services, student tuition and fees, and grant and contract indirect costs.

Auxiliary Systems and Patient Services. Since the University incorporated auxiliary systems and patient services revenue into General Revenues in 2009, these revenues have represented the largest component of General Revenues. Auxiliary systems and patient services revenue include patient services, housing and food services, other auxiliary enterprises, sports programs and other UW Medicine revenues. Auxiliary systems and patient services represent 53 percent of General Revenues in Fiscal Year 2016, and patient services and other UW Medicine revenues are 75 percent of that component, in each case based on preliminary unaudited figures. In Fiscal Year 2015, auxiliary systems and patient services were 52 percent of General Revenues, and patient services and other UW Medicine revenues were 79 percent of that component. See "UW MEDICINE" for a discussion of UW Medicine and its component units.

Student Tuition and Fees. Student tuition and fees represent the second largest component of General Revenues. Student tuition is established by the Board of Regents within the tuition-setting authority delegated by the Legislature. Following State legislative action in 2016, the University continues to have authority to set tuition for all categories of students, with the exception of resident undergraduates. The University has tuition-setting authority for nonresident and graduate student tuition.

For Fiscal Years 2016 and 2017, the Legislature reduced resident undergraduate tuition rates by five and 15 percent below Fiscal Year 2015 rates, respectively, and limited future increases as follows: beginning with the 2017–2018 academic year, the University may increase resident undergraduate tuition by no more than the average annual percentage growth rate in the median hourly wage for Washington for the previous 14 years. See "Other University Financial Information—State Funding." If current tuition policy is maintained by the Legislature in the 2017 legislative session, the University estimates that it will be authorized to increase resident undergraduate tuition by just over two percent for the 2017–2018 academic year.

The State's adopted 2015–2017 biennial operating budget requires the University to maintain a minimum enrollment level. The current actual enrollment level is 27 percent above the minimum. Growth plans are for minimal increases in enrollment at the Seattle campus and continued growth at the Tacoma and Bothell campuses of approximately four percent per year. See "Other University Financial Information—State Funding."

In addition to tuition, the University charges its students a variety of other fees. The degree to which these fees can be increased is governed by the provisions of Initiative 960, its reenacting initiatives, and each omnibus appropriations act signed into law annually. As described under the heading "INITIATIVES—Initiative 960," Initiative 960 requires Legislative approval of fee increases and any new fee. The adopted State biennial operating budget allowed the Board of Regents to increase fees in Fiscal Years 2010 through 2016 by amounts judged reasonable and necessary by the Board of Regents. Fees include summer quarter tuition, fee-based and self-sustaining degree and certificate programs, services and activity fees, student technology fees, course and lab fees, and other administrative fees. Certain other fees collected through proprietary transactions are also included in General Revenues, but may not be subject to Initiative 960.

The University also has authority to waive or reduce tuition and fees. Student tuition and fees revenue figures included in this Official Statement exclude amounts waived. Tuition waivers are used to assist low-income students, recruit outstanding students, and recruit and support graduate teaching and research assistants. Tuition can be waived by the University for students meeting certain eligibility requirements consistent with these objectives.

Grants and Contracts. Grants and contracts constituted the third largest component of General Revenues in Fiscal Year 2016 based on preliminary unaudited figures. Grants and contracts fund a wide variety of research and training programs at the University.

The University's expectations with regard to future grant and contract revenue are informed by its awards. Awards are received by the University over one or more fiscal years and, when received, are presented as grant and contract revenues in the University's financial statements (see "APPENDIX B—AUDITED FINANCIAL STATEMENTS (FISCAL YEARS ENDED JUNE 30, 2015 AND 2014) AND REQUIRED SUPPLEMENTAL INFORMATION OF THE UNIVERSITY (FISCAL YEAR ENDED JUNE 30, 2015)") for more information regarding grant and contract revenues for Fiscal Years 2015 and 2014. The following award information provides information regarding the University's grant and contract awards for Fiscal Years 2012 through 2016.

GRANT AND CONTRACT AWARDS
(dollars in millions)

	2012	2013	2014	2015	2016
Federal Grants and Contracts	$ 1,187	$ 981	$ 1,084	$ 1,039	$ 995
Non-Federal Grants and Contracts	284	287	302	269	373
Total[(1)]	$ 1,471	$ 1,238	$ 1,386	$ 1,308	$ 1,368
Total without Student Financial Aid[(2)]	$ 1,364	$ 1,123	$ 1,386	$ 1,308	$ 1,368

(1) Totals subject to change per negotiations with sponsors after fiscal year end.
(2) External financial aid grants to undergraduates were removed from totals starting in Fiscal Year 2014.
Source: The University.

Other University Financial Information

This section describes University revenues (including revenues that are excluded from General Revenues) and University expenses, and describes recent developments.

Enacted in 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the "Affordable Care Act"), has changed how healthcare services are covered, delivered and reimbursed through expanded coverage of uninsured individuals, reduced growth in

Medicare program spending, reductions in Medicare and Medicaid Disproportionate Share Hospital payments, and the establishment of programs in which reimbursement is tied to quality and integration. In addition, the law reforms certain aspects of health insurance, expands existing efforts to tie Medicare and Medicaid payments to performance and quality, and contains provisions intended to strengthen fraud and abuse enforcement. Further, it provides for a value-based purchasing program and the establishment of accountable care organizations ("ACOs") and bundled payment pilot programs, which may create sources of additional revenue. In October 2013, the Washington Health Benefit Exchange (the "Exchange") began open enrollment for State residents through the Washington Health Plan Finder. The Exchange coupled with the expansion of the Medicaid program has resulted in providing health insurance coverage for some patients who had previously been receiving charity care. The Exchange also includes coverage options for previously commercially-insured patients whose employers have elected to seek coverage for their employees in plans that are more affordable than traditional commercial plans.

As part of fulfilling its mission of improving the health of the public, UW Medicine's goals include becoming a leading ACO. This work includes measuring and improving the health of those served, effectively coordinating care across a continuum of care settings, providing the appropriate care in the appropriate location while operating in a dynamic environment as the federal and state governments continue to implement healthcare reform.

Excluding Harborview Medical Center ("Harborview"), which is not included in the University's financial statements, the UW Medicine clinical enterprise, defined as UW Medical Center, Northwest and Valley, expects a negative margin (equal to -1.01 percent) for Fiscal Year 2016 based on preliminary unaudited figures. Results varied by medical center with Valley expecting positive financial results. Margins were lower at Northwest for a variety of reasons, including worsening payer mix and lower than anticipated patient volumes. UW Medical Center also had negative margins, primarily due to the opening of a new patient tower, including 48 additional intensive care unit beds, one additional floor of acute care beds and new operating room capacity, including a hybrid operating room. Opening this new capacity has required an investment in staff resources as well as other operating expenses to accommodate new volume growth. This has resulted in increased operating expenses and reduced margins. Management expects financial performance at both facilities and across the clinical enterprise to improve as volumes in the new capacity increase. Strategic clinical integration throughout UW Medicine continues to be a priority.

For a period beginning in Fiscal Year 2008, tuition revenue grew as State appropriations to the University declined. In Fiscal Years 2014 and 2015, the University committed to freeze resident undergraduate tuition rates in exchange for moderate increases in State funding in both years. In Fiscal Years 2016 and 2017, despite facing required increases to K-12 funding, the Legislature reduced tuition for resident undergraduate students and substantially increased appropriations to the University to offset the lost tuition revenue.

The number of freshmen applications for Autumn 2016 was the highest in the University's history. As of August 1, 2016, total freshmen applications were calculated at 48,453, 17 percent higher than Autumn 2015 (when 41,257 applications were submitted and 23,183 were accepted). Freshmen matriculation rates have declined slightly, averaging 36.5 percent over the last four years. Including transfer students, the total undergraduate matriculation rate has averaged 42.8 percent over the last four years.

In Fiscal Year 2016, federal and non-federal grant and contract awards were $1.368 billion based on preliminary unaudited figures, a five percent increase over Fiscal Year 2015. The University experienced a four percent decrease in total federal research funds between Fiscal Year 2015 and Fiscal Year 2016. This decrease was offset by a 39 percent increase in non-federal funding. The federal budget remains under significant pressure and ongoing federal funding for research could be impacted.

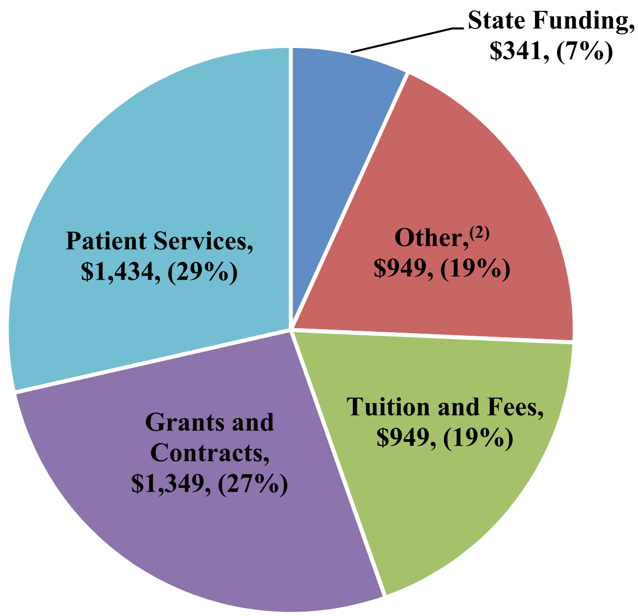
Philanthropic support increased substantially in Fiscal Year 2016 (based on preliminary unaudited figures) to an all-time University record with gifts and private grants totaling over $542 million, compared to $449 million in Fiscal Year 2015.

Investment income decreased during the year resulting from decreased investment market values.

The University's operating expenses increased six percent in Fiscal Year 2015 over Fiscal Year 2014, and by eight percent in Fiscal Year 2016 based on preliminary unaudited figures, due primarily to increased salary and benefit costs. Operating revenue increased three percent in Fiscal Year 2016 over Fiscal Year 2015 based on preliminary unaudited figures.

University Total Revenue by Source. The following shows the University's $5.0 billion in total revenue by source for Fiscal Year 2016 (excluding Northwest and Valley revenues) based on preliminary unaudited figures. University revenues may be restricted in whole or part and, to the extent restricted, are excluded from General Revenues. Appropriated revenue is also excluded from General Revenues. Restricted, appropriated and other revenues that are excluded from General Revenues are, however, important components of the University's overall financial situation.

UNIVERSITY TOTAL REVENUE BY SOURCE, FISCAL YEAR 2016[(1)]
(dollars in millions)



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(1) Preliminary and unaudited; subject to change;
(2) "Other" revenue includes auxiliary revenue, gifts and investment income.
Source: The University.

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University Operating Expenditures. The following table and chart show University operating expenses by type of expenditure, excluding Valley and Northwest expenses.

UNIVERSITY OPERATING EXPENSES
(dollars in millions)

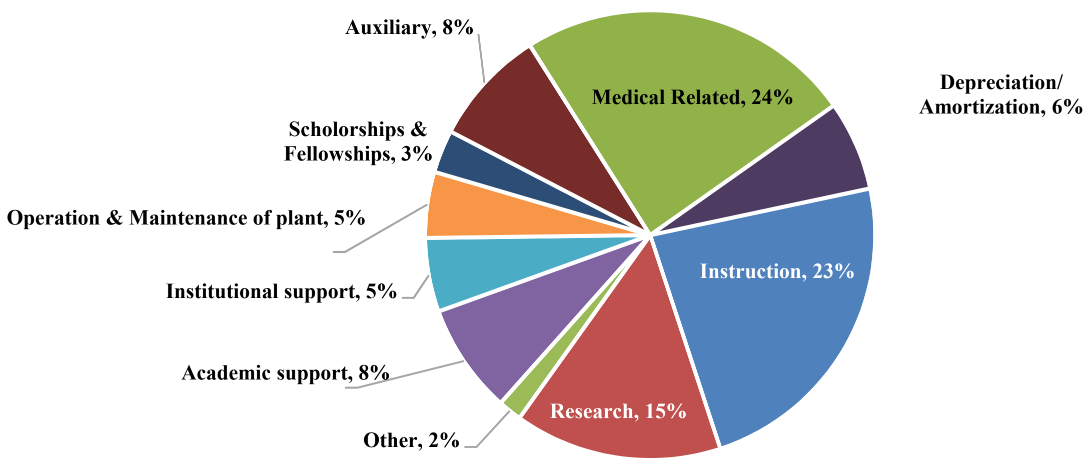
	2012	2013	2014	2015[(1)(2)]	2016[(2)]
Educational and general instruction (Instruction)	$936	$988	$1,037	$1,114	$1,172
Research	777	756	766	730	751
Public service	40	48	42	35	39
Academic support	248	261	297	337	398
Student services	37	36	43	43	47
Institutional support	192	201	224	223	267
Operation and maintenance of plant	174	207	201	242	239
Scholarships and fellowships	108	141	138	147	155
Auxiliary enterprises	195	204	286	302	422
Medical related	961	999	1,042	1,193	1,218
Depreciation/Amortization	243	280	308	311	325
Total	$3,911	$4,121	$4,384	$4,676	$5,034

(1) Certain Fiscal Year 2015 numbers shown above have been revised. See "APPENDIX B—AUDITED FINANCIAL STATEMENTS (FISCAL YEARS ENDED JUNE 30, 2015 AND 2014) AND REQUIRED SUPPLEMENTAL INFORMATION OF THE UNIVERSITY (FISCAL YEAR ENDED JUNE 30, 2015) for prior figures.

(2) Preliminary and unaudited; subject to change.

Source: The University.

UNIVERSITY OPERATING EXPENSES BY USE, FISCAL YEAR 2016[(1)]



(1) Preliminary and unaudited; subject to change. Total does not foot to 100% due to rounding.

Source: The University.

University Net Assets. As of June 30, 2015, the University had total net assets of approximately $6.37 billion, a decrease of five percent over Fiscal Year 2014, largely as a result of implementing GASB 68. See University of Washington Financial Statements, June 30, 2015 and 2014 (in Appendix B). As of June 30, 2016, the University (excluding Northwest and Valley) had total net assets of approximately $5.97 billion based on preliminary unaudited figures, a decrease of one percent over Fiscal Year 2015. Investment in buildings, improvements and land was approximately $2.2 billion as of June 30, 2015, net of related debt, and was approximately $2.0 billion as of June 30, 2016 based on preliminary unaudited figures, net of related debt.

State Funding. The State appropriates funds for certain University operating expenses and for a portion of the University's capital budget. These appropriations are subject to the Legislature's biennial budget process. The following table shows University expenditures of State operating and capital appropriations to the University in Fiscal Years 2012 through 2016.

EXPENDITURES OF STATE APPROPRIATIONS
TO THE UNIVERSITY BY TYPE
(dollars in millions)

	2012	2013	2014	2015	2016[1]
Operating Appropriations	$ 218.3	$ 218.2	$ 262.1	$ 255.2	$ 302.1
Capital Appropriations	6.1	47.1	7.7	20.8	39.2
Total Appropriations	$ 224.4	$ 265.3	$ 269.8	$ 276.0	$ 341.3

(1) Preliminary and unaudited; subject to change.
Source: The University.

State legislative appropriations accounted for approximately five percent of the University's total revenue in Fiscal Year 2015. State appropriations for the 2013–15 biennium increased 20 percent over the 2011–13 biennium. State appropriations for the 2015–17 biennium exceed State appropriations for the previous biennium by 24 percent.

The Legislature continues to face budgetary pressure as a result of court-mandated increases in K-12 education funding. Article IX of the Washington State Constitution provides that it is the "paramount duty" of the State to make "ample provision" for basic education. A 2012 Washington Supreme Court decision (*McCleary v. Washington*) held that the State was not adequately funding K-12 education to this constitutional standard. On August 13, 2015, the Court found that the Legislature had not achieved full constitutional compliance and imposed sanctions in the form of a fine of $100,000 per day until the State adopts a complete plan for constitutional compliance. In the 2016 legislative session, the Legislature increased funding for K-12 education and established an education funding task force and required legislative action addressing K-12 funding to occur by the end of the 2017 legislative session. On October 7, 2016, the Court continued the sanctions. See CERTAIN INVESTMENT CONSIDERATIONS—Uncertainties of State Legislation and Initiatives.

The 2015 Legislature passed a final compromise operating budget for the 2015–17 biennium after two 30-day special sessions. Despite facing constitutionally-required increases to K-12 funding over the next several years as described above, the final State budget included targeted investments in public higher education including in computer science and engineering, health sciences and medical residencies, and a reduction in the tuition fees charged to resident undergraduate students. The reduction in the operating fee portion of tuition was addressed in part through increased State appropriations. In the 2016 supplemental legislative session, the Legislature adjusted the amount of State appropriations to account for revised actual and projected enrollments. See "General Revenues – Student Tuition and Fees."

In addition, the Legislature authorized salary increases and provided partial funding for those increases based on the assumption that tuition rates for students other than resident undergraduates would grow with inflation and cover compensation increases for faculty and staff.

Relationship to Federal Funding Sources. The two largest sources of University funding – patient services and grants and contracts – benefit directly or indirectly from federal funding. Research funding from federal sources continues to be a large part of the University's total research revenues. Federal funding represented 73 percent of the University's total research revenues in Fiscal Year 2016 based on preliminary unaudited figures, although the University experienced a four percent decrease in total federal research funds between Fiscal Year 2015 and Fiscal Year 2016. This decrease was offset by a 39 percent increase in non-federal funding. Preliminary unaudited Fiscal Year 2016 University data shows a five percent decrease in National Institutes of Health funds and a two percent decrease in National Science Foundation funds compared to Fiscal Year 2015. Medicare and Medicaid payments represented approximately 40 percent of total patient services revenues in Fiscal Year 2016 based on preliminary unaudited figures.

Investments; Invested Funds and Endowment Funds

The Board of Regents is vested by statute with the responsibility to manage the University's assets, including its investments. Depending whether investments are restricted or unrestricted, investments may be available for payment of General Revenue obligations. Unrestricted fund balances, to the extent that they were accumulated from money that was received as General Revenues, are included in and available to pay obligations secured by General Revenues.

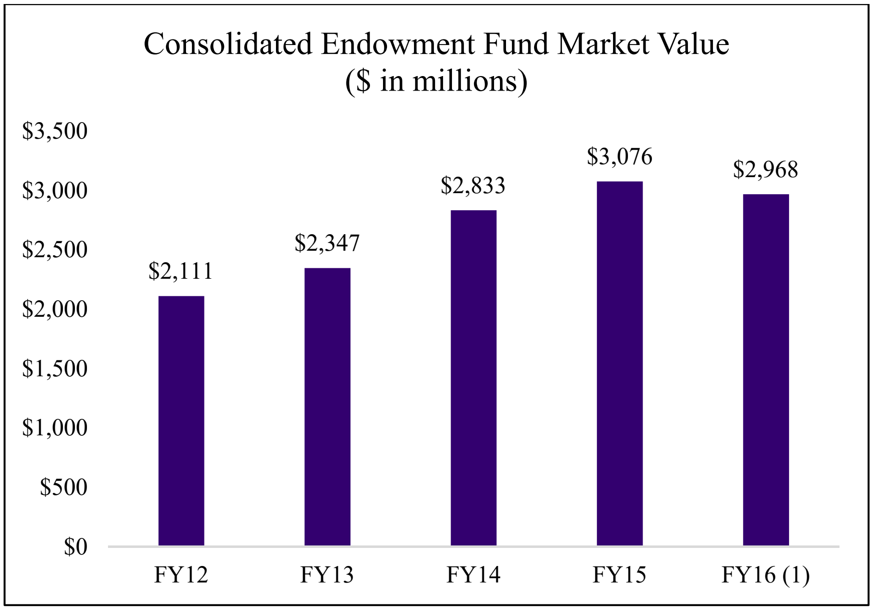
The Board of Regents delegates to its Finance and Asset Management Committee the responsibility to oversee the investment program. The Chief Investment Officer of the University directs the day-to-day activities of the investment portfolio, including the selection of investment managers who invest the University's funds based on the University's objectives and policies. Investment performance is reviewed quarterly by the University of Washington Investment Management Company Board ("UWINCO Board"), which is an advisory committee. Information regarding the balances of and returns on the University's operating and endowment funds is reported to the Finance and Asset Management Committee on a quarterly basis. Balances and returns on these funds have varied, sometimes significantly, from period to period.

Invested Funds. The total value of the University's operating fund investments (currently referred to as the University's "Invested Funds"), as of June 30, 2016 was $2.35 billion based on preliminary unaudited figures, including the portion invested in the Consolidated Endowment Fund ("CEF") as described below. The Invested Funds Pool currently consists of four pools: Cash Pool, Liquidity Pool, Diversified Investment Pool and Capital Assets Pool ("CAP"). The Cash and Liquidity Pools are invested primarily in short-term and intermediate-term, high quality, fixed-income securities to meet the day-to-day obligations of the University. The Diversified Investment Pool holds CEF units that are intended to enhance the overall portfolio return. In May 2014, the Board of Regents approved the CAP, which allows funds to be spent on approved University capital projects. The size of this pool is targeted at 10 percent of the Invested Funds, and the maximum size is limited by policy to 15 percent of the Invested Funds.

University policy stipulated the following minimum and maximum percentages that the Invested Funds may be invested in these pools as of June 30, 2016. The percentages that were invested in these funds for the periods ended June 30, 2015 and June 30, 2016 (based on preliminary unaudited figures) are shown below:

	Invested Funds		
	Policy %	**% June 30, 2015**	**% June 30, 2016**
Cash Pool	10%-40%	28%	24%
Liquidity Pool	25%-60%	34%	40%
Diversified Investment Pool	15%-45%	33%	31%
Capital Assets Pool	0%-15%	5%	5%

Consolidated Endowment Fund. Based on preliminary unaudited figures, the total value of the CEF as of June 30, 2016 was $2.97 billion including $731 million of units owned by the Invested Funds. For the 10 years that ended June 30, 2016, the annualized return on the CEF was 5.6 percent based on these figures. The CEF year-end market values for the last 10 fiscal years are shown below (Fiscal Year 2016 information is preliminary and unaudited). See "APPENDIX B—AUDITED FINANCIAL STATEMENTS (FISCAL YEARS ENDED JUNE 30, 2015 AND 2014) AND REQUIRED SUPPLEMENTAL INFORMATION OF THE UNIVERSITY (FISCAL YEAR ENDED JUNE 30, 2015)," which includes notes to the financial statements detailing the investment of the CEF.



(1) Preliminary and unaudited; subject to change.
Source: The University.

Endowment Distributions. Under the Board of Regents-approved spending policy for the CEF, quarterly distributions to programs are made based on an annual percentage rate of four percent, applied to the five-year rolling average of the CEF's market valuation. This policy was effective with the December 2010 quarterly distributions, with the five-year averaging period implemented incrementally. The spending policy calls for an administrative fee of one percent to support fundraising and stewardship activities (0.8 percent) and investment management (0.2 percent). Similar to program distributions, the administrative fee is based on the CEF's five-year average market value.

Gifts and Fundraising

A principal source of funding for the University is private (non-governmental) support. In Fiscal Year 2016, the University received $542.4 million in total private support from 143,828 donors based on preliminary unaudited figures. This is up from the trailing five-year average of $381 million. Of the $542.4 million received, approximately $249 million was private gifts and approximately $293 million was private grants. The University expects to formally announce its third comprehensive capital campaign, with a goal of at least $4 billion, on October 21, 2016. The campaign will extend until June 30, 2020.

UW MEDICINE

UW Medicine is an integrated health system that owns or operates Harborview, Northwest, Valley, UW Medical Center, UW Neighborhood Clinics, UW Physicians, UW School of Medicine and Airlift Northwest.

Components of UW Medicine

Harborview Medical Center. Harborview is owned by King County and has been operated and managed by the University since 1970. The University and King County entered into a 10-year management contract (with two renewable 10-year contract terms) in February 2016. This contract replaces the prior contract that was in place from 1995 to 2015. Harborview is a Level 1 adult and pediatric trauma and burn center with 413 licensed beds that offers specialty care in nearly every area of medicine. Harborview's primary mission is to provide and teach exemplary patient care and to provide health care for those patients King County is obligated to serve. Harborview's financial results are not included in the University's financial statements.

Northwest Hospital & Medical Center. Northwest is a 281 licensed bed hospital in North Seattle, which affiliated with UW Medicine on January 1, 2010. Northwest is a non-profit community hospital offering comprehensive medical, surgical and therapeutic services. The University is the sole corporate member of Northwest. Under GASB Statement No. 80, Blending Requirements for Certain Component Units effective as of Fiscal Year 2017 ("GASB 80"), primary governments that are the sole corporate member of component units organized as not-for-profit corporations are required to blend the balances, activities, and cash flows of the component unit with those of the primary government. Effective Fiscal Year 2017, Northwest will be presented as a blended component unit of the University, rather than in its current form as a discretely presented component unit.

Valley Medical Center. Valley is a 321 licensed bed hospital in Southeast King County, and is a full-service acute care public hospital. Valley is owned and operated by Public Hospital District No. 1 of King County (the "District"). The District is a public agency as defined by RCW 39.34.020(1) and a municipal corporation. On July 1, 2011, the District entered into a strategic alliance with UW Medicine. In addition to the hospital, the District operates a network of more than two dozen primary care, urgent care and specialty clinics throughout Southeast King County. Valley will continue to be presented as a discretely presented component unit of the University following implementation of GASB 80.

UW Medical Center. UW Medical Center is a 529 licensed bed hospital that is a division of the University. UW Medical Center provides highly specialized inpatient and outpatient healthcare to patients throughout the Pacific Northwest and also serves as a major clinical, teaching and research site for students and faculty of the University. In 2013, UW Medical Center began phase two of the Montlake Tower project to construct new inpatient floors including the addition of intensive care, medical/surgical beds and operating rooms, all of which opened early in calendar 2016. Phase two is expected to be fully completed in 2018.

UW Neighborhood Clinics. UW Neighborhood Clinics is a network of primary care clinics with 12 locations throughout the greater Seattle area. The clinics offer a complete spectrum of primary care services and urgent care services for the entire family from pediatrics to geriatrics, as well as ancillary services, including on-site laboratory, X-ray facilities and nutrition services. UW Physicians Network, dba UW Neighborhood Clinics, is a nonprofit corporation organized for the benefit of the University School of Medicine, its faculty practice plan, UW Physicians, and its affiliated medical centers, Harborview and UW Medical Center. UW Neighborhood Clinics is presented as a blended component unit of the University.

UW Physicians. UW Physicians is the physician practice group for more than 2,000 physicians and other healthcare professionals associated with UW Medicine. UW Physicians provides primary and specialty care totaling more than one million patient visits each year. UW Physicians in a nonprofit corporation whose members consist of clinically active faculty of the University School of Medicine. Pursuant to an agreement between the University and UW Physicians, UW Physicians is responsible for providing medical services to patients at hospitals owned or managed by the University and other sites of practice approved by the Dean of the University School of Medicine. UW Physicians is presented as a blended component unit of the University.

UW School of Medicine. UW School of Medicine was founded in 1946 and is recognized for training primary care physicians and for advancing medical knowledge through scientific research. UW School of Medicine is second in the nation in research funding received from the National Institutes of Health in 2015. Physician faculty members of the School of Medicine staff UW Medical Center, Harborview, and UW Neighborhood Clinics, as well as the Puget Sound Veterans Affairs Health Care System, Seattle Cancer Care Alliance and Seattle Children's Hospital.

Airlift Northwest. Airlift Northwest is a medical transport service that works with first responders throughout Washington, Alaska, Montana and Idaho to transport critically ill and injured patients to local hospitals, regional trauma centers or specialty care facilities. The revenues, expenses, assets and liabilities of Airlift Northwest are included in the University's financial statements.

Financial Information and Patient Activity Statistics

UW Medical Center, Northwest and Valley Financial Information[1]
Fiscal Years 2012–2016
(in thousands)

	2012	2013	2014	2015	2016[2]
UW Medical Center					
Total Operating Revenue	$877,548	$920,705	$967,651	$1,083,584	$1,135,625
Net Income	36,026	5,798	14,096	26,745	(27,679)
Valley					
Total Operating Revenue	$436,407	$451,012	$474,195	$518,532	$550,343
Net Income	(5,899)	(16,385)	6,149	15,617	11,481
Northwest					
Total Operating Revenue	$300,089	$327,807	$324,342	$357,054	$372,751
Net Income	(2,700)	9,284	(4,755)	(5,283)	(4,512)
Combined					
Total Operating Revenue	$1,614,044	$1,699,524	$1,766,188	$1,959,170	$2,058,719
Net Income	27,427	(1,303)	15,490	37,079	(20,710)

(1) Only UW Medical Center revenues are included in General Revenues for the University.
(2) Preliminary and unaudited; subject to change.
Source: The University.

UW Medical Center, Northwest and Valley Patient Activity Statistics
Fiscal Years 2012–2016

	2012	2013	2014	2015	2016[1]
UW Medical Center					
Admissions	17,915	17,728	18,033	18,092	18,362
Outpatient Visits	300,487	284,870	291,375	302,038	320,037
Emergency Visits	23,487	22,977	25,338	26,465	26,555
Valley					
Admissions	16,842	17,477	16,693	17,174	17,518
Outpatient Visits	344,947	362,274	403,169	471,780	499,814
Emergency Visits	75,586	74,202	73,763	81,250	83,067
Northwest					
Admissions	9,127	9,974	9,211	9,934	10,060
Outpatient Visits	193,992	195,978	193,387	195,031	197,132
Emergency Visits	33,832	33,942	34,276	36,159	35,068
Combined					
Admissions	43,884	45,179	43,937	45,200	45,940
Outpatient Visits	839,426	843,122	887,931	968,849	1,016,983
Emergency Visits	132,905	131,121	133,377	143,874	144,690

(1) Preliminary and unaudited; subject to change.
Source: The University.

Strategic Planning and Collaborations

In addition to its affiliation with Northwest and its strategic alliance with Valley, UW Medicine has entered into a number of affiliations, strategic alliances and collaborative with third-party entities as part of its mission to improve the health of the public. These relationships address and further UW Medicine strategic goals as described in "APPENDIX B–AUDITED FINANCIAL STATEMENTS (FISCAL YEARS ENDED JUNE 30, 2015 AND 2014) AND REQUIRED SUPPLEMENTAL INFORMATION OF THE UNIVERSITY (FISCAL YEAR ENDED JUNE 30, 2015)" and below.

In September 2013, UW Medicine signed a strategic collaboration with PeaceHealth, a non-profit healthcare organization headquartered in Vancouver, Washington, for UW Medicine to serve as PeaceHealth's complex tertiary and quaternary health system for specialty care. The agreement allows both organizations to work together on improving the quality, safety and cost-effectiveness of care. As with the other arrangements described below, the two organizations will remain legally independent and there is no change in the governance or mission of either organization.

In March 2014, UW Medicine and Capital Medical Center (Olympia, Washington) signed an agreement selecting UW Medicine as the healthcare system of choice for complex tertiary and quaternary care for Capital Medical Center patients. This strategic collaboration, effective April 1, 2014, is intended to provide Capital Medical Center patients prompt access to advanced services while allowing the organizations to work together to continue improving the quality, safety and cost-effectiveness of care in the South Puget Sound region.

In 2014, UW Medicine formed an accountable care network ("ACN") with certain other health care organizations and healthcare professionals in Western Washington. The UW Medicine ACN was formed to focus on keeping people healthy and out of the hospital by employing evidence-based preventive measures to identify and treat underlying health problems early before they become chronic conditions. UW Medicine and certain of its ACN members entered into agreements to provide health care services to employees of The Boeing Company beginning in January 2015. In January, 2016, UW Medicine and certain of its ACN members began providing healthcare services to certain employees of the State of Washington in a five-county Puget Sound area. These arrangements provide opportunities for shared savings between the ACN and the employers based on achieving quality and financial benchmarks. If the ACN does not attain certain financial benchmarks, UW Medicine, along with contractually agreed upon risk-sharing payments from its ACN members, will pay the employers based on their agreement on achieving quality and financial benchmarks.

In 2015, UW Medicine, Skagit Regional Health and Cascade Valley Hospital and Clinics entered into a Clinical Affiliation Agreement intended to create a long-term and durable affiliation to integrate clinical programs to achieve the "Triple Aim" of better care for individuals, better health for populations and lower per capita costs.

In 2016, UW Medicine and Trios Health, formerly Kennewick General Hospital, signed an agreement selecting UW Medicine as the healthcare system of choice for complex tertiary and quaternary care for Trios Health patients. This strategic collaboration, effective April, 2016, is intended to provide Trios Health patients prompt access to advanced services while allowing the organizations to work together to continue improving the quality, safety and cost-effectiveness of care in the region.

OTHER UNIVERSITY INFORMATION

Labor Relations

The University employs approximately 44,500 full-time and part-time employees, of whom approximately 18,000 are unionized. Pursuant to chapter 41.80 RCW, the University has negotiated collective bargaining agreements to cover the 2017–2019 biennium with the Inlandboatmen's Union of the Pacific (mariners), Service Employees International Union ("SEIU") Local 925 (clerical and healthcare employees), the Washington Federation of State Employees master group (service, library, public safety, skilled trade employees), and UW Police Management group (police sergeants and lieutenants who are also represented by the Washington Federation of State Employees), and the Teamsters Local Union No. 117 (police officers). Combined, these unions cover approximately 8,800 employees in 16 bargaining units.

The University will enter into negotiations with SEIU Local 1199NW (registered nurse, healthcare specialist, imaging tech, social worker, anesthesia and respiratory tech employees primarily at Harborview Medical Center), and the Washington State Nurses Association (registered nurses at the University of Washington Medical Center) for 2017-2019 collective bargaining agreements in the winter of 2016/17.

With respect to agreements covered by chapter 41.56 RCW, the University will begin negotiations for a successor agreement with the American Federation of Teachers Local 6486 (representing approximately 65 English language extension lecturers within UW Educational Outreach) in early 2017. In spring 2015, the University reached agreement on a three-year agreement with the United Auto Workers Local 4121, representing approximately 4,500 academic student employees, which will expire on April 30, 2018. The University also reached agreement with the graphic communications bargaining unit, also represented by the Teamsters Local 117, on a contract spanning July 1, 2017, to June 30, 2019. In September of 2014, the UW Housestaff Association was certified (under chapter 41.56 RCW) as the official labor union for approximately 1,300 medical residents and fellows at the University. Negotiations for an initial collective bargaining agreement commenced in January of 2015 and are ongoing.

The University is currently in discussion with all unions over the upcoming institution-wide transition to a new Human Resources/Payroll system and its potential impacts. The University is monitoring efforts by SEIU 925 to represent all University faculty governed under chapter 41.76 RCW. This process is ongoing. Finally, in the course of bargaining for the 2015–2017 chapter 41.80 RCW collective bargaining agreements, the University began the process of following the spirit of the City of Seattle minimum wage initiative (an initiative approved by the voters that raises the minimum wage to $15 per hour), although the University has taken the position that the initiative does not apply to the University. In December of 2015, the University concluded negotiations with all of its unions to ensure that all represented staff at the Seattle, Bothell and Tacoma campuses would receive no less than $15 per hour by January 1, 2017.

In anticipation of the revisions to the Fair Labor Standards Act that will become effective on December 1, 2016, the University has begun impact bargaining on a small number of overtime exempt contract classified employees in SEIU 925 and the Washington Federation of State Employees who will become overtime eligible due to their salaries falling below the new salary basis level of $913 per week, which is more than double the current salary basis level of $455 per week.

Risk Management

The University is exposed to risk of loss related to tort liability, injuries to employees and loss of property. The University purchases insurance protection for workers' compensation as well as marine, aviation and certain other risks. The University also purchases insurance protection for loss of property at self-sustaining units, bond-financed buildings and where otherwise required by contract; otherwise, the risk of property loss is retained, unfunded. For medical professional, general, employment practices, and automobile liability, the University maintains a program of self-insurance reserves and excess insurance coverage. The self-insurance reserve represents the estimated ultimate cost of settling claims resulting from events that have occurred on or before the statements of net position date. The reserve includes the undiscounted amounts that will be required for future payments of claims that have been reported and claims related to events that have occurred but have not yet been reported.

The self-insurance reserve is estimated through an actuarial calculation and included in long-term liabilities. See "APPENDIX B—AUDITED FINANCIAL STATEMENTS (FISCAL YEARS ENDED JUNE 30, 2015 AND 2014) AND REQUIRED SUPPLEMENTAL INFORMATION OF THE UNIVERSITY (FISCAL YEAR ENDED JUNE 30, 2015)". Changes in the self-insurance reserve for the years ended June 30, 2013 through 2016 are noted below:

UNIVERSITY SELF INSURANCE RESERVE
(dollars in thousands)

	2013	**2014**	**2015**	**2016[1]**
Reserve at Beginning of Fiscal Year	$62,919	$79,708	$67,450	$82,201
Incurred Claims and Changes in Estimates	28,605	13,917	29,495	24,778
Claim Payments	(11,816)	(26,175)	(14,744)	(27,826)
Reserve at End of Fiscal Year	$79,708	$67,450	$82,201	$79,153

(1) Preliminary and unaudited; subject to change.
Source: The University.

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") plan, the Law Enforcement Officers' and Fire Fighters' Retirement System ("LEOFF") plan, and the University of Washington Retirement Plan ("UWRP"). PERS, TRS, and LEOFF are cost sharing multiple-employer defined benefit pension plans administered by the Washington State Department of Retirement Systems ("DRS"). The UWRP, a single-employer defined-contribution plan, is administered by the University. The University's noncontributory pension plan, the University of Washington Supplemental Retirement Plan, is a single-employer defined-benefit plan, but is closed to employees who were not active participants on February 28, 2011.

PERS, TRS and LEOFF Plan Descriptions. The University contributes to PERS, TRS, and LEOFF. PERS Plan 1 and TRS Plan 1 provide retirement and disability benefits, along with minimum benefit increases beginning at age 66 to eligible nonacademic plan members hired prior to October 1, 1977. PERS and TRS Plans 2 and 3 provide retirement and disability benefits and a cost-of-living allowance to eligible nonacademic plan members hired on or after October 1, 1977. In addition, PERS Plan 3 and TRS Plan 3 have a defined-contribution component, which is fully funded by employee contributions. LEOFF Plan 2 provides retirement, disability and death benefits. Members are vested after completing five years of eligible service. The authority to establish and amend benefit provisions resides with the Legislature subject to restrictions on impairing contractual obligations to employees.

GASB Statement No. 68. In June 2012, GASB approved Statement No. 68, "Accounting and Financial Reporting for Pensions," which was effective for the University's Fiscal Year 2015 Financial Report. The University participates in several cost-sharing, multiple-employer, defined-benefit pension plans administered by the DRS. GASB 68 changed how the University accounts for and reports its participation in these plans.

Prior GASB accounting required the University to recognize pension expense equal to the cash funding paid to the DRS, with no associated liability reported on the Statement of Net Position. GASB 68 requires that pension expense equal the University's share of future pension benefits earned by all participating employees due to current period service, plus/minus the impact of any actuarial changes impacting the total pension liability. It also requires that the University record on the Statement of Net Position its proportionate share of the total DRS liability for pension amounts earned by employees based on current and past service but not yet funded (the unfunded pension liability).

Harborview, a related party of the University, is owned by King County and is not included in the University's reporting entity for GASB financial reporting purposes. However, all of the employees who work at Harborview are University employees. Therefore, under GASB 68, the University includes the pension-related amounts pertaining to employees working at Harborview in the amounts recorded in the University's Financial Report. Harborview will continue to account for pension-related expenses using the current "funding" approach, and does not record any of the associated GASB 68 liabilities.

Significant reporting and actuarial assumptions related to these DRS plans in which the University participates are as follows:

- *Fiduciary Net Position* – The pension plans' fiduciary net positions have been determined on the same basis as they are reported by the pension plans. DRS financial statements have been prepared in conformity with generally accepted accounting principles (GAAP). The retirement plans are accounted for in pension trust funds using the flow of economic resources measurement focus and the accrual basis of accounting. Member contributions are recognized as revenues in the period in which the contributions are earned. Employer contributions are recognized when due, and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due, and payable in accordance with the terms of each plan.

  Chapter 43.33 RCW authorizes the Washington State Investment Board (the "WSIB") to have the investment management responsibility for the pension funds. Investments are reported at fair value, and unrealized gains and losses are included as investment income in the Statement of Changes in Fiduciary Net Position presented in the DRS Comprehensive Annual Financial Report. Purchases and sales of investments are recorded on a trade-date basis.

DRS publishes an annual report for retirement plans, which is available at: http://www.drs.wa.gov/administration/annualreport/ (which is not incorporated into this Official Statement by this reference).

- *Actuarial Assumptions* – The total pension liability for each DRS plan was determined by an actuarial valuation, conducted by the Washington State Office of the State Actuary (the "OSA") as of June 30, 2014, with the results rolled forward to June 30, 2015 (the measurement period for the University's Fiscal Year 2016). The following actuarial assumptions have been applied to all prior periods included in the measurement:

    - 3.0 percent total economic inflation, 3.75 percent salary inflation
    - Salary increase – expected to grow by promotions and longevity in addition to salary inflation assumption
    - 7.50 percent investment rate of return

  Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries' Retirement Plans Experience Committee ("RPEC"). As recommended by the RPEC, the OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

  The actuarial assumptions used in the June 30, 2014 valuation were based on the results of OSA's 2007–2012 Experience Study, which is a comprehensive review and update of prior actuarial assumptions. Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. In August 2016 OSA issued its Report of the Combined Actuarial Valuation as of June 30, 2015 for the primary purpose of determining contribution requirements for the 2017-2019 biennium based on a June 30, 2015 measurement date and under the funding policy established by the Legislature. The valuation also provides information on the funding progress and developments in the plans over the past year. The OSA report included a lowered long-term assumed rate of investment return from 7.8 to 7.7 percent for all systems except LEOFF 2, which remains at 7.5 percent. This assumption change led to lower funded status on an actuarial value basis and higher calculated contribution rates than calculated last valuation. Note that the OSA report is used to convey information for determining funding policy (contribution rates); DRS reports are used to comply with the reporting requirements of GASB 68 (that is, for financial reporting purposes).

  The long-term expected rate of return on pension plan investments was determined by the WSIB using a building block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class. Those expected returns make up one component of WSIB's Capital Market Assumptions ("CMAs"). WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

  The long-term expected rate of return of 7.50 percent approximately equals the median of the simulated investment returns over a 50-year time horizon, adjusted to remove or damper any short term changes that are not expected over the entire 50-year measurement period.

- *Discount Rate* – The discount rate used to measure the total pension liabilities was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at contractually required rates, and that contributions from employers will be made at statutorily required rates, actuarially determined (including the component of PERS 2/3 and TRS 2/3 employer rates pertaining to the unfunded actuarial accrued liabilities for PERS 1 and TRS 1, respectively). Based on those assumptions, the fiduciary net position for each pension plan in which the University participates was projected to be sufficient to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Using the WSIB long-term expected rate of return, a 7.50 percent future investment rate of return on pension plan investments was assumed for the test. The expected return on plan assets is the estimated long-term rate of return that will be earned on the investments used to fund the pension obligation. Contributions from plan members and employers were assumed to continue to be made at contractually required rates (including the component of PERS 2/3 and TRS 2/3 employer rates pertaining to the unfunded actuarial accrued liabilities for PERS 1 and TRS 1, respectively, as provided for in Chapter 41.45 RCW).

Employer Contribution Rates. Employer contribution rates are developed in accordance with Chapter 41 RCW by the OSA, and include an administrative expense component that is currently set at 0.18 percent. To calculate employer and employee contribution rates necessary to pre-fund the plans' benefits, OSA uses actuarial cost and asset valuation methods selected by the Legislature as well as economic and demographic assumptions.

All DRS-administered retirement plans are funded by a combination of funding sources: (1) contributions from the State; (2) contributions from employers (including the University as employer and other governmental employers); (3) contributions from employees; and (4) investment returns. Retirement funds are invested by the WSIB. Under State statute, employee contribution rates for PERS Plan 1 and TRS Plan 1 are fixed by the Legislature and not subject to periodic review. All other contribution rates are adopted by the Pension Funding Council ("PFC") (and, for LEOFF Plan 2, by the LEOFF 2 Board) in even-numbered years for the next ensuing State biennium. The rate-setting process begins with an actuarial valuation by the OSA, which makes non-binding recommendations to the Select Committee on Pension Policy, which recommends contribution rates to the PFC and the LEOFF 2 Board. No later than the end of July in even-numbered years, the PFC and LEOFF 2 Board adopt contribution rates, which are subject to revision by the Legislature. Employer and employee contribution rates as of August 16, 2016 have been adopted for the 2017-2019 biennium, subject to change by the Legislature, and are published by DRS.

The University's proportionate share of the Statewide required contributions for each DRS plan in which the University participates as of June 30, 2016 and 2015 are shown in the table below.

UNIVERSITY PROPORTIONATE SHARE OF EMPLOYER CONTRIBUTION RATES (as of June 30)

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2
2016 Rate[(1)]	8.33%	10.20%	0.10%	0.11%	0.20%
2015 Rate	8.28%	10.00%	0.10%	0.08%	0.21%

(1) Preliminary and unaudited; subject to change.
Source: The University.

The University's proportionate share of pension expense is shown in the table below.

UNIVERSITY SHARE OF PENSION EXPENSE (as of June 30, dollars in thousands)

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2
2016 Amount[(1)]	$28,799	$45,100	$1,248	$414	$(66)[(2)]
2015 Amount	23,023	32,567	1,052	237	(144)[(2)]

(1) Preliminary and unaudited; subject to change.
(2) Negative value indicates overfunding.
Source: The University.

CONTRIBUTION RATES
AND FUNDED STATUS BY PLAN
(as of June 30, dollars in thousands)

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2
2016[(1)]					
Required University Contributions	$2,155	$107,424	$38	$956	$384
Covered Employee Payroll	19,450	967,955	306	7,507	4,474
University Contributions as a % of Payroll (Contribution Rates)	11.1%	11.1%	12.4%	12.7%	8.6%
Plan fiduciary net position % of total Net Pension Liability (funded status)	59.1%	89.2%	65.7%	92.5%	111.7%
2015[(1)(2)]					
Required University Contributions	$2,058	$83,323	$44	$558	$303
Covered Employee payroll	22,341	904,661	423	5,367	3,534
University Contributions as % of Payroll (Contribution Rates)	9.2%	9.2%	10.4%	10.4%	8.6%
Plan fiduciary net position % of total Net Pension Liability (funded status)	61.2%	93.3%	68.8%	96.8%	116.8%

(1) Preliminary and unaudited; subject to change. Calculated for financial reporting purposes.
(2) The required University contribution, covered employee payroll and contribution rate information for Fiscal Year 2015 corrects calculations reported in the Schedules of Required Supplementary Information included in Appendix B.
Source: The University.

University Aggregated Balances. The University's aggregated balances of net pension liabilities and net pension asset as of June 30, 2016 (based on preliminary, unaudited figures) and 2015 are presented in the table below.

UNIVERSITY SHARE OF
NET PENSION LIABILITIES/ASSETS
(as of June 30, dollars in thousands)

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2
2016 Net Pension (Liability)/Asset[(1)]	($435,853)	($364,303)	($4,049)	($969)	$2,083
2015 Net Pension (Liability)/Asset	(417,231)	(202,225)	(2,881)	(252)	2,844

(1) Preliminary and unaudited; subject to change.
Source: The University.

Retirement Plan (403(b)) and Supplemental Retirement Plan (401(a)). Faculty, librarians and professional staff are eligible to participate in the UWRP, a 403(b) defined-contribution plan, and the UW Supplemental Retirement Plan, a 401(a) defined-benefit retirement plan which is closed to new participants and operates in tandem with the 403(b) plan. Both plans are administered by the University.

- UWRP Description. Contributions to the UWRP are invested by participants in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Employees have at all times a 100 percent vested interest in their accumulations. Benefits from the plan are available upon separation or retirement at the member's option. RCW 28B.10.400 *et seq*. assigns the authority to the Board of Regents to establish and amend benefit provisions.

- UWRP Funding Policy. Employee contribution rates are five percent, 7.5 percent or 10 percent of salary, based on age. The University matches the contributions of employees. Within parameters established by the Legislature, contribution requirements may be established or amended by the Board of Regents.

Employer contributions for the years ended June 30, 2016 and 2015 were $111,015,000 and $105,266,000 respectively.

- UW Supplemental Retirement Plan Description. This plan provides for a supplemental payment component, which guarantees a minimum retirement benefit based upon a one-time calculation at each eligible participant's retirement date. The University makes direct payments to qualifying retirees when the retirement benefits provided by the UWRP plan do not meet the benefit goals. During Fiscal Year 2011, the University amended the Supplemental Retirement Plan, limiting participation to those individuals who were active participants on February 28, 2011.

- UW Supplemental Retirement Plan Funding. The University received an actuarial valuation of the supplemental payment component of the UWRP with a valuation date of July 1, 2015. The previous evaluations were performed in 2013 and 2011. The University has set aside $198,831,000 and $188,881,000 as of June 30, 2016 and 2015, respectively, for this liability. These funds do not meet the GASB technical definition of "Plan Assets" because they have not been segregated and restricted in a trust or equivalent arrangement. The UAAL shown, therefore, does not reflect a credit for these amounts.

- Statistics Related to the UWRP. The Unfunded Actuarial Accrued Liability ("UAAL") and Annual Required Contribution ("ARC") for the UWRP as of July 1 of the respective years are shown in the following table.

UAAL AND ARC OF UNIVERSITY OF WASHINGTON RETIREMENT PLAN
(dollars in thousands)

	2011	2013	2015
UAAL	$235,048	$292,535	$373,711
Normal Cost	10,774	9,529	14,250
Amortization of UAAL, Including Interest	19,607	29,021	38,807
ARC	30,381	38,550	53,057
Actuarial Assumptions			
Payroll Covered By Plan	$1,129,000	$1,047,000	$1,050,000
Rate of Return Assumptions	4.25%	4.25%	4.00%
Salary Increases for Years 1 and 2	2.00%	3.00%	3.75%
Salary Increase for Year 3	4.00%	3.00%	3.75%
Salary Increase Thereafter	4.00%	3.00%	3.75%

Source: The University.

The following table reflects the activity in the Net Pension Obligation for the UWRP for the years ended June 30, 2013 through 2016 (based on preliminary unaudited figures).

NET PENSION OBLIGATION OF UWRP
(dollars in thousands)

	2013	2014	2015	2016(1)
Balance at Beginning of Fiscal Year	$127,465	$163,372	$198,895	$248,186
Annual Required Contribution	38,550	38,550	53,057	53,057
Payments to Beneficiaries	(2,643)	(3,027)	(3,766)	(4,257)
Balance at end of Fiscal Year	$163,372	$198,895	$248,186	$296,986

(1) Preliminary and unaudited; subject to change.
Source: The University.

Other Post-Employment Retirement Benefits ("OPEB")

Healthcare and life insurance programs for employees of the State (including University employees) 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 (including the University) 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 employee.

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 healthcare premiums for active employees, which are paid by the agency during employees' working careers, subsidize the "underpayments" of retirees.

An additional factor in the OPEB obligation is a payment that is required by the Legislature to reduce the premiums for retirees covered by Medicare (an "explicit" subsidy). For both calendar years 2015 and 2014, this amount was $150 per retiree eligible for parts A and B of Medicare. This is also passed through to state agencies through active employee rates charged to the agency.

There is no formal State or University plan that underlies the subsidy of retiree health and life insurance.

Actuarial Study. Actuarial studies, performed every two years by the OSA, calculated that the total OPEB obligation of the State at January 1, 2015 and 2013 was $5.3 billion and $3.7 billion, respectively. The annual required contribution was $498 million and $342 million for the State for 2015 and 2013, respectively. The OSA 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 State-wide historical data.

The OSA's allocation of the cumulative State-wide liability related to the University and its unconsolidated affiliates was estimated at approximately $997 million and $671 million for 2015 and 2013, respectively. These amounts are not included in the University's financial statements.

The University paid $324 million and $248 million for healthcare expenses in Fiscal Years 2016 and 2015, respectively, which included its pay-as-you-go portion of the OPEB liability, calculated by the OSA at $7.9 million in both 2016 and 2015.

The OSA report is available at: http://osa.leg.wa.gov/Actuarial_Services/OPEB/OPEB.htm (which is not incorporated into this Official Statement by this reference).

LIMITATIONS ON REMEDIES

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

In addition to the limitations on remedies contained in the Resolution, the rights and obligations under the Bonds and the 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 opinions to be delivered by Pacifica Law Group LLP, as Bond Counsel, concurrently with the issuance of the Bonds, will be subject to limitations regarding bankruptcy, insolvency and other laws relating to or affecting creditors' rights. A complete copy of the proposed forms of opinion of Bond Counsel is set forth in APPENDIX C—"FORMS OF BOND COUNSEL OPINIONS."

Under State law, "taxing districts" are authorized to voluntarily file a petition for bankruptcy under the federal bankruptcy code. The State is not authorized to file a petition for bankruptcy. Although the University is a political subdivision in some contexts, it is not considered a taxing district under State property, excise or other tax statutes and does not have taxing power. Accordingly, it is not clear that the University has authority under State law to voluntarily file a petition for bankruptcy. State law does not provide for involuntary bankruptcy against the State or its political subdivisions.

The Board of Regents is authorized under State law to obligate all or a component of the fees and revenues of the University for the payment of bonds, notes, or evidences of indebtedness, and the University has pledged General Revenues to the payment of principal of and interest on the Bonds. State law does not provide for a statutory lien on General Revenues, and Bondholders have no lien on or security interest in General Revenues.

CERTAIN INVESTMENT CONSIDERATIONS

The purchase of the Bonds involves investment risk. Prospective purchasers of the Bonds should consider carefully all of the information set forth in this Official Statement, including its appendices, evaluate the investment considerations and merits of an investment in the Bonds and confer with their own tax and financial advisors when considering a purchase of the Bonds.

The Bonds are payable from General Revenues, which include auxiliary systems and patient services, student tuition and certain fees, grant and contract indirect costs, sales and services of educational departments of the University, other operating revenue, and invested funds' distribution and net invested funds' unrealized gains and losses. The University's ability to derive General Revenues from these sources sufficient to pay debt service on the Bonds depends on many factors, some of which are not subject to the control of the University. The following section discusses some of the factors affecting General Revenues; it cannot, however, describe all of the factors that could affect General Revenues.

Uncertainties in the Higher Education Sector

Through the recession and slow recovery, the U.S. higher education sector has faced uncertainties in an environment of rising tuition, changing enrollment trends, high student debt burdens, reduced state appropriations, federal funding constraints, competition for sponsored research, lower but recovering endowment returns, and gift trends reflecting economic conditions. For the largest universities, growth in patient care revenue, investment income, and grants and contracts are important factors in terms of revenue outlook. The higher education sector has experienced increased operating expenses as well as significant demand for capital investment in housing, dining, and student amenities, and in addressing deferred maintenance including on aging facilities now requiring renovation. The higher education sector has experienced changing technology and delivery models, including a growth in online educational options and technology-related expenses. Recent proposals to reduce or eliminate the tuition and student debt levels confronting low and middle-income families may have implications for the higher education sector.

Patient Services Revenues; Uncertainties of the Health Care Sector

Patient services revenue is the largest component of General Revenues. The University generates patient services revenues through the operation of three hospitals as well as neighborhood and other clinics. (The University also operates Harborview, but Harborview's results are not included in the University's financial statements.) The ability of the University to generate patient services revenue depends, in part, upon the financial health of the health care sector. Challenges inherent to the healthcare sector include potential funding cuts for Medicare and Medicaid, lower patient volumes, uncertainty over healthcare reform implementation and payer reimbursement pressure.

The sector has undergone significant legislative and regulatory change, and these changes and other factors have led to mergers, acquisitions, consolidations, bankruptcies and closures. The University has entered into a number of recent affiliations, strategic alliances and collaborative relationships, and may enter into future arrangements. The University has experienced and expects a continued period of transition as the University works to align affiliated and third-party entities' services and performance with broader UW Medicine objectives.

UW Medical Center and UW Medicine's other hospitals have agreements with federal and State agencies and commercial insurers that provide for payments at amounts less than gross charges. The payer mix is a key factor in the overall financial operating performance of the various UW Medicine components providing patient services.

Tuition and Student Fee Revenues

Tuition and student fees are the second largest component of General Revenues. Certain significant components of General Revenues, most significantly student tuition, are considered fees subject to Initiative 960, an initiative that requires legislative approval for any fee increase or new fees. See "INITIATIVES." Tuition is established by the Board of Regents within the tuition-setting authority delegated by the Legislature and subject to certain statutory limits. For Fiscal Years 2015 and 2016, the Legislature reduced tuition levels for resident undergraduate students, and limited future increases to a statutory growth factor. In addition to tuition, the University charges its students a variety of other fees that may be subject to Initiative 960.

A portion of student tuition and fee revenue is derived from financial aid provided to students. Federal, State, institutional and private funders may not appropriate or approve funding for grant, scholarship, loan and other financial aid programs at the same level and under the same terms in the future, which may affect the amount of financial aid available to University students.

Uncertainties of State Legislation and Initiatives

The Legislature considers legislation from time to time that may affect the University, including without limitation legislation appropriating funds for higher education, legislation authorizing Building Fee Revenue Bonds or Reimbursed Bonds for the benefit of the University, and legislation regarding public employees, benefits, tuition, academic standards, public procurement and contracting, and other matters. The Legislature continues to face budgetary pressure as a result of court-mandated increases in K-12 education funding, in light of the State constitutional mandate to fund basic education and a 2012 Washington Supreme Court decision that the State was not adequately funding basic education to this constitutional standard. See "UNIVERSITY OF WASHINGTON—Other University Financial Information."

As described under the heading "INITIATIVES," State initiative measures have been filed from time to time affecting the University or its revenues, including Initiatives 601 and 960. Various State initiative measures have been and may be filed, and approved, from time to time that may have a fiscal impact on the University and/or the State, and if affecting the State, may impact State spending on higher education, including State appropriations to the University.

Uncertainties of the Federal Budget

Two of the largest sources of University funding – patient services and grants and contracts – benefit directly or indirectly from federal funding. Research funding from federal sources continues to be a large part of the University's total research revenues. Federal funding, including federal research funding and healthcare reimbursement funding, is subject to federal legislative action, including through the federal budget process and sequestration. State and local reductions in funding could also affect University revenues. A shift from federal to non-federal research funding could reduce the relative amount of funding for indirect costs.

Laws and Regulation

The University is subject to federal, State, and local laws and regulations. Failure by the University to comply with, or violations of, statutory and regulatory requirements could result in the loss of federal or State grant funds and other consequences. These statutory and regulatory requirements are subject to change and could become more stringent and costly for the University.

The healthcare industry is subject to numerous laws and regulations of federal, State, and local governments, including the Affordable Care Act. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, governmental healthcare program participation requirements, reimbursement for patient services, privacy of health records, and Medicare and Medicaid fraud and abuse. Government agencies are actively conducting investigations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Recent regulatory, legislative and accounting activity will impact all entities in UW Medicine during Fiscal Year 2017 and beyond.

Accounting Rules

The University is subject to accounting rules and standards promulgated by GASB. These rules may change, requiring the University at such time to value and state its accounts differently.

Limitation on Remedies

Under the terms of the Resolution, payments of debt service on Bonds are required to be made only as they become due and the occurrence of a default does not grant a right to accelerate payment of the Bonds. In the event of multiple defaults in payment of principal of or interest on the Bonds, the Bond owners could be required to bring a separate action for each such payment not made. Remedies for defaults are limited to such actions which may be taken at law or in equity. No mortgage, deed of trust, lien or security interest has been granted to secure the payment of the Bonds. See "LIMITATIONS ON REMEDIES."

Seismic and Other Considerations

The University's Seattle, Tacoma and Bothell campuses are in an area of seismic activity, with frequent small earthquakes and occasional moderate and larger earthquakes. The University can give no assurance regarding the effect of an earthquake, a tsunami from seismic activity in the State or in other areas, a volcano, mudslide or other natural disaster, climate change or acts of terrorism, or that the University's self-insurance reserves or proceeds of insurance carried by the University, if any, would be sufficient, if available, to rebuild and reopen University facilities or that University facilities or surrounding facilities and infrastructure could or would be rebuilt and reopened in a timely manner following a major earthquake or other disaster. See "OTHER UNIVERSITY INFORMATION—Risk Management" for a description of the University's insurance, including self-insurance.

Continuing Compliance with Tax Covenants; Changes of Law

The University's tax certificate will contain various covenants and agreements on the part of the University that are intended to establish and maintain the tax-exempt status of interest on the 2016A Bonds. A failure by the University to comply with such covenants and agreements, including any remediation obligations, could, directly or indirectly, adversely affect the tax-exempt status of interests on the 2016A Bonds. Any loss of tax-exemption could cause all of the interest received by the Owners of the 2016A Bonds to be taxable. All or a portion of interest on the 2016A Bonds also could become subject to federal income tax as a result of changes of law. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2016A Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest.

INITIATIVES

State Initiatives and Referenda

Under the State Constitution, the voters of the State have the ability to initiate legislation and to modify existing laws through the powers of initiative and referendum. An initiative measure is submitted to the voters (if an initiative to the people) or to the Legislature (if an initiative to the Legislature) if certified by the Secretary of State. An initiative or referendum 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.

Initiative 601

Initiative 601, approved by State voters in 1993, limits State expenditures and revenues. Under Initiative 601, the State generally is prohibited from increasing expenditures from the State's general fund and related funds during any fiscal year by more than the fiscal growth factor, which equals the average growth in State personal income for the prior ten fiscal years. Initiative 601 also limits State revenue increases.

Finally, Initiative 601 provides that no fee may increase in any fiscal year by a percentage greater than the fiscal growth factor without prior legislative approval. The term "fee" is not defined in the initiative, so the University has interpreted informal guidance from the State Attorney General's Office to identify specific types of University fees as either covered by or exempt from Initiative 601. Under the policy, mandatory fees related to the regular State-funded instructional program or other degree-granting education programs are considered subject to Initiative 601. Other University fees are considered proprietary and not subject to the Initiative 601 limitation.

Initiative 960

Initiative 960, approved by State voters in November 2007, amended Initiative 601 to require legislative approval of all fee increases without regard to a fiscal growth factor. Initiative 960 also requires legislative approval of any new fee. Initiative 960 did not amend or define the term "fee" used in Initiative 601. On January 31, 2008, the State Office of Financial Management distributed to State agencies an informal memorandum (the "OFM Memo"). Under the reasoning of the OFM Memo (and the University policy interpreting Initiative 601), certain components of General Revenues, most significantly student tuition, are considered fees subject to Initiative 960 and therefore cannot be increased without legislative approval. Other fees collected through proprietary transactions are also included in General Revenues, but would not be considered fees subject to Initiative 960 under the reasoning of the OFM Memo.

In the event that Initiative 960 were applied to limit the University's ability to increase fees that contribute to General Revenues, the University would, if necessary, seek to obtain legislative approval for fee increases or would pursue alternative revenue sources, program cuts or reallocations.

Other Initiatives

Other State initiative measures have been or may be filed from time to time affecting the University or its revenues.

LEGAL INFORMATION

No Litigation Concerning the Bonds

There is no litigation pending or, to the actual knowledge of the University, threatened questioning the validity of the Bonds or the power and authority of the University to issue the Bonds or seeking to enjoin the issuance of the Bonds.

Other Litigation

The University is a party to lawsuits arising out of its normal course of business, but the University does not believe any of such litigation will have a significant adverse impact upon the financial position of the University. Some of these claims are covered by insurance.

Approval of Counsel

Legal matters incident to the authorization, issuance and sale of Bonds by the University are subject to the approving legal opinion of Pacifica Law Group LLP, Seattle, Washington, "Bond Counsel." The forms of opinions of Bond Counsel are attached hereto as Appendix C. Certain legal matters will be passed upon for the Underwriters by their counsel, Foster Pepper PLLC, Seattle, Washington. Any opinion of such firm will be limited in scope, addressed solely to the Underwriters and cannot be relied upon by investors.

TAX MATTERS RELATING TO THE 2016A BONDS

General

In the opinion of Bond Counsel, under existing law and subject to certain qualifications described below, interest on the 2016A Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Tax Code, 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 2016A Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The proposed form of opinion of Bond Counsel with respect to the 2016A Bonds to be delivered on the date of issuance of the 2016A Bonds is set forth in Appendix C.

The Tax Code contains a number of requirements that apply to the 2016A Bonds, and the University has made certain representations and has covenanted to comply with each such requirement. Bond Counsel's opinion assumes the accuracy of the representations made by the University and is subject to the condition that the University comply with the above-referenced covenants. If the University fails to comply with such covenants or if the University's representations are inaccurate or incomplete, interest on the 2016A Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2016A Bonds.

Except as expressly stated herein, Bond Counsel expresses no opinion regarding any tax consequences related to the ownership, sale or disposition of the 2016A Bonds, or the amount, accrual or receipt of interest on, the 2016A Bonds. Owners of the 2016A Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2016A Bonds.

Original Issue Premium and Discount

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes. De minimis original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2016A Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax consequences of owning such Bonds.

Post Issuance Matters

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2016A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the University, or about the effect of future changes in the Tax Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS.

Bond Counsel's engagement with respect to the 2016A Bonds ends with the issuance of the 2016A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the University or the Owners regarding the tax-exempt status of the 2016A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the University and its appointed counsel, including the Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of 2016A Bonds is difficult, obtaining an independent review of IRS positions with which the University legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2016A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2016A Bonds, and may cause the University or the Owners to incur significant expense.

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2016A Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2016A Bonds. Prospective purchasers of the 2016A Bonds should consult their own tax advisors regarding any pending or proposed legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Not Bank Qualified

The University has not designated the 2016A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Tax Code.

CERTAIN INCOME TAX CONSEQUENCES RELATING TO THE 2016B BONDS

The interest on the 2016B Bonds is not intended by the University to be excluded from gross income for federal income tax purposes. Owners of the 2016B Bonds should be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2016B Bonds may have federal income tax consequences not described herein and should consult their own tax advisors with respect to federal income tax consequences of owning such 2016B Bonds. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the 2016B Bonds other than as expressly described above.

The proposed form of opinion of Bond Counsel with respect to the 2016B Bonds to be delivered on the date of issuance of the 2016B Bonds is set forth in Appendix C.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Tax Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts under the Tax Code (collectively, the "Plans") and persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Tax Code. All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Tax Code on an investment in any Bonds. In all events investors should consult their own tax advisors in determining the federal, state, local and other tax consequences to them of the purchase, ownership and disposition of Bonds.

CONTINUING DISCLOSURE UNDERTAKING

Undertaking. The University is covenanting for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data (the "Annual Disclosure Report") by not later than seven months following the end of the University's fiscal year (which currently would be January 31, 2017, for the report for Fiscal Year 2016), and to provide notices of the occurrence of certain enumerated events. The Annual Disclosure Report and notices of material events are to be filed with the Municipal Securities Rulemaking Board. The nature of the information to be contained in the Annual Disclosure Report and in notices of material events is set forth in APPENDIX E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants are made by the University to assist the Underwriters of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Prior Compliance with Continuing Disclosure Undertakings. In reviewing its continuing disclosure filings on EMMA, the University determined that, while it had timely filed its annual financial and operating information in the form of its UW Bondholders Report in connection with its General Revenue Bonds, the UW Bondholders Report was not linked to the CUSIP numbers for all bonds issued by or on behalf of the University. On July 16, 2014, the University re-filed its UW Bondholders Reports for the years ended June 30, 2010 through June 30, 2013, to link these reports to the CUSIP numbers for outstanding bond issues.

With respect to notices of material or listed events, the University provided notice of certain insurer ratings downgrades, but has determined that notices had not been filed for every ratings event. On August 8, 2013, the University filed notices regarding the downgrade of the insurer of the 2011 Bonds, and on July 16, 2014, the University filed a supplemental notice of insurer rating changes for outstanding insured bond issues.

On October 12, 2016, the University filed a supplement updating and correcting figures included in the 2015 Bondholders Report.

OTHER BOND INFORMATION

Ratings

Ratings of "Aaa" and "AA+" have been assigned to the Bonds by Moody's Investors Service and S&P Global Ratings Service, respectively. Such ratings reflect only the views of the rating organizations, and an explanation of the significance of the ratings may be obtained from the rating agencies. 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. Any such downward revision or withdrawal of any of the ratings could have an adverse effect on the market price of the Bonds.

Financial Advisor

The University has retained Piper Jaffray & Co., as financial advisor (the "Financial Advisor") in connection with the preparation of the University's plan of financing and with respect to the authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken, to make any independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. While under contract to the University, the Financial Advisor may not participate in the underwriting of any University debt.

Potential Conflicts

Some or all of the fees of the Financial Advisor, Bond Counsel and Disclosure Counsel are contingent upon the sale of the Bonds. Pacifica Law Group LLP is serving as Bond Counsel and Disclosure Counsel to the University with respect to the Bonds. From time to time Bond Counsel and Disclosure Counsel serve as counsel to other parties involved with the Bonds with respect to transactions other than the issuance of the Bonds. From time to time counsel to the Underwriters serves as special counsel to the University and to the Financial Advisor in matters unrelated to the issuance of the Bonds.

Underwriting

The Bonds are to be purchased pursuant to and subject to the terms of a bond purchase contract between the University and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., Citigroup Global Markets Inc., and Drexel Hamilton, LLC (collectively, the "Underwriters").

The purchase price of the 2016A Bonds is $230,116,375.37, representing the aggregate principal amount of the 2016A Bonds ($195,145,000.00), plus original issue premium of $35,401,486.20, and less Underwriters' discount of $430,110.83.

The purchase price of the 2016B Bonds is $10,186,891.15, representing the aggregate principal amount of the 2016B Bonds ($10,015,000.00), plus original issue premium of $194,029.45, and less Underwriters' discount of $22,138.30.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the University, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the University.

The initial public offering prices or yields set forth on the inside cover page may be changed from time to time by the Underwriters without prior notice. The Underwriters may offer and sell the Bonds to certain dealers, unit investment trusts or money market funds at prices lower than the public offering prices or at yields higher than the yields stated on the inside cover page.

The University will use a portion of the proceeds from this offering to redeem the Refunded Bonds. To the extent an Underwriter or an affiliate thereof is an owner of Refunded Bonds, such Underwriter or affiliate, as applicable, would receive a portion of the proceeds from the issuance of the Bonds contemplated herein in connection with such Refunded Bonds redeemed by the University.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with UBS Financial Services Inc. ("UBSFS"). Under the distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS. As part of this arrangement, Citigroup Global Markets Inc. may compensate UBSFS for their selling efforts with respect to the Bonds.

Independent Auditor

The selected financial statements of the University for the Fiscal Years ended June 30, 2015 and 2014 and included as Appendix B to this Official Statement have been audited by KPMG LLP ("KPMG"). KPMG has not been engaged to perform and has not performed, since the date of its report included therein, any procedures on the financial statements addressed in that report. KPMG also has not performed any procedures relating to this Official Statement.

Official Statement

All forecasts, estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not intended to be construed as a contract or agreement between the University and the purchasers or holders of any of the Bonds.

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

The University has authorized the execution and delivery of this Official Statement.

UNIVERSITY OF WASHINGTON

By: /s/ Chris Malins
Associate Vice President, Treasury

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APPENDIX A

COPY OF THE RESOLUTION

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BOARD OF REGENTS

UNIVERSITY OF WASHINGTON

RESOLUTION

DATED JULY 14, 2016

Authorizing the issuance and sale of

UNIVERSITY OF WASHINGTON
GENERAL REVENUE OBLIGATIONS [2016/2017]

UNIVERSITY OF WASHINGTON

Table of Contents*

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BOARD OF REGENTS

UNIVERSITY OF WASHINGTON

RESOLUTION

A RESOLUTION of the Board of Regents of the University of Washington providing for the authorization, sale, issuance and delivery of University of Washington General Revenue obligations in the aggregate principal amount not to exceed $210,000,000, for University purposes including financing or refinancing the acquisition of and improvements to capital facilities serving the University; providing in addition for the authorization, sale, issuance and delivery of University of Washington General Revenue refunding obligations for the purpose of refunding certain outstanding obligations; providing for the date, form, terms, maturities and redemption of the obligations; providing for the payment of and establishing the security for such obligations; providing for the redemption of the outstanding obligations to be refunded; delegating authority to an authorized representative of the University to make certain determinations and appointments with respect to the obligations of this issue from time to time; and authorizing the execution of documents in connection with the issuance and sale of such obligations and application of the proceeds thereof.

WHEREAS, the Legislature, pursuant to the Bond Act (as hereinafter defined) has authorized the Board of Regents to sell and issue revenue bonds for any University purpose; and

WHEREAS, the University has determined to issue one or more series of general revenue obligations in the aggregate principal amount not to exceed $210,000,000 (the "2016/2017 New Money Bonds") for the purpose of financing or refinancing certain facilities serving the University as described herein; and

WHEREAS, it is in the University's best interests to proceed with the financing or refinancing of facilities serving the University, including Housing and Dining Phase 3, Housing and Dining Phase 4a, the Life Sciences Building, the West Campus Utility Plant, Animal Research and Care Facility, and UWMC Expansion Phase 2 and other University projects; and

WHEREAS, obligations described on Exhibit A attached hereto have previously been issued by or on behalf of the University for University purposes, and also are subject to optional redemption prior to their respective maturities (the "Refunding Candidates"); and

WHEREAS, the University has been advised that debt service savings may be obtained by refunding some or all of the Refunding Candidates through the issuance of one or more series of general revenue refunding obligations (the "2016/2017 Refunding Bonds"), and through the issuance of commercial paper notes to provide interim financing; and

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

Section 1. Definitions.

The terms defined in this Section 1 shall, for all purposes of this resolution (including the recitals) and of any resolution supplemental hereto, have the following meanings:

Acquired Obligations means the Government Obligations acquired by the University under the terms of this resolution and an Escrow Agreement to effect the defeasance and refunding of one or more of the Refunding Candidates.

Additional Bonds means one or more series or subseries of additional obligations of the University payable from General Revenues.

Authorized Denominations means:

(a) with respect to 2016/2017 Bonds in the Fixed Mode or Term Mode, $5,000 and any integral multiple thereof within a series or subseries and maturity, and

(b) with respect to 2016/2017 Bonds in the Daily Mode, the Weekly Mode, the Index Floating Mode, or the Commercial Paper Mode, $100,000 and any integral multiple of $5,000 in excess thereof within a series or subseries and maturity or as otherwise set forth in the applicable Remarketing Agreement or Trust Agreement.

Authorized Representative of the University means the President of the University or his or her designee for the purposes of one or more duties of the Authorized Representative under this resolution (including without limitation, the Interim Vice President for Finance and Facilities or his or her designee pursuant to Section 1 of Administrative Order No. 1, as amended October 5, 2015, which provides that the Vice President for Finance or Facilities, or his or her designee, is authorized to act for the President regarding the execution and administration of all instruments that have been delegated to the President by the Board, and have not been delegated elsewhere under Sections 2 through 10 of the Administrative Order or under other administrative orders).

Bank Bonds has the meaning set forth in the applicable Reimbursement Agreement.

Beneficial Owner means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 2016/2017 Bonds (including persons holding 2016/2017 Bonds through nominees, depositories or other intermediary).

Board means the Board of Regents of the University, which exists and functions pursuant to chapter 28B.20 RCW, as amended from time to time.

A-3

Bond Act means, together, chapter 28B.140 RCW and chapter 28B.142 RCW, in each case as amended from time to time.

Bond Counsel means an attorney or firm of attorneys whose opinion is accepted in the national tax-exempt capital markets as to the issuance and validity of municipal securities and as to the interest paid thereon being exempt from federal income taxation, which attorney or firm of attorneys has been approved by, selected by or retained by the University from time to time.

Bond Fund means the special fund designated as the General Revenue Bond Redemption Fund, 2016/2017.

Bond Purchase Contract means the Bond Purchase Contract(s) between the University and the underwriter(s) for 2016/2017 Bonds or a certificate of award executed by the University pertaining to the initial sale and purchase of 2016/2017 Bonds.

Bond Register means the registration books maintained by the Registrar containing the names and addresses of the Registered Owners of the Bonds.

Bonds mean the University of Washington General Revenue Refunding Bonds, 2008, General Revenue Bonds, 2009 Taxable (Build America Bonds – Direct Payment), General Revenue Bonds, 2009B Taxable (Build America Bonds – Direct Payment), General Revenue and Refunding Bonds, 2010A, General Revenue Bonds, 2010B Taxable (Build America Bonds – Direct Payment), General Revenue and Refunding Bonds, 2011A, General Revenue and Refunding Bonds, 2012A, General Revenue and Refunding Bonds, 2012B (Taxable), General Revenue Bonds, 2012C, the General Revenue Bonds, 2013, the General Revenue Bonds, 2015A, General Revenue Bonds, 2015B, General Revenue Bonds, 2015C, General Revenue Bonds, 2015D, the 2016/2017 Bonds, and any Additional Bonds.

Building Fee Revenue Bond Act means RCW 28B.20.700-.740, as amended by Chapter 499 Wash. Laws 2009, and as further amended from time to time.

Building Fees means building fees defined in RCW 28B.15.025, as amended from time to time, and imposed for the purposes set forth in RCW 28B.15.210, as amended from time to time.

Business Day means a day (a) on which banks in Seattle, Washington or New York, New York, the Securities Depository, the Credit Facility Issuer, the Liquidity Facility, or the Remarketing Agent are not authorized to remain open or required to remain closed and (b) on which the New York Stock Exchange is not closed.

Call Date means the date(s) on which the Refunding Candidates may be called for redemption under the terms of the proceedings pursuant to which they were issued.

CAP means the Capital Assets Pool (CAP) as defined in the Debt Policy**.**

Closing Date means each date on which a series of 2016/2017 Bonds are issued and delivered in return for payment of the full purchase price therefor.

Code means the Internal Revenue Code of 1986 as in effect on the date of issuance of the 2016/2017 Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the 2016/2017 Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

Commercial Paper Mode means the Mode during which the 2016/2017 Bonds bear interest at a Commercial Paper Rate or Rates.

Commercial Paper Rate means the interest rate (per annum) on any 2016/2017 Bond in the Commercial Paper Mode determined pursuant to the applicable Remarketing Agreement or Trust Agreement for such 2016/2017 Bonds.

Commission means the Securities and Exchange Commission.

Continuing Disclosure Certificate means the certificate of the University, if required under the Rule, undertaking to provide ongoing disclosure to assist the underwriter(s) for 2016/2017 Bonds in complying with the Rule.

Credit Facility means a policy of municipal bond insurance, a letter of credit, line of credit, guarantee or other financial instrument or any combination of the foregoing, which obligates a third party to make payment or provide funds for the payment of financial obligations, if any, of the University with respect to any 2016/2017 Bonds, including but not limited to payment of the scheduled principal of and interest on 2016/2017 Bonds. There may be more than one Credit Facility for a series or subseries of 2016/2017 Bonds.

Credit Facility Issuer means the issuer of any Credit Facility.

Current Mode means, with respect to any series or subseries of the 2016/2017 Bonds, the Mode then in effect.

Daily Mode means the Mode during which a series or subseries of the 2016/2017 Bonds bear interest at the Daily Rate.

Daily Rate means the per annum interest rate for a series or subseries of the 2016/2017 Bonds in the Daily Mode determined pursuant to the Remarketing Agreement or Trust Agreement for such 2016/2017 Bonds.

Debt Policy means the University of Washington Debt Management Policy Statement of Objectives and Policies, approved by the Board most recently on July 9, 2015.

Derivative Payment Date means any date specified in a Payment Agreement on which a University Payment is due and payable under the Payment Agreement.

DTC means The Depository Trust Company, New York, New York as depository for the 2016/2017 Bonds, or any successor or substitute depository for the 2016/2017 Bonds.

Escrow Agent means any escrow agent selected by the Authorized Representative of the University in accordance with this resolution.

Escrow Agreement means one or more Escrow Deposit Agreements to be dated as of the applicable Closing Date.

Fair Market Value has the meaning set forth in the Federal Tax Certificate.

Federal Tax Certificate means certificate of that name executed by the Authorized Representative of the University at the time of issuance and delivery of 2016/2017 Tax-Exempt Bonds.

Fiscal Agent means the fiscal agent of the State of Washington.

Fiscal Year means the University's duly adopted fiscal year, currently ending June 30.

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

Fixed Mode means the Mode in which a series or subseries of the 2016/2017 Bonds bear interest at a Fixed Rate or Fixed Rates to the Maturity Date or Maturity Dates.

Fixed Rate means a per annum interest rate or rates borne by a series or subseries of the 2016/2017 Bonds to the maturity thereof determined pursuant to Section 23 and the Bond Purchase Contract, Remarketing Agreement or Trust Agreement for such 2016/2017 Bonds.

General Revenues means all nonappropriated income, revenues, and receipts of the University if and to the extent such funds are not restricted in their use by law, regulation, or contract. For example, the following items are restricted and, therefore, excluded:

(a) Appropriations to the University by the State from the State's General Fund;

(b) Each fund the purpose of which has been restricted in writing by the terms of the gift or grant under which such fund has been donated, or by the donor thereof;

(c) Fees imposed upon students as a condition of enrollment at the University, including but not limited to services and activities fees, building fees, and technology fees; and

(d) Revenues and receipts attributable to the Metro Tract Revenue.

Unrestricted fund balances, to the extent that they were accumulated from money that was received as ***General Revenues***, also would be includable and available to pay obligations secured by ***General Revenues***. Upon the removal of any income, revenues, or receipts from General Revenues pursuant to Section 15(d), this definition of General Revenues shall be deemed to be amended accordingly without further action by the University.

Government Obligations means government obligations as are authorized to be used for refunding purposes by chapter 39.53 RCW, as amended or restated from time to time.

Index Floating Mode means the Mode during which a series or subseries of the 2016/2017 Bonds bear interest at the Index Floating Rate.

Index Floating Rate means the index-based floating rate for a series or subseries of the 2016/2017 Bonds in the Index Floating Mode determined pursuant to the Remarketing Agreement or Trust Agreement for such 2016/2017 Bonds.

Interest Payment Date means the dates selected by the Authorized Representative of the University and set forth in the Bond Purchase Contract, Trust Agreement or Remarketing Agreement, as applicable.

Interest Rate means a Fixed Rate, Daily Rate, Weekly Rate, Commercial Paper Rate, Index Floating Rate or Term Rate, as the context requires.

Irrevocable Deposit means the irrevocable deposit of money or Government Obligations in order to provide for the payment of all or a portion of the principal of, premium, if any, and interest on any 2016/2017 Bonds in accordance with, and meeting all the requirements of, Section 21.

Issuance Costs means, without intending thereby to limit or restrict any proper definition of such costs under any applicable laws and GAAP, the following:

(a) costs reasonably incurred incident to preparing, offering, selling, issuing and delivering the 2016/2017 Bonds, including, without limitation, the fees and expenses of Bond Counsel, special counsel (if any) and financial advisor to the University, bond printing, CUSIP bureau fees, rating agency fees, underwriter fees or discount, escrow agent fees and recording and filing fees;

(b) the fees and expenses payable to the Registrar incident to the Registrar's acceptance of its duties under this resolution; and

(c) fees or premiums due to any Credit Facility Issuer.

Legislature means the Legislature of the State.

Letter of Representations means the blanket issuer letter of representation, signed by the Authorized Representative of the University and accepted by DTC pertaining to the payment of Bonds and the "book-entry" system for evidencing the beneficial ownership of Bonds.

Liquidity Facility means a line of credit, standby purchase agreement or other financial instrument or any combination of the foregoing, if any, which obligates a third party to make payment or to provide funds for the payment of the Purchase Price of 2016/2017 Bonds (or portion thereof). There may be more than one Liquidity Facility for a series or subseries of 2016/2017 Bonds, and the University may provide self-liquidity for a series or subseries of 2016/2017 Bonds, all as set forth in the applicable Remarketing Agreement or Trust Agreement.

Liquidity Facility Issuer means the issuer of any Liquidity Facility.

Maturity Date means the maturity date or dates for Bonds set forth in the Bond Purchase Contract, Trust Agreement, or Remarketing Agreement, as applicable.

Maximum Rate means the maximum rate for 2016/2017 Bonds set forth in the applicable Bond Purchase Contract, Trust Agreement or Remarketing Agreement.

Mode means the Daily Mode, Weekly Mode, Commercial Paper Mode, Index Floating Mode, Term Mode, or the Fixed Mode, as the context may require.

Metro Tract means the "university tract" as defined in RCW 28B.20.381 to include the tract of land in the city of Seattle, consisting of approximately ten acres, originally known as the "old university grounds," as amended to the date of this resolution, and more recently referred to as the "metropolitan tract," together with all buildings, improvements, facilities, and appurtenances thereon.

Metro Tract Revenue means all revenues of the University derived from operating, managing, and leasing the Metro Tract.

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

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

Net Revenue means, with respect to any item or auxiliary revenues proposed to be added to General Revenues, revenues of such item or auxiliary less operating expenses. If the item or

auxiliary revenues have previously been pledged to pay debt service on outstanding obligations of the University, the terms revenues and operating expenses shall be determined in accordance with the resolution(s) authorizing the outstanding indebtedness.

Notice Parties means, with respect to each series of the 2016/2017 Bonds, the University, the University's financial advisor, the Registrar, any Remarketing Agent, and any Liquidity Facility Issuer or Credit Facility Issuer.

Opinion of Bond Counsel means an opinion in writing of Bond Counsel.

Outstanding means, as of any particular time, all Bonds issued theretofore except:

(a) Bonds theretofore canceled by the Registrar after purchase by the University;

(b) Bonds for which an Irrevocable Deposit has been made, but only to the extent that the principal of and interest on such Bonds are payable from such Irrevocable Deposit; provided, that the Bonds to be paid or redeemed with such Irrevocable Deposit shall be deemed to be Outstanding for the purpose of transfers and exchanges or replacement of mutilated, lost, stolen or destroyed Bonds under the proceedings authorizing their issuance;

(c) temporary, mutilated, lost, stolen or destroyed Bonds for which new Bonds have been issued pursuant to the resolution authorizing their issuance; and

(d) Bonds exchanged for new Bonds pursuant to the resolution authorizing their issuance.

Notwithstanding the foregoing, 2016/2017 Bonds that are Bank Bonds shall remain Outstanding until the applicable Credit Facility Issuer or Liquidity Facility Issuer is paid all amounts due on such 2016/2017 Bonds.

Participant means (a) any person for which, from time to time, DTC effects book-entry transfers and pledges of securities pursuant to the book-entry system or (b) any securities broker or dealer, bank, trust company or other person that clears through or maintains a custodial relationship with a person referred to in (a).

Payment Agreement means a written contract or agreement between or on behalf of the University and a Reciprocal Payor, which provides that the University's obligations thereunder will be conditioned on the absence of: (a) a failure by the Reciprocal Payor to make any payment required thereunder when due and payable, and (b) a default thereunder with respect to the financial status of the Reciprocal Payor; and

(a) under which the University is obligated to pay, on one or more scheduled and specified Derivative Payment Dates, the University Payments in exchange for the Reciprocal Payor's obligation to pay or to cause to be paid to the University, on the same scheduled and specified Derivative Payment Dates, the Reciprocal Payments; *i.e.*, the contract must provide for net payments;

(b) for which the University's obligations to make all or any portion of University Payments are payable from General Revenues;

(c) under which Reciprocal Payments are to be made directly into the Bond Fund;

(d) for which the University Payments are either specified to be one or more fixed amounts or are determined according to a formula set forth in the Payment Agreement; and

(e) for which the Reciprocal Payments are either specified to be one or more fixed amounts or are determined according to a formula set forth in the Payment Agreement.

Permitted Investment means any legally permissible investment for University funds, but only to the extent that the same are acquired at Fair Market Value**.**

Person means an individual, a corporation, a partnership, limited liability company, an association, a joint stock company, a trust, an unincorporated organization, a governmental body or a political subdivision, a municipal corporation, a public corporation or any other group or organization of individuals.

Projects means projects approved by the Board or pursuant to the Debt Policy including without limitation Housing and Dining Phase 3, Housing and Dining Phase 4a, the Life Sciences Building, the West Campus Utility Plant, Animal Research and Care Facility, and UWMC Expansion Phase 2.

Purchase Date means the dates selected by the Authorized Representative of the University and set forth in the Trust Agreement or Remarketing Agreement, as applicable.

Purchase Price has the meaning set forth in the Trust Agreement or Remarketing Agreement, as applicable.

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

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

RCW means the Revised Code of Washington, as now in existence or hereafter amended, or any successor codification of the laws of the State.

Reciprocal Payment means any payment to be made to, or for the benefit of, the University under the Payment Agreement by the Reciprocal Payor.

Reciprocal Payor means any bank or corporation, partnership or other entity that is a party to the Payment Agreement and that is obligated to make one or more Reciprocal Payments thereunder.

Record Date means:

(a) with respect to 2016/2017 Bonds in the Fixed Mode or Term Mode, the 15th day (whether or not a Business Day) of the month next preceding each Interest Payment Date; and

(b) with respect to all other Modes, the Business Day immediately prior to the applicable Interest Payment Date.

Redemption Date means the date fixed for redemption of 2016/2017 Bonds subject to redemption in any notice of redemption given in accordance with the terms hereof or the terms of an applicable Trust Agreement, Remarketing Agreement or Bond Purchase Contract.

Redemption Price means amounts to be paid to redeem the 2016/2017 Bonds on the Redemption Date as set forth in the applicable Bond Purchase Contract, Trust Agreement, Remarketing Agreement, or Section 12(a) as applicable.

Refunded Bonds means the Refunding Candidates designated by the Authorized Representative of the University pursuant to Section 23 of this resolution.

Refunding Candidates means the bonds issued by or on behalf of the University and the obligations issued by or on behalf of Northwest Hospital & Medical Center currently outstanding as shown on Exhibit A.

Registered Owner means the person named as the registered owner of a 2016/2017 Bond on the Bond Register. For so long as the 2016/2017 Bonds are held by a Securities Depository or its nominee, such Securities Depository shall be deemed to be the Registered Owner.

Registrar means the Fiscal Agent, whose duties include registering and authenticating the 2016/2017 Bonds, maintaining the Bond Register, registering the transfer of the 2016/2017 Bonds, paying interest on and principal of the 2016/2017 Bonds, and drawing on any Credit Facility securing 2016/2017 Bonds for such purpose, and drawing any amounts under any Credit Facility or Liquidity Facility for the purpose of paying the Purchase Price of any 2016/2017 Bonds payable pursuant to such Credit Facility or Liquidity Facility.

Reimbursement Agreement means a Reimbursement Agreement relating to the 2016/2017 Bonds between the University and any Credit Facility Issuer or Liquidity Facility Issuer, and any and all modifications, alterations, and amendments and supplements thereto.

Remarketing Agent means one or more remarketing agents selected from time to time by the Authorized Representative of the University to serve as remarketing agent for 2016/2017 Bonds pursuant to a Remarketing Agreement.

Remarketing Agreement means a Remarketing Agreement relating to 2016/2017 Bonds between the University and any Remarketing Agent, or any similar agreement, as it may be amended or supplemented from time to time in accordance with its terms.

Rule means the Commission's Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended from time to time.

Securities Depository means any clearing agency registered under Section 17A of the Securities Exchange Act of 1934, as amended.

Serial Bonds means those 2016/2017 Bonds designated as serial bonds in the Bond Purchase Contract.

State means the state of Washington.

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

Term Bonds means 2016/2017 Bonds, if any, designated as term bonds in the applicable Bond Purchase Contract.

Term Rate means the per annum interest rate for a series or subseries of 2016/2017 Bonds in the Term Rate Mode determined pursuant to the Remarketing Agreement or Trust Agreement for such 2016/2017 Bonds.

Term Rate Mode means the Mode during which a series or subseries of 2016/2017 Bonds bear interest at the Term Rate.

Trust Agreement means a Trust Agreement entered into between the University and a Trustee with respect to 2016/2017 Bonds, setting forth the terms of such 2016/2017 Bonds.

Trustee means a bond trustee selected by the Authorized Representative of the University to act on behalf of owners of 2016/2017 Bonds pursuant to a Trust Agreement.

2016/2017 Bonds means the 2016/2017 New Money Bonds and the 2016/2017 Refunding Bonds.

2016/2017 New Money Bonds means the University of Washington General Revenue Bonds, Series [2016/2017][__] [Taxable] issued in one or more series or subseries in the aggregate principal amount not to exceed $210,000,000 to finance (or refinance commercial paper issued to finance) costs of the Projects pursuant to this resolution.

2016/2017 Refunding Bonds means the University of Washington General Revenue Refunding Bonds, Series [2016/2017][__] [Taxable] issued in one or more series or subseries to redeem and/or defease or otherwise implement the refinancing of one or more of the Refunding Candidates.

2016/2017 Taxable Bonds means any 2016/2017 Bonds determined to be issued on a taxable basis pursuant to Section 23.

2016/2017 Tax-Exempt Bonds means any 2016/2017 Bonds determined to be issued on a tax-exempt basis pursuant to Section 23.

University means the University of Washington, a higher educational institution of the State, the main campus of which is located at Seattle, Washington.

University of Washington building account means the fund of that name into which certain Building Fees are to be deposited pursuant to RCW 28B.15.210, as amended from time to time.

University of Washington bond retirement fund means the special fund of that name created by chapter 254, Laws of 1957.

University Payment means any payment required to be made by or on behalf of the University under a Payment Agreement and which is determined according to a formula set forth in the Payment Agreement.

Weekly Mode means the Mode during which a series or subseries of the 2016/2017 Bonds bear interest at the Weekly Rate.

Weekly Rate means the per annum interest rate for a series or subseries of the 2016/2017 Bonds in the Weekly Mode determined pursuant to the Remarketing Agreement or Trust Agreement for such 2016/2017 Bonds.

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

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

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

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

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

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

(f) Whenever any consent or direction is required to be given by the University, such consent or direction shall be deemed given when given by the Authorized Representative of the University or his or her designee, respectively, and all references herein to the Authorized Representative of the University shall be deemed to include references to his or her designee, as the case may be.

Section 2. Findings.

The Board hereby finds as follows:

(a) It is in the best interests of the University to finance (or refinance commercial paper issued to finance or refinance) all or a portion of the costs of the Projects, through the issuance of 2016/2017 New Money Bonds in one or more series or subseries, upon the terms and conditions set forth for the 2016/2017 New Money Bonds in this resolution.

(b) It is in the best interests of the University to consider the redemption or defeasance of one or more of the Refunding Candidates, or any portion thereof, to achieve debt service savings upon the terms and conditions set forth in this resolution.

(c) It is necessary and in the best interest of the University to issue the 2016/2017 Bonds payable from General Revenues.

Section 3. Authorization and Purpose of 2016/2017 Bonds.

(a) *2016/2017 New Money Bonds.* The 2016/2017 New Money Bonds shall be in an aggregate principal amount not to exceed $210,000,000, and shall be issued in one or more series or subseries to pay (or pay commercial paper notes issued to finance or refinance) costs of the Projects and to pay Issuance Costs for the 2016/2017 New Money Bonds. The 2016/2017 New Money Bonds shall be issued under terms determined pursuant to Section 23, as further set forth in the Bond Purchase Contract, Remarketing Agreement and/or Trust Agreement for such 2016/2017 New Money Bonds; shall be numbered in the manner determined by the Registrar; and shall be issued in fully registered form in Authorized Denominations.

(b) *2016/2017 Refunding Bonds.* The 2016/2017 Refunding Bonds, if any, shall be issued in one or more series or subseries to redeem and/or defease or otherwise implement the refinancing of one or more of the Refunding Candidates designated pursuant to Section 23 and to pay Issuance Costs for the 2016/2017 Refunding Bonds. The 2016/2017 Refunding Bonds shall be issued under terms determined pursuant to Section 23, as further set forth in the Bond Purchase Contract, Remarketing Agreement and/or Trust Agreement for such 2016/2017 Refunding Bonds; shall be numbered in the manner determined by the Registrar; and shall be issued in fully registered form in Authorized Denominations.

Section 4. Description of 2016/2017 Bonds.

(a) *General Terms.* The 2016/2017 Bonds shall be dated as of their date of original issuance and shall mature on the Maturity Dates, as determined pursuant to Section 23, as further set forth in the applicable Bond Purchase Contract, Remarketing Agreement or Trust Agreement for such series of 2016/2017 Bonds. The 2016/2017 Bonds shall bear interest determined within Modes selected by the Authorized Representative of the University from time to time. All 2016/2017 Bonds shall be issued in the form of fully registered 2016/2017 Bonds in Authorized Denominations and, unless the Registrar shall otherwise direct, shall be numbered R-1 and upwards.

The University may designate one or more series or subseries of the 2016/2017 Bonds from time to time. 2016/2017 New Money Bonds shall be named University of Washington General Revenue Bonds, Series [2016/2017], with an additional designation of "Taxable" for any series of 2016/2017 Taxable Bonds. 2016/2017 Refunding Bonds shall be named University of Washington General Revenue Refunding Bonds, Series [2016/2017], with an additional designation of "Taxable" for any series of 2016/2017 Taxable Bonds. 2016/2017 Bonds issued in one series composed of both New Money Bonds and Refunding Bonds shall be named University of Washington General Revenue and Refunding Bonds, Series [2016/2017], with an additional designation of "Taxable" for any series of 2016/2017 Taxable Bonds. At the written direction of the Authorized Representative of the University, the Registrar shall designate a particular principal amount of 2016/2017 Bonds (in Authorized Denominations) as a series or subseries. A series of 2016/2017 Bonds shall be identified by the year of issue (either 2016 or 2017) and sequential letters (e.g. Series 2016A, Series 2016B, Series 2017A, Series 2017B). A subseries of 2016/2017 Bonds shall be further identified by sequential numbers (e.g., Series 2016A-1, Series 2016-2, Series 2017B-1, Series 2017B-2). Upon such designation, such 2016/2017 Bonds shall be a series or subseries, as applicable, for this purposes of this resolution, unless and until consolidated or changed to another series or subseries designation by written direction of the Authorized Representative of the University. All 2016/2017 Bonds of a series shall be in the same Mode, but any two series need not be in the same Mode.

(b) *Terms.* Principal of and interest and any premium on the 2016/2017 Bonds shall be payable in lawful money of the United States of America.

(c) *Modes*. The terms applicable to 2016/2017 Bonds in the Daily Mode, the Weekly Mode, the Term Mode, the Commercial Paper Mode, the Index Floating Mode or the Fixed Mode, and provisions for conversions between and within such Modes, shall be as provided in the applicable Bond Purchase Contract, Remarketing Agreement or Trust Agreement, as applicable.

(d) *Determinations Conclusive*. If the 2016/2017 Bonds of a series or subseries are in the Daily Mode, the Weekly Mode, the Term Mode, the Commercial Paper Mode, the Index Floating Mode or the Fixed Mode, the Interest Rates determined as provided in the Remarketing Agreement, Trust Agreement or Bond Purchase Contract, as applicable, shall be conclusive.

(e) *Maximum Rate*. No 2016/2017 Bond, other than a Bank Bond, shall bear interest at an Interest Rate higher than the Maximum Rate.

Section 5. Execution.

The 2016/2017 Bonds shall be executed on behalf of the University by the manual or facsimile signatures of the President and the Secretary or Treasurer of the Board, and the official seal of the University shall be reproduced thereon. The validity of any 2016/2017 Bond so executed shall not be affected by the fact that one or more of the officers whose signatures appear on such 2016/2017 Bond have ceased to hold office at the time of issuance or authentication or at any time thereafter.

Section 6. Authentication.

No 2016/2017 Bonds shall be valid for any purpose hereunder until the certificate of authentication printed thereon is duly executed by the manual signature of an authorized signatory of the Registrar. Such authentication shall be proof that the Registered Owner is entitled to the benefit of the trusts hereby created.

Section 7. Registration, Transfer and Exchange.

(a) *Registrar*. The 2016/2017 Bonds shall be issued only in registered form as to both principal and interest. The University hereby appoints the fiscal agent of the State as the Registrar for the 2016/2017 Bonds. So long as any 2016/2017 Bonds remain Outstanding, the Registrar shall make all necessary provisions to permit the exchange or registration of transfer of 2016/2017 Bonds at its principal corporate trust office. The Registrar may be removed at any time at the option of the Authorized Representative of the University and a successor Registrar appointed by the Authorized Representative of the University. Any successor Registrar must be a commercial bank with trust powers or a trust company. 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 2016/2017 Bonds transferred or exchanged in accordance with the provisions of such 2016/2017 Bonds and this resolution and to carry out all of the Registrar's powers and duties under this resolution. The Registrar shall be responsible for its representations contained in the Certificate of Authentication on the 2016/2017 Bonds.

The Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the 2016/2017 Bonds which shall at all times be open to inspection by the University (the "Bond Register").

(b) *Letter of Representations/Book-Entry System*. To induce DTC to accept the 2016/2017 Bonds as eligible for deposit at DTC, the University has executed and delivered the Letter of Representations. The 2016/2017 Bonds initially issued shall be held in fully immobilized form by DTC acting as depository pursuant to the terms and conditions set forth in the Letter of Representations.

(c) *University and Registrar Not Responsible for 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 with respect to the 2016/2017 Bonds in respect of 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 or redemption price of or interest on the 2016/2017 Bonds, any notice which is permitted or required to be given to Registered Owners under this resolution (except such notices as shall be required to be given by the University to the Registrar or to DTC), the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the 2016/2017 Bonds or any consent given or other action taken by DTC as the Registered Owner.

(d) *DTC as Registered Owner*. Payment of any such 2016/2017 Bond shall be made only as described in this section, but the transfer of such ownership may be registered as herein provided. All such payments made as described in this section shall be valid and shall satisfy and discharge the liability of the University upon such 2016/2017 Bond to the extent of the amount or amounts so paid. Except as provided in Section 27, the University and the Registrar shall be entitled to treat the Securities Depository (as Registered Owner) as the absolute owner of all 2016/2017 Bonds for all purposes of this resolution and any applicable laws, notwithstanding any notice to the contrary received by the Registrar or the University. Neither the University nor the Registrar will have any responsibility or obligation under this resolution or the 2016/2017 Bonds, legal or otherwise, to any other party including DTC or its successor (or substitute Securities Depository or its successor), except to the Registered Owners.

(e) *Use of DTC/Book-Entry System.*

(1) *2016/2017 Bonds Registered in the Name Designated by DTC.* The 2016/2017 Bonds shall be registered initially in the name of "CEDE & Co.," as nominee of DTC, (or such other name as may be requested by an authorized representative of DTC) with one 2016/2017 Bond maturing on each maturity date of a series or subseries bearing interest at a particular rate in a denomination corresponding to the total principal therein designated to mature on such date and bearing interest as such rate. Registered ownership of such immobilized 2016/2017 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 Securities Depository appointed by the Authorized Representative of the University pursuant to subsection (2) below or such substitute Securities Depository's successor; or (C) to any person as provided in paragraph (4) below.

(2) *Substitute Depository.* Upon the resignation of DTC or its successor (or any substitute Securities Depository or its successor) from its functions as Securities Depository or a determination by the Authorized Representative of the University that it is no longer in the best interest of Beneficial Owners to continue the system of book entry transfers through DTC or its successor (or any substitute Securities Depository or its successor), the Authorized Representative of the University may hereafter appoint a substitute Securities Depository. Any

A-10

such substitute Securities Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) *Issuance of New 2016/2017 Bonds to Successor/Substitute Depository*. In the case of any transfer pursuant to clause (A) or (B) of paragraph (e)(1) above, the Registrar shall, upon receipt of all outstanding 2016/2017 Bonds of a series or subseries, together with a written request on behalf of the Authorized Representative of the University, issue a single new 2016/2017 Bond for each maturity of such series or subseries of 2016/2017 Bonds then Outstanding and bearing interest at a particular rate, registered in the name of such successor or such substitute Securities Depository, or their nominees, as the case may be, all as specified in such written request of the Authorized Representative of the University.

(4) *Termination of Book-Entry System*. In the event that (A) DTC or its successor (or substitute Securities Depository or its successor) resigns from its functions as Securities Depository, and no substitute Securities Depository can be obtained, or (B) the Authorized Representative of the University determines that it is in the best interest of the Beneficial Owners of the 2016/2017 Bonds that they be able to obtain 2016/2017 Bond certificates, the ownership of 2016/2017 Bonds may then be transferred to any person or entity as herein provided, and the 2016/2017 Bonds shall no longer be held in fully immobilized form. The Authorized Representative of the University shall deliver a written request to the Registrar, together with a supply of definitive 2016/2017 Bonds, to issue 2016/2017 Bonds as herein provided in any Authorized Denomination. Upon receipt of all then Outstanding 2016/2017 Bonds by the Registrar together with a written request on behalf of the Authorized Representative of the University to the Registrar, new 2016/2017 Bonds shall be issued in such Authorized Denominations and registered in the names of such persons as are requested in such written request.

(f) *Transfer or Exchange of Registered Ownership; Change in Denominations*. If the 2016/2017 Bonds are no longer held in immobilized, book-entry form, the transfer of ownership of any 2016/2017 Bond may be registered and such 2016/2017 Bonds may be exchanged, but no transfer of any 2016/2017 Bond shall be valid unless it is surrendered to the Registrar with the assignment form appearing on such 2016/2017 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 2016/2017 Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new 2016/2017 Bond (or 2016/2017 Bonds at the option of the new Registered Owner) of the same series, date, designation, if any, maturity date 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 2016/2017 Bond, in exchange for such surrendered and canceled 2016/2017 Bond. Any 2016/2017 Bond may be surrendered to the Registrar and exchanged, without charge, for an equal aggregate principal amount of 2016/2017 Bonds of the same series or subseries, date, maturity date and interest rate, in any Authorized Denomination. The Registrar shall not be obligated to transfer or exchange any 2016/2017 Bond during the five-day period prior to the selection of 2016/2017 Bonds for redemption or the maturity date or following any mailing of notice of redemption. No charge

shall be imposed upon Registered Owners in connection with any transfer or exchange, except for taxes or governmental charges related thereto.

<u>Section 8</u>. <u>Mutilated, Destroyed, Lost or Stolen 2016/2017 Bonds</u>.

If any 2016/2017 Bond is lost, stolen or destroyed, the University may execute and the Registrar may authenticate and deliver a new 2016/2017 Bond or 2016/2017 Bonds of like series or subseries, date and tenor to the Registered Owner thereof, all in accordance with law. However, no substitution or payment shall be made unless and until the applicant shall furnish (a) evidence satisfactory to said Registrar and Authorized Representative of the University of the destruction or loss of the original 2016/2017 Bond and of the ownership thereof, and (b) such additional security, indemnity or evidence as may be required by the Authorized Representative of the University. No substitute 2016/2017 Bond shall be furnished unless the applicant shall reimburse the University and the Registrar for their respective expenses in the furnishing thereof. Any such substitute 2016/2017 Bond so furnished shall be equally and proportionately entitled to the security of this resolution with all other 2016/2017 Bonds issued hereunder.

<u>Section 9</u>. <u>Payments of Principal, Redemption Price and Interest; Persons Entitled Thereto</u>.

(a) *Payments of Principal, Interest, Purchase and Redemption Prices*. The principal or Redemption Price of each 2016/2017 Bond shall be payable upon surrender or delivery of such 2016/2017 Bond to the Registrar. For so long as DTC is the Registered Owner, interest and principal shall be paid and delivery shall be made as described in the operational arrangements referred to in the Letter of Representations and pursuant to DTC's standard procedures.

(b) *Accrual of Interest*. Subject to the further provisions of this section, each 2016/2017 Bond shall accrue interest and be payable as to interest as follows:

(1) On each Interest Payment Date, the Registered Owner of each 2016/2017 Bond as of the Record Date shall be paid the amount of unpaid interest that accrues to the Interest Payment Date.

(2) The interest due on any 2016/2017 Bond on any Interest Payment Date shall be paid to the Registered Owner of such 2016/2017 Bond as shown on the Bond Register as of the Record Date. Except as otherwise provided in the applicable Bond Purchase Contract, Trust Agreement or Remarketing Agreement, the amount of interest so payable on any Interest Payment Date shall be computed (A) on the basis of a 365- or 366-day year for the number of days actually elapsed based on the calendar year for 2016/2017 Bonds in the Daily Mode, Commercial Paper Mode, Index Floating Mode or Weekly Mode, and (B) on the basis of a 360-day year of twelve 30-day months during a Term Mode or a Fixed Mode.

(3) If 2016/2017 Bonds of a series or subseries are no longer held by a Securities Depository, during the Term Mode or Fixed Mode, the interest, principal or Redemption Price of the 2016/2017 Bonds shall be payable by check, provided that any Registered Owner of $1,000,000 or more in aggregate principal amount of the 2016/2017 Bonds,

upon written request given to the Registrar at least five Business Days prior to the Interest Payment Date, Maturity Date or Redemption Date designating an account in a domestic bank, may be paid by wire transfer of immediately available funds. If the 2016/2017 Bonds of a series or subseries are no longer held by a Securities Depository, all payments of interest, principal or the Redemption Price on the 2016/2017 Bonds during the Commercial Paper Mode, Daily Mode, Index Floating Mode or Weekly Mode shall be paid to the Registered Owners entitled thereto on the Interest Payment Date in immediately available funds by wire transfer to a bank within the United States or deposited to a designated account if such account is maintained with the Registrar as directed by the Registered Owner in writing or as otherwise directed in writing by the Registered Owner on or prior to the applicable Record Date.

Any account specified pursuant to paragraph (3) hereof shall remain in effect until revoked or revised by the Registered Owner, the Credit Facility Issuer or Liquidity Facility Issuer by an instrument in writing delivered to the Registrar.

Section 10. Acts of Registered Owners; Evidence of Ownership.

Any action to be taken by Registered Owners may be evidenced by one or more concurrent written instruments of similar tenor signed or executed by such Registered Owners in person or by an agent appointed in writing. Any action by the Registered Owner of any 2016/2017 Bond shall bind all future Registered Owners of the same 2016/2017 Bond or of any 2016/2017 Bond issued upon the exchange or registration of transfer thereof in respect of anything done or suffered by the University or the Registrar in pursuance thereof.

Except as provided in any Reimbursement Agreement or Credit Facility, the Registrar and the University may treat the Registered Owner of a 2016/2017 Bond as the absolute owner thereof for all purposes, whether or not such 2016/2017 Bond shall be overdue, and the Registrar and the University shall not be affected by any knowledge or notice to the contrary; and payment of the principal of and premium, if any, and interest on such 2016/2017 Bond shall be made only to such Registered Owner, which payments shall satisfy and discharge the liability of the University with respect to such 2016/2017 Bond to the extent of the sum or sums so paid.

Section 11. Form of 2016/2017 Bonds.

The 2016/2017 Bonds shall each be in substantially the following form, with appropriate or necessary insertions, depending upon the omissions and variations as permitted or required hereby. If the 2016/2017 Bonds are no longer held in fully-immobilized form, the form of 2016/2017 Bonds will be changed to reflect the changes required in connection with the preparation of certificated 2016/2017 Bonds. The form of the 2016/2017 Bonds shall further be changed as necessary to reflect whether the 2016/2017 Bonds are 2016/2017 New Money Bonds or 2016/2017 Refunding Bonds, whether the 2016/2017 Bonds are 2016/2017 Tax-Exempt Bonds or 2016/2017 Taxable Bonds, any series or subseries designation for the 2016/2017 Bonds and the Current Mode of the 2016/2017 Bonds.

No. R-_____ $___________

UNITED STATES OF AMERICA

[DTC LANGUAGE]

[STATEMENT OF INSURANCE, IF ANY]

UNIVERSITY OF WASHINGTON
GENERAL REVENUE [REFUNDING] BOND, 2016/2017[____] [Taxable]

[INTEREST RATE] MATURITY DATE: ISSUE DATE CUSIP

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The University of Washington (the “University”) hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from __________ ____, _____, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate [set forth above][described below], payable on the first days of each _________ and __________, commencing on ________ 1, 20__. Both principal of and interest on this bond are payable in lawful money of the United States of America. For so long as the bonds of this issue are held in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company (“DTC”) referred to in the Blanket Issuer Letter of Representations (the “Letter of Representations”) from the University to DTC. The fiscal agent of the state of Washington is acting as the registrar, authenticating agent and paying agent for the bonds of this issue (the “Bond Registrar”).

This bond is issued pursuant to a resolution of the Board of Regents of the University (the “Bond Resolution”) to [finance or refinance costs of the Projects][refund certain outstanding bonds], and to pay costs of issuance.

This bond is payable solely from General Revenues of the University, and the University does hereby pledge and bind itself to set aside from such General Revenues, and to pay into the General Revenue Bond Redemption Fund, 2016/2017 (the “Bond Fund”) the various amounts required by the Bond Resolution to be paid into and maintained in such Fund, all within the times provided by the Bond Resolution. Interest on this bond shall accrue at [the Fixed Rate set forth above] [Daily Rates, Weekly Rates, Commercial Paper Rates, Index Floating Rates, Term Rates or Fixed Rates], payable on Interest Payment Dates, all as provided in the Bond Resolution.

A-12

The bonds of this issue are subject to redemption prior to their scheduled maturity under the terms of the bond purchase contract for such bonds.

[The bonds of this issue are not private activity bonds and are not "qualified tax exempt obligations" eligible for investment by financial institutions within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.]

Except as otherwise provided in the Bond Resolution, this bond shall not be entitled to any right or benefit under the Bond Resolution, or be valid or become obligatory for any purpose, until this bond shall have been authenticated by execution by the Registrar of the certificate of authentication inscribed hereon.

It is hereby certified, recited and represented that the issuance of this bond and the 2016/2017 Bonds of this issue is duly authorized by law; that all acts, conditions and things required to exist and necessary to be done or performed precedent to and in the issuance of this bond and the 2016/2017 Bonds of this issue to render the same lawful, valid and binding have been properly done and performed and have happened in regular and due time, form and manner as required by law; that all acts, conditions and things necessary to be done or performed by the University or to have happened precedent to and in the execution and delivery of the Bond Resolution have been done and performed and have happened in regular and due form as required by law; that due provision has been made for the payment of the principal of and premium, if any, and interest on this bond and the 2016/2017 Bonds of this issue and that the issuance of this bond and the 2016/2017 Bonds of this issue does not contravene or violate any constitutional or statutory limitation.

IN WITNESS WHEREOF, the University of Washington has caused this bond to be executed with the manual or facsimile signatures of the President and [Secretary of the Board of Regents][Treasurer of the University] and caused a facsimile of the official seal of the University to be reproduced hereon.

UNIVERSITY OF WASHINGTON

(SEAL)

By ________________________________
President, Board of Regents

By ______________________________
[Secretary, Board of Regents]
[Treasurer of the University]

The Certificate of Authentication for the 2016/2017 Bonds shall be in substantially the following form and shall appear on each 2016/2017 Bond:

AUTHENTICATION CERTIFICATE

This bond is one of the University of Washington General Revenue [Refunding] [and Refunding] Bonds, Series [2016/2017][__] described in the within-mentioned Bond Resolution.

WASHINGTON STATE FISCAL AGENT,
as Registrar

By ________________________________
Authorized Signatory

Date of Authentication: ______________________

Section 12. Redemption.

(a) *Optional Redemption.* 2016/2017 Bonds in a Term Mode, Index Floating Mode or Fixed Mode shall be subject to redemption at the option of the University, in whole or in part, in Authorized Denominations on such dates and at such prices as determined by the University for such 2016/2017 Bonds as set forth in the respective Bond Purchase Contract, Trust Agreement and/or Remarketing Agreement, as applicable. 2016/2017 Bonds in the Commercial Paper Mode are not subject to optional redemption prior to their respective Purchase Dates. Commercial Paper Bonds shall be subject to redemption at the option of the University, in whole or in part in principal amounts that permit all remaining Outstanding Bonds of the same series or subseries to continue in Authorized Denominations, on their respective Purchase Dates at a redemption price equal to the principal amount thereof. 2016/2017 Bonds in the Daily Mode or the Weekly Mode shall be subject to redemption at the option of the University, in whole or in part, in principal amounts which permit all remaining Outstanding Bonds of the same series or subseries to continue in Authorized Denominations, on any date at a redemption price equal to the principal amount thereof. Bank Bonds shall be subject to redemption as set forth in the applicable Reimbursement Agreement.

(b) *Mandatory Redemption.* If the 2016/2017 Bonds of a series or subseries are issued in the Fixed Mode, any Term Bonds of such series or subseries shall be subject to mandatory redemption prior to their maturity by the Registrar in part, in the years and in the amounts set forth in the applicable Bond Purchase Contract (subject to reductions arising from the University's acquisition and surrender or the optional redemption of 2016/2017 Bonds, all as described in the next paragraph) at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the Redemption Date. If the 2016/2017 Bonds of a series or subseries are issued in a Daily Mode, Weekly Mode, Index Floating Mode or Commercial Paper Mode and converted to the Fixed Mode or Term Mode, the 2016/2017 Bonds of that series or subseries (other than Bank Bonds) may be converted in whole or in part to Serial Bonds and/or Term Bonds upon delivery of a Favorable Opinion of Bond Counsel prior to the commencement of the Term Mode or Fixed Mode for such 2016/2017 Bonds and if so converted to Term Bonds shall be subject to mandatory sinking fund redemption as determined by the University pursuant to the Remarketing Agreement or Trust Agreement, as applicable.

(c) *Selection of 2016/2017 Bonds for Redemption.* Whenever the University elects to redeem fewer than all of the 2016/2017 Bonds of a series or subseries, the University shall select the maturity or maturities within such series or subseries to be redeemed. Whenever fewer than all the Outstanding 2016/2017 Bonds of a series or subseries and maturity are to be redeemed, the 2016/2017 Bonds to be redeemed shall be selected in accordance with the operational arrangements of DTC referred to in the Letter of Representations (or, in the event the 2016/2017 Bonds of a series or subseries are no longer in book-entry only form, randomly by the Registrar). In no event shall any Bond be Outstanding in a principal amount that is not an Authorized Denomination.

(d) *Notice of Redemption.* For so long as the book entry-system is in effect with respect to a series or subseries of 2016/2017 Bonds, notice of redemption shall be provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations, and no additional published or other notice shall be provided by the University; *provided, however*, that the Credit Facility Issuer, if any, or Liquidity Facility Issuer, if any, shall be given prior written notice of any proposed redemption of 2016/2017 Bonds. In any event, notice of redemption shall be given by the University to the Registrar who shall give notice to DTC at least 20 days prior to the proposed date of redemption during the Term Mode or Fixed Mode and at least 15 days prior to the proposed date of redemption during any other Mode. If the book-entry system is no longer in effect with respect to a series or subseries of 2016/2017 Bonds, notice of redemption shall be given in the manner hereinafter provided. Unless waived by any owner of 2016/2017 Bonds to be redeemed, official notice of any such 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 during the Term Mode or Fixed Mode, and at least 15 days and not more than 60 days prior to the date fixed for redemption during any other Mode, to the Registered Owner of the 2016/2017 Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Registrar.

(e) *Effect of Redemption.* Any notice for redemption may be conditional, in which case the conditions shall be set forth therein. If an unconditional notice of redemption has been given or if a conditional notice of redemption has been given and the conditions set forth in a conditional notice of redemption have been satisfied, , then on the Redemption Date the 2016/2017 Bonds or portions thereof so called for redemption shall become payable at the Redemption Price specified in such notice; and from and after the Redemption Date, interest thereon or on portions thereof so called for redemption shall cease to accrue, such 2016/2017 Bonds or portions thereof shall cease to be Outstanding and to be entitled to any benefit, protection or security hereunder or under an applicable Trust Agreement, and the Owners of such 2016/2017 Bonds or portions thereof shall have no rights in respect thereof except to receive payment of the Redemption Price upon delivery of such 2016/2017 Bonds to the Registrar. Notwithstanding the foregoing, any Bank Bonds shall remain Outstanding until the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, is paid all amounts due in connection with such 2016/2017 Bonds or portions thereof to be redeemed on the Redemption Date. After payment to the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, of all amounts due on Bank Bonds such Credit Facility Issuer or Liquidity Facility Issuer shall surrender such 2016/2017 Bonds to the Registrar for cancellation.

Section 13. Bond Fund.

The Controller of the University is hereby authorized and directed to establish the Bond Fund as a special fund of the University to be designated as the General Revenue Bond Redemption Fund, 2016/2017 (the “Bond Fund”). The University covenants to deposit into the Bond Fund from General Revenues on or prior to each interest payment date, redemption date and maturity date an amount sufficient to pay the interest on the 2016/2017 Bonds then coming due and the principal of the 2016/2017 Bonds maturing or subject to redemption and redemption premium, if any. Such payments shall be made in sufficient time to enable the Registrar to pay interest on and/or principal of and redemption price of the 2016/2017 Bonds to the Registered Owners, when due. Net income earned on investments in the Bond Fund, if any, shall be deposited in the Bond Fund.

Section 14. Application of 2016/2017 Bond Proceeds.

(a) *2016/2017 New Money Bonds.* The Authorized Representative of the University is hereby authorized and directed to create a special fund or account of the University (the “Capital Fund”). The proceeds of the 2016/2017 New Money Bonds shall be paid into the Capital Fund. The money on deposit in the Capital Fund shall be utilized to pay or reimburse the University for costs of the Projects and costs incidental thereto, and Issuance Costs, to the extent designated by the Authorized Representative of the University.

All or part of the proceeds of the 2016/2017 New Money Bonds may be temporarily invested in Permitted Investments that will mature prior to the date on which such money shall be needed. Except as otherwise provided in the Federal Tax Certificate, the University covenants that all investments of amounts deposited in the Capital Fund, or otherwise containing gross proceeds of the 2016/2017 Tax-Exempt Bonds (within the meaning of Section 148 of the Code) will be acquired, disposed of, and valued (as of the date that valuation is required by the Code) at Fair Market Value.

In the event that it shall not be possible or practicable to accomplish all of the Projects, the University may apply the proceeds of the 2016/2017 New Money Bonds to pay the costs of such portion thereof or such other projects as the Authorized Representative of the University shall determine to be in the best interests of the University.

Any part of the proceeds of the 2016/2017 New Money Bonds remaining in the Capital Fund after all costs referred to in this section have been paid may be used to acquire, construct, equip and make other improvements to the facilities of the University subject to the limitations of this resolution or may be transferred to the Bond Fund for the uses and purposes therein provided, and any applicable limitations set forth in the Federal Tax Certificate.

(b) *2016/2017 Refunding Bonds.* The proceeds of each series of 2016/2017 Refunding Bonds shall be disbursed as provided in the related Escrow Agreement and/or Trust Agreement to redeem the Refunded Bonds on their Call Dates and/or defease the Refunded Bonds to their Call Dates through the application of proceeds of the 2016/2017 Refunding Bonds

A-14

to acquire Acquired Obligations for deposit, together with cash, as provided in such Escrow Agreement and/or Trust Agreement.

Section 15. Source of Repayment and Security for 2016/2017 Bonds.

(a) *Special Fund Obligations.* The 2016/2017 Bonds shall be special fund obligations of the University, payable solely from General Revenues and the money and investments deposited into the Bond Fund. In addition, any Building Fee Revenue Bonds are payable first from money and investments in the University of Washington bond retirement account. The 2016/2017 Bonds shall not constitute an obligation, either general, special or moral, of the State, nor a general or moral obligation of the University. The Registered Owners of the 2016/2017 Bonds shall have no right to require the State, nor has the State any obligation or legal authorization, to levy any taxes or appropriate or expend any of its funds for the payment of the principal thereof or the interest or any premium thereon. The University has no taxing power.

(b) *All Bonds Have Equal Claim on General Revenues.* The Bonds shall be equally and ratably payable, without preference, priority or distinction because of date of issue or otherwise from General Revenues.

(c) *Additions to General Revenues.* (1) The University reserves the right to include in General Revenues, at its sole option, in the future, other sources of revenue or income, specifically including, but not limited to, all or any portion of the items or any auxiliary systems added pursuant to subsection (2) of this Section 15(c), then excluded as part of General Revenues. (2) Such additions shall occur on the date and as provided in a certificate executed by the Controller of the University (or the successor to the functions of the Controller). The Controller shall, in the case of additions of items or auxiliaries to General Revenues, certify that for the preceding two Fiscal Years for which audited financial statements are available, the item or auxiliary maintained a "coverage ratio" of at least 125%, where the "coverage ratio" equals: (A) Net Revenue (for those items or auxiliaries whose debt has a lien on Net Revenues) or gross revenues (for those items or auxiliaries whose debt has a lien on gross revenues), divided by (B) debt service with respect to the then-outstanding revenue debt of the auxiliary or item and state-reimbursed bonds allocable to such auxiliary or item. In the event an auxiliary or item is added to General Revenues, the obligations of that auxiliary or item may remain outstanding and have a prior claim on auxiliary Net Revenue.

(d) *Deletions from General Revenues.* The University reserves the right to remove, at its sole option, in the future, any revenues from General Revenues. The removal of General Revenues shall be evidenced by a certificate executed by the Controller of the University (or the successor to the functions of the Controller) identifying the items to be deleted.

(e) *Building Fee Revenue Bonds.* If any of the 2016/2017 Bonds are designated as Building Fee Revenue Bonds pursuant to Section 18, such Building Fee Revenue Bonds shall be payable from and secured by a pledge of any or all of the revenues and receipts of the University of Washington bond retirement fund. In addition, Building Fee Revenue Bonds shall be payable from General Revenue and money and investments in the Bond Fund.

The Board hereby covenants to establish, maintain and collect Building Fees in such amounts that will provide money sufficient to pay the principal of and interest on all bonds, including any Building Fee Revenue Bonds, payable out of the University of Washington bond retirement fund, to set aside and maintain reserves, if any, required to secure the payment of such principal and interest, and to maintain coverage, if any, which may be required over such principal and interest. Notwithstanding the foregoing, the Board hereby orders that in the event there is ever an insufficient amount of money in the University of Washington bond retirement fund to pay principal of or interest on any Building Fee Revenue Bond when due, moneys shall be transferred from the University of Washington building account to the University of Washington bond retirement fund.

Amounts on deposit in the University of Washington bond retirement fund shall be invested in Permitted Investments. Any money on deposit in the University of Washington bond retirement fund may be transferred to the University of Washington building account to the extent and as permitted by the Building Fee Revenue Bond Act.

Building Fee Revenue Bonds shall not be general or special obligations of the state of Washington, but shall be limited obligation bonds of the University payable only from Building Fees, money and investments in the University of Washington bond retirement fund, General Revenues and money and investments in the Bond Fund.

Section 16. Investment of Funds.

The University covenants to invest and reinvest money deposited in Bond Fund only in Permitted Investments. Except as otherwise provided in the Federal Tax Certificate, the University covenants that all investments of amounts deposited in the Bond Fund, or otherwise containing gross proceeds of the 2016/2017 Tax-Exempt Bonds (within the meaning of Section 148 of the Code) will be acquired, disposed of, and valued (as of the date that valuation is required by the Code) at Fair Market Value.

Section 17. Establishment of Additional Accounts and Subaccounts.

The University reserves the right, to be exercised in its sole discretion, to establish such additional accounts within the funds established pursuant to this resolution, and subaccounts within such accounts, as it deems necessary or useful for the purpose of identifying more precisely the sources of payments herein and disbursements therefrom; provided that the establishment of any such account or subaccount does not alter or modify any of the requirements of this resolution with respect to a deposit or use of money or result in commingling of funds not permitted hereunder.

Section 18. Additional Bonds.

The University shall have the right to issue one or more series of Additional Bonds for University purposes as permitted under the Bond Act, the Building Fee Revenue Bond Act or otherwise under State law, and the costs of issuing Additional Bonds, or to refund or advance refund any Bonds or other obligations. The University shall have the right to designate one or more series of Additional Bonds as Building Fee Revenue Bonds payable from and secured by the Building Fee and money and investments in the University of Washington bond retirement fund on a parity with the lien thereon of outstanding Building Fee Revenue Bonds to the extent permitted by the Building Fee Revenue Bond Act. The University shall have the further right to pledge Building Fees and moneys and investments in the University of Washington bond retirement fund to pay additional bonds payable from and secured solely by such Building Fees and moneys and investments on a parity with the lien thereon of outstanding Building Fee Revenue Bonds.

<u>Section 19</u>. <u>Covenants Regarding Tax Exemption</u>. The University will take all actions necessary to assure the exclusion of interest on the 2016/2017 Tax-Exempt Bonds from the gross income of the owners of the 2016/2017 Tax-Exempt Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the 2016/2017 Tax-Exempt Bonds, including but not limited to the following:

(a) The University will assure that the proceeds of the 2016/2017 Tax-Exempt Bonds are not used so as to cause the 2016/2017 Tax-Exempt Bonds to satisfy the private business tests or the private loan financing test as set forth in the Federal Tax Certificate.

(b) The University will not sell or otherwise transfer or dispose of (i) any personal property components of the Projects financed with the 2016/2017 Tax-Exempt Bonds other than in the ordinary course of an established government program or (ii) any real property components of the Projects financed with the 2016/2017 Tax-Exempt Bonds, unless it has received an opinion of nationally recognized bond counsel to the effect that such disposition will not adversely affect the treatment of interest on the 2016/2017 Tax-Exempt Bonds as excludable from gross income for federal income tax purposes as set forth in the Federal Tax Certificate.

(c) The University will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the 2016/2017 Tax-Exempt Bonds to be "federally guaranteed" as set forth in the Federal Tax Certificate.

(d) The University will take any and all actions necessary to assure compliance with the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2016/2017 Tax-Exempt Bonds as set forth in the Federal Tax Certificate.

(e) The University will not take, or permit or suffer to be taken, any action with respect to the proceeds of the 2016/2017 Tax-Exempt Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2016/2017 Tax-Exempt Bonds would have caused the 2016/2017 Tax-Exempt Bonds to be “arbitrage bonds” as set forth in the Federal Tax Certificate.

(f) The University will maintain a system for recording the ownership of each 2016/2017 Tax-Exempt Bond that complies with the Code until all 2016/2017 Tax-Exempt Bonds have been surrendered and canceled.

(g) The University will retain its records of all accounting and monitoring it carries out with respect to the 2016/2017 Tax-Exempt Bonds for at least three years after the 2016/2017 Tax-Exempt Bonds mature or are redeemed (whichever is earlier); however, if the 2016/2017 Tax-Exempt Bonds are redeemed and refunded, the University will retain its records of accounting and monitoring at least three years after the earlier of the maturity or redemption of the obligations that refunded the 2016/2017 Tax-Exempt Bonds.

(h) The University will comply with the provisions of the Federal Tax Certificate with respect to the 2016/2017 Tax-Exempt Bonds, which are incorporated herein as if fully set forth herein. In the event of any conflict between this Section and the Federal Tax Certificate, the provisions of the Federal Tax Certificate will prevail.

The covenants of this Section will survive payment in full or defeasance of the 2016/2017 Tax-Exempt Bonds.

<u>Section 20</u>. <u>No Recourse Against Individuals</u>.

No owner of a 2016/2017 Bond (registered or beneficial) shall have any recourse for the payment of any part of the principal or redemption price, if any, of or interest on the 2016/2017 Bonds, or for the satisfaction of any liability arising from, founded upon, or existing by reason of, the issuance or ownership of such 2016/2017 Bonds against the officers of the University or officers or members of the Board in their individual capacities.

<u>Section 21</u>. <u>Defeasance</u>.

Any 2016/2017 Bonds shall be deemed to have been paid and not Outstanding under this resolution and shall cease to be entitled to any lien, benefit or security of this resolution and any money and investments held hereunder, except the right to receive the money and the proceeds and income from Government Obligations set aside and pledged in the manner hereafter described, if:

(a) in the event that any or all of 2016/2017 Bonds are to be optionally redeemed, the University shall have given to the Registrar irrevocable instructions to give such notice of redemption of such 2016/2017 Bonds as may be required by the provisions of this resolution; and

(b) there shall have been made an Irrevocable Deposit, in trust, with the Registrar or another corporate fiduciary of money in an amount which shall be sufficient and/or noncallable Government Obligations maturing at such time or times and bearing such interest to be earned thereon, without considering any earnings on the reinvestment thereof, as will provide a series of payments which shall be sufficient, together with any money initially deposited, to provide for the payment of the principal of and the interest on the defeased 2016/2017 Bonds, when due in accordance with their terms, or upon the earlier prepayment thereof in accordance with a refunding plan; and such money and the principal of and interest on such Government Obligations are set aside irrevocably and pledged in trust for the purpose of effecting such payment, redemption or prepayment.

Nothing contained in this Section 21 shall be construed to prohibit the partial defeasance of the lien of this resolution providing for the payment of one or more, but not all of the Outstanding 2016/2017 Bonds. In the event of such partial defeasance, this resolution shall be discharged only as to the 2016/2017 Bonds so defeased.

Section 22. Approval of Official Statement.

The University hereby authorizes and directs the Authorized Representative of the University to approve the information contained in each Preliminary Official Statement, if any, pertaining to 2016/2017 Bonds or 2016/2017 bonds issued on behalf of the University, to "deem final" each Preliminary Official Statement, if any, as of its date, except for the omission of information on offering prices, interest rates, selling compensation, delivery dates and any other terms or provisions of the 2016/2017 Bonds dependent on such matters, for the sole purpose of the applicable underwriter's compliance with the Rule and to authorize the distribution thereof to prospective purchasers of the series of 2016/2017 Bonds and others. The University further authorizes and directs any of such officers to approve the preparation, distribution and use of a final Official Statement and to approve the information contained therein, in connection with the public offering and sale of the applicable 2016/2017 Bonds or 2016/2017 bonds issued on behalf of the University, to the actual purchasers of the 2016/2017 Bonds and others. The University hereby authorizes any of such officers to execute each final Official Statement described above to indicate such approval.

Section 23. Determination of Certain Matters Affecting 2016/2017 Bonds.

The Authorized Representative of the University is hereby authorized and directed to make the following determinations and/or take the following actions, prior to the sale of 2016/2017 Bonds or the refunding of Refunding Candidates, subject to the limitations described below:

(a) determine whether the 2016/2017 Bonds shall be issued and sold in one or more series or subseries;

(b) determine the Mode in which 2016/2017 Bonds of a series or subseries shall be issued initially;

(c) determine the times and manner of conversion, if any, between and within Modes, and negotiate and execute documents to effect the conversion, including without limitation any Bond Purchase Contract, Reimbursement Agreement, Remarketing Agreement or Trust Agreement, or amendments thereto;

(d) negotiate and execute one or more contracts with Northwest Hospital & Medical Center to provide for the refinancing of obligations issued by or on behalf of Northwest Hospital & Medical Center;

(e) negotiate and execute at his or her discretion, one or more Escrow Agreements, Bond Purchase Contracts, Remarketing Agreements, Reimbursement Agreements, or Trust Agreements, amendments to leases with respect to Refunding Candidates, options to extend such leases, and other documents in connection with the refunding of a Refunding Candidate, and amendments thereto from time to time;

(f) negotiate and execute a Payment Agreement, if any, in connection with the issuance of any series or subseries of 2016/2017 Bonds;

(g) select one or more Escrow Agents, underwriters and/or Remarketing Agents;

(h) select some or all of the Refunding Candidates and designate those Refunding Candidates as the "Refunded Bonds" in the applicable Bond Purchase Contract or closing certificate;

(i) determine if it is in the best interest of the University for any or all of the 2016/2017 Bonds to be secured by a Liquidity Facility or Credit Facility and, if so, select the Liquidity Facility Issuer or Credit Facility Issuer, as applicable, pay the premium or fees therefor, issue one or more reimbursement bonds, and enter into Reimbursement Agreements, each as applicable;

(j) subject to the limitations set forth herein, approve the Interest Rates if the 2016/2017 Bonds bear interest in Fixed Mode or Term Mode, Maturity Dates, aggregate principal amounts, principal amounts of each maturity, redemption rights, tender option rights, and other terms and conditions of the 2016/2017 Bonds;

(k) select a Trustee for the owners of any or all of the 2016/2017 Bonds and fix its or their rights, duties, powers, and obligations under the applicable Trust Agreement;

(l) determine whether any or all of the 2016/2017 Bonds shall be issued as 2016/2017 Tax-Exempt Bonds or as 2016/2017 Taxable Bonds;

(m) allocate 2016/2017 Bond proceeds to Projects and determine whether all or a portion of the Projects shall be financed with CAP.

The Authorized Representative of the University is hereby authorized to approve the foregoing subject to following conditions:

(a) the aggregate principal amount of the 2016/2017 New Money Bonds shall not exceed $210,000,000.

(b) the aggregate debt service to be paid on any 2016/2017 Refunding Bonds shall be less than the aggregate debt service (or aggregate rent reflecting debt service in the case of a lease with respect to a Refunding Candidate) on the Refunding Candidate to be refunded;

(c) the final maturity date of any 2016/2017 Refunding Bonds shall not be later than the end of the fiscal year that includes the final maturity date of the Refunding Candidate to be refunded with the proceeds of such bonds, unless the Authorized Representative of the University determines, in the case of the refunding of obligations issued by or on behalf of Northwest Hospital & Medical Center, that a later maturity date is in the best interests of the University;

(d) the true interest cost to the University, taking into account any interest subsidy, for the 2016/2017 Bonds issued initially in the Fixed Mode does not exceed 7.0%;

(e) the aggregate principal amount of 2016/2017 Bonds issued in the Daily Mode, Weekly Mode, Index Floating Mode and Commercial Paper Mode does not exceed 20% of the aggregate principal amount of all then Outstanding Bonds (determined on the initial date of issuance of such 2016/2017 Bonds in the Daily Mode, Weekly Mode, Index Floating Mode or Commercial Paper Mode); and

(f) the date and time for any Closing Date is not later than July 31, 2017.

In determining the items described in this section, the Authorized Representative of the University may take into account those factors that, in his or her judgment, will result in the lowest true interest cost on the 2016/2017 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 2016/2017 Bonds.

Upon determination by the Authorized Representative of the University that all conditions to Closing set forth in a Bond Purchase Contract have been satisfied, or upon waiver of such conditions by the appropriate parties, the Authorized Representative of the University is hereby authorized and directed (a) to cause such 2016/2017 Bonds, executed as provided in this resolution, to be authenticated and delivered to the underwriters; and (b) to execute, for and on behalf of the University, and to deliver to the persons entitled to executed copies of the same, the Official Statement and all other documents required to be delivered, at or before the Closing Date pursuant to the Bond Purchase Contract. The proper University officials are hereby authorized and directed to do everything necessary and proper for the prompt printing, execution, authentication, issuance and delivery of the 2016/2017 Bonds in exchange for the purchase price thereof.

This authorization is in addition to any previously delegated authority under the Debt Policy.

Section 24. Undertaking to Provide Continuing Disclosure.

An Authorized Representative of the University is authorized to, in his or her discretion, execute and deliver a certificate regarding continuing disclosure in order to assist the underwriters for 2016/2017 Bonds in complying with Section (b)(5) of the Rule.

Section 25. Payment Agreements.

The University may enter into a Payment Agreement providing for an exchange of Reciprocal Payments for University Payments in connection with one or more series or subseries of 2016/2017 Bonds. The following shall be conditions precedent to the use of any Payment Agreement.

(a) *Opinion of Bond Counsel*. The University shall obtain an opinion of its Bond Counsel on the due authorization and execution of such Payment Agreement opining that the action proposed to be taken by the University is authorized or permitted by this resolution and by Washington law and will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the applicable series or subseries of 2016/2017 Tax-Exempt Bonds.

(b) *Certification of Financial Advisor.* The University shall obtain, on or prior to the date of execution of the Payment Agreement, a written certification from a financial advisor satisfying the requirements under RCW 39.96.030.

(c) *Approval of the State Finance Committee.* The Payment Agreement shall have been approved by the State Finance Committee under terms set forth in a resolution thereof, subject to final approval and authorization of the Payment Agreement by the Chair of the State Finance Committee pursuant to such terms. The approval of the State Finance Committee shall not constitute the pledge of the full faith and credit of the State. The University shall have the option to terminate the Payment Agreement in whole or in part, in the discretion of the Authorized Representative of the University.

(d) *Selection of Reciprocal Payor.* Prior to selecting the Reciprocal Payor, the University shall solicit and give due consideration to proposals from at least two entities that meet the criteria set forth in RCW 39.96.040(2). Such solicitation and consideration shall be conducted in such manner as the University (or the State Treasurer if so directed by resolution of the State Finance Committee) shall determine is reasonable.

(e) *Payments*. The Payment Agreement shall set forth the manner in which the University Payments and Reciprocal Payments are to be calculated and a schedule of Derivative Payment Dates. The University shall provide an annual report or certificate to the State Treasurer setting forth the information regarding the Payment Agreement, in form satisfactory to the State Treasurer.

(f) *Findings.*

(1) The obligations of the University under the Payment Agreement shall be paid solely from General Revenues.

(2) If the University enters into a Payment Agreement, University Payments shall be made from the Bond Fund. Reciprocal Payments shall be paid directly into the Bond Fund or a separate account therein.

(3) If the foregoing conditions are complied with, the Payment Agreement will lower the net cost of borrowing for the related 2016/2017 Bonds or reduce the University's exposure to fluctuations in interest rates on the related 2016/2017 Bonds. This finding shall be confirmed in a report of the Authorized Representative of the University.

Section 26. Supplemental Resolutions.

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

(1) to add to the covenants and agreements of the University in this resolution other covenants and agreements thereafter to be observed, which shall not materially adversely affect the interests of the Registered Owners of any Outstanding 2016/2017 Bonds affected by the supplemental resolution, or to surrender any right or power herein reserved to or conferred upon the University;

(2) to make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in this resolution or any resolution authorizing Additional Bonds in regard to matters or questions arising under such resolutions as the Board may deem necessary or desirable and not inconsistent with such resolution and which shall not materially adversely affect the interest of the Registered Owners of Outstanding 2016/2017 Bonds.

Any such supplemental resolution of the Board may be adopted without the consent of the owners of any 2016/2017 Bonds at any time outstanding, notwithstanding any of the provisions of subsection (b) of this section.

(b) *With Consent of Owners.* With the consent of the Registered Owners of not less than 51% in aggregate principal amount of all Outstanding 2016/2017 Bonds of a series affected by a supplemental resolution, the Board may adopt a resolution or resolutions supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this resolution or of any supplemental resolution provided, however, that no such supplemental resolution shall:

(1) extend the fixed maturity of any Outstanding 2016/2017 Bonds, or reduce the rate of interest thereon, or extend the time of payment of interest from their due date, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the owner of each 2016/2017 Bond so affected; or

(2) reduce the aforesaid percentage of Registered Owners required to approve any such supplemental resolution, without the consent of the Registered Owners of all of the Outstanding 2016/2017 Bonds affected by the reduction.

It shall not be necessary for the consent of Registered Owners under this subsection (b) to approve the particular form of any proposed supplemental resolution, but it shall be sufficient if such consent shall approve the substance thereof. The Reimbursement Agreement may provide rights to the Credit Facility Issuer or Liquidity Facility Issuer to consent to supplemental resolutions on behalf of Registered Owners of Bonds for which it provides credit and liquidity support or in addition to such Registered Owners.

Section 27. Concerning the Registered Owners.

(a) *Form of Consent of Registered Owners.* Any request, direction, consent or other written instrument required by this resolution to be signed or executed by the Registered Owners may be in any number of concurrent written instruments of similar tenor and may be signed or executed by such Registered Owners in person or by an agent or agents duly appointed by a written instrument. Proof of the execution of any such written instrument and of the ownership of the 2016/2017 Bonds shall be sufficient for any purpose of this resolution and shall be conclusive in favor of the University, and/or the Registered Owners with regard to any action taken under such instrument, if made in the following manner:

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

(2) the ownership of 2016/2017 Bonds shall be proved by the Bond Register maintained by the Registrar.

Nothing contained in this Section 27(a) shall be construed as limiting the University to the proof above specified, it being intended that the University may accept any other evidence of the matters herein stated to which it may seem sufficient.

(b) *Waiver of Form.* Except as otherwise provided herein, any notice or other communication required by this resolution to be given by delivery, publication or otherwise to the Registered Owners or any one or more thereof may be waived, at any time before such notice or communication is so required to be given, by written waivers mailed or delivered to the University by the Registered Owners of all 2016/2017 Bonds of a series or subseries entitled to such notice or communication.

(c) *Revocation; Conclusive Action.* At any time prior to (but not after) the evidencing to the University of the taking of any action by the Registered Owners of the percentage in aggregate principal amount of Outstanding 2016/2017 Bonds of a series or subseries specified in this resolution in connection with such action, any Registered Owner may, by filing written notice with the University, revoke any consent given by such Registered Owner or the predecessor Registered Owner of such 2016/2017 Bond. Except as aforesaid, any such consent given by the Registered Owner of any 2016/2017 Bond shall be conclusive and binding upon such Registered Owner and upon all future Registered Owners of such 2016/2017 Bond and of any 2016/2017 Bond issued in exchange therefor or in lieu thereof, irrespective of whether or not any notation in regard thereto is made upon such 2016/2017 Bond. Any action taken by the Registered Owners of the percentage in aggregate principal amount of a series or subseries of Outstanding 2016/2017 Bonds specified in this resolution in connection with such action shall be conclusively binding upon the University and the Registered Owners of all Outstanding 2016/2017 Bonds.

Section 28. Determination of Registered Owners' Concurrence.

In determining whether the Registered Owners of the requisite aggregate principal amount of a series or subseries of Outstanding 2016/2017 Bonds have concurred in any demand, request, direction, consent or waiver under this resolution, 2016/2017 Bonds which are owned by or held in the name of the University shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. 2016/2017 Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section 28 if the pledgee shall establish to the satisfaction of the University the pledgee's right to vote such 2016/2017 Bonds and that the pledgee is not the University.

Section 29. University Acquisition of 2016/2017 Bonds.

The University may acquire 2016/2017 Bonds by (a) purchase of 2016/2017 Bonds offered to the University at any time and from time to time at such purchase price as the University deems appropriate; or (b) gift at any time and from time to time on terms as the University deems appropriate.

Section 30. Contract-Savings Clause.

The covenants contained in this resolution, the 2016/2017 Bonds and the provisions of the Bond Act shall constitute a contract between the University and the Registered Owners of the 2016/2017 Bonds and shall be construed in accordance with and controlled by the laws of the State. If any one or more of the covenants or agreements provided in this resolution to be performed on the part of the University shall be declared by any court of competent jurisdiction and final appeal, if any appeal be taken, to be contrary to law, then such covenant or covenants, agreement or agreements shall be null and void and shall be deemed separable from the remaining covenants and agreements in this resolution and shall in no way affect the validity of the other provisions of this resolution or of the 2016/2017 Bonds.

Section 31. No Benefits to Outside Parties.

Nothing in this resolution, express or implied, is intended or shall be construed to confer upon or to give to any person, other than the University, the Registrar, any Credit Facility Issuer, any Liquidity Facility Issuer, or the Registered Owners of Bonds, any right, remedy or claim under or by reason of this resolution; and the covenants, stipulations and agreements in this resolution are and shall be for sole and exclusive benefit of the University, the Registrar, any Credit Facility Issuer, the Liquidity Facility Issuer, and the Registered Owners of Bonds, their successors and assigns.

Section 32. Immediate Effect.

This resolution shall take effect immediately upon its adoption.

ADOPTED at an open public meeting of the Board of Regents of the University, after notice thereof was duly and regularly given as required by law, this 14th day of July, 2016.

BOARD OF REGENTS, UNIVERSITY OF WASHINGTON

By ______________________________

Attest:

By ________________________

Approved as to form:

____
Stacey Crawshaw-Lewis
Special Assistant
Attorney General
State of Washington

Exhibit A

Description of Refunding Candidates

Issuer	Bond Name	Original Principal Amount
State of WA	1992B General Obligation HE-UW	11,275,000
State of WA	1992B General Obligation UW	16,105,000
State of WA	1993B General Obligation HE-UW	7,965,000
State of WA	1998C General Obligation HE-UW (Harborview R&T)	9,420,000
State of WA	1998C General Obligation HE-UW (Ocean Science Building)	8,935,000
State of WA	R-2007 General Obligation HE-UW (R-1997E)	710,000
State of WA	2010 Certificates of Participation 77 (R-1999 COP 24)	3,415,000
State of WA	2010 Certificates of Participation 78 (R-2001A COP 24b)	1,070,000
State of WA	R-2010A General Obligation HE-UW (R-1999A (R-1992A))	1,975,000
State of WA	R-2010A General Obligation HE-UW (R-1999B)	23,385,000
State of WA	R-2010A General Obligation UW (R-1999A (R-1992A))	2,070,000
State of WA	R-2010B General Obligation UW (R-2001C)	3,610,000
State of WA	2011 Certificates of Participation 87 (R-2001B COP 28)	3,590,000
State of WA	2011 Certificates of Participation 88 (R-2001D COP 35)	2,100,000
State of WA	2011 Certificates of Participation 89 (R-2002A COP 36)	2,915,000
State of WA	2011 Certificates of Participation 90 (R-2002E COP 40)	1,705,000
State of WA	2013 Certificates of Participation 93 (R-2003 COP 41)	1,990,000
State of WA	2013 Certificates of Participation 94 (R-2003 COP 42)	420,000
State of WA	R-2011A General Obligation UW (R-2002A)	25,925,000
State of WA	R-2011A General Obligation UW (R-2002B)	3,915,000
State of WA	R-2011B General Obligation UW (R-2002A)	6,010,000
State of WA	R-2011B General Obligation UW (R-2002B)	2,995,000
State of WA	R-2011B General Obligation UW (R-2003D)	3,980,000
State of WA	R-2011B General Obligation UW (R-2004A)	5,880,000
State of WA	R-2012A General Obligation UW (R-2003D)	1,540,000
State of WA	R-2012A General Obligation UW (R-2004A)	2,900,000
State of WA	R-2012A General Obligation UW (R-2004D)	2,750,000
State of WA	R-2012C General Obligation UW (R-2003D)	1,870,000
State of WA	R-2012C General Obligation UW (2004A)	4,400,000
State of WA	R-2012C General Obligation UW (2004D)	2,475,000
State of WA	R-2013C General Obligation HE-UW (R-2006A (R-1994A))	5,380,000
State of WA	R-2013C General Obligation UW (R-2006A (R-1994A-UW))	6,055,000
State of WA	R-2015E General Obligation HE-UW (R-2007 GO HE-UW (R-1997E))	260,000
State of WA	R-2016A General Obligation UW (R-2006A)	30,145,000
University	2006 UWT Bank of America Term Loan	3,100,000
University	2008 General Revenue Bonds	90,975,000
University	2009 General Revenue Bonds (Taxable Build America Bonds)	75,835,000
University	2009B General Revenue Bonds (Taxable Build America Bonds)	77,710,000
University	2010A General Revenue Bonds (Tax-Exempt)	20,265,000
University	2010B General Revenue Bonds (Taxable Build America Bonds)	144,740,000
University	2011A General Revenue Bonds	211,370,000
University	2012A General Revenue Bonds (Tax-Exempt)	233,390,000
University	2012B General Revenue Bonds (Taxable)	34,185,000
University	2012C General Revenue Bonds	299,425,000
University	2013 General Revenue Bonds	146,410,000
University	2015A General Revenue and Refunding Bonds (Taxable)	47,715,000
University	2015B General Revenue Refunding Bonds	170,555,000
University	2015C General Revenue Bonds (Tax-Exempt)	159,160,000
University	2015D General Revenue Bonds (Taxable)	36,350,000
University	FAST Loan - Genome Sciences Mass Spectrometer	500,000
University	FAST Loan - Suzzallo Library Renovation	1,000,000
University	FAST Loan - UW IT Server Replacement	5,197,324
University	FAST Loan - UWT- Pagni & Lenti Building	500,000
University	FAST Loan – Pediatric Dentistry	1,362,960
WBRF 3	2010B Lease Revenue Bonds WBRF 3 – Build America Bonds	151,745,000
WEDFA	2013 Lease Revenue Refunding Bonds WBRP I	28,995,000
WEDFA	2014A Lease Revenue Refunding Bonds WBRPII (R-2005E & 2006J) (Tax-Exempt)	109,205,000
WEDFA	2015A Lease Revenue Bonds WBRP III (Tax-Exempt)	107,615,000
WEDFA	2015B Lease Revenue Bonds WBRP III (Taxable)	24,455,000
NW Hospital	4.60% Mortgage Note Payable (MAB Refunding)	4,700,000
NW Hospital	4.65% Mortgage Note Payable (OMC Refunding)	9,217,542

APPENDIX B

AUDITED FINANCIAL STATEMENTS (FISCAL YEARS ENDED JUNE 30, 2015 AND 2014) AND REQUIRED SUPPLEMENTAL INFORMATION OF THE UNIVERSITY (FISCAL YEAR ENDED JUNE 30, 2015)

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UNIVERSITY OF WASHINGTON

Supplementary Information

June 30, 2015

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report on Supplementary Information

The Board of Regents
University of Washington:

We have audited the financial statements of the business-type activities of the University of Washington, an agency of the state of Washington, as of and for the year ended June 30, 2015, and have issued our report thereon dated October 23, 2015, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to October 23, 2015.

The supplementary information included on pages 2 through 4 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Board of Regents and management of the University of Washington and rating agencies and bondholders who have previously received the financial statements of the University of Washington as of and for the year ended June 30, 2015, and our unmodified opinion thereon, for use in evaluating those financial statements, and is not intended to be, and should not be used for any other purpose.

KPMG LLP

November 25, 2015

UNIVERSITY OF WASHINGTON

Reconciliation of Total University Revenue to General Revenue

Year ended June 30, 2015

(Dollars in thousands)

		2015
General revenue:		
Total revenue	$	4,982,564
Less:		
State appropriations		255,156
Grant and contract direct costs		1,082,452
Gifts		115,636
Revenues of component units		211,174
Student activities fees and U-Pass fees		44,080
Student technology fees, student building fees, and student loan funds		76,297
Trust and endowment income, net unrealized gains on noninvested funds investments, Metropolitan Tract net operating income, component unit investment income, and other restricted investment income		187,599
Capital appropriations		20,812
Capital grants, gifts and other		21,986
Other nonoperating revenues		9,042
Gifts to permanent endowments		67,359
Total general revenue	$	2,890,971
General revenue components:		
Student tuition and fees (less student activities fees, U-Pass fees, technology fees, building fees, and loan funds)	$	804,391
Grant and contract indirect costs		246,677
Invested funds distribution and net invested funds unrealized gains and losses (note 2)		39,805
Sales and services of educational departments		223,494
Auxiliary systems and patient services		1,505,444
Other operating revenues		71,160
Total general revenue	$	2,890,971

See accompanying notes to supplementary information.

UNIVERSITY OF WASHINGTON

Reconciliation of Total University of Washington Unrestricted Net Position
to General Net Position

June 30, 2015

(Dollars in thousands)

		2015
Total University unrestricted net position per financial statements	$	869,120
Less:		
Student and activities fees		21,655
Net position (deficit) of component units:		
Association of University Physicians		84,987
UW Neighborhood Clinics		10,276
Real estate entities		(2,620)
Total to be excluded		114,298
General net position	$	754,822

See accompanying notes to supplementary information.

UNIVERSITY OF WASHINGTON

Notes to Supplementary Information

June 30, 2015

(1) Basis of Presentation

The General Revenue schedule presents the general income of the University of Washington (University) that is not restricted in its use by law, regulation, or contract. General Revenues, as defined in the bond agreements, are revenues pledged to bondholders under the University's General Revenue Bond platform. The supplementary information included herein reconciles total University revenue to General Revenue pledged to bondholders. For example, the following items are restricted and, therefore, excluded from General Revenues:

a) Appropriations to the University by the state of Washington (state) from the state's General Fund;

b) Revenues from gifts or grants restricted by the terms of the gift or grant either in writing or otherwise by the donor;

c) Fees imposed upon students as a condition of enrollment at the University, including but not limited to services and activities fees, building fees, and technology fees; and

d) Revenues and receipts attributable to the Metropolitan Tract Revenue, which are appropriated to the University by the state.

Unrestricted fund balances, to the extent that they were accumulated from money that was received as General Revenues, also are included and available to pay obligations secured by General Revenues. Any interest subsidy received from the federal government with respect to General Revenue Bonds is included and available to pay obligations secured by General Revenues.

(2) Invested Funds Distributions and Net Invested Funds Unrealized Gains and Losses

These amounts represent the net interest, dividends, and realized gains or losses earned on the Invested Funds that are distributed to departments for operations, in addition to or offset by any unrealized gains and losses on the portfolio.

(3) University Adoption of Governmental Accounting Standards Board (GASB) Statement No. 68

On July 1, 2014, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pension*s. GASB Statement No. 68 requires governments providing defined benefit pensions to their employees to recognize their proportionate share of the pension plan's net pension liability or net pension asset, which is measured as the total pension liability less the amount of the pension plan's fiduciary net position. Implementation of GASB Statement No. 68 resulted in the restatement of fiscal year 2015 beginning unrestricted net position, reducing it by $831,426,000. GASB Statement No. 68 is not able to be applied to the prior fiscal year due to the constraints of available information.

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2015

FINANCIAL REPORT

UNIVERSITY *of* WASHINGTON

TABLE OF CONTENTS

UNIVERSITY FACTS

	FISCAL YEAR 2015 Academic Year 2014–2015	FISCAL YEAR 2010 Academic Year 2009–2010	FISCAL YEAR 2005 Academic Year 2004–2005
STUDENTS			
Autumn Enrollment [1]			
Undergraduate	39,331	34,972	30,790
Graduate	13,333	11,996	10,309
Professional	2,006	1,913	1,797
TOTAL	**54,670**	**48,881**	**42,896**
Extension course and conference registrations	76,245	63,178	41,550
Number of Degrees Awarded			
Bachelor's	10,145	9,290	8,291
Master's	4,117	3,269	2,898
Doctoral	838	703	616
Professional	554	523	512
TOTAL	**15,654**	**13,785**	**12,317**
FACULTY [1] (Professorial, Instructional, Research)	4,561	4,169	3,623
FACULTY AND STAFF [2]	27,264	24,741	19,824
RESEARCH FUNDING – ALL SOURCES *(in thousands of dollars)*	$ 1,302,012	$ 1,421,643	$ 1,009,437
SELECTED REVENUES *(in thousands of dollars)*			
Patient Service and Other Medical-Related Revenues [3]	$2,283,022	$ 1,473,779	$ 783,624
Gifts, Grants, and Contracts	1,396,294	1,277,129	1,021,565
Tuition and Fees [4]	914,419	527,958	331,978
Auxiliary Enterprises and Other Revenues	614,185	315,363	228,118
Investment Income	227,404	308,752	219,069
State Appropriations (Operating)	255,156	347,425	323,417
SELECTED EXPENSES *(in thousands of dollars)*			
Medical Related [3]	$2,068,941	$ 1,043,171	$ 624,074
Instruction, Academic Support, and Student Services	1,493,807	1,198,015	888,499
Research and Public Service	765,036	733,769	605,433
Institutional Support and Physical Plant	456,824	296,559	261,174
Auxiliary Enterprises	291,628	165,612	131,884
CONSOLIDATED ENDOWMENT FUND [5] *(in thousands of dollars)*	$3,076,000	$1,830,000	$1,366,000
SQUARE FOOTAGE [6] *(in thousands of square feet)*	22,326	18,526	17,504

1 Headcount
2 Full time equivalents
3 Includes Valley Medical Center (2015 only) and Northwest Hospital (2015 and 2010 only)
4 Net of scholarship allowances of $142,685,000 in 2015, $82,461,000 in 2010, and $48,123,000 in 2005
5 Stated at fair value
6 Gross square footage, all campuses

KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

INDEPENDENT AUDITORS' REPORT

The Board of Regents
University of Washington:

We have audited the accompanying financial statements of the business-type activities of the University of Washington (the University), an agency of the state of Washington, which comprise the statements of net position as of June 30, 2015, and the related statements of revenues, expenses, changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, as well as its discretely presented component units as of and for the year ended June 30, 2015.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

As discussed in note 1, the financial statements of the University of Washington, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the University of Washington and its discretely presented component units.

They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2015, the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Washington as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended, and the financial position of its discretely presented component units as of June 30, 2015, and the changes in their financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 11, and the schedules of required supplementary information on pages 46 through 47, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries with management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter

As discussed in note 1 to the financial statements, on July 1, 2014, the University adopted new accounting guidance requiring governments providing defined benefit pensions to their employees to recognize their proportionate share of the pension plan's net pension liability or net pension asset, as well as recognizing most changes in the net pension liability within pension expense. Our opinion is not modified with respect to this matter.

KPMG LLP

Seattle, Washington
October 23, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis below provides an overview of the financial position and activities of the University of Washington (University) for the year ended June 30, 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes that follow this section.

Financial Highlights for Fiscal Year 2015

The University recorded an increase in net position of $235 million in fiscal year 2015; $243 million less than the fiscal year 2014 increase of $478 million. This is primarily related to a decrease in investment income of $254 million in fiscal year 2015, a result of decreased investment market values during the year. The University adjusts the carrying value of investments to market value each year, with the change recorded as investment income or loss. Revenues from tuition and patient services continued to show growth during 2015, while revenues from research activities were mostly unchanged.

Key Financial Results for Fiscal Years 2015 and 2014

(in millions)	2015	2014
Total operating revenues	$ 4,217	$ 3,914
Total operating expenses	4,668	4,384
Operating loss	(451)	(470)
State appropriations	255	262
Investment income	227	481
Gifts	200	191
Other nonoperating revenues, net	4	14
Increase in net position	235	478
Net position, beginning of year	6,643	6,165
Cumulative effect of accounting change	(832)	–
Net position, beginning of year as restated	5,811	6,165
Net position, end of year	**$6,046**	**$ 6,643**

Operating revenues minus operating expenses typically result in an operating loss in the University's financial statements. Nonoperating items, however, including state support, investment income, and gifts have typically enabled the University to reflect an increase in the net position, or "equity" each year. This surplus has been reinvested within the University to add a margin of educational excellence, upgrade the University's facilities and provide a prudent reserve for contingencies such as the recent period of economic instability.

The University implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" during fiscal year 2015. This Statement changed how the University reports its participation in certain cost sharing, defined benefit pension plans administered by the state of Washington Department of Retirement Systems (DRS). It requires governments providing defined-benefit pensions to their employees to recognize their proportionate share of the pension plan's net pension liability or net pension asset, which is measured as the total pension liability less the amount of the pension plan's fiduciary net position. This Statement requires most changes in the net pension liability be included in pension expense in the period of the change, and others to be reported as deferred outflows of resources or deferred inflows of resources on the Statement of Net Position. Prior to adopting this Statement, the University reported pension expense based on cash contributions paid to the pension plan administrator. With the adoption of GASB Statement No. 68, net position was restated at July 1, 2014 by $832 million. Fiscal year 2015 financial results reflect application of the accounting changes required by Statement No. 68, but those changes have not been applied to fiscal year 2014 amounts due to the constraints of available information.

Economic Factors Affecting the Future

A number of contingencies face the University over the next few years. The slow economic recovery is a primary source of uncertainty.

The state of Washington, which provided 6% of the University's total revenues in fiscal year 2015, continues to emerge from the recession. The effect of required increases to K-12 funding over the next several years, together with other economic factors such as slow growth and insufficient tax revenues, could result in added uncertainty for other state programs, including higher education.

The University's 2016 general operating appropriation from the state (excluding amounts appropriated for specific purposes) is approximately $292 million, an increase from 2015. This increase is largely attributed to targeted investments in medical and computer science education, as well as a significant backfill of lost tuition revenue from a reduction in the 2016 tuition rate for resident undergraduate students.

During the previous biennium, in exchange for biennial increases in state funding affecting both fiscal years 2014 and 2015, the University committed to freezing tuition rates for resident undergraduate students in both years. The University's Board of Regents continues to have broad tuition and fee setting authority for categories other than resident undergraduate tuition. State funding for capital appropriations continues to be under pressure, though some state bonding capacity was provided this biennium for critical renovation projects.

Since 2009, Federal ARRA funding for basic research and activities in the health sciences has totaled $366 million. The University has $17 million of unspent ARRA awards that will be expended in fiscal year 2016 or later. The federal budget remains under significant pressure; ongoing federal funding for research could be impacted.

In 2014, UW Medicine formed an Accountable Care Network (ACN) with certain other health care organizations and healthcare professionals in Western Washington. The ACN has entered into agreements to provide health care services to a

Unaudited – see accompanying notes to basic financial statements

large local employer with coverage that began January 2015, and with the Washington Health Care Authority to participate in its new Puget Sound Accountable Care Program (ACP) for Public Employees Benefits Board (PEBB) members. The Puget Sound ACP will initially be offered to PEBB members in five Western Washington counties beginning in January 2016, with possible statewide expansion in 2017. These arrangements include provisions for shared risk as well as shared savings between the ACN and the contracted entity based on achieving certain agreed upon quality and financial benchmarks.

Rising benefit costs, particularly for pensions and healthcare, continue to impact the University as well. Employer pension funding rates for the Public Employees' Retirement System (PERS) pension plans were unchanged during fiscal year 2015, but will be increasing 19% to 11% of covered salary during fiscal year 2016. Likewise, although the monthly employer base rate paid by the University for employee healthcare decreased during fiscal year 2015, it will be increasing 27% to $840 per active employee during fiscal year 2016. Both rates are likely to continue increasing over the next few years.

Using the Financial Statements

The University's financial statements include the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows and the Notes to the Financial Statements. These financial statements are prepared in accordance with GASB principles, which establish standards for external financial reporting for public colleges and universities. GASB standards require that financial statements be presented on a consolidated basis in order to focus on the University as a whole.

On January 1, 2010, the University affiliated with Northwest Hospital & Medical Center (Northwest Hospital). GASB standards require that this entity be presented as a discrete component unit; therefore, its financial position at June 30, 2015, and the results of its operations for the year ended June 30, 2015, are included with Valley Medical Center in a separate column for financial statement presentation purposes (see Note 1 and Note 18 to the Financial Statements).

On July 1, 2011, the University affiliated with Valley Medical Center, a Washington public hospital district which owns and operates a 321-bed full-service acute care hospital and 45 clinics located throughout southeast King County. Valley Medical Center is also being reflected as a discrete component unit; therefore its financial position and the results of its operations are included with Northwest Hospital in a separate column for financial statement presentation purposes (see Note 1 and Note 18 to the Financial Statements).

The analysis presented below includes the consolidated balances of the University of Washington and its blended component units (see Note 1), but excludes the financial position and results of operations of its discrete component units (Northwest Hospital and Valley Medical Center), unless otherwise noted.

Financial Health

STATEMENTS OF NET POSITION

The Statements of Net Position present the financial condition of the University and report a snapshot of assets, liabilities, deferrals and net position. A summarized comparison of these balances as of June 30, 2015 and 2014, follows:

(in millions)	2015	2014
Current assets	$ 1,402	$ 1,537
Noncurrent assets:		
Capital assets, net	4,172	4,045
Investments, net of current portion	4,297	3,959
Other	491	358
Total assets	10,362	9,899
Deferred outflows	111	14
Total assets and deferred outflows	10,473	9,913
Current liabilities	998	872
Noncurrent liabilities:		
Bonds payable	1,911	1,966
Other	1,249	432
Total liabilities	4,158	3,270
Deferred inflows	269	–
Total liabilities and deferred Inflows	4,427	3,270
Net position	**$ 6,046**	**$ 6,643**

The excess of current assets over current liabilities of $404 million in 2015 and $665 million in 2014 reflects the continuing ability of the University to meet its short-term obligations. Current assets consist primarily of cash, short-term investments and accounts receivable. Current assets decreased $135 million in 2015, due to a decrease in the value of short-term investments, and the receipt of funds from Sound Transit for the mitigation of costs resulting from the construction of the light rail tunnel beneath campus. The Sound Transit amount was reflected as a receivable at the end of fiscal year 2014.

Long-term investments, a component of noncurrent assets, increased $338 million during 2015, as a result of market value changes during the year for the University's investments. Realized and unrealized gains in fiscal year 2015 totaled $151 million, versus $398 million in 2014.

Deferred outflows of resources and deferred inflows of resources both increased in 2015, primarily due to the implementation of GASB Statement No. 68. The University recorded $86 million of pension-related deferred outflows at the end of fiscal year 2015, primarily representing the deferral of pension contributions paid during the year for the University's participation in cost-sharing, defined benefit pension plans administered by the DRS. In addition, $269 million of pension-related deferred inflows were recorded for the University's proportionate share of collective deferred inflows reported by the DRS. These deferred inflow amounts represent the difference between projected and actual investment earnings on pension plan assets during the measurement period.

Other noncurrent liabilities also increased during 2015 due to the implementation of GASB Statement No. 68. As of June 30, 2015, a net pension liability of $623 million has been recorded and represents the University's proportionate share of the collective net pension liability reported by the DRS.

The difference between total assets and deferred outflows, and total liabilities and deferred inflows, is referred to as net position or "equity," and is one indicator of the current financial condition of the University. The change in net position measures whether the overall financial condition has improved or deteriorated during the year.

The University reports its "equity" in four categories:

- Net Investment in Capital Assets – This is the University's total investment in capital assets, net of accumulated depreciation and amortization and outstanding debt obligations related to those capital assets;
- Restricted Net Position:
  - Nonexpendable net position, primarily endowments, consists of funds on which the donor or other external party has imposed the restriction that the corpus is not available for expenditures but rather for investment purposes only;
  - Expendable net position consists of resources which the University is legally or contractually obligated to spend in accordance with time or purpose restrictions placed by donors and/or other external parties;
- Unrestricted Net Position – This is all other funds available to the University for any purpose associated with its mission. Unrestricted net position is often internally designated for specific purposes.

The University's net position at June 30, 2015 and 2014 is summarized as follows:

(in millions)	2015	2014
Net investment in capital assets	$ 2,156	$ 2,018
Restricted:		
Nonexpendable	1,322	1,257
Expendable	1,699	1,629
Unrestricted	869	1,739
Total net position	**$ 6,046**	**$ 6,643**

Net investment in capital assets increased $138 million, or 7%, in 2015. This balance increases as debt is paid off, or when the University funds fixed asset purchases without the use of external financing, for example by using internal reserves. This balance decreases as assets are depreciated.

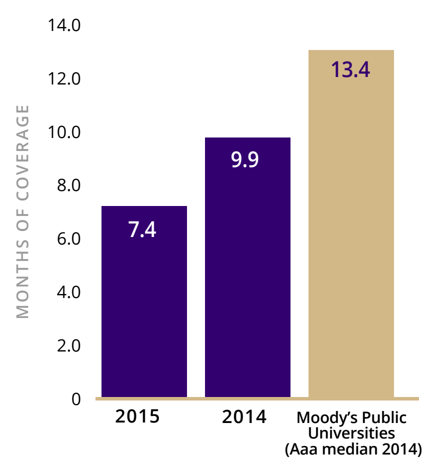
Restricted nonexpendable net position increased $65 million, or 5%, in 2015. This increase primarily reflects the receipt of new endowment gifts during the year.

Restricted expendable net position increased $70 million, or 4%, in 2015. This category is primarily affected by new operating and capital gifts, and earnings or losses on restricted investments, including endowments. The increase in market value for the Consolidated Endowment Fund was the main reason for the increase.

Unrestricted net position decreased by $870 million, or 50%, in 2015, primarily due to the impact of restating fiscal year 2015 beginning net position as a result of implementing GASB Statement No. 68. The change in accounting treatment required by Statement No. 68 reduced unrestricted net position by $913 million, representing the University's proportionate share of the beginning net pension liability, less $81 million of pension plan contributions paid by the University in the prior fiscal year. In addition, during fiscal year 2015 the University began a formal program to fund the construction of capital assets using internal reserves, by directing that a limited portion of the Invested Funds Pool be available for investment in institutional infrastructure, as opposed to financial assets. As a result, $51 million of construction costs associated with Phase 2 of the UW Medical Center Montlake Tower, and $77 million of costs associated with the construction of new student housing, were sourced during 2015 using internal reserves. These amounts have been reflected as a reduction of unrestricted net position, and an increase in net investment in capital assets.

The ratio of expendable financial resources to operations (as defined by Moody's Investors Service) measures the strength of net position as the coverage of annual operating expenses by financial resources that are ultimately expendable. This ratio, illustrated in the chart below, shows that in 2015 the University had enough expendable resources from various sources to fund operations for a period of 7.4 months. The decrease in this ratio during 2015 is primarily due to the implementation of GASB Statement No. 68, and the resulting decrease in Unrestricted Net Position.

Expendable Financial Resources to Operations[1]



1 The sum of Unrestricted Net Position and Restricted Expendable Net Position, divided by Total Operating Expenses (Operating Expenses plus interest expense). The result is multiplied by 12 to arrive at months of coverage. Net Position amounts include Northwest Hospital and Valley Medical Center.

Unaudited – see accompanying notes to basic financial statements

Endowment and Other Investments

Investment returns provide an important source of revenue for the University's programs. Among the funds invested by the University are endowments, operating reserves, life income trusts, annuities and gifts.

Endowed gifts supply permanent capital and an ongoing stream of current earnings to the University. Most endowments are commingled in the Consolidated Endowment Fund (CEF), a diversified investment fund. As in a mutual fund, each individual endowment maintains a separate identity and owns units in the fund.

The CEF has experienced considerable growth over the past 10 years due to new gifts and endowment returns. The number of individual endowments in the CEF has grown to 4,363 and the market value of the CEF has more than doubled, rising from $1.4 billion at June 30, 2005 to $3.1 billion at June 30, 2015.

The impact to program support has been substantial, with $827 million distributed over the past 10 years touching every part of the University. Programs supported by endowment returns include academic programs, scholarships, fellowships, professorships, chairs and research activities. Under the Board of Regents' approved long-term spending policy for the CEF, quarterly distributions to programs are made based on an annual percentage rate of 4%, applied to the five-year rolling average of the CEF's market valuation. An additional 1% is distributed to support fundraising and stewardship activities (0.80%) and investment management (0.20%). Similar to program distributions, the fee is based on the endowment's five-year average market value.

Endowment portfolios are commonly managed around a core set of objectives focused on the need to provide support for endowed programs in perpetuity. The Board of Regents, in conjunction with the University of Washington Investment Committee (UWINCO), establishes the policy asset allocation judged to be most appropriate for the University from a long-term potential return and risk perspective. The policy asset allocation is reviewed annually for its continuing fit with the University's risk profile and with consideration of the changing dynamics of the capital markets.

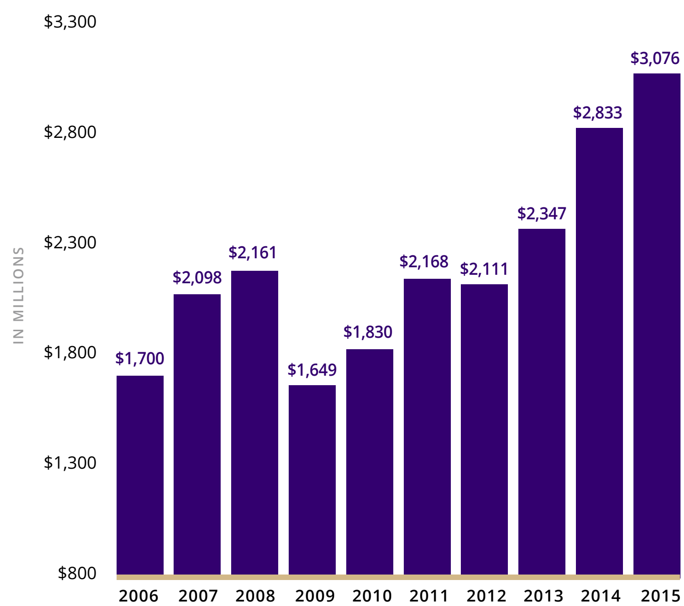
The CEF asset allocation includes two clearly defined categories of investments: those which facilitate growth or appreciation (Capital Appreciation), and those which preserve endowment values (Capital Preservation). At June 30, 2015, 73% of the CEF was invested in Capital Appreciation and 27% in Capital Preservation. Following our expectation that market returns for equities will exceed bonds over the next decade, a medium-to-long-term objective of generally overweighting equity-oriented strategies with a focus on quality companies and downside protection is being maintained. The University also maintains ample liquidity within Capital Preservation to meet its funding requirements, as well as to take advantage of market dislocations if opportunities arise.

For the fiscal year ended June 30, 2015, the CEF earned an investment return of +6.8%, significantly outperforming the blended benchmark (70% MSCI ACWI and 30% BC Gov't Bond). All individual CEF strategies had strong relative performance against their benchmarks with the exception of Fixed Income, which underperformed. It was a mixed year for global equities with the US leading market returns, while international developed and emerging markets were both negative for the year as Europe and China struggled with economic and political headwinds. Despite this, the CEF's Emerging Market strategy performed well, posting gains of +11.0% for the year.

With a five-year average of +10.0% and a ten-year average of +7.5%, the CEF has consistently maintained solid absolute and relative performance, outperforming the blended benchmark across all time periods.

A portion of the University's operating funds are invested in the CEF. As of June 30, 2015, these funds comprise $806 million of the CEF market value.

Consolidated Endowment Fund Market Value
(in millions)



Debt and Related Capital Improvements

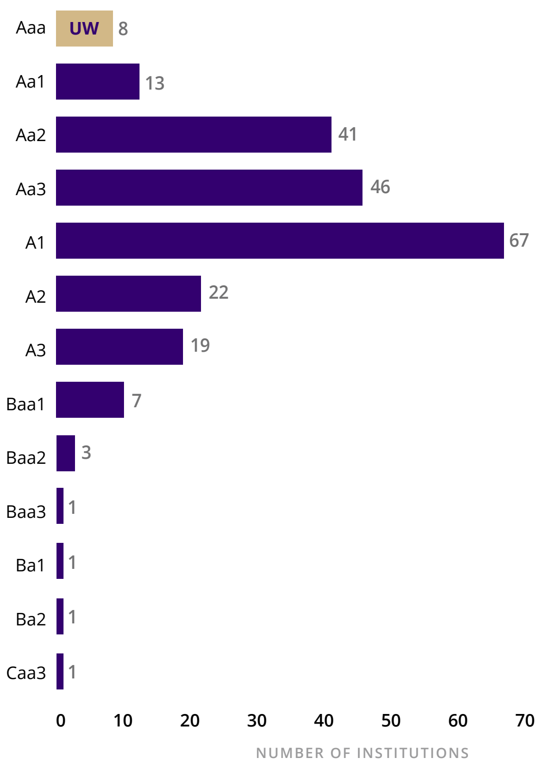
The University's general revenue borrowing platform, established in 2003, has been used to fund buildings that support the educational, research and service missions of the institution. The University's debt portfolio consists primarily of fixed rate debt, including General Revenue Bonds, Lease Revenue Bonds and state issued bonds, as well as variable rate debt such as commercial paper.

Credit ratings are a reflection of the University's strength. During fiscal year 2015, the University was rated Aaa (the highest rating) by Moody's Investors Service and AA+ (with a positive outlook) by Standard & Poor's. These strong ratings carry substantial advantages for the University: continued and wider access to capital markets when the University issues debt, lower interest rates on bonds and the ability to negotiate favorable bond terms.

The University takes its role of financial stewardship seriously and works hard to manage its financial resources effectively. Continued high debt ratings are important indicators of the University's success in this area.

Moody's Fiscal Year 2014 Public College and University Rating Distribution

(As of the July 2015 Moody's Median Report)



In March 2015, the University issued $218 million of General Revenue Bonds at an interest rate of 4.4%. Proceeds from this issuance refunded existing bonds and commercial paper.

In September 2015, the University issued $196 million of General Revenue Bonds at an interest rate of 4.03%. A portion of the debt will be used to pay off $112 million of commercial paper. The balance will be used to fund various projects such as the renovation of Denny Hall, construction of the new Animal Care and Research Facility, the SW Campus Central Utilities Plant, and other projects.

During fiscal year 2015, capital expenditures included $81 million for the construction of new student housing, and $62 million for Phase 2 of the UW Medical Center Montlake Tower.

Key projects substantially completed in 2015 include:

Demolition of the existing 1101 Café building and Terry Hall, and the construction of two new residential buildings named Maple Hall and Terry Hall. These new eight-story residential buildings include five wood-frame stories of housing, above a concrete plinth, consisting of two-bedroom suites, all with private bathrooms. The lower two floors of each building will be occupied by Housing and Food Services administration offices, common space for students, and some additional two-bedroom suites. A below-grade parking garage connected to the Lander Hall garage and the Lander Hall loading dock will extend below the new Maple and Terry residence halls. The two new buildings will total approximately 440,000 square feet, with a target bed count of 1,150 beds.

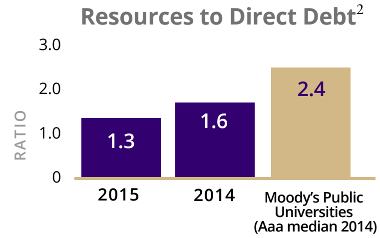
UW Medical Center Expansion Phase 2, which will provide a build-out of three inpatient bed floors, an OR suite within the new Montlake Tower (Phase I), and renovation of approximately 125,000 square feet within the existing Cascade and Pacific Towers.

HR/Payroll Modernization, which is a major initiative to replace the University's 33-year-old legacy payroll system with a modern, integrated human resources and payroll system. HR/Payroll Modernization will also provide a set of standardized processes to significantly improve support for critical HR and payroll work across the University, including the Medical Centers.

Construction of a new 3-story building adjacent to the existing North Creek Events Center on the UW Bothell and Cascadia Community College (CCC) campus. The 36,000 gross square feet facility will be used jointly by UW Bothell and CCC students, faculty, and staff. The Student Activities Center will provide for student leadership and clubs, fitness and recreation, casual study, and a multi-purpose room/events center. The project will also support the recently completed sports and recreation complex (adjacent to the project site) with restroom and equipment checkout facilities.

One measure of the University's ability to repay debt is the ratio of expendable financial resources to debt. The 2015 ratio of expendable financial resources to debt (as defined by Moody's) shows that the University has sufficient expendable resources to pay its long-term debt obligations 1.3 times over. The decrease in this ratio during 2015 is primarily due to the implementation of GASB Statement No. 68, and the resulting decrease in Unrestricted Net Position.

Expendable Financial Resources to Direct Debt[2]



2 The sum of Unrestricted Net Position and Restricted Expendable Net Position, divided by total capital lease obligations, bonds and notes payable outstanding. Includes Northwest Hospital and Valley Medical Center.

Unaudited – see accompanying notes to basic financial statements

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

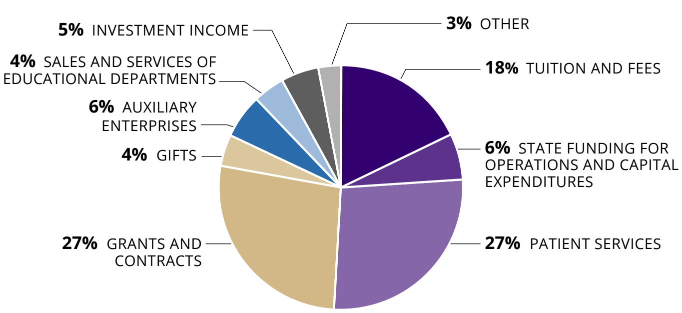
The Statements of Revenues, Expenses and Changes in Net Position present the University's results of operations and nonoperating items that result in the changes in net position for the year. In accordance with GASB reporting principles, revenues and expenses are classified as either operating or nonoperating. A condensed comparison of the University's revenues, expenses and changes in net position for the years ended June 30, 2015 and 2014 follows:

(in millions)	2015	2014
Total operating revenues	$ 4,217	$ 3,914
Total operating expenses	4,668	4,384
Operating loss	(451)	(470)
Nonoperating revenues, net of expenses	576	859
Other revenues	110	89
Increase in net position	235	478
Net position, beginning of year	6,643	6,165
Cumulative effect of accounting change	(832)	–
Net position, beginning of year as restated	5,811	6,165
Net position, end of year	**$ 6,046**	**$ 6,643**

Nonoperating revenues decreased $283 million, or 33%, in 2015, primarily due to a decrease in investment income during the year resulting from decreased investment market values.

The University has a diversified revenue base. No single source generated more than 27% of the total fiscal year 2015 revenues of $5.0 billion.

Sources of Funds



The following table summarizes revenues from all sources for the years ended June 30, 2015 and 2014:

(in millions)	2015	2014
Tuition and fees	$ 914	$ 839
Patient services	1,362	1,207
Grants and contracts	1,334	1,327
Sales and services of educational departments	223	213
Auxiliary enterprises	319	261
State funding for operations	255	262
Gifts	200	191
Investment income	227	481
State funding for capital projects	21	8
Other	128	164
Total revenue - all sources	**$ 4,983**	**$ 4,953**

Grant Revenue

One of the largest sources of revenue (27%) continues to be grants and contracts. Total grant revenue of $1,334 million in fiscal year 2015 is mostly unchanged from the prior year, as a slight decrease in receipts from federal sources was offset by increases in nongovernmental grant and contract revenue. Receipts from federal sponsors made up 75% of total grant and contract revenue in 2015, compared with 77% in 2014, due primarily to a decline in revenues from the National Institutes of Health. Revenues generated by federal ARRA research funding decreased to less than $1 million in fiscal year 2015, compared to $10 million in the prior year, and contributed to the decrease from federal sources.

Grants and contracts provide the opportunity for graduate and undergraduate students to work with nationally recognized faculty in research as part of their educational experience.

Grant and contract revenue is earned when direct expenditures (such as researchers' compensation or purchases of goods and services) are made; therefore, there is little effect on the University's operating margin as a result of this direct expense reimbursement process.

Facility and administrative (F&A) expenses necessary to support grants and contracts are reimbursed by sponsors, along with direct costs, by an indirect cost recovery. The current F&A, or indirect cost recovery rate, for research grants is approximately 29 cents on every direct expenditure dollar.

Primary Nongrant Funding Sources

The University relies primarily on student tuition and fees and state appropriations as revenue sources to support its nongrant funded educational operating expenses. State support for education increased during fiscal years 2014 and 2015, but is still significantly below historical levels.

Operating Support for Instruction

(in millions)	2015		2014	
State operating appropriations	$ 255	22%	$ 262	24%
Operating tuition and fees	638	55%	594	54%
Fees for self-sustaining educational programs	276	23%	245	22%
Total educational support	**$ 1,169**	**100%**	**$ 1,101**	**100%**

Unaudited – see accompanying notes to basic financial statements

Noncapital state appropriations are considered nonoperating revenue under GASB Statement No. 35, "Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities," and are reflected in the nonoperating section of the Statements of Revenues, Expenses and Changes in Net Position; however, they are used solely for operating purposes.

Tuition and fees, net of scholarship allowances, increased $75 million (9%) to $914 million in fiscal year 2015. The increase was primarily due to higher enrollment during the year for most enrollment categories, together with selective increases in some tuition rates, mainly for non-resident students.

Tuition increases were partially offset by an increase in scholarships and fellowships, and scholarship allowances of $11 million in 2015.

Self-sustaining educational programs (fee-supported programs) include the following amounts for each of the fiscal years 2015 and 2014: UW Educational Outreach (the continuing education branch of the University), $97 million and $96 million, respectively, summer quarter tuition $59 million and $42 million, respectively, and for Business School and School of Medicine programs $47 million and $45 million, respectively.

Patient Services – UW Medicine

The financial statements of the University include the operations of the School of Medicine, three hospitals, associated physicians and clinics, Airlift Northwest, and the University's share of two joint ventures. These entities, together with Harborview Medical Center (not included in the University's financial statements—see Note 13) comprise UW Medicine, an umbrella organization serving to coordinate these activities and promote quality healthcare in the Pacific Northwest and beyond, and to conduct cutting-edge medical research with worldwide benefit.

Patient care activities included in the University's financial statements include:

UW Medical Center (UWMC) is a 450-bed hospital that provides comprehensive healthcare services to the Puget Sound community and patients from throughout the Pacific Northwest. UWMC also serves as the major clinical, teaching and research site for students and faculty in the Health Sciences at the University. Over 18,000 patients receive inpatient care at UWMC each year. Specialized inpatient care needs are met by the Cancer Center, the Regional Heart Center, the Neonatal Intensive Care Unit (NICU) and the Organ Transplantation program.

Strategic growth initiatives were implemented in FY14 with the expansion of primary care and urgent care, the opening of the Eastside Specialty Center and other clinics, as well as continued progress on Phase 2 of the UW Medical Center Montlake Tower.

Valley Medical Center (VMC) is a 321-bed acute care hospital and network of clinics, treats over 17,000 inpatients per year, and is the oldest and largest public district hospital in the state of Washington. VMC joined UW Medicine in July 2011. VMC's Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position are presented in a discrete column together with NWH on the financial statements of the University.

Northwest Hospital & Medical Center (NWH) is a full-service medical facility with 281 beds, and treats approximately 10,000 inpatients per year. NWH joined UW Medicine in January 2010. NWH's Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position are presented in a discrete column together with VMC on the financial statements of the University.

UW Neighborhood Clinics (Neighborhood Clinics) is a network of primary care clinics with ten neighborhood locations throughout the greater Seattle area, providing primary care, urgent care and selected specialty care with a staff of approximately 85 healthcare providers. The revenues, expenses, assets and liabilities of Neighborhood Clinics are included in the University's financial statements.

UW Physicians (UWP) is the physician practice group for more than 1,800 faculty physicians and healthcare providers associated with UW Medicine. The revenues, expenses, assets and liabilities of UWP are included in the University's financial statements.

Airlift Northwest is the preeminent provider of air medical transport services in the Pacific Northwest. The revenues, expenses, assets and liabilities of Airlift Northwest are included in the University's financial statements.

The University is also a participant in two joint ventures: Seattle Cancer Care Alliance and Children's University Medical Group. The University's share of these activities is reflected in the University's financial statements.

In combination, these organizations (not including VMC and NWH) contributed $1,362 million in patient services revenue in fiscal year 2015, of which 76% was generated by UWMC. This compares to $1,207 million in patient services revenue in fiscal year 2014, of which 77% was generated by UWMC. UWMC admissions exceeded 18,000 in 2015, a slight increase from 2014. Average patient length of stay was nearly 7.0 days, up from 6.9 days in 2014. The increase in patient services revenue during 2015 is partly due to higher case acuity at UWMC, as well as strong case volumes in oncology, cardiology and neurosurgery.

Charity care has decreased as a result of the Medicaid expansion and implementation of the Healthcare Exchanges effective January 1, 2014. While patients continue to be treated from all walks of life, the number of uninsured patients served at UW Medicine has declined and been accompanied by an increase in Medicaid patients.

Gifts, Endowments and Investment Revenues

Net investment returns for the years ended June 30, 2015 and 2014 consisted of the following:

(in millions)	2015	2014
Interest and dividends	$ 66	$ 73
Metropolitan tract net income	16	8
Investment in Seattle Cancer Care Alliance	6	12
Net appreciation of fair value of investments	151	398
Investment expenses	(12)	(10)
Net investment income	**$ 227**	**$ 481**

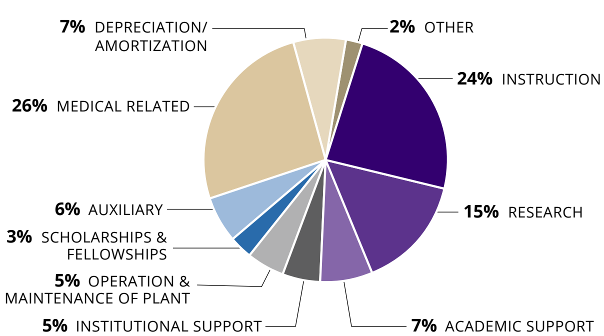
Net appreciation includes both realized and unrealized gains and losses. The unrealized gains, however, are not available until the underlying securities have been sold. Net investment income decreased by $254 million in 2015. The change in realized and unrealized gains and losses was the major factor in the variance.

Donor support increased by $9 million, or 5%, to $200 million in 2015. Gifts are a key and necessary source of support for a variety of purposes including capital improvements, scholarships, research, and endowments for various academic and research positions.

Expenses

Two primary functions of the University, instruction and research, comprised 39% of total operating expenses. These amounts provided instruction to nearly 55,000 students and funded 5,000 research awards. Medical-related expenses, such as those related to patient care, also continue to be one of the largest individual components.

Uses of Funds



A comparative summary of the University's expenses by functional classification (purpose for which the costs are incurred) for the years ended June 30, 2015 and 2014 follows:

(in millions)	2015	2014
Operating expenses:		
Educational and general instruction	$ 1,114	$ 1,037
Research	730	766
Public service	35	42
Academic support	337	297
Student services	43	43
Institutional support	215	224
Operation and maintenance of plant	241	201
Scholarships and fellowships	147	138
Auxiliary enterprises	292	286
Medical-related	1,203	1,042
Depreciation/amortization	311	308
Total operating expenses	**$ 4,668**	**$ 4,384**

Overall, the University's operating expenses increased by $284 million, or 6%, over 2014. Salaries expense increased $166 million, or 8% due to employee merit increases and a modest increase in FTE's. Despite an increase in the associated salaries, benefits expense decreased by $12 million, or 2%, due primarily to a reduction in pension expense as calculated under GASB Statement No. 68. In accordance with Statement No. 68, the difference between projected and actual investment earnings on plan assets during the measurement period for the net pension liability has been recorded as a deferred inflow and is being amortized to pension expense over five years. The University's proportionate share of that amortization reduced fiscal year 2015 pension expense by $67 million. Supplies and materials expense increased $44 million, or 11%, partly due to higher demand for medical supplies required by UWMC to support an increase in volumes related to patient care. Other operating expense increased by $35 million, or 34%, primarily due to increases in rental expense and costs associated with the University's self-insurance program.

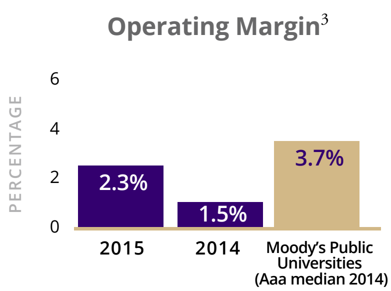
Operating Loss

The University's operating loss decreased slightly to $451 million in 2015, from $470 million in 2014.

State appropriations are shown as nonoperating revenue, pursuant to GASB standards. If state appropriations were classified as operating revenue, the operating loss would have been $196 million in 2015, and $208 million in 2014. The University continues to rely on nonoperating revenues such as gift revenues and investment income distributions, in addition to state appropriations, to fund its operations.

Operating Margin

Moody's measures the net result of revenue and expense activity by including several nonoperating revenues in the margin. The 2015 operating margin increased to 2.3%. Operating margin calculations include an estimated return on the University's investments rather than actual investment income. Therefore, variances in investment performance in a given year will not impact the operating margin.



3 Operating loss, (including interest expense, operating appropriations, nonoperating federal grants, an assumed 5% spending rate on investments and nonpermanent endowment gifts), divided by operating revenues (less scholarship expenses, and including operating appropriations, nonoperating federal grants, an assumed 5% return on investments and nonpermanent endowment gifts). Excludes Northwest Hospital and Valley Medical Center.

Unaudited – see accompanying notes to basic financial statements

STATEMENTS OF NET POSITION

	UNIVERSITY OF WASHINGTON June 30, 2015	DISCRETE COMPONENT UNITS [1] June 30, 2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
CASH AND CASH EQUIVALENTS (NOTE 2)	$ 82,905	$ 39,960
INVESTMENTS, CURRENT PORTION (NOTE 6)	679,505	24,477
ACCOUNTS RECEIVABLE (NET OF ALLOWANCE OF $66,902) (NOTE 5)	596,453	110,297
OTHER CURRENT ASSETS	43,459	63,444
TOTAL CURRENT ASSETS	1,402,322	238,178
NONCURRENT ASSETS:		
DEPOSIT WITH STATE OF WASHINGTON (NOTE 3)	51,647	–
INVESTMENTS, NET OF CURRENT PORTION (NOTE 6)	4,297,157	66,168
METROPOLITAN TRACT (NOTE 7)	121,146	–
STUDENT LOANS RECEIVABLE (NET OF ALLOWANCE OF $4,974) (NOTE 4)	73,384	–
DUE FROM DISCRETE COMPONENT UNITS	93,240	–
OTHER NONCURRENT ASSETS	150,323	110,753
CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION OF $3,566,289) (NOTE 8)	4,172,378	467,701
TOTAL NONCURRENT ASSETS	8,959,275	644,622
TOTAL ASSETS	10,361,597	882,800
DEFERRED OUTFLOWS OF RESOURCES:		
UNAMORTIZED LOSS ON BOND REFUNDING	25,813	6,435
PENSION-RELATED DEFERRED OUTFLOWS (NOTE 15)	85,602	–
TOTAL DEFERRED OUTFLOWS OF RESOURCES	111,415	6,435
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 10,473,012**	**$ 889,235**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 626,085	$ 121,160
UNEARNED REVENUES	155,114	–
OTHER CURRENT LIABILITIES	92,982	11,743
LONG-TERM LIABILITIES, CURRENT PORTION (NOTES 9-11)	124,137	9,001
TOTAL CURRENT LIABILITIES	998,318	141,904
NONCURRENT LIABILITIES:		
U.S. GOVERNMENT GRANTS REFUNDABLE	51,985	–
DUE TO PRIMARY GOVERNMENT	–	93,240
LONG-TERM LIABILITIES, NET OF CURRENT PORTION (NOTES 9-11)	2,484,522	320,232
NET PENSION LIABILITY (NOTE 15)	622,589	–
TOTAL NONCURRENT LIABILITIES	3,159,096	413,472
TOTAL LIABILITIES	4,157,414	555,376
DEFERRED INFLOWS OF RESOURCES:		
PROPERTY TAXES	–	9,625
PENSION-RELATED DEFERRED INFLOWS (NOTE 15)	269,135	–
TOTAL DEFERRED INFLOWS OF RESOURCES	269,135	9,625
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**4,426,549**	**565,001**
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	2,156,229	67,033
RESTRICTED:		
NONEXPENDABLE	1,321,979	1,943
EXPENDABLE	1,699,135	8,471
UNRESTRICTED	869,120	246,787
TOTAL NET POSITION	6,046,463	324,234
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 10,473,012**	**$ 889,235**

[1] See Note 18

See accompanying notes to basic financial statements.

Dollars in thousands

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	UNIVERSITY OF WASHINGTON Year ended June 30, 2015	DISCRETE COMPONENT UNITS [1] Year ended June 30, 2015
REVENUES		
OPERATING REVENUES:		
STUDENT TUITION AND FEES (NET OF SCHOLARSHIP ALLOWANCE OF $142,685)	$ 914,419	$ –
NET PATIENT SERVICE REVENUES (NET OF PROVISION FOR UNCOLLECTIBLE ACCOUNTS OF $15,947)	1,362,279	822,421
FEDERAL GRANTS AND CONTRACTS	999,189	–
STATE AND LOCAL GRANTS AND CONTRACTS	87,629	–
NONGOVERNMENTAL GRANTS AND CONTRACTS	193,840	–
SALES AND SERVICES OF EDUCATIONAL DEPARTMENTS	223,494	–
AUXILIARY ENTERPRISES:		
HOUSING AND FOOD SERVICES	111,531	–
SPORTS PROGRAMS (NET OF SCHOLARSHIP ALLOWANCE OF $6,495)	67,727	–
OTHER AUXILIARY ENTERPRISES	139,974	–
OTHER MEDICAL-RELATED REVENUE	45,157	53,165
OTHER OPERATING REVENUE	71,459	–
TOTAL OPERATING REVENUES	**4,216,698**	**875,586**
EXPENSES		
OPERATING EXPENSES (NOTE 12):		
SALARIES	2,192,781	384,254
BENEFITS	649,923	99,346
SCHOLARSHIPS AND FELLOWSHIPS	146,570	–
UTILITIES	60,454	8,480
SUPPLIES AND MATERIALS	463,624	161,694
PURCHASED SERVICES	707,678	142,741
DEPRECIATION/AMORTIZATION	310,960	49,238
OTHER	135,975	20,048
TOTAL OPERATING EXPENSES	**4,667,965**	**865,801**
OPERATING INCOME (LOSS)	**(451,267)**	**9,785**
NONOPERATING REVENUES (EXPENSES)		
STATE APPROPRIATIONS	255,156	–
GIFTS	115,636	342
INVESTMENT INCOME (NET OF INVESTMENT EXPENSE OF $11,741)	227,404	4,385
INTEREST ON CAPITAL ASSET-RELATED DEBT	(79,259)	(23,004)
PELL GRANT REVENUE	48,471	–
PROPERTY TAX REVENUE	–	18,132
OTHER NONOPERATING REVENUES (EXPENSES)	9,042	630
NET NONOPERATING REVENUES	**576,450**	**485**
INCOME BEFORE OTHER REVENUES	**125,183**	**10,270**
CAPITAL APPROPRIATIONS	20,812	–
CAPITAL GRANTS, GIFTS AND OTHER	21,986	2
GIFTS TO PERMANENT ENDOWMENTS	67,359	167
TOTAL OTHER REVENUES	**110,157**	**169**
INCREASE IN NET POSITION	**235,340**	**10,439**
NET POSITION		
NET POSITION – BEGINNING OF YEAR, AS RESTATED (NOTE 1)	5,811,123	313,795
NET POSITION – END OF YEAR	**$ 6,046,463**	**$ 324,234**

[1] See Note 18

See accompanying notes to basic financial statements.

Dollars in thousands

STATEMENT OF CASH FLOWS

	UNIVERSITY OF WASHINGTON Year Ended June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES	
STUDENT TUITION AND FEES	$ 882,465
PATIENT SERVICES	1,328,801
GRANTS AND CONTRACTS	1,291,442
PAYMENTS TO SUPPLIERS	(465,995)
PAYMENTS FOR UTILITIES	(60,009)
PURCHASED SERVICES	(707,938)
OTHER OPERATING DISBURSEMENTS	(132,406)
PAYMENTS TO EMPLOYEES	(2,186,431)
PAYMENTS FOR BENEFITS	(588,216)
PAYMENTS FOR SCHOLARSHIPS AND FELLOWSHIPS	(146,570)
LOANS ISSUED TO STUDENTS	(24,858)
COLLECTION OF LOANS TO STUDENTS	23,530
OTHER MEDICAL CENTER RECEIPTS	45,157
AUXILIARY ENTERPRISE RECEIPTS	305,523
SALES AND SERVICES OF EDUCATIONAL DEPARTMENTS	220,004
RECEIPTS FROM OUTSIDE AFFILIATED AGENCIES	714,996
DISBURSEMENTS TO OUTSIDE AFFILIATED AGENCIES	(712,292)
OTHER RECEIPTS	96,441
NET CASH USED BY OPERATING ACTIVITIES	**(116,356)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
STATE APPROPRIATIONS	255,613
GIFTS AND GRANTS FOR OTHER THAN CAPITAL PURPOSES	48,471
PRIVATE GIFTS	91,574
PERMANENT ENDOWMENT RECEIPTS	67,359
DIRECT LENDING RECEIPTS	239,000
DIRECT LENDING DISBURSEMENTS	(240,607)
TRANSFERS TO COMPONENT UNITS	(100,945)
OTHER	52,514
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	**412,979**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
PROCEEDS FROM CAPITAL DEBT	450,469
STATE CAPITAL APPROPRIATIONS	20,928
CAPITAL GRANTS AND GIFTS RECEIVED	21,651
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(432,885)
PRINCIPAL PAYMENTS ON CAPITAL-RELATED DEBT AND LEASES	(386,874)
INTEREST PAYMENTS ON CAPITAL-RELATED DEBT AND LEASES	(98,911)
OTHER	5,427
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(420,195)**

CASH FLOWS FROM INVESTING ACTIVITIES	Year Ended June 30, 2015
PROCEEDS FROM SALES OF INVESTMENTS	6,931,799
DISBURSEMENTS FOR PURCHASES OF INVESTMENTS	(6,874,325)
INVESTMENT INCOME	69,875
NET CASH PROVIDED BY INVESTING ACTIVITIES	**127,349**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**3,777**
CASH AND CASH EQUIVALENTS-BEGINNING OF THE YEAR	79,128
CASH AND CASH EQUIVALENTS-END OF THE YEAR	**$ 82,905**

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
OPERATING LOSS	$ (451,267)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
DEPRECIATION/AMORTIZATION EXPENSE	310,960
CHANGES IN ASSETS AND LIABILITIES:	
RECEIVABLES	(13,716)
OTHER ASSETS	(39,572)
PENSION-RELATED DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES	264,460
NET PENSION LIABILITY	(289,763)
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	24,763
UNEARNED REVENUE	(10,813)
OTHER LONG-TERM LIABILITIES	89,920
U.S. GOVERNMENTAL GRANTS REFUNDABLE	(442)
LOANS TO STUDENTS	(886)
NET CASH USED BY OPERATING ACTIVITIES	**$ (116,356)**

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
STOCK GIFTS	$ 24,062
INCREASE IN INTEREST IN SEATTLE CANCER CARE ALLIANCE	6,319
NET UNREALIZED GAINS	79,724
TOTAL NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	**$ 110,105**

See accompanying notes to basic financial statements.
Dollars in thousands

NOTES TO FINANCIAL STATEMENTS

NOTE 1:

Summary of Significant Accounting Policies

FINANCIAL REPORTING ENTITY

The University of Washington (University), an agency of the state of Washington, is governed by a 10-member Board of Regents appointed by the governor and confirmed by the state senate.

The financial statements include the individual schools, colleges and departments of the University, the University of Washington Medical Center (UWMC), Portage Bay Insurance (a wholly-owned subsidiary of the University) and certain affiliated operations determined to be a part of the University's financial reporting entity. Affiliated organizations are evaluated for inclusion in the reporting entity as component units based on the significance of their relationship with the University.

Harborview Medical Center (HMC), a component unit of King County, Washington, is a related party to the University, but is not reflected as part of the financial reporting entity (Note 13).

Component units are legally separate organizations for which the University is financially accountable. These entities may be reported in the financial statements of the primary government in one of two ways: the component units' amounts may be blended with the amounts reported by the primary government, or they may be shown in a separate column, depending on the application of the criteria of Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity: Omnibus." All component units of the University meet the criteria for blending except Northwest Hospital & Medical Center and Valley Medical Center. They are reported discretely, since they have separate boards of directors and they do not provide services exclusively to the University.

BLENDED COMPONENT UNITS

The following entities are presented as blended component units because they provide service exclusively or almost exclusively to the University. Financial information for these affiliated organizations is available from their respective administrative offices.

The Association of University Physicians dba UW Physicians (UWP)

UWP was established as a tax-exempt entity for the exclusive benefit of the University of Washington School of Medicine (UWSOM). UWP employs UWSOM faculty and bills and collects for their clinical services as an agent for UWSOM. UWP had operating revenues of $204,079,000 in 2015.

UW Medicine Neighborhood Clinics (Neighborhood Clinics)

Neighborhood Clinics was established as a tax-exempt entity for the benefit of UWSOM, UWP and its affiliated medical centers, HMC and UWMC, exclusively for charitable, scientific and educational purposes. Neighborhood Clinics was organized to coordinate and develop patient care in a community clinical setting. They enhance the academic environment of UWSOM by providing additional sites of primary care practice and training for faculty, residents and students. Neighborhood Clinics had operating revenues of $16,008,000 in 2015.

Real estate financing entities

The entities listed below are nonprofit corporations that were formed to acquire, construct or renovate certain real properties for the benefit of the University in fulfilling its educational, medical or scientific research missions. These entities issue tax-exempt and taxable bonds to finance these activities.

- Washington Biomedical Research Properties I
- Washington Biomedical Research Properties II
- Washington Biomedical Research Facilities 3

These entities collectively have net capital assets of $278,928,000, and long-term debt of $281,550,000, in 2015. These amounts are reflected in the University's financial statements.

DISCRETELY PRESENTED COMPONENT UNITS

Northwest Hospital

UW Medicine and Northwest Hospital & Medical Center (NWH), a 281-bed full-service acute care hospital, entered into an affiliation agreement effective January 1, 2010. The University is the sole corporate member of Northwest Hospital. The audited financial statements of Northwest Hospital are available by contacting Northwest Hospital & Medical Center at 1550 N. 115th Street, Seattle, Washington 98133-9733, Mailstop X-112.

Valley Medical Center

UW Medicine and Public Hospital District No. 1 of King County, a Washington public hospital district dba Valley Medical Center, entered into a strategic alliance, effective July 1, 2011. Valley Medical Center owns and operates a 321-bed full-service acute care hospital and 45 clinics located throughout southeast King County. The audited financial statements of Valley Medical Center are available by contacting Valley Medical Center at 400 S. 43rd Street, Renton, Washington 98055 or online at the following address: www.valleymed.org/about-us/financial-information/.

JOINT VENTURES

The University, together with Seattle Children's Hospital and Fred Hutchinson Cancer Research Center established the Seattle Cancer Care Alliance (SCCA). The SCCA integrates the cancer research, teaching and clinical cancer programs of all three institutions to provide state-of-the-art cancer care. Each member of the SCCA has a one-third interest. The University accounts for its interest in SCCA under the equity method and has recorded $107,704,000 in Other Assets, together with $6,319,000 in Investment Income, for its share of the joint venture in 2015.

The University and Seattle Children's Hospital established Children's University Medical Group (CUMG) to assist the organizations in carrying out their pediatric patient care, charitable, educational, and scientific missions. CUMG employs UWSOM faculty physicians, and bills and collects for their services as an agent for UWSOM. The University records revenue from CUMG based on the income distribution plan effective December 31, 2008. The University's patient services receivable (Note 5) includes amounts due from CUMG of $18,852,000 in 2015.

CHANGES IN REPORTING ENTITY

In fiscal year 2015, the University paid the remaining outstanding principal balance on the TSB Properties Lease Revenue Bonds, 2006, and title to the property was passed to the University. The entity that issued the leased-backed bonds, TSB Properties, was dissolved and is no longer a blended component unit of the University.

BASIS OF ACCOUNTING

The financial statements of the University have been prepared in accordance with GASB Statement No. 34, "Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments," as amended by GASB Statement No. 35, "Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities." The University is reporting as a special-purpose government engaged in business-type activities (BTA). In accordance with BTA reporting, the University presents management's discussion and analysis, statements of net position, statements of revenues, expenses and changes in net position, statement of cash flows and notes to the financial statements. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All intra-agency transactions have been eliminated. The University reports capital assets net of accumulated depreciation/amortization (as applicable), and reports depreciation/amortization expense in the Statements of Revenues, Expenses and Changes in Net Position.

On July 1, 2014, the University adopted GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." This Statement requires governments providing defined benefit pensions to their employees to recognize their proportionate share of the pension plan's net pension liability or net pension asset, which is measured as the total pension liability less the amount of the pension plan's fiduciary net position. The total pension liability is determined by discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits. When plan assets are insufficient to pay benefits, the discount rate used is a blended rate comprised of the expected rate of return over the period when projected plan assets exist to pay benefits, and then a tax-exempt, high-quality municipal bond rate for the periods when projected plan assets are not available. This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change. Prior to adopting this Statement, the University reported pension expense based on cash contributions paid to the pension plan administrator. In addition to the reporting changes described above, implementation of this Statement resulted in the restatement of fiscal year 2015 beginning unrestricted net position, reducing it by $831,426,000. The University's Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows present only one fiscal year, since the change in accounting treatment required by Statement No. 68 is not able to be applied to the prior fiscal year due to the constraints of available information.

With the adoption of GASB Statement No. 68, net position was restated at July 1, 2014. Below is a reconciliation of total net position as previously reported at June 30, 2014, to the restated net position.

(Dollars in thousands)

NET POSITION AT JUNE 30, 2014, AS PREVIOUSLY REPORTED	$ 6,642,549
ADOPTION OF GASB STATEMENT NO. 68	(831,426)
NET POSITION AT JULY 1, 2014, AS RESTATED	**$ 5,811,123**

On July 1, 2014, the University adopted GASB Statement No. 69, "Government Combinations and Disposals of Government Operations." This Statement requires disclosures to be made about government combinations and disposals of government operations, in order to enable financial statement users to evaluate the nature and financial effects of those transactions. There was no impact to the financial statements of the University as a result of implementing this Statement.

On July 1, 2014, the University adopted GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date," an amendment of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." The purpose of this Statement is to address application of the transition provisions of GASB Statement No. 68, and clarify guidance regarding contributions made by a state or local government employer, or nonemployer contributing entity, to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. Implementation of this Statement reduced the restatement of beginning unrestricted net position resulting from GASB Statement No. 68 by $80,926,000.

ACCOUNTING STANDARDS IMPACTING THE FUTURE

In February 2015, the GASB issued Statement No. 72, "Fair Value Measurement and Application", which will be effective for the fiscal year ending June 30, 2016. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments, and disclosures related to all fair value measurements. This Statement establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value, and requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The University is currently analyzing the impact of this Statement.

In June 2015, the GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68". Amendments to Statement No. 68 will be effective for the fiscal year ending June 30, 2016 and the guidance for plans not within the scope of Statement No. 68 will be effective for the fiscal year ending June 30, 2017. This Statement is intended to improve financial reporting of governments whose employees are provided with pensions that are not within the scope of Statement No. 68, improve the usefulness of information associated with governments that hold assets accumulated for purposes of providing defined benefit pensions not within the scope of Statement No. 68, and to clarify the application of certain provisions of Statements No. 67 & 68. The University is currently analyzing the impact of this Statement.

In June 2015, the GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", which is effective for the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about other postemployment benefits (OPEB) such as death benefits, life insurance, disability, and long-term care in the financial reports of governments that provide them. This Statement replaces Statement No. 43, "Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, as amended." The University is currently analyzing the applicability of this Statement.

In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which is effective for the fiscal year ending June 30, 2018. This Statement establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. This Statement also establishes standards of accounting and financial reporting for OPEB plans that are not administered through trusts or equivalent arrangements. The University is currently analyzing the impact of this Statement.

In June 2015, the GASB issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", which is effective for the fiscal year ending June 30, 2016. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP, and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The University is currently analyzing the impact of this Statement.

In August 2015, the GASB issued Statement No. 77, "Tax Abatement Disclosures", which is effective for the fiscal year ending June 30, 2017. This Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues, and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires governments that enter into tax abatement agreements to disclose information about the agreements. The University is currently analyzing the impact of this Statement.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles involves management estimates that affect the reported amounts of assets, liabilities, deferrals, revenues and expenses during the reporting period. Actual results could differ from those estimates; however, in each case, the University believes that allowances, reserves and estimates of expected liabilities are adequate.

The University estimates the pollution remediation liability (Note 9) by reviewing the current status of known polluted sites and developing estimates of cleanup costs. These estimates are subject to change due to improvements in technology, inflation, changes in the scope of work, and the pursuit of reimbursement from other responsible parties.

Allowances (Notes 4 and 5) are estimates based on the historical experience of the University and current economic circumstances with respect to the collectability of accounts and loans receivable.

The University's share of pension plan assets, liabilities, deferrals and expenses related to the plans administered by the Washington Department of Retirement Systems, and the liability and expense related to the University of Washington Supplemental Retirement Plan (Note 15), reported in the University's financial statements are based on actuarial valuations prepared by an external actuary. The results of an actuarial valuation are estimates based on historical data, actuarial assumptions, and the demographics of the employee population.

The self-insurance reserve (Note 16) is estimated through an externally prepared actuarial calculation using individual case-basis valuations and statistical analyses. Considerable variability is inherent in such estimates.

OTHER ACCOUNTING POLICIES

Investments. Investments are generally carried at fair value. The fair value of all debt and equity securities with a readily determinable fair value is based on quotations from major securities exchanges. Alternative investments, which are not readily marketable, are carried at the estimated fair values provided by the investment managers. The University reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

Investments held to satisfy long-term strategies are considered noncurrent. Short-term investments consist primarily of cash equivalents and fixed income vehicles which management has identified as available to meet the day-to-day obligations of the University.

Inventories. Inventories are carried at the lower of cost or market value and reflected on the Statement of Net Position in Other Current Assets. Consumable inventories, consisting of expendable materials and supplies, are generally valued using the weighted-average method. Merchandise inventories are generally valued using the first-in, first-out method.

Capital Assets. Land, buildings, equipment, library books and intangibles are stated at cost or, if acquired by gift, at fair market value at the date of the gift. Additions, replacements, major repairs and renovations are capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for building components, 20 to 50 years for infrastructure and land improvements, 5 to 7 years for equipment, 15 years for library books, and 3 to 15 years for intangibles.

Interest incurred on capital asset-related debt was $86,931,000 during 2015. The University capitalized $7,672,000 of this cost during 2015 in accordance with GASB code 1400.120-.137.

Unearned Revenues. Unearned revenues occur when funds have been collected in advance of when the associated goods or services have been provided, such as advance ticket sales, summer quarter tuition and unspent cash advances on certain grants.

Cost-Sharing Pension Plans. The net pension asset or liability is measured as the University's proportionate share of the collective total pension liability, less the fiduciary net position, of the cost-sharing pension plans in which the University participates. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits. When plan assets are insufficient to pay benefits, the discount rate used is a blended rate comprised of the expected rate of return over the period when projected plan assets exist to pay benefits, and then a tax-exempt, high-quality municipal bond rate for the periods when projected plan assets are not available. The University's proportionate share is determined based on the relationship of University contributions to total contributions to the plan by all participating employers. Pension expense is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. Differences between expected and actual experience, and changes in assumptions about future economic or demographic factors, are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over the average expected remaining service period for employees eligible for pension benefits. Differences between expected and actual investment returns are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over five years. Contributions made to the plan subsequent to the measurement date and prior to the University's fiscal year end are reported as a deferred outflow of resources, and recognized in the subsequent fiscal year. The measurement date for the cost-sharing plans in which the University participates is June 30 of the prior fiscal year.

Split-Interest Agreements. Under such agreements, donors/beneficiaries receive income for their lifetime or for a stated term, with the University receiving the remaining principal. The University records an asset related to these agreements at fair market value at year-end. The University also records a liability related to the split-interest agreements equal to the present value of expected future distributions; the discount rates applied range from 3.7% to 8.0%.

Compensated Absences. University employees accrue annual leave at rates based on length of service, and for sick leave at the rate of one day per month. Sick leave balances, which are unlimited, can be converted to monetary compensation annually at 25% of the employees' normal compensation rate for any balance that exceeds 480 hours, or for any balance upon retirement or death. Annual leave accrued at June 30, 2015 was $93,328,000, and is included in Accounts Payable and Accrued Liabilities. Sick leave accrued as of June 30, 2015 was $37,984,000, and is included in Long-Term Liabilities (Note 9).

Scholarship Allowances. Tuition and Fees are reported net of scholarship allowances that are applied to students' accounts from external funds that have already been recognized as revenue by the University. Student aid paid directly to students is reported as scholarships and fellowships expense.

Net Patient Services Revenue. Patient services revenue is recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Revenue related to charity care provided to patients is excluded from net patient services revenue.

Third-party payor agreements with Medicare and Medicaid provide for payments at amounts different from established rates and are part of contractual adjustments to net patient services revenue. Medicare reimbursements are based on a tentative rate, with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The estimated final settlements for open years are based on preliminary cost findings after giving consideration to interim payments that have been received on behalf of patients covered under these programs.

For more information about UWMC operations and financial results, see their audited financial statements which are contained in the latest Bondholders Report at http://f2.washington.edu/treasury/sites/default/UW_BondholdersReport_15.pdf.

Charity Care. Based on established rates, the charges for patient services forgone as a result of charity care during the year ended June 30, 2015 were $31,915,000.

The cost of charity care is estimated based on the ratio of the cost of providing care to the value of the charges forgone. Applying this ratio results in an estimated cost of charity care and uncompensated care of $11,530,000 in fiscal year 2015.

State Appropriations. The state of Washington appropriates funds to the University on both annual and biennial bases. These revenues are reported as nonoperating revenues in the Statements of Revenues, Expenses and Changes in Net Position.

Operating Activities. The University's policy for reporting operating activities in the Statements of Revenues, Expenses and Changes in Net Position is to include activities that generally result from exchange transactions. Examples of exchange transactions are payments received for tuition, patient services or grants under which services are performed, as well as payments made for the delivery of goods or services. Certain other significant revenue streams used for operations, such as state appropriations, Pell grants, gifts and investment income are recorded as nonoperating revenues, as prescribed by GASB Statement No. 35.

Net Position. The University's net position is classified as follows:

Net investment in capital assets: The University's investments in capital assets, less accumulated depreciation/amortization, net of outstanding debt obligations related to capital assets;

Restricted net position – nonexpendable: Net position subject to externally-imposed requirements that it be maintained permanently by the University, including permanent endowment funds and annuity and life income trusts;

Restricted net position – expendable: Net position that the University is obligated to spend in accordance with restrictions imposed by external parties, generally for scholarships, research and departmental uses;

Unrestricted net position: Net position not subject to externally-imposed restrictions and which may be designated for specific purposes by management or the Board of Regents.

Tax Exemption. The University, as an agency of the state of Washington, is not subject to federal income tax pursuant to Section 115 of the Internal Revenue Code, except for tax on unrelated business income and certain federal excise taxes.

NOTE 2:

Cash and Cash Equivalents

Cash includes cash on hand, petty cash and bank deposits. Most cash, except for cash held at the University and cash held in foreign banks, is covered by the Federal Deposit Insurance Corporation (FDIC), or if greater than FDIC limits, by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

At June 30, 2015, bank balances of $108,423,000 were either insured by the FDIC or collateralized under the PDPC.

NOTE 3:

Deposit with State of Washington

State law requires the University to deposit certain funds with the state treasurer, who holds and invests the funds. These deposits include amounts held for the University's permanent land grant funds, and the University of Washington building fee collected from students. The fair value of these funds approximates the carrying value.

NOTE 4:

Student Loans Receivable

Net student loans of $73,384,000 at June 30, 2015 consist of $55,537,000 from federal programs and $17,847,000 from University programs. Interest income from student loans for the year ended June 30, 2015 was $1,690,000. These unsecured loans are made primarily to students who reside in the state of Washington.

NOTE 5:

Accounts Receivable

The major components of accounts receivable as of June 30, 2015 were:

(Dollars in thousands)	**2015**
NET PATIENT SERVICES	$ 325,813
GRANTS AND CONTRACTS	179,621
SALES AND SERVICES	30,753
TUITION	12,094
DUE FROM OTHER AGENCIES	47,851
ROYALTIES	4,893
INVESTMENTS	31,392
STATE APPROPRIATIONS	5,930
OTHER	25,008
SUBTOTAL	**663,355**
LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS	(66,902)
TOTAL	**$ 596,453**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 6:

Investments

INVESTMENTS - GENERAL

The Board of Regents of the University of Washington is responsible for the management of the University's investments. The Board of Regents establishes investment policy, which is carried out by the Chief Investment Officer. The University of Washington Investment Committee, comprised of board members and investment professionals, advises on matters relating to the management of the University's investment portfolios. The composition of the carrying amounts of investments by type at June 30, 2015 is listed in Table 1.

TABLE 1 – UNIVERSITY INVESTMENTS *(Dollars in thousands)*

	Carrying Value
Investment Type	**2015**
FIXED INCOME – CASH EQUIVALENTS	$ 403,978
FIXED INCOME	1,726,481
EQUITY	1,733,102
NON-MARKETABLE ALTERNATIVES*	353,053
ABSOLUTE RETURN*	561,999
REAL ASSETS*	189,447
MISCELLANEOUS	8,602
TOTAL INVESTMENTS	**$ 4,976,662**

* Investment type includes private and other illiquid investments held in the Consolidated Endowment Fund

INVESTMENT POOLS

The University combines most short-term cash balances into the Invested Funds Pool. At June 30, 2015, the Invested Funds Pool totaled $1,526,380,000. The Invested Funds Pool also owns units in the Consolidated Endowment Fund (CEF) valued at $806,198,000 on June 30, 2015. By University policy, departments with qualifying funds in the Invested Funds Pool receive distributions based on their average balances and on the type of balance. Campus depositors received 2% in fiscal year 2015. Endowment operating and gift accounts received 3% in fiscal year 2015, with the distributions directed to the University. The difference between the actual earnings of the Invested Funds Pool and the calculated distributions is used to support activities benefiting all University departments.

The majority of the endowed funds are invested in the CEF, a pooled fund. Individual endowments purchase units in the pool on the basis of a per-unit valuation of the CEF at fair value on the last business day of the calendar quarter. Income is distributed based on the number of units held. RCW 24.55 of the Washington State Code and the Uniform Prudent Management of Institutional Funds Act allow for total return expenditure under comprehensive prudent standards.

Under the CEF spending policy approved by the Board of Regents, quarterly distributions to programs are based on an annual percentage rate of 4%, applied to the five-year rolling average of the CEF's market valuation. Additionally, the policy allows for an administrative fee of 1% supporting campus-wide fundraising and stewardship activities (0.80%) and offsetting the internal cost of managing endowment assets (0.20%). This policy was effective with the December 2010 quarterly distributions, with the five-year averaging period implemented incrementally.

The University records its permanent endowments at the lower of original gift value or current market value in the Restricted Nonexpendable Net Position category. Of the endowments that are recorded at current market value, the net deficiency from the original gift value is $2,986,000 at June 30, 2015.

Funds in irrevocable trusts managed by trustees other than the University are not reported in the financial statements. The fair value of these funds was $111,442,000 at June 30, 2015. Income received from these trusts, which is included in Investment Income, was $6,162,000 for the year ended June 30, 2015.

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses on investments. The University realized net gains of $71,485,000 in 2015 from the sale of investments. The calculation of realized gains and losses is independent of the net appreciation of the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and are sold in the current year include the net appreciation of these investments reported in the prior year(s). The net appreciation in the fair value of investments during the year ended June 30, 2015 was $151,209,000.

FUNDING COMMITMENTS

The University enters into contracts with investment managers to fund alternative investments. As of June 30, 2015, the University had outstanding commitments to fund alternative investments of $329,901,000. These commitments are expected to be called over a multi-year time frame. The University believes it has adequate liquidity and funding sources to meet these obligations.

DERIVATIVES

The University's investment policies allow investing in various derivative instruments, including futures, swaps and forwards, to manage exposures within or across the portfolio and to improve the portfolio's risk/return profile. Futures are financial contracts obligating the buyer to purchase an asset at a predetermined future date and price. Total return swaps involve commitments to pay interest in exchange for a market-linked return, both based on notional amounts. Derivative instruments are recorded on the contract date and are carried at fair value using listed price quotations or amounts that approximate fair value. The fair value and notional amount of investment derivative instruments outstanding at June 30, 2015, categorized by type, are as follows:

TABLE 2 – INVESTMENT DERIVATIVES *(Dollars in thousands)*

Notional Amount as of June 30		Fair Value as of June 30		Change in Fair Value	
DESCRIPTION	**2015**	ASSET CLASSIFICATION	**2015**	INCOME CLASSIFICATION	**2015**
FUTURES CONTRACTS	$100,747	INVESTMENTS	$100,286	INVESTMENT INCOME	($461)

Credit exposure represents exposure to counterparties relating to financial instruments, where gains exceed collateral held by the University or losses are less than the collateral posted by the University. There was no credit exposure as of June 30, 2015. No derivative instruments have been reclassified from a hedging instrument to an investment instrument.

Details on foreign currency derivatives are disclosed under Foreign Exchange Risk.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income securities. The University manages interest rate risk through its investment policies and the investment guidelines established with each manager. Each fixed-income manager is assigned a maximum boundary for duration as compared to the manager's relevant benchmark index. The goal is to allow ample freedom for the manager to perform, while controlling the interest rate risk in the portfolio. Effective duration is a commonly used measure of interest rate risk. The longer the duration, the more sensitive the portfolio is to changes in interest rates. The weighted average effective duration of the University's fixed income portfolio was 1.81 years at June 30, 2015.

CREDIT RISK

Fixed income securities are subject to credit risk, which is the risk that the issuer or other counterparty to a financial instrument will not fulfill its obligations or that negative perceptions of the issuer's ability to make these payments will cause prices to decline. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University Investment Policies limit fixed income exposure to investment grade assets. The Investment Policy for the Invested Funds' cash pool requires each manager to maintain an average quality rating of "AA" as issued by a nationally recognized rating organization. The Invested Funds' liquidity pool requires each manager to maintain an average quality rating of "A" and to hold 25% of their portfolios in government and government agency issues. The Investment Policy for the CEF reflects its long-term nature by specifying average quality rating levels by individual manager, but still restricting investment to investment grade credits.

Duration and credit risk figures at June 30, 2015 exclude $36,027,000 of fixed income securities held outside the CEF and the Invested Funds Pool. These amounts make up 1.69% of the University's fixed income investments (including cash equivalents), and are not included in the duration figures detailed in Table 3.

The composition of fixed income securities at June 30, 2015, along with credit quality and effective duration measures, is summarized as follows:

TABLE 3 – FIXED INCOME: CREDIT QUALITY AND EFFECTIVE DURATION *(Dollars in thousands)*

2015

Investments	U.S. Government	Investment Grade*	Non-Investment Grade	Not Rated	Total	Duration (in years)
U.S. TREASURIES	$ 842,525	$ –	$ –	$ –	$ 842,525	1.43
U.S. GOVERNMENT AGENCY	644,721	–	–	–	644,721	2.46
MORTGAGE BACKED	–	107,070	75,060	22,415	204,545	2.01
ASSET BACKED	–	195,968	6,998	24,111	227,077	1.73
CORPORATE AND OTHER	–	175,364	–	200	175,564	1.14
TOTAL	**$1,487,246**	**$ 478,402**	**$ 82,058**	**$ 46,726**	**$ 2,094,432**	**1.81**

* Investment Grade securities are those that are rated BBB and higher by Standard and Poor's or Baa and higher by Moody's

FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The University's investment policies permit investments in international equity and other asset classes, which can include foreign currency exposure. The University also enters into foreign currency forward contracts, futures contracts, and options to manage the foreign currency exposure. The University held non-U.S. denominated securities at June 30, 2015 of $1,195,070,000.

TABLE 4 – INVESTMENTS DENOMINATED IN FOREIGN CURRENCY

(Dollars in thousands)	**June 30, 2015**
CHINESE RENMINBI (RMB)	$ 211,184
EURO (EUR)	174,487
INDIAN RUPEE (INR)	112,679
JAPANESE YEN (JPY)	110,617
HONG KONG DOLLAR (HKD)	60,046
SOUTH KOREAN WON (KRW)	56,835
BRITISH POUND (GBP)	54,880
BRAZILIAN REAL (BRL)	54,225
SWISS FRANC (CHF)	39,061
RUSSIAN RUBLE (RUB)	36,218
CANADIAN DOLLAR (CAD)	35,385
PHILIPPINE PESO (PHP)	29,100
TAIWANESE DOLLAR (TWD)	27,055
MEXICAN PESO (MXN)	23,898
REMAINING CURRENCIES	169,400
TOTAL	**$ 1,195,070**

NOTE 7:

Metropolitan Tract

The University of Washington Metropolitan Tract ("the Metropolitan Tract"), located in downtown Seattle, comprises approximately 11 acres of developed property, including office space, retail space, residential apartments, parking, and a luxury hotel. This land was the original site of the University from 1861 until 1895 when the University moved to its present location on Lake Washington. Since the early 1900s, the Metropolitan Tract has been leased by the University to entities responsible for developing and operating the property.

The balance as of June 30, 2015 represents operating assets net of liabilities, and land, buildings and improvements stated at appraised value as of November 1, 1954. The balance also includes subsequent capital additions and improvements at cost, less retirements and accumulated depreciation of $166,124,000, and is net of the outstanding balance of the associated long-term debt.

In March 2015, $8,500,000 of Metropolitan Tract commercial paper was refinanced and replaced by the issuance of University General Revenue and Refunding Bonds, 2015 A&B, as described in the refunding activity section of Note 11. The loan amount as of June 30, 2015 to the Metropolitan Tract under this agreement was $8,535,000. In addition, $33,400,000 of bond proceeds were loaned to the Metropolitan Tract as part of the Cobb Building lease termination. The loan amount as of June 30, 2015 under this agreement was $33,564,000. Both loans are unsecured, but expected to be repaid through revenues generated by the Metropolitan Tract properties.

OFFICE PROPERTIES

On July 18, 1953, the University leased a significant portion of the office, retail, and parking facilities to Unico Properties LLC (formerly known as Unico Properties, Inc.) ("Unico"). In 2004, the Unico Lease was amended to exclude the Cobb Building, and a new lease for that building was signed with Unico.

The Unico Lease expired on October 31, 2014, and ownership of all leasehold assets transferred to the University. The University and Unico entered into a Transition Agreement to address "end of lease" issues that were not contemplated in the original Unico Lease. In addition, the following events occurred simultaneously with the Unico Lease expiration:

- The University terminated the ground lease with Unico for the Cobb Building and paid a termination price of $33,400,000
- Ownership of the Palomar Garage property transferred to the University as agreed to in the Unico Lease
- In accordance with the Predevelopment Agreement, the University entered into an Interim Agreement for the Rainier Square development site that provides Wright Runstad with significant control over the management and operation of the Rainier Square Building in exchange for a fixed rent schedule for up to seven years
- In connection with the Interim Agreement for the Rainer Square, the University entered into a property management agreement with Wright Runstad for the Rainier Tower Building
- The University hired Unico Properties LLC to oversee leasing for all of the office buildings and property management for all of the office buildings except the Rainer Tower

On May 15, 2014, the University entered into an agreement with Wright Runstad to undertake activities relating to the redevelopment of the site currently occupied by the Rainier Square ("Predevelopment Agreement"). In connection with this agreement, which commenced on November 1, 2014 and expires upon the retention of certain development milestones, the University would enter into a property management agreement for the Rainier Tower and an Interim Agreement for operation of the Rainier Square. Upon satisfaction of conditions included in the Pre-Development Agreement, the University plans to ground lease the site to Wright Runstad for a term of 80 years.

HOTEL

On January 18, 1980, the Board of Regents entered into a lease ("the Hotel Lease") for the Olympic Hotel property, which expires in 2040. The hotel was operated as the Four Seasons Olympic Hotel until July 31, 2003. On August 1, 2003, the remaining lease term was assigned to LHCS Hotel Holding (2002), LLC. The hotel was renamed the Fairmont Olympic Hotel and managed by Fairmont Hotels and Resorts, Inc.

On September 18, 2007, Legacy REIT, a publicly traded Canadian real estate investment trust and parent company of LHCS Hotel Holding (2002), LLC, was purchased by Cadbridge Investors, LP, a limited partnership majority owned by Cadim (a division of the Caisse de depot et placement du Quebec). The tenant under the Hotel Lease remained the same, and the management of the hotel by Fairmont Hotels and Resorts, Inc. did not change. On June 1, 2015, the University consented to the assignment of the Hotel Lease from LHCS Hotel Holding (2002) LLC to IC/RCDP Seattle Hotel, an entity owned by affiliates of Rockwood IX REIT, Inc. and an affiliate of DiNapoli Capital Partners, LLC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 8:

Capital Assets

Capital asset activity for the period ended June 30, 2015 is summarized as follows:

(Dollars in thousands)	Balance at June 30, 2014	Additions/ Transfers	Retirements	Balance at June 30, 2015
LAND	$ 126,795	$ 1,953	$ –	$ 128,748
INFRASTRUCTURE	194,002	11,068	–	205,070
BUILDINGS	5,244,985	70,936	2,575	5,313,346
FURNITURE, FIXTURES AND EQUIPMENT	1,223,811	104,985	84,785	1,244,011
LIBRARY MATERIALS	325,663	13,521	1,767	337,417
CAPITALIZED COLLECTIONS	7,093	65	–	7,158
INTANGIBLE ASSETS	105,319	25,484	6,946	123,857
CONSTRUCTION IN PROGRESS	121,696	224,043	1,931	343,808
INTANGIBLES IN PROCESS	25,412	17,615	7,775	35,252
TOTAL COST	7,374,776	469,670	105,779	7,738,667
LESS ACCUMULATED DEPRECIATION/ AMORTIZATION:				
INFRASTRUCTURE	95,351	4,921	–	100,272
BUILDINGS	1,946,659	175,159	2,106	2,119,712
FURNITURE, FIXTURES AND EQUIPMENT	982,794	101,464	71,228	1,013,030
LIBRARY MATERIALS	239,087	12,546	1,317	250,316
INTANGIBLE ASSETS	66,089	16,870	–	82,959
TOTAL ACCUMULATED DEPRECIATION/AMORTIZATION	3,329,980	310,960	74,651	3,566,289
CAPITAL ASSETS, NET	**$ 4,044,796**	**$ 158,710**	**$ 31,128**	**$ 4,172,378**

NOTE 9:

Long-Term Liabilities

UNIVERSITY OF WASHINGTON

Long-term liability activity for the period ended June 30, 2015 is summarized as follows:

(Dollars in thousands)	Balance at June 30, 2014	Additions/ Transfers	Reductions	Balance at June 30, 2015	Current Portion 2015
BONDS PAYABLE:					
GENERAL OBLIGATION BONDS PAYABLE (NOTE 11)	$ 165,044	$ 260	$ 15,740	$ 149,564	$ 18,290
REVENUE BONDS PAYABLE (NOTE 11)	1,764,855	291,750	347,540	1,709,065	41,055
UNAMORTIZED PREMIUM ON BONDS	101,456	39,709	15,978	125,187	13,416
TOTAL BONDS PAYABLE	2,031,355	331,719	379,258	1,983,816	72,761
NOTES PAYABLE AND CAPITAL LEASES:					
NOTES PAYABLE & OTHER – CAPITAL ASSET RELATED (NOTE 11)	24,008	7,205	2,975	28,238	5,020
NOTES PAYABLE & OTHER – NONCAPITAL ASSET RELATED (NOTE 11)	1,822	–	65	1,757	1,546
CAPITAL LEASE OBLIGATIONS (NOTE 10)	20,457	–	4,641	15,816	3,479
TOTAL NOTES PAYABLE AND CAPITAL LEASES	46,287	7,205	7,681	45,811	10,045
OTHER LONG-TERM LIABILITIES:					
OBLIGATIONS UNDER SPLIT-INTEREST AGREEMENTS	36,684	5,614	–	42,298	–
POLLUTION REMEDIATION LIABILITY (NOTE 1)	22,000	–	–	22,000	4,000
DUE TO RELATED PARTY (NOTE 13)	16,366	11,760	5,500	22,626	8,500
SICK LEAVE (NOTE 1)	36,174	6,852	5,042	37,984	4,974
SELF-INSURANCE (NOTE 16)	67,450	29,495	14,744	82,201	20,459
COMMERCIAL PAPER	–	111,545	–	111,545	–
UWSRP NET PENSION OBLIGATION (NOTE 15)	198,895	53,057	3,766	248,186	3,398
OTHER NONCURRENT LIABILITIES	–	12,192	–	12,192	–
TOTAL OTHER LIABILITIES	377,569	230,515	29,052	579,032	41,331
TOTAL LONG-TERM LIABILITIES	**$ 2,455,211**	**$ 569,439**	**$ 415,991**	**$2,608,659**	**$ 124,137**

DISCRETE COMPONENT UNITS

Long-term liability activity for the period ended June 30, 2015 is summarized as follows:

(Dollars in thousands)	Balance at June 30, 2014	Additions/ Transfers	Reductions	Balance at June 30, 2015	Current Portion 2015
VALLEY MEDICAL CENTER					
LIMITED TAX GENERAL OBLIGATION BONDS	$ 243,503	$ –	$ 6,271	$ 237,232	$ 6,535
REVENUE BONDS	18,858	–	1,376	17,482	1,650
BUILD AMERICA BONDS	61,155	–	–	61,155	–
NOTES PAYABLE & OTHER	1,407	–	513	894	291
TOTAL LONG-TERM LIABILITIES	**$ 324,923**	**$ –**	**$ 8,160**	**$ 316,763**	**$ 8,476**
NORTHWEST HOSPITAL					
REVENUE BONDS	$ 73,400	$ –	$ 73,400	$ –	$ –
NOTES PAYABLE & CAPITAL LEASES	13,645	–	1,175	12,470	525
TOTAL LONG-TERM LIABILITIES	**$ 87,045**	**$ –**	**$ 74,575**	**$ 12,470**	**$ 525**

NOTE 10:

Leases

Future minimum lease payments under capital leases, and the present value of the net minimum lease payments, as of June 30, 2015, are as follows:

CAPITAL LEASES

Year *(Dollars in thousands)*	Future Payments
2016	$ 3,839
2017	3,432
2018	2,113
2019	1,627
2020	1,494
THEREAFTER	4,601
TOTAL MINIMUM LEASE PAYMENTS	17,106
LESS: AMOUNT REPRESENTING INTEREST COSTS	1,290
PRESENT VALUE OF MINIMUM PAYMENTS	**$ 15,816**

Equipment under capital leases were as follows:

(Dollars in thousands)	Balance at June 30, 2014	Additions	Retirements	Balance at June 30, 2015
EQUIPMENT	$ 32,879	$ –	$ 10,292	$ 22,587
LESS ACCUMULATED DEPRECIATION	15,904	3,514	8,331	11,087
LEASED CAPITAL ASSETS, NET	**$ 16,975**	**$ (3,514)**	**$ 1,961**	**$ 11,500**

OPERATING LEASES

The University has certain lease agreements in effect that are considered operating leases, which are primarily for leased building space. During the year ended June 30, 2015, the University recorded rent expense of $44,736,000 for these leases. Future lease payments under these leases as of June 30, 2015 are as follows:

Year *(Dollars in Thousands)*	
2016	$ 49,313
2017	45,886
2018	42,293
2019	32,568
2020	28,134
2021 - 2025	101,240
2026 - 2030	30,961
2031 - 2035	22,228
THEREAFTER	49,304
TOTAL MINIMUM LEASE PAYMENTS	**$ 401,927**

NOTE 11:

Bonds and Notes Payable

The bonds and notes payable at June 30, 2015 consist of state of Washington General Obligation and Refunding Bonds, University Revenue Bonds, and Notes Payable. These obligations have fixed interest rates ranging from 0.45% to 6.52%. Debt service requirements at June 30, 2015 were as follows:

BONDS AND NOTES PAYABLE *(Dollars in thousands)*

	STATE OF WASHINGTON GENERAL OBLIGATION BONDS		UNIVERSITY OF WASHINGTON REVENUE BONDS		NOTES PAYABLE AND OTHER	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2016	$ 18,290	$ 7,208	$ 41,055	$ 79,896	$ 6,566	$ 963
2017	17,619	6,318	42,370	78,761	5,380	825
2018	14,300	5,422	44,685	77,180	4,193	673
2019	14,345	4,673	46,125	75,253	3,146	538
2020	10,825	4,044	47,215	73,228	3,104	410
2021 - 2025	58,550	11,375	256,270	330,524	6,707	613
2026 - 2030	15,635	989	283,415	264,185	475	14
2031 - 2035	–	–	282,915	194,134	232	–
2036 - 2040	–	–	366,230	113,945	192	–
2041 - THEREAFTER	–	–	298,785	22,488	–	–
TOTAL PAYMENTS	**$ 149,564**	**$ 40,029**	**$1,709,065**	**$1,309,594**	**$ 29,995**	**$ 4,036**

State law requires that the University reimburse the state for debt service payments relating to its portion of the state of Washington General Obligation and Refunding Bonds from Medical Center patient revenues, tuition, timber sales and other revenues.

REFUNDING ACTIVITY

On August 21, 2014, the Washington Biomedical Research Properties II refunded Lease Revenue Bonds totaling $118,915,000 with new bond issuances totaling $115,660,000 and premium of $13,263,000. The refunded bonds had coupon rates ranging from 4.40% to 5.50% with an average interest rate of 5.03%; the new bonds have an average interest rate of 4.48%. The refunding decreased the total debt service payments to be made over the next 12.2 years by $15,026,000 and resulted in a total economic gain of $12,572,000. The average life of the Lease Revenue Refunding Bonds, 2014 is 11.95 years with final maturity on June 1, 2038.

On March 4, 2015, the University issued $218,270,000 in General Revenue & Refunding Bonds, 2015 A&B, at a premium of $26,315,000. A portion of the proceeds (new par of $176,090,000 plus premium of $26,396,000) was used to refund existing debt of $190,195,000. The refunded bonds had coupon rates ranging from 4.00% to 5.00% with an average interest rate of 4.98%; the new bonds have an average coupon of 4.22% with an average interest rate of 4.40%. The refunding decreased the total debt service payments to be made over the next 14.92 years by $74,997,000 and resulted in a total economic gain of $38,083,000. The remainder of the proceeds, issued at a slight discount, was used to pay off $42,500,000 in commercial paper. The average life of the 2015 A&B General Revenue bonds is 14.82 years with final maturity on December 1, 2044.

COMMERCIAL PAPER PROGRAM

In July 2006, the Board of Regents authorized a commercial paper program with a maximum borrowing limit of $250,000,000, payable from University general revenues. This short-term borrowing program is primarily used to fund capital expenditures. As of June 30, 2015, there was $161,545,000, in outstanding commercial paper. The University reported $111,545,000 of commercial paper in long-term debt as of June 30, 2015 and refunded this amount on September 9, 2015 with General Revenue Bonds, 2015 C&D.

During fiscal year 2015, the University issued an additional $145,545,000 and retired $42,500,000 of commercial paper debt.

SUBSEQUENT DEBT ACTIVITY

On September 9, 2015, the University issued $195,510,000 in General Revenue Bonds, 2015 C&D, at a premium of $13,279,000. The proceeds were used to fund various projects such as renovation of Denny Hall, construction of Animal Care and Research Facilities, South West Campus Central Utility Plant, and other projects. In addition, proceeds will be used to pay off $111,545,000 in commercial paper. The 2015 C&D bonds have coupon rates ranging from 1.40% to 5.00% with an average coupon rate of 4.03%. The average life of the 2015 C&D General Revenue bonds is 15.60 years with final maturity on December 1, 2045.

On September 24, 2015, the University through Washington Biomedical Research Properties 3.2 sold $132,070,000 in Lease Revenue Bonds, Series 2015, at a premium of $10,926,000. The proceeds were used to fund the design, construction and equipping of a new biomedical research facility and pay the costs of issuance. The 2015 bonds have coupon rates ranging from 1.485% to 5.00% with an average coupon rate of 4.42%. The average life of the 2015 Lease Revenue Bonds is 15.87 years with final maturity on January 1, 2048.

On October 8, 2015, the state of Washington refunded General Obligation Bonds totaling $34,285,000 (UW portion) with new bond issuances totaling $30,145,000 and premium of $4,775,000. The refunded bonds had an average interest rate and coupon rate of 5.0%; the new bonds have an average interest rate and coupon rate of 5.0%. The refunding decreased the total debt service payments to be made over the next 10 years by $5,621,000 and resulted in a total economic gain of $5,230,000.

DEFEASED BONDS

The University defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The trust account assets and the liability for the defeased bonds are not included in the University's financial statements. As of June 30, 2015, $252,973,000 of bonds outstanding are considered defeased.

NOTE 12:

Operating Expenses by Function

Operating expenses by functional classification for the year ended June 30, 2015 are summarized as follows:

OPERATING EXPENSES *(Dollars in thousands)*	**2015**
INSTRUCTION	$ 1,113,959
RESEARCH	729,608
PUBLIC SERVICE	35,428
ACADEMIC SUPPORT	336,747
STUDENT SERVICES	43,101
INSTITUTIONAL SUPPORT	215,105
OPERATION & MAINTENANCE OF PLANT	241,719
SCHOLARSHIPS & FELLOWSHIPS	146,570
AUXILIARY ENTERPRISES	291,628
MEDICAL-RELATED	1,203,140
DEPRECIATION/AMORTIZATION	310,960
TOTAL OPERATING EXPENSES	**$ 4,667,965**

Instruction

Instruction includes expenses for all activities that are part of an institution's instruction program. Expenses for credit and noncredit courses; academic, vocational, and technical instruction; and tutorial instruction are included in this category. The University's professional and continuing education programs are also included.

Research

The research category includes all expenses for activities specifically organized to produce research, which are funded by federal, state, and private institutions.

Public Service

Public service includes activities conducted primarily to provide non-instructional services to individuals and groups other than the University and its students, such as community service programs, conferences, institutes and general advisory services.

The activities of the University's public radio stations, Center for Educational Leadership and clinical trials are included in this category.

Academic Support

Academic support includes expenses incurred to provide support services for the institution's primary missions: instruction, research, and public service. The activities of the University's academic administration, libraries, museums and galleries, and information technology support for academic activities are included in this category.

Student Services

The student services category includes the Offices of Admissions and the University Registrar. The activities of the Center for Undergraduate Advising, Diversity, and Student Success, and the operations of the Rubenstein Pharmacy in the student health center are also included in this category.

Institutional Support
The institutional support category includes central activities that manage long-range planning for the institution, such as planning and programming operations, legal services, fiscal operations, space management, procurement and activities concerned with community and alumni relations. The University's central administration departments and information technology support for non-academic activities are included in this category.

Operation and Maintenance of Plant
The operation and maintenance of plant category includes the administration, operation, maintenance, preservation, and protection of the institution's physical plant.

Scholarships and Fellowships
This category includes expenses for scholarships and fellowships and other financial aid not funded from existing University resources. Financial aid funded from existing University resources are considered scholarship allowances, which are reflected as an offset to tuition revenues. Expenditure of amounts received from the Washington State Need grant, Washington Higher Education grant, and Pell grants are reflected in this manner.

Auxiliary Enterprises
Auxiliary enterprises furnish goods or services to students, faculty, staff or the general public. These units charge a fee directly related to the cost of the goods or services. A distinguishing characteristic of an auxiliary enterprise is that it operates as a self-supporting activity. The activities of the University's Intercollegiate Athletics, Commuter Services and Housing and Food Services departments are included in this category.

Medical-related
The medical-related category includes all expenses associated with patient-care operations, including nursing and other professional services, general services, administrative services, and fiscal services. The activities of UWMC, UWP, and Neighborhood Clinics are included in this category (Note 1).

Depreciation/Amortization
Depreciation and amortization reflect a periodic expensing of the cost of capitalized assets such as buildings, equipment, software or other intangible assets, spread over their estimated useful lives.

NOTE 13:

Related Parties

Harborview Medical Center (HMC), a hospital and Level I adult and pediatric trauma center located in Seattle, is a component unit of King County, Washington. It has been managed by the University under a management contract between King County and the University since 1967. The current management contract was set to expire on June 30, 2015, but to facilitate ongoing negotiations of a new agreement, the expiration date has been extended by the parties to the earlier of December 31, 2015 or the date that a new agreement is effective.

Under the contract, the HMC Board of Trustees determines major institutional policies and retains control of programs and fiscal matters, while King County retains ultimate control over capital programs and capital budgets. The University is responsible for the operations of HMC, including the provision of medical, dental and management services. All of the individuals employed at HMC, including physicians, are employees of the University. HMC expenses, including payroll, are reimbursed to the University from HMC fund sources.

HMC revenues and expenses are not recognized in the University's financial statements. The University's financial statements do, however, include accounts receivable from HMC of $25,923,000 as of June 30, 2015, as well as HMC investments of $3,467,000, current accrued liabilities of $19,363,000, and long-term liabilities of $22,626,000.

Beginning in fiscal year 2014, UW Medicine information technology began operating as a self-sustaining activity of the University (ITS department). The ITS department began recording enterprise-wide information technology capital assets that are purchased for use by UW Medicine entities. The Due To Related Party reflected in long-term liabilities (Note 9) of $22,626,000 at June 30, 2015 represents HMC's funding of the enterprise-wide information technology which will be included in the recharge rates of the ITS department over the useful life of the asset.

The University of Washington Foundation (UWF) is a nonprofit organization that performs fundraising activities on behalf of the University. The UWF is not included in the University's financial statements as a component unit because gifts and grants that are made to the UWF are immediately transferred to the University. In 2015, the UWF transferred $82,502,000, to the University in gifts and grants received on its behalf; these are included in the financial statements of the University. The remaining amounts retained by the UWF are not significant to the University's financial statements.

The University of Washington Alumni Association is a tax-exempt entity that was established to connect and celebrate alumni and to support the University's mission. The Alumni Association received $2,818,000 from the University in support of its operations in fiscal year 2015. The University expensed this amount in fiscal year 2015.

During fiscal year 2015, UWMC provided $3,444,000 to NWH for strategic support of operations. These amounts are presented in the Statements of Revenues, Expenses and Changes in Net Position for the University as Other Nonoperating Expense and for NWH as Other Nonoperating Revenue.

During fiscal year 2015, NWH entered into a long-term financing agreement with the University to obtain funds for the defeasance and advance refunding of Series 2007 Revenue Bonds. Under the terms of this agreement, NWH is required to maintain annual debt service coverage equal to at least 1.25 and days cash on hand equal to at least 50 days. As of June 30, 2015, $71,306,000 is payable to the University as a result of this financing agreement. The portion which is due in fiscal year 2016 is reported by NWH as Other Current Liabilities, and by the University as Other Current Assets, on the Statements of Net Position as of June 30, 2015. The remaining long-term portion is reported on the Statements of Net Position by NWH as Due to Primary Government and by the University as Due from Discrete Component Units.

In addition, as of June 30, 2015, NWH has a payable to the University of $29,402,000 for services purchased from the University during the current and prior fiscal years. Payments to the University will occur each fiscal year beginning in 2016, with the first payment of $5,000,000 made in August 2015. The portion of the payable paid subsequent to year end is reported by NWH as Other Current Liabilities, and by the University as Other Current Assets, on the Statements of Net Position as of June 30, 2015. The remaining long-term portion is reported on the Statements of Net Position by NWH as Due to Primary Government and by the University as Due from Discrete Component Units.

NOTE 14:

Other Post Employment Benefits (OPEB)

Healthcare 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 statewide 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 employee.

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 healthcare premiums for active employees, which are paid by the agency during employees' working careers, subsidize the "underpayments" of 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). This amount was $150 dollars per retiree eligible for parts A and B of Medicare for calendar year 2015. This is also passed through to state agencies through active employee rates charged to the agency.

There is no formal state or University plan that underlies the subsidy of retiree health and life insurance.

ACTUARIAL STUDY

Actuarial studies, performed every two years by the Washington Office of the State Actuary, calculated that the total OPEB obligation of the state of Washington at January 1, 2015 and 2013 was $5.3 billion and $3.7 billion, respectively. The annual required contribution was $498 million and $342 million for the state of Washington for 2015 and 2013, respectively. 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.

The actuary's allocation of the cumulative statewide liability related to the University and HMC (an unconsolidated related party), was estimated at approximately $997 million and $671 million for 2015 and 2013, respectively. These amounts are not included in the University's financial statements.

The University paid $248 million for healthcare expenses in fiscal year 2015, which included its pay-as-you-go portion of the OPEB liability, calculated by the actuary at $7.9 million in fiscal year 2015.

The State Actuary's report is available at: osa.leg.wa.gov/Actuarial_Services/OPEB/OPEB.htm

NOTE 15:

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) plan, and the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) plan, cost sharing multiple-employer defined benefit pension plans administered by the State of Washington Department of Retirement Systems, and the University of Washington Retirement Plan (UWRP), a defined contribution plan. The University of Washington Supplemental Retirement Plan, a defined benefit pension plan which operates in tandem with the UWRP, is closed to new participants.

PLAN DESCRIPTIONS

Public Employees' Retirement System (PERS) was established in 1947 and its retirement benefit provisions are contained in chapters 41.34 and 41.40 of the Revised Code of Washington (RCW). PERS is a cost-sharing multiple-employer retirement system comprised of three separate pension plans for membership purposes. PERS Plan 1 and PERS Plan 2 are defined benefit plans, and PERS Plan 3 is a defined benefit plan with a defined contribution component. PERS members include higher education employees not participating in other higher education retirement programs.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

Teachers' Retirement System (TRS) was established in 1938 and its retirement benefit provisions are contained in chapters 41.32 and 41.34 of the RCW. TRS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: TRS Plan 1 and TRS Plan 2 are defined benefit plans, and TRS Plan 3 is a defined benefit plan with a defined contribution component. TRS eligibility for membership requires service as a certificated public school employee working in an instructional, administrative or supervisory capacity.

TRS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) was established in 1970 and its retirement benefit provisions are contained in chapter 41.26 of the RCW. LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate pension plans for both membership and accounting purposes. The University participates in LEOFF Plan 2, which is a defined benefit plan. LEOFF membership includes full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians.

FIDUCIARY NET POSITIONS

The pension plans' fiduciary net positions have been determined on the same basis used by the pension plans. Washington State Department of Retirement Systems (DRS) financial statements have been prepared in conformity with generally accepted accounting principles (GAAP). The retirement plans are accounted for in pension trust funds using the flow of economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized as revenues in the period in which the contributions are earned. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The Washington State Investment Board (WSIB) has been authorized by statute (chapter 43.33A of the RCW) as having the investment management responsibility for the pension funds. Investments are reported at fair value, and unrealized gains and losses are included as investment income in the Statement of Changes in Fiduciary Net Position presented in the DRS Comprehensive Annual Financial Report. Purchases and sales of investments are recorded on a trade-date basis.

DRS publishes an annual report for retirement plans which is available at: http://www.drs.wa.gov/administration/annual-report/

ACTUARIAL ASSUMPTIONS

The total pension liability for each plan was determined by an actuarial valuation as of June 30, 2013, with the results rolled forward to June 30, 2014. The following actuarial assumptions have been applied to all prior periods included in the measurement:

INFLATION	3.0% TOTAL ECONOMIC INFLATION, 3.75% SALARY INFLATION
SALARY INCREASE	EXPECTED TO GROW BY PROMOTIONS AND LONGEVITY IN ADDITION TO SALARY INFLATION ASSUMPTION
INVESTMENT RATE OF RETURN	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Washington State Office of the State Actuary (OSA) applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of OSA's 2007-2012 Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2013 actuarial valuation report.

DISCOUNT RATE

The discount rate used to measure the total pension liabilities was 7.50% for all plans in which the University participates. To determine the discount rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency tests for PERS and TRS included an assumed 7.70% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. LEOFF 2 included an assumed 7.50% long-term discount rate to determine the associated funding liabilities.

Consistent with the long-term expected rate of return, a 7.50% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including the component of PERS 2/3 and TRS 2/3 employer rates pertaining to the unfunded actuarial accrued liability for PERS 1 and TRS 1, respectively, as provided for in chapter 41.45 of the RCW).

Based on those assumptions, the fiduciary net position for each pension plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50% on pension plan investments was applied to determine the total pension liability.

SENSITIVITY OF THE NET PENSION LIABILITY (ASSET) TO CHANGES IN THE DISCOUNT RATE

The following table presents the University's net pension liability calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

DISCOUNT RATE SENSITIVITY – NET PENSION LIABILITY (ASSET) *(Dollars in thousands)*

Plan	1% Decrease	Current Discount Rate	1% Increase
PERS 1	$514,278	$417,231	$333,926
PERS 2/3	$843,524	$202,225	($287,608)
TRS 1	$ 3,707	$ 2,881	$ 2,172
TRS 2/3	$ 2,191	$ 252	($1,189)
LEOFF 2	$ 1,217	($2,844)	($5,891)

LONG-TERM EXPECTED RATE OF RETURN

The long-term expected rate of return of 7.50% on pension plan investments was determined by the WSIB. The rate approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit, small, short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a 10- to 15-year period, becomes amplified over a 50-year measurement period.

The long-term expected rate of return was determined by the WSIB using a building-block method in which a best-estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs).

The CMAs contain three pieces of information for each class of assets the WSIB currently invest in:

- Expected annual return
- Standard deviation of the annual return
- Correlations between the annual returns of each asset class with every other asset class

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation for each pension plan, as of June 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	% Long-term Expected Real Rate of Return Arithmetic
FIXED INCOME	20.00%	0.80%
TANGIBLE ASSETS	5.00%	4.10%
REAL ESTATE	15.00%	5.30%
GLOBAL EQUITY	37.00%	6.05%
PRIVATE EQUITY	23.00%	9.05%

The inflation component used to create the above table is 2.70%, and represents WSIB's most recent long-term estimate of broad economic inflation.

EMPLOYER CONTRIBUTION RATES

Employer contribution rates are developed in accordance with chapter 41.45 of the RCW by the OSA, and include an administrative expense component that is currently set at 0.18%. The statute provides authority to the Pension Funding Council to adopt changes to economic assumptions and contribution rates.

UNIVERSITY PROPORTIONATE SHARE

Collective pension amounts are determined as of a measurement date, which can be no earlier than an employer's prior fiscal year. The measurement date for the net pension liabilities recorded by the University as of June 30, 2015 was June 30, 2014. University contributions received and processed by DRS during the fiscal year ended June 30, 2014 have been used as the basis for determining the University's proportionate share of the collective pension amounts reported by DRS in their June 30, 2014 Schedules of Employer and Nonemployer Allocations for all plans in which the University participates.

Plan	Proportionate Share for Year ended June 30, 2015
PERS 1	8.28%
PERS 2/3	10.00%
TRS 1	0.10%
TRS 2/3	0.08%
LEOFF 2	0.21%

UNIVERSITY AGGREGATED BALANCES

The University's aggregated balances of net pension liabilities, net pension assets, and deferrals as of June 30, 2015 are presented in the table below.

JUNE 30, 2015 *(Dollars in thousands)*	Net Pension Liability	Net Pension Asset	Deferred Outflows	Deferred Inflows
PERS 1	$ 417,231	$ –	$ 38,503	$ 52,172
PERS 2/3	202,225	–	45,896	214,360
TRS 1	2,881	–	286	505
TRS 2/3	252	–	618	578
LEOFF 2	–	2,844	299	1,520
TOTAL	**$ 622,589**	**$ 2,844**	**$ 85,602**	**$ 269,135**

PERS Plan 1

PERS Plan 1 is closed to new entrants.

VESTING

PERS Plan 1 members were vested after the completion of five years of eligible service.

BENEFITS PROVIDED

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

Members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Washington State Department of Labor and Industries.

CONTRIBUTIONS

The PERS Plan 1 employer contribution rate for the fiscal year ended June 30, 2015 was 9.21%. The University's contributions to PERS Plan 1 for the year ended June 30, 2015 were $38,503,000.

PROPORTIONATE SHARE OF PERS 1 PENSION EXPENSE AND DEFERRALS RELATED TO PENSIONS

The University's proportionate share of PERS Plan 1 pension expense for the fiscal year ended June 30, 2015 was $23,023,000, and is reported on the Statement of Revenues, Expenses and Changes in Net Position in benefits expense.

The University's deferred outflows of resources and deferred inflows of resources pertaining to PERS Plan 1 as of June 30, 2015 are presented in the following table:

Description *(Dollars in thousands)*	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS, NET	$ –	$ 52,172
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE NET PENSION LIABILITY	38,503	–
TOTAL	$ 38,503	$ 52,172

Deferred outflows of resources related to University contributions subsequent to the measurement date of $38,503,000 will be recognized as a reduction of the net pension liability as of June 30, 2016. Other amounts reported as deferred inflows of resources pertaining to PERS Plan 1 will be recognized in pension expense as follows:

Year *(Dollars in thousands)*	
2016	$ (13,043)
2017	(13,043)
2018	(13,043)
2019	(13,043)
2020	–
THEREAFTER	–
TOTAL	**$ (52,172)**

PERS Plan 2/3

VESTING

PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service, or after five years of service if 12 months of that service are earned after age 44.

BENEFITS PROVIDED

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's AFC times the member's years of service for Plan 2, and one percent of AFC times the member's years of service for Plan 3.

The AFC is the monthly average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at age 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by a factor that varies according to age, for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 2, 2013:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit.

Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost- of-living allowance (based on the Consumer Price Index) capped at three percent annually, and a one-time duty-related death benefit, if found eligible by the Washington State Department of Labor and Industries.

CONTRIBUTIONS

The PERS Plan 2/3 employer contribution rate for the fiscal year ended June 30, 2015 was 9.21%. The Plan 2/3 employer rate includes a component to address the PERS Plan 1 unfunded actuarial accrued liability. The University's contributions to PERS Plan 2/3 for the year ended June 30, 2015 were $45,486,000 as determined by rates established in accordance with RCW 41.45.

PROPORTIONATE SHARE OF PERS 2/3 PENSION EXPENSE AND DEFERRALS RELATED TO PENSIONS

The University's proportionate share of PERS Plan 2/3 pension expense for the fiscal year ended June 30, 2015 was $32,567,000, and is reported on the Statement of Revenues, Expenses and Changes in Net Position in benefits expense.

The University's deferred outflows of resources and deferred inflows of resources pertaining to PERS Plan 2/3 as of June 30, 2015 are presented in the following table:

Description *(Dollars in thousands)*	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS, NET	$ –	$ 214,360
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE	410	–
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE NET PENSION LIABILITY	45,486	–
TOTAL	**$ 45,896**	**$ 214,360**

Deferred outflows of resources related to University contributions subsequent to the measurement date of $45,486,000 will be recognized as a reduction of the net pension liability as of June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources pertaining to PERS Plan 2/3 will be recognized in pension expense as follows:

Year *(Dollars in thousands)*	
2016	$ (53,473)
2017	(53,473)
2018	(53,473)
2019	(53,531)
2020	–
THEREAFTER	–
TOTAL	**$ (213,950)**

TRS Plan 1

TRS Plan 1 is closed to new entrants.

VESTING

TRS Plan 1 members were vested after the completion of five years of eligible service.

BENEFITS PROVIDED

TRS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's AFC, for each year of service credit, up to a maximum of 60 percent, divided by twelve.

The AFC is the average of the member's earnable compensation for the two consecutive highest-paid fiscal years. Members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Other benefits include temporary and permanent disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Washington State Department of Labor and Industries.

CONTRIBUTIONS

The TRS Plan 1 employer contribution rate for the fiscal year ended June 30, 2015 was 10.39%. The University's contributions to TRS Plan 1 for the year ended June 30, 2015 were $286,000.

PROPORTIONATE SHARE OF TRS PLAN 1 PENSION EXPENSE AND DEFERRALS RELATED TO PENSIONS

The University's proportionate share of TRS Plan 1 pension expense for the fiscal year ended June 30, 2015 was $1,052,000, and is reported on the Statement of Revenues, Expenses and Changes in Net Position in benefits expense.

The University's deferred outflows of resources and deferred inflows of resources pertaining to TRS Plan 1 as of June 30, 2015 are presented in the following table:

Description *(Dollars in thousands)*	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS, NET	$ –	$ 505
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE NET PENSION LIABILITY	286	–
TOTAL	**$ 286**	**$ 505**

Deferred outflows of resources related to University contributions subsequent to the measurement date of $286,000 will be recognized as a reduction of the net pension liability as of June 30, 2016. Other amounts reported as deferred inflows of resources pertaining to TRS Plan 1 will be recognized in pension expense as follows:

Year *(Dollars in thousands)*	
2016	$ (126)
2017	(126)
2018	(126)
2019	(127)
2020	–
THEREAFTER	–
TOTAL	**$ (505)**

TRS Plan 2/3

VESTING

TRS Plan 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service, or after five years of service if 12 months of that service are earned after age 44.

BENEFITS PROVIDED

TRS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's AFC times the member's years of service for Plan 2, and one percent of AFC for Plan 3.

The AFC is the monthly average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at age 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. TRS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by a factor that varies according to age, for each year before age 65. TRS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules

TRS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. TRS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit.

Other TRS Plan 2/3 benefits include duty and non-duty disability payments, a cost- of-living allowance (based on the Consumer Price Index) capped at three percent annually, and a one-time duty-related death benefit, if found eligible by the Washington State Department of Labor and Industries.

CONTRIBUTIONS

The TRS Plan 2/3 employer contribution rate for the fiscal year ended June 30, 2015 was 10.39%. The Plan 2/3 employer rate includes a component to address the TRS Plan 1 unfunded actuarial accrued liability. The University's contributions to TRS Plan 2/3 for the year ended June 30, 2015 were $307,000.

PROPORTIONATE SHARE OF TRS 2/3 PENSION EXPENSE AND DEFERRALS RELATED TO PENSIONS

The University's proportionate share of TRS Plan 2/3 pension expense for the fiscal year ended June 30, 2015 was $237,000, and is reported on the Statement of Revenues, Expenses and Changes in Net Position in benefits expense.

The University's deferred outflows of resources and deferred inflows of resources pertaining to TRS Plan 2/3 as of June 30, 2015 are presented in the following table:

Description *(Dollars in thousands)*	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS, NET	$ –	$ 578
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE	311	–
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE NET PENSION LIABILITY	307	–
TOTAL	**$ 618**	**$ 578**

Deferred outflows of resources related to University contributions subsequent to the measurement date of $307,000 will be recognized as a reduction of the net pension liability as of June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources pertaining to TRS Plan 2/3 will be recognized in pension expense as follows:

Year *(Dollars in thousands)*	
2016	$ (77)
2017	(77)
2018	(77)
2019	(77)
2020	41
THEREAFTER	–
TOTAL	**$ (267)**

LEOFF Plan 2

VESTING

LEOFF Plan 2 members are vested after completing five years of eligible service.

BENEFITS PROVIDED

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at age 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF plan 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit.

Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually, and a one-time duty-related death benefit, if found eligible by the Washington State Department of Labor and Industries.

CONTRIBUTIONS

The LEOFF Plan 2 employer contribution rate for the fiscal year ended June 30, 2015 was 8.59%. The University's contributions to LEOFF Plan 2 for the year ended June 30, 2015 were $299,000.

PROPORTIONATE SHARE OF LEOFF 2 PENSION EXPENSE AND DEFERRALS RELATED TO PENSIONS

The University's proportionate share of LEOFF Plan 2 pension expense for the fiscal year ended June 30, 2015 was ($144,000), and is reported on the Statement of Revenues, Expenses and Changes in Net Position in benefits expense.

The University's deferred outflows of resources and deferred inflows of resources pertaining to LEOFF Plan 2 as of June 30, 2015 are presented in the following table:

Description *(Dollars in thousands)*	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS, NET	$ –	$ 1,505
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE	–	15
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE NET PENSION LIABILITY	299	–
TOTAL	**$ 299**	**$ 1,520**

Deferred outflows of resources related to University contributions subsequent to the measurement date of $299,000 will be recognized as a reduction of the net pension liability as of June 30, 2016. Other amounts reported as deferred inflows of resources pertaining to LEOFF Plan 2 will be recognized in pension expense as follows:

Year *(Dollars in thousands)*	
2016	$ (379)
2017	(379)
2018	(379)
2019	(379)
2020	(3)
THEREAFTER	(1)
TOTAL	**$ (1,520)**

University of Washington Retirement Plan (403(B))

Faculty, librarians and professional staff are eligible to participate in the University of Washington Retirement Plan, a 403(b) defined-contribution plan administered by the University.

403(B) PLAN DESCRIPTION

Contributions to the plan are invested by participants in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Employees have at all times a 100% vested interest in their accumulations. Benefits from the plan are available upon separation or retirement at the member's option. RCW 28B.10.400 et. seq. assigns the authority to the University of Washington Board of Regents to establish and amend benefit provisions.

The number of participants in the 403 (b) plan for the year ended June 30, 2015 was 15,415.

403(B) FUNDING POLICY

Employee contribution rates, based on age, are 5%, 7.5% or 10% of salary. The University matches the contributions of employees. Within parameters established by the legislature, contribution requirements may be established or amended by the University of Washington Board of Regents. Employee and employer contributions for the year ended June 30, 2015 were $105,266,000.

University Of Washington Supplemental Retirement Plan (401(A))

The University of Washington Supplemental Retirement Plan (UWSRP), a 401(a) defined-benefit retirement plan, operates in tandem with the 403(b) plan to supplement the expected defined contribution retirement savings accumulated under the UWRP. The UWSRP was closed to new participants effective March 1, 2011.

The Unfunded Actuarial Accrued Liability (UAL) and Annual Required Contribution (ARC) as of July 1 of the respective years were:

(Dollars in thousands)	**2015**	**2013**
UAL	$ 373,711	$ 292,535
NORMAL COST	$ 14,250	$ 9,529
AMORTIZATION OF UAL, INCLUDING INTEREST	38,807	29,021
ARC	**$ 53,057**	**$ 38,550**

Actuarial Assumptions *(Dollars in thousands)*	**2015**	**2013**
PAYROLL COVERED BY PLAN	$ 1,050,000	$ 1,047,000
RATE OF RETURN ASSUMPTION	4.00%	4.25%
SALARY INCREASES FOR YEARS 1 AND 2	3.75%	3.00%
SALARY INCREASE FOR THIRD YEAR	3.75%	3.00%
SALARY INCREASES THEREAFTER	3.75%	3.00%

The UAL and ARC were established using the entry age normal cost method.

The following table reflects the activity in the UWSRP Net Pension Obligation for the years ended June 30, 2015 and 2014:

(Dollars in thousands)	**2015**	**2014**
BALANCE AT BEGINNING OF FISCAL YEAR	$ 198,895	$ 163,372
ARC	53,057	38,550
PAYMENTS TO BENEFICIARIES	(3,766)	(3,027)
BALANCE AT END OF FISCAL YEAR	**$ 248,186**	**$ 198,895**

401(A) PLAN DESCRIPTION

This plan provides for a supplemental payment component, which guarantees a minimum retirement benefit based upon a one-time calculation at each eligible participant's retirement date. The University makes direct payments to qualifying retirees when the retirement benefits provided by the 403(b) plan do not meet the benefit goals.

401(A) PLAN FUNDING

The University received an actuarial valuation of the UWSRP with a valuation date of July 1, 2015. The previous evaluations were performed in 2013 and 2011. The University has set aside $188,881,000 as of June 30, 2015, for this liability. These funds do not meet the GASB technical definition of “Plan Assets” since they have not been segregated and restricted in a trust or equivalent arrangement. The UAL shown in the table above, therefore, does not reflect a credit for these amounts.

NOTE 16:

Commitments and Contingencies

Authorized expenditures for construction projects unexpended as of June 30, 2015 was $157,034,000. These expenditures will be funded from local funds, debt proceeds and state appropriations.

The University receives and expends substantial amounts under federal and state grants, contracts and programs. This funding is used for research, student aid, Medical Center operations and other programs, and is subject to audit by governmental granting agencies. Certain grant and contract costs billed to the federal government are subject to audit under OMB Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations.” The University is also involved in various other claims and legal actions arising in the ordinary course of business. University management believes that any liabilities arising from these matters will not have a material effect on the University’s financial statements.

The University is exposed to risk of loss related to tort liability, injuries to employees and loss of property. The University purchases insurance protection for workers’ compensation as well as marine, aviation and certain other risks. The University also purchases insurance protection for loss of property at self-sustaining units, bond-financed buildings and where otherwise required by contract; otherwise, the risk of property loss is retained, unfunded. For medical professional, general, employment practices and automobile liability, the University maintains a program of self-insurance reserves and excess insurance coverage. The self-insurance reserve represents the estimated ultimate cost of settling claims resulting from events that have occurred on or before the Statement of Net Position date. The reserve includes the undiscounted amounts that will be required for future payments of claims that have been reported, and claims related to events that have occurred but have not yet been reported.

The self-insurance reserve is estimated through an actuarial calculation and included in Long-Term Liabilities. Changes in the self-insurance reserve for the year ended June 30, 2015 are noted below:

(Dollars in thousands)	**2015**
RESERVE AT BEGINNING OF FISCAL YEAR	$ 67,450
INCURRED CLAIMS AND CHANGES IN ESTIMATES	29,495
CLAIM PAYMENTS	(14,744)
RESERVE AT END OF FISCAL YEAR	**$ 82,201**

NOTE 17:

Blended Component Units

Condensed combining statements for the University and its blended component units are shown below:

(Dollars in thousands) **Statements of Net Position – June 30, 2015**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**
ASSETS						
CURRENT ASSETS:						
TOTAL CURRENT ASSETS	$ 1,402,322	$ (22,327)	$ 1,355,339	$ 69,310	$ 66,437	$ 2,873
NONCURRENT ASSETS:						
TOTAL OTHER ASSETS	4,786,897	–	4,675,492	111,405	86,557	24,848
CAPITAL ASSETS, NET	4,172,378	–	3,878,199	294,179	15,251	278,928
TOTAL ASSETS	10,361,597	(22,327)	9,909,030	474,894	168,245	306,649
DEFERRED OUTFLOWS OF RESOURCES	111,415	–	111,415	–	–	–
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$10,473,012**	**$ (22,327)**	**$10,020,445**	**$ 474,894**	**$ 168,245**	**$ 306,649**
LIABILITIES						
TOTAL CURRENT LIABILITIES	$ 998,318	$ (31,313)	$ 932,905	$ 96,726	$ 66,701	$ 30,025
TOTAL NONCURRENT LIABILITIES	3,159,096	–	2,864,897	294,199	–	294,199
TOTAL LIABILITIES	4,157,414	(31,313)	3,797,802	390,925	66,701	324,224
DEFERRED INFLOWS OF RESOURCES	269,135	–	269,135	–	–	–
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	4,426,549	(31,313)	4,066,937	390,925	66,701	324,224
NET POSITION						
NET INVESTMENT IN CAPITAL ASSETS	2,156,229	–	2,155,933	296	15,251	(14,955)
RESTRICTED:						
NONEXPENDABLE	1,321,979	–	1,321,979	–	–	–
EXPENDABLE	1,699,135	–	1,699,135	–	–	–
UNRESTRICTED	869,120	8,986	776,461	83,673	86,293	(2,620)
TOTAL NET POSITION	6,046,463	8,986	5,953,508	83,969	101,544	(17,575)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$10,473,012**	**$ (22,327)**	**$10,020,445**	**$ 474,894**	**$ 168,245**	**$ 306,649**

(Dollars in thousands) **Statements of Revenues, Expenses and Changes in Net Position – Year ended June 30, 2015**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**
REVENUES						
OPERATING REVENUES:						
STUDENT TUITION AND FEES	$ 914,419	$ –	$ 914,419	$ –	$ –	$ –
NET PATIENT SERVICE REVENUES	1,362,279	(8,913)	1,151,404	219,788	219,788	–
GRANT REVENUE	1,280,658	–	1,280,658	–	–	–
OTHER OPERATING REVENUE	659,342	(25,677)	647,790	37,229	299	36,930
TOTAL OPERATING REVENUE	**4,216,698**	**(34,590)**	**3,994,271**	**257,017**	**220,087**	**36,930**
EXPENSES						
OPERATING EXPENSES:						
OTHER OPERATING EXPENSES	4,357,005	(33,911)	4,126,060	264,856	251,450	13,406
DEPRECIATION / AMORTIZATION	310,960	–	293,441	17,519	1,666	15,853
TOTAL OPERATING EXPENSES	**4,667,965**	**(33,911)**	**4,419,501**	**282,375**	**253,116**	**29,259**
OPERATING INCOME (LOSS)	**(451,267)**	**(679)**	**(425,230)**	**(25,358)**	**(33,029)**	**7,671**
NONOPERATING REVENUES (EXPENSES)						
STATE APPROPRIATIONS	255,156	–	255,156	–	–	–
GIFTS	115,636	–	115,636	–	–	–
INVESTMENT INCOME	227,404	–	231,471	(4,067)	(4,067)	–
OTHER NONOPERATING REVENUES (EXPENSES)	(21,746)	394	(34,144)	12,004	31,674	(19,670)
NET NONOPERATING REVENUES (EXPENSES)	**576,450**	**394**	**568,119**	**7,937**	**27,607**	**(19,670)**
INCOME (LOSS) BEFORE OTHER REVENUES	**125,183**	**(285)**	**142,889**	**(17,421)**	**(5,422)**	**(11,999)**
CAPITAL APPROPRIATIONS, GRANTS, GIFTS AND OTHER	42,798	–	42,798	–	–	–
GIFTS TO PERMANENT ENDOWMENTS	67,359	–	67,359	–	–	–
TOTAL OTHER REVENUES	**110,157**	**–**	**110,157**	**–**	**–**	**–**
INCREASE (DECREASE) IN NET POSITION	**235,340**	**(285)**	**253,046**	**(17,421)**	**(5,422)**	**(11,999)**
NET POSITION						
NET POSITION – BEGINNING OF YEAR	5,811,123	9,271	5,700,462	101,390	106,966	(5,576)
NET POSITION – END OF YEAR	**$ 6,046,463**	**$ 8,986**	**$ 5,953,508**	**$ 83,969**	**$ 101,544**	**$ (17,575)**

(Dollars in thousands) **Statements of Cash Flows – Year ended June 30, 2015**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**
NET CASH PROVIDED (USED) BY:						
OPERATING ACTIVITIES	$ (116,356)	$ (9,728)	$ (93,223)	$ (13,405)	$ (18,746)	$ 5,341
NONCAPITAL FINANCING ACTIVITIES	412,979	–	389,898	23,081	23,081	–
CAPITAL AND RELATED FINANCING ACTIVITIES	(420,195)	–	(412,579)	(7,616)	(1,612)	(6,004)
INVESTING ACTIVITIES	127,349	–	129,076	(1,727)	(1,727)	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,777**	**(9,728)**	**13,172**	**333**	**996**	**(663)**
CASH AND CASH EQUIVALENTS – BEGINNING OF THE YEAR	79,128	–	60,401	18,727	17,038	1,689
CASH AND CASH EQUIVALENTS – END OF THE YEAR	**$ 82,905**	**$ (9,728)**	**$ 73,573**	**$ 19,060**	**$ 18,034**	**$ 1,026**

NOTE 18:

Discrete Component Units

Condensed combining statements for the University's discrete component units are shown below:

(Dollars in thousands) **Statements of Net Position**	June 30, 2015 **Total Discrete Component Units**	**Northwest Hospital**	**Valley Medical Center**
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS:			
TOTAL CURRENT ASSETS	$ 238,178	$ 78,426	$ 159,752
NONCURRENT ASSETS:			
TOTAL OTHER ASSETS	176,921	48,895	128,026
CAPITAL ASSETS, NET	467,701	117,735	349,966
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,435	6,435	–
TOTAL ASSETS AND DEFERRED OUTFLOWS	**$ 889,235**	**$ 251,491**	**$ 637,744**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
TOTAL CURRENT LIABILITIES	$ 141,904	$ 52,083	$ 89,821
TOTAL NONCURRENT LIABILITIES	413,472	105,185	308,287
TOTAL DEFERRED INFLOWS OF RESOURCES	9,625	–	9,625
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**565,001**	**157,268**	**407,733**
NET POSITION			
NET INVESTMENT IN CAPITAL ASSETS	67,033	33,864	33,169
RESTRICTED:			
NONEXPENDABLE	1,943	1,943	–
EXPENDABLE	8,471	459	8,012
UNRESTRICTED	246,787	57,957	188,830
TOTAL NET POSITION	324,234	94,223	230,011
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 889,235**	**$ 251,491**	**$ 637,744**

(Dollars in thousands) **Statements of Revenues, Expenses and Changes in Net Position**	Year Ended June 30, 2015 **Total Discrete Component Units**	**Northwest Hospital**	**Valley Medical Center**
REVENUES			
OPERATING REVENUES:			
NET PATIENT SERVICE REVENUES	$ 822,421	$ 341,405	$ 481,016
OTHER OPERATING REVENUE	53,165	15,649	37,516
TOTAL OPERATING REVENUE	**875,586**	**357,054**	**518,532**
EXPENSES			
OPERATING EXPENSES:			
OTHER OPERATING EXPENSES	816,563	352,124	464,439
DEPRECIATION / AMORTIZATION	49,238	18,027	31,211
TOTAL OPERATING EXPENSES	**865,801**	**370,151**	**495,650**
OPERATING INCOME (LOSS)	**9,785**	**(13,097)**	**22,882**
NONOPERATING REVENUES (EXPENSES)			
PROPERTY TAX REVENUE	18,132	–	18,132
INVESTMENT INCOME	4,385	981	3,404
OTHER NONOPERATING EXPENSES	(22,032)	6,769	(28,801)
NET NONOPERATING REVENUES (EXPENSES)	**485**	**7,750**	**(7,265)**
INCOME (LOSS) BEFORE OTHER REVENUES	**10,270**	**(5,347)**	**15,617**
CAPITAL GRANTS, GIFTS AND OTHER	169	169	–
INCREASE (DECREASE) IN NET POSITION	**10,439**	**(5,178)**	**15,617**
NET POSITION			
NET POSITION – BEGINNING OF YEAR	313,795	99,401	214,394
NET POSITION – END OF YEAR	**$ 324,234**	**$ 94,223**	**$ 230,011**

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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability

PERS 1

(Dollars in thousands)		**2015**
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY		8.28%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$	417,231
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$	25,376
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL		1644.20%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY		61.19%

Schedule of Proportionate Share of the Net Pension Liability

TRS 1

(Dollars in thousands)		**2015**
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY		0.10%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$	2,881
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$	514
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL		560.51%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY		68.77%

Schedule of Contributions

PERS 1

(Dollars in thousands)		**2015**
CONTRACTUALLY REQUIRED CONTRIBUTION	$	2,311
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$	2,313
CONTRIBUTION DEFICIENCY (EXCESS)	$	(2)
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$	25,376
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL		9.11%

Schedule of Contributions

TRS 1

(Dollars in thousands)		**2015**
CONTRACTUALLY REQUIRED CONTRIBUTION	$	51
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$	51
CONTRIBUTION DEFICIENCY (EXCESS)	$	–
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$	514
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL		9.92%

Schedule of Proportionate Share of the Net Pension Liability

PERS 2/3

(Dollars in thousands)		**2015**
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY		10.00%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$	202,225
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$	856,839
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL		23.60%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY		93.29%

Schedule of Proportionate Share of the Net Pension Liability

TRS 2/3

(Dollars in thousands)		**2015**
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY		0.08%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$	252
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$	3,391
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL		7.43%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY		96.81%

Schedule of Contributions

PERS 2/3

(Dollars in thousands)		**2015**
CONTRACTUALLY REQUIRED CONTRIBUTION	$	78,164
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$	78,160
CONTRIBUTION DEFICIENCY (EXCESS)	$	4
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$	856,839
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL		9.12%

Schedule of Contributions

TRS 2/3

(Dollars in thousands)		**2015**
CONTRACTUALLY REQUIRED CONTRIBUTION	$	341
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$	343
CONTRIBUTION DEFICIENCY (EXCESS)	$	(2)
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$	3,391
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL		10.06%

Schedule of Proportionate Share of the Net Pension Liability (Asset)

LEOFF 2

(Dollars in thousands)		**2015**
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY (ASSET)		0.21%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)	$	(2,844)
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$	3,581
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL		(79.42%)
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY		116.75%

Schedule of Contributions

LEOFF 2

(Dollars in thousands)		**2015**
CONTRACTUALLY REQUIRED CONTRIBUTION	$	308
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$	308
CONTRIBUTION DEFICIENCY (EXCESS)	$	–
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$	3,581
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL		8.60%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2015

Changes of benefit terms.
Amounts reported in 2015 reflect no change in benefit terms.

Changes of assumptions.
Amounts reported in 2015 reflect no changes in assumptions.

This publication was prepared by Financial Management. Published December 2015.

The 2015 UW Financial Report and reports from previous years are available at annualreport.uw.edu.

For more information, contact Financial Accounting at 206.221.7845 or accountg@uw.edu

PHOTOGRAPHY: Stephen Forbes, Katherine B. Turner

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UNIVERSITY of WASHINGTON

APPENDIX C

FORMS OF BOND COUNSEL OPINIONS

November 9, 2016

University of Washington
Seattle, Washington

Merrill Lynch, Pierce, Fenner & Smith Incorporated
Seattle, Washington

Barclays Capital Inc.
Seattle, Washington

Citigroup Global Markets Inc.
Seattle, Washington

Drexel Hamilton, LLC
New York, New York

Re: University of Washington, General Revenue and Refunding Bonds, 2016A - $195,145,000

Ladies and Gentlemen:

We have examined a certified transcript of all of the proceedings taken in the matter of the issuance by the University of Washington (the "University") of its General Revenue and Refunding Bonds, 2016A, in the aggregate principal amount of $195,145,000 (the "2016A Bonds"). The 2016A Bonds are issued pursuant to a resolution of the Board of Regents of the University adopted on July 14, 2016 (the "Resolution"). Simultaneously with the issuance of the 2016A Bonds, the University is issuing its General Revenue Refunding Bonds, 2016B (Taxable). Capitalized terms used in this opinion which are not otherwise defined shall have the meanings given to such terms in the Resolution.

The 2016A Bonds are subject to redemption prior to their scheduled maturities as set forth in the Official Statement dated October 18, 2016. The University has not designated the 2016A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Tax Code").

Regarding questions of fact material to our opinion, we have relied on representations of the University in the 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 2016A Bonds have been legally issued and constitute valid and binding obligations of the University, except to the extent that the enforcement of the rights and remedies of the owners of the 2016A Bonds may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors.

2. The 2016A Bonds are special fund obligations of the University. Both principal of and interest on the 2016A Bonds are payable solely from General Revenues and the money and investments deposited to a special fund of the University known as the General Revenue Bond Redemption Fund, 2016 created pursuant to the Resolution (the "Bond Fund"). The University has obligated and bound itself to set aside and pay into the Bond Fund out of General Revenues amounts sufficient to pay the principal of and interest on the 2016A Bonds as the same become due. The 2016A Bonds are equally and ratably payable, without preference, priority or distinction

because of date of issue or otherwise from General Revenues. The University has reserved the right to issue Additional Bonds payable from General Revenues and has previously issued General Revenue obligations.

3. Interest on the 2016A 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 2016A 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 Tax Code, that must be satisfied subsequent to the issuance of the 2016A 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 2016A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2016A Bonds.

Except as expressly stated above, we express no opinion regarding any tax consequences related to the ownership, sale or disposition of the 2016A Bonds, or the amount, accrual or receipt of interest on, the 2016A Bonds. Owners of the 2016A Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2016A Bonds.

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 2016A Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto, or relating to the undertaking by the University to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

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

Very truly yours,
PACIFICA LAW GROUP LLP

November 9, 2016

University of Washington
Seattle, Washington

Merrill Lynch, Pierce, Fenner & Smith Incorporated
Seattle, Washington

Barclays Capital Inc.
Seattle, Washington

Citigroup Global Markets Inc.
Seattle, Washington

Drexel Hamilton, LLC
New York, New York

Re: University of Washington, General Revenue and Refunding Bonds, 2016B (Taxable) - $10,015,000

Ladies and Gentlemen:

We have examined a certified transcript of all of the proceedings taken in the matter of the issuance by the University of Washington (the "University") of its General Revenue and Refunding Bonds, 2016B (Taxable), in the aggregate principal amount of $10,015,000 (the "2016B Bonds"). The 2016B Bonds are issued pursuant to a resolution of the Board of Regents of the University adopted on July 14, 2016 (the "Resolution"). Simultaneously with the issuance of the 2016B Bonds, the University is issuing its General Revenue and Refunding Bonds, 2016A. Capitalized terms used in this opinion which are not otherwise defined shall have the meanings given to such terms in the Resolution.

The 2016B Bonds are subject to redemption prior to their scheduled maturities as set forth in the Official Statement dated October 18, 2016. The University has not designated the 2016B Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Regarding questions of fact material to our opinion, we have relied on representations of the University in the 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 2016B Bonds have been legally issued and constitute valid and binding obligations of the University, except to the extent that the enforcement of the rights and remedies of the owners of the 2016B Bonds may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors.

2. The 2016B Bonds are special fund obligations of the University. Both principal of and interest on the Bonds are payable solely from General Revenues and the money and investments deposited to a special fund of the University known as the General Revenue Bond Redemption Fund, 2016 created pursuant to the Resolution (the "Bond Fund"). The University has obligated and bound itself to set aside and pay into the Bond Fund out of General Revenues amounts sufficient to pay the principal of and interest on the 2016B Bonds as the same become due. The 2016B Bonds are equally and ratably payable, without preference, priority or distinction because of date of issue or otherwise from General Revenues. The University has reserved the right to issue Additional Bonds payable from General Revenues and has previously issued General Revenue obligations.

3. Interest on the 2016B Bonds is not intended by the University to be excluded from gross income for federal income tax purposes.

Except as expressly stated above, we express no opinion regarding any tax consequences related to the ownership, sale or disposition of the 2016B Bonds, or the amount, accrual or receipt of interest on, the 2016B Bonds. Owners of the 2016B Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2016B Bonds.

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 2016B Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto, or relating to the undertaking by the University to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

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

Very truly yours,
PACIFICA LAW GROUP LLP

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The following information has been provided by DTC. The University makes no representation regarding the accuracy or completeness thereof. Beneficial Owners should therefore confirm the following with DTC or the Direct Participants (as hereinafter defined). Language in [brackets] with ~~strike-through~~ has been deleted as permitted by DTC as it does not pertain to the Bonds.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities 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 Security certificate will be issued for [~~each issue of~~] the Securities, [~~each~~] in the aggregate principal amount of such issue, and will be deposited with DTC. [~~If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.~~]

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 agencies. 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, 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 Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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. 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. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue 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 Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, 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, Agent, or Issuer, 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 such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, 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. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.~~]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. 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.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Undertaking (the “Undertaking”) dated as of November 9, 2016, is hereby made by the University of Washington (the “University”) in connection with the issuance of its General Revenue and Refunding Bonds, 2016A (the “2016A Bonds”) and its General Revenue Refunding Bonds, 2016B (Taxable) (the “2016B Bonds” and, together with the 2016A Bonds, the “Bonds”) pursuant to a resolution of the University adopted on July 14, 2016 (the “Resolution”).

The University covenants and agrees as follows:

SECTION 1. Purpose of the Undertaking. This Undertaking is being executed and delivered by the University for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report shall mean any Annual Report provided by the University pursuant to, and as described in, Sections 3 and 4 of this Undertaking.

Beneficial Owner shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

Dissemination Agent shall mean the University, or any successor Dissemination Agent designated in writing by the University and which has filed with the University a written acceptance of such designation.

Holders shall mean the registered holders of the Bonds, as recorded in the registration books of the Registrar.

MSRB means the Municipal Securities Rulemaking Board or any successors to its functions.

Notice Event shall mean any of the following events:

1. Principal and interest payment delinquencies;
2. Nonpayment 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 determines of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material or events affecting the tax status of the 2016A Bonds;
7. Modifications to the rights of Bond Owners if material;
8. Optional, contingent or unscheduled calls of any Bonds 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 repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the University;
13. The consummation of a merger, consolidation, or acquisition of the University or the sale of all or substantially all of the assets of the University, other than in the ordinary course of business, the

entry into a definitive agreement to undertake such an a 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.

Official Statement shall mean the Official Statement dated October 22, 2016, with respect to the Bonds.

Participating Underwriter shall mean any of the original purchaser or underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

State shall mean the State of Washington.

SECTION 3. Provision of Annual Reports.

(a) The University shall, or shall cause the Dissemination Agent to, not later than seven months after the end of the University's Fiscal Year (presently January 31, 2017 for the Fiscal Year ended June 30, 2016), commencing with the report for Fiscal Year 2016, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Undertaking. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Undertaking; provided that the audited financial statements of the University may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. The University may adjust such Fiscal Year by providing written notice of the change of Fiscal Year to the MSRB.

(b) Not later than fifteen (15) Business Days prior to said date, the University shall provide the Annual Report to the Dissemination Agent (if other than the University). If the University is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the University shall send a notice to the MSRB stating that the University is unable to provide the Annual Report by the date required in subsection (a), and stating when the University expects to provide the Annual Report.

(c) If the Dissemination Agent is not the University, the Dissemination Agent shall file a report with the University certifying that the Annual Report has been provided pursuant to this Undertaking and stating the date it was provided.

SECTION 4. Content of Annual Reports. The University's Annual Report shall contain or include by reference (without duplication) the following:

1. The audited financial statements of the University for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the University's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Updates to the following financial and operating data of the University to the extent the updates are not included in the audited financial statements provided under subsection 1:

- The amount of University revenue and other debt outstanding in that fiscal year.
- Student enrollment information for that fiscal year, of the type provided in the table entitled "Student and Enrollment" under the heading "UNIVERSITY OF

WASHINGTON—Admissions, Student Enrollment and Faculty Information" and distribution of undergraduate enrollment among University campuses.

- Information regarding the number of faculty, tenure rate and percent holding terminal degrees for that fiscal year, of the type provided in the table entitled "FACULTY DATA" under the heading "UNIVERSITY OF WASHINGTON—Admissions, Student Enrollment and Faculty Information."

- Information regarding room and board fees, autumn opening occupancy and occupancy for that fiscal year, of the type provided in the table entitled "HOUSING AND DINING DATA" under the heading "UNIVERSITY OF WASHINGTON—Admissions, Student Enrollment and Faculty Information."

- General Revenues and General Revenue components for that fiscal year, of the type provided in the table entitled "GENERAL REVENUES" under the heading "UNIVERSITY OF WASHINGTON—General Revenues."

- Grant and contract revenues for that fiscal year, and amount or percentage of grant and contract revenues from federal sources.

- Information regarding the amount or percentage of revenues from Medicare or Medicaid payments in that fiscal year.

- Operating expenses by type of expenditure in that fiscal year.

- Expenditures of State capital and operating appropriations to the University for such fiscal year, of the type provided in the table entitled "Expenditures of State Appropriations to the University by Type" under the heading "UNIVERSITY OF WASHINGTON—Other University Financial Information—State Funding."

- UW Medical Center, Northwest and Valley financial information and patient activity statistics for such fiscal year, generally of the type provided in the tables under the heading "UW Medicine."

- Value of investments, including operating fund investments (currently referred to as "Invested Funds") and the Consolidated Endowment Fund ("CEF"), for that fiscal year.

- A narrative description of any material changes to the University's investment policy or CEF distribution policy during the preceding fiscal year.

- Gift revenue for that fiscal year.

- University revenue by source for that fiscal year, of the type provided in the chart "University Total Revenue by Source, Fiscal Year 2016" under the heading "UNIVERSITY OF WASHINGTON—Other University Financial Information—University Total Revenue by Source."

- Total University expenditures by category for that fiscal year, of the type presented under the heading "UNIVERSITY OF WASHINGTON—Other University Financial Information—University Operating Expenditures."

- University total net assets and unrestricted net assets, of the type presented under the heading "UNIVERSITY OF WASHINGTON—Other University Financial Information—University Net Assets."

- A description of any material changes to the University's obligations with respect to its pension plans, of the type presented under the heading "OTHER UNIVERSITY INFORMATION—Pension Plans."

- A description of any material changes to the University's obligations with respect to other post-employment benefits, of the type presented under the heading "OTHER UNIVERSITY INFORMATION—Other Post-Employment Retirement Benefits ("OPEB")."

- Amount of the University's self-insurance reserve, of the type presented under the heading "OTHER UNIVERSITY INFORMATION—Risk Management."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the University or related public entities, which are available to the public on the MSRB's internet website. The University shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Notice Events. The University shall give, or cause to be given, notice of the occurrence of any Notice Event with respect to the Bonds not in excess of ten business days after the occurrence of the Notice Event.

SECTION 6. Termination of Reporting Obligation. The University's obligations under this Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the University shall give notice of such termination in the same manner as for a Notice Event.

SECTION 7. Dissemination Agent. The University may, from time to time, appoint or engage a successor Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such successor Dissemination Agent, with or without appointing another successor Dissemination Agent. The successor Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the University pursuant to this Undertaking.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Undertaking, the University may amend this Undertaking, and any provision of this Undertaking may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of the Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Undertaking, the University shall describe such amendment in the next Annual Report, and shall 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, the Annual Report for the year in which the change is made should 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.

SECTION 9. Additional Information. Nothing in this Undertaking shall be deemed to prevent the University from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Notice Event, in addition to that which is required by this Undertaking. If the University chooses to include any information in any Annual Report in addition to that which is specifically required by this Undertaking, the University shall have no obligation under this Undertaking to update such information or include it in any future Annual Report.

SECTION 10. Default. In the event of a failure of the University to comply with any provision of this Undertaking, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the University to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Undertaking in the event of any failure of the University to comply with this Undertaking shall be an action to compel performance.

SECTION 11. Beneficiaries. This Undertaking shall inure solely to the benefit of the University, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. EMMA; Format for Filing with the MSRB. Until otherwise designated by the MSRB or the Securities and Exchange Commission, any filing required to be made with the MSRB under this Undertaking is to be submitted through the MSRB's Electronic Municipal Market Access system, currently located at www.emma.msrb.org. 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.

UNIVERSITY OF WASHINGTON

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Authorized Signer

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UNIVERSITY *of* WASHINGTON

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