



INVESTOR MATERIALS

University of Washington



General Revenue and Refunding Bonds
Series 2016A (Tax-exempt)
Series 2016B (Taxable)

October 2016



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SUMMARY OF UPCOMING FINANCING

Expected Par:	Series 2016A: \$190,075,000 Series 2016B: \$10,200,000
Key Dates:	Pricing: Tuesday, October 18, 2016 Closing: Wednesday, November 9, 2016
Underwriter:	Senior Manager: Bank of America Merrill Lynch Co-Managers: Barclays; Citigroup; Drexel Hamilton
Security:	General revenue obligation of the University, payable from 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, are included in and available to pay obligations secured by General Revenues.
Ratings:	Moody's: Aaa (Stable) S&P: AA+ (Stable)
Use of Proceeds:	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; and (c) to pay costs of issuance and the administrative costs of the refunding.
Tax Status:	Series 2016A: Tax-exempt Series 2016B: Taxable
Structure:	Series 2016A: Serial and Term Bonds maturing 2017-2046 (December 1 maturities) Series 2016B: Serial Bonds maturing 2017-2036 (December 1 maturities)
Redemption:	To be determined at pricing

* Preliminary, subject to change



PRESENTATION PARTICIPANTS

University of Washington

- > Bill Starkey, Senior Associate Treasurer
- > Annette Sommer, Associate Treasurer

Senior Managing Underwriter – BofA Merrill Lynch

- > Eric Whaley, Director





Section 1

Introduction - Background and Recent Highlights



BACKGROUND AND RECENT HIGHLIGHTS

- > Founded in 1861, the University is the largest of six State-funded four-year institutions of higher education in the State of Washington
 - Over 50,000 full-time equivalent students across campuses in Seattle, Tacoma and Bothell
 - Accredited by the Northwest Commission on Colleges and Universities and is a member of the Association of American Universities
 - Provides baccalaureate, masters, doctoral and professional degree programs through 16 colleges and schools
- > The University operates UW Medicine, an integrated health system that owns or operates multiple medical centers, hospitals, and clinics as well as UW Physicians, UW School of Medicine and Airlift Northwest
- > In recent years, tuition revenue has grown as State appropriations have declined
 - However, in FY16/17, the State Legislature reduced tuition for resident undergraduate students and increased appropriations to offset the reductions
- > Enrollment demand – in-state, nationally, and internationally – has been consistently strong
 - Freshman applications for Autumn 2016 were the highest in the University's history



FACILITIES AND CAMPUS LIFE

- > Largest campus is in Seattle, with additional campuses in Tacoma and Bothell
 - All three campuses are located in the Puget Sound region, the most populous area in the State and one of the fastest growing regions in the nation
- > 22 million square feet of University-owned and University-leased facilities



- > Located right next to the new Husky Stadium, Sound Transit's University of Washington Station provides easy regional access to campus, UW Medical Center, other Husky athletic sites and surrounding neighborhoods
- > Degree programs include arts and sciences, built environments, business, dentistry, education, educational outreach, engineering, environment, information, law, medicine, nursing, pharmacy, public affairs, public health, and social work
 - 530 degree options across 294 programs
- > The University has a broad-based NCAA Division I intercollegiate athletics program and is a member of the Pac-12 conference





Section 2

Enrollment, Demand and Tuition



UNIVERSITY OF WASHINGTON ENROLLMENT AND DEMAND

- > Nearly 56,000 students currently enrolled
- > Approximately 70 percent of undergraduate and graduate students were in-State residents
- > Undergraduate location:
 - Seattle campus: 78%
 - Bothell campus: 12%
 - Tacoma campus: 10%
- > Selectivity metrics (2015):
 - Mean GPA: 3.70
 - Mean Combined SAT Scores: 1210
 - 92% undergraduate retention rate from freshman to sophomore year

	Autumn Quarter ⁽¹⁾					
	2011	2012	2013	2014	2015	2016 ⁽²⁾
University FTE						
Undergraduate	33,827	34,402	35,737	37,025	37,975	N/A
Graduate	12,820	13,049	13,557	13,751	14,154	N/A
Professional	<u>3,932</u>	<u>3,949</u>	<u>4,086</u>	<u>4,081</u>	<u>3,834</u>	<u>N/A</u>
Total FTE Enrollment	50,579	51,400	53,380	54,857	55,963	N/A
Student and Enrollment						
<i>Undergraduate Freshmen</i>						
Applicants	27,469	29,723	33,857	35,382	41,257	48,453
Acceptances	16,799 ⁽⁴⁾	18,328 ⁽⁴⁾	19,560	20,510	23,183	23,752
Enrolled	6,671 ⁽⁴⁾	7,039 ⁽⁴⁾	7,210 ⁽⁴⁾	7,341 ⁽⁴⁾	7,943 ⁽⁴⁾	N/A
<i>Undergraduate Transfers</i>						
Applicants	8,277	8,415	8,809	9,480	9,819	9,498
Acceptances	4,250	4,448	4,705	4,826	4,747	4,622
Enrolled	3,046	3,084	3,252	3,308	3,123	N/A
<i>Graduate</i>						
Applicants	24,692	26,350	27,381	29,851	32,248	32,562
Acceptances	7,493	8,106	8,980	9,106	9,693	9,703
Enrolled	3,720	3,643	4,383	4,389	4,717	N/A
<i>Professional⁽³⁾</i>						
Applicants	8,698	9,527	10,110	10,511	12,388	N/A
Acceptances	1,059	1,116	1,195	1,269	1,291	N/A
Matriculants	1,979	1,999	2,000	2,006	2,009	N/A

(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

(4) Restated to include only first time, first year freshmen

Source: The University



UNIVERSITY OF WASHINGTON TUITION AND FEES (\$ FULL ACADEMIC YEAR)

- > The University received \$949 million in student tuition and fees in FY16
- > In addition to the tuition and fees listed in the chart to the right, average room and board costs for existing double housing is \$11,036 for the 2016 academic year
- > The University maintains tuition-setting authority for all categories of students with the exception of resident undergraduates

	Fall Quarter ⁽¹⁾				
	2012	2013	2014	2015	2016
Undergraduate Resident ⁽²⁾	\$12,383	\$12,397	\$12,394	\$11,839	\$10,752
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 (Min) ⁽³⁾	24,018	26,325	26,496	28,362	29,577
Professional School Resident (Max) ⁽³⁾	32,948	36,150	39,654	43,494	46,875
Professional School Non-Resident (Min) ⁽³⁾	40,158	42,126	44,175	44,124	44,112
Professional School Non-Resident (Max) ⁽³⁾	57,198	59,175	61,206	66,483	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.

- > For FY15 and FY16, the Legislature reduced tuition for resident undergraduate students and increased appropriations to the University
 - Beginning with 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
- > State appropriations for 2013-15 biennium increased 20% over previous biennium
 - State appropriations for 2015-17 biennium are currently budgeted to exceed previous biennium by 24%





Section 3

Financial Highlights



SECURITY FOR BONDS- GENERAL REVENUES (\$000)

- > 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, are also included in General Revenues

- > The table to the right shows 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

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 education 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	<u>\$1,240,322</u>	<u>\$1,459,610</u>	<u>\$1,614,991</u>	<u>\$754,822⁽⁴⁾</u>	<u>\$864,432</u>
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(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)

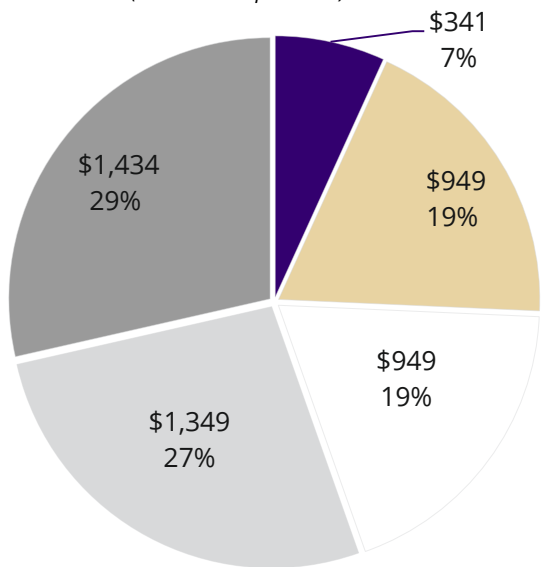
Source: The University's General Revenue Audit Supplement



UNIVERSITY REVENUES/ OPERATING EXPENSES (FY16)

Revenues: \$5.021 billion⁽¹⁾

(\$ Millions in pie chart)

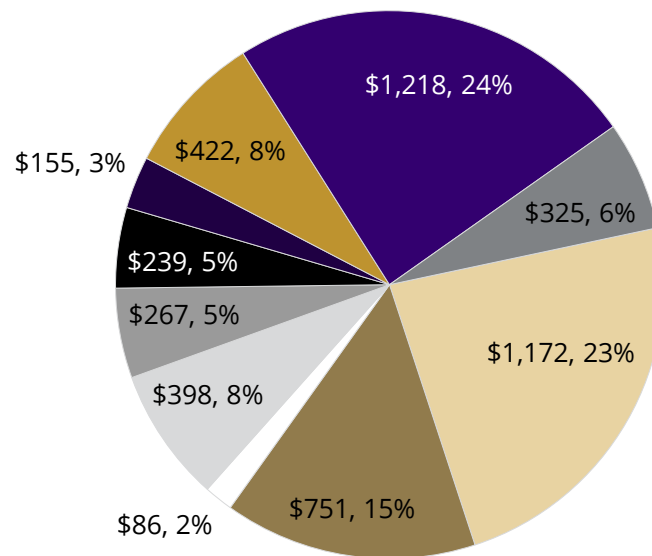


- State Funding
- Tuition and Fees
- Patient Services
- Other (2)
- Grants and Contracts

(1) Preliminary and Unaudited; subject to change
 (2) "Other" revenue includes auxiliary revenue, gifts and investment income

Operating Expenses: \$5.034 billion⁽¹⁾

(\$ Millions in pie chart)



- Instruction
- Research
- Academic support
- Operation & Maintenance of plant
- Depreciation/Amortization
- Auxiliary
- Medical Related
- Scholarships & Fellowships
- Other(2)
- Institutional support

(1) Preliminary and Unaudited; subject to change. Total does not foot to 100% due to rounding
 (2) Includes student services and public service



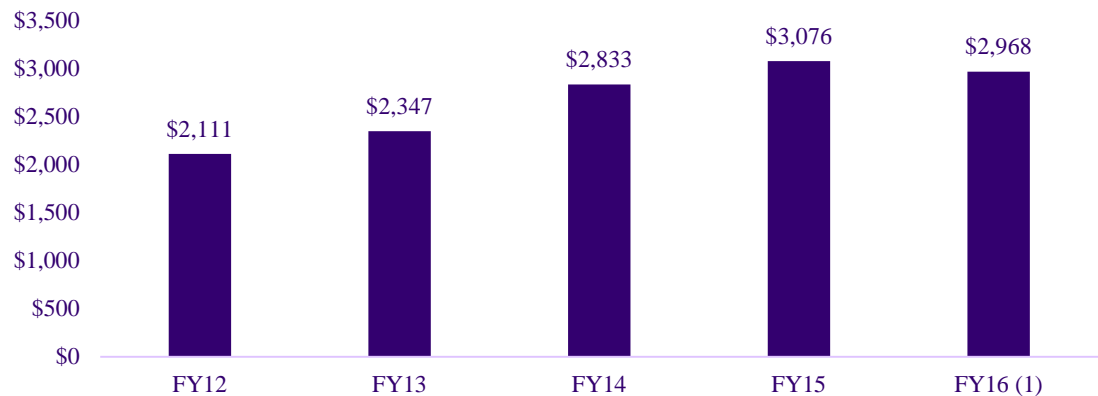
INVESTED FUNDS AND CONSOLIDATED ENDOWMENT FUND

Fundraising Highlights

- > The University receives significant private (non-governmental) support
- > In FY16, the University received \$542.4 million in total private support from 143,828 donors
 - Private gifts: \$249 million; private grants: \$293 million
- > The University expects to formally announce its third comprehensive capital campaign later this year
 - The campaign will likely extend through FY20

- > The total value of the University's operating fund investments (currently referred to as the University's "Invested Funds"), preliminary as of June 30, 2016 was \$2.35 billion
- > The Invested Funds Pool currently consists of four pools:
 - **Cash (24%*) and Liquidity (40%*) Pools:** Invested primarily in short-term and intermediate-term, high quality, fixed-income securities to meet day-to-day obligations
 - **Diversified Investment Pool (31%*):** Holds CEF (see below) units that are intended to enhance the overall portfolio return
 - **Capital Assets Pool ("CAP") (5%*):** Allows funds to be spent on capital projects
- > The Consolidated Endowment Fund ("CEF") preliminary total value as of June 30, 2016 was \$2.97 billion (5.6% annualized return for the 10 years ended June 30, 2016)
- > Quarterly endowment distributions to programs approximately 4% (plus 1%

Consolidated Endowment Fund Market Value
(\$ in millions)



(*) As of June 30, 2016

(1) Preliminary and unaudited; subject to change

- > UW Medicine is an integrated system which has multiple components, including:
- Harborview Medical Center
 - Northwest Hospital & Medical Center
 - Valley Medical Center
 - UW Medical Center
 - UW Neighborhood Clinics
 - UW Physicians
 - UW School of Medicine
 - Airlift Northwest



UW Medical Center, Northwest and Valley Financial Information ⁽¹⁾ Fiscal Years 2012 - 2016					
	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. In thousands
⁽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⁾ Fiscal Year 2016 figures are preliminary and unaudited; subject to change
Source: The University

PENSION AND RETIREMENT BENEFITS

- > **Pensions:** The University's pension obligations fall into two categories:
 - Washington State Department of Retirement Systems (DRS): includes PERS, TRS and LEOFF plans administered by the State
 - University of Washington Supplemental Retirement Plan (UWSRP): administered by the University

- > **Other Post Employment Benefits (OPEB):** The Washington State Office of the State Actuary allocates the cumulative state-wide OPEB related to the University and its unconsolidated affiliates

Department Retirement Systems (DRS) – PERS/TRS/LOEFF administered by State

University Share of Net Pension Liabilities/Assets (as of June 30, \$000s)

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

University of Washington Supplemental Retirement Plan (UWSRP) – administered by University

Net Pension Obligation (\$000s)

	2013	2014	2015	2016 ⁽¹⁾
Balance At Beginning of Fiscal Year	\$127,465	\$163,372	\$198,895	\$248,186
Annual Required Contribution (ARC)	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

Unfunded Actuarial Accrued Liability (UAAL) and Annual Required Contribution (ARC) (\$000s)

	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

Other Post-Employment Benefits (OPEB)

- > Estimated at approximately \$997 million and \$671 million for 2015 and 2013, respectively
- > These amounts are not included in the University's financial statements

(1) Preliminary and unaudited; subject to change





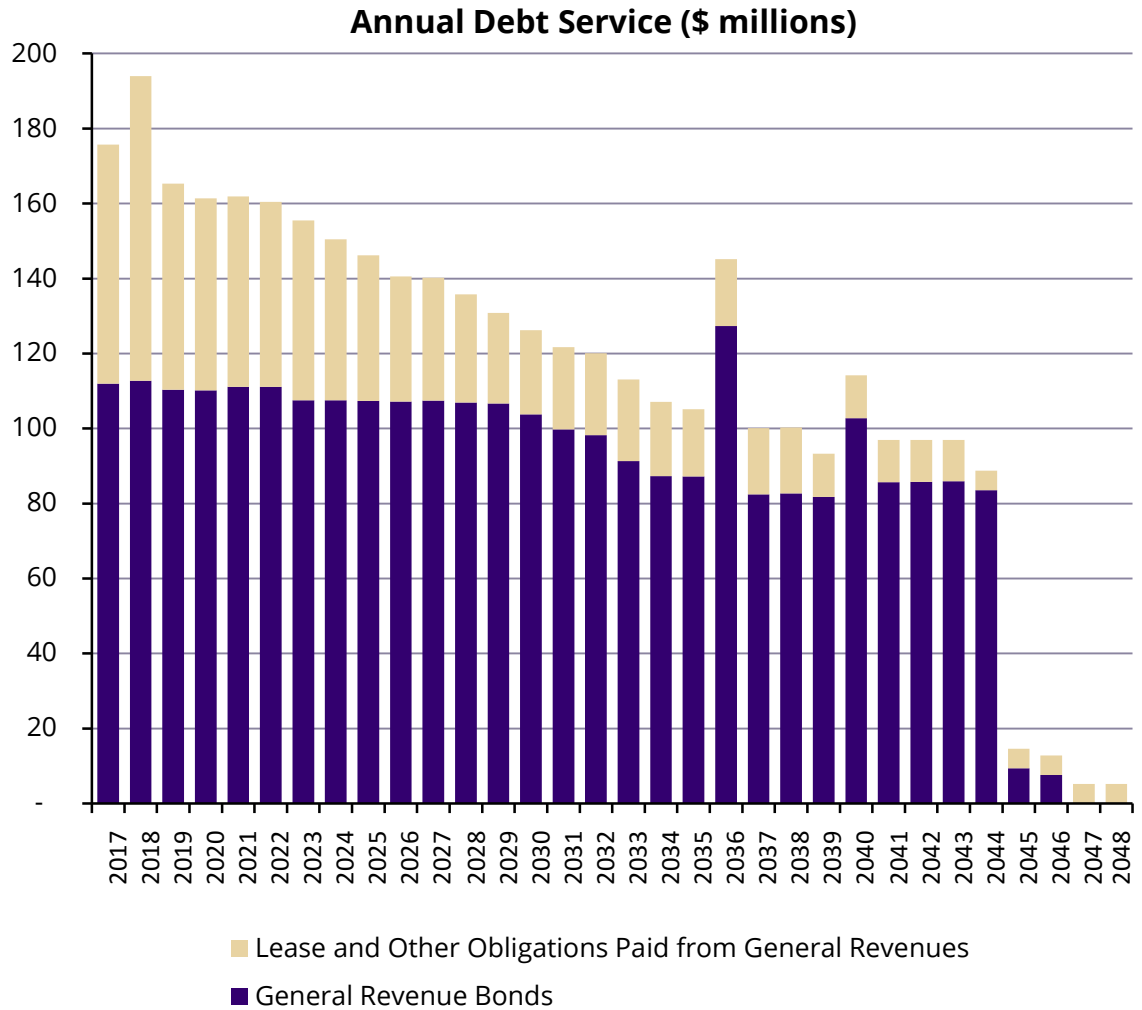
Section 4

Overview of Debt and Plan of Finance



LONG TERM DEBT SERVICE SCHEDULE

- > The University's most significant General Revenue obligations include:
 - General Revenue bonds, including the Series 2016A-B Bonds, and Commercial Paper Notes
 - Leases and other contractual obligations
- > Total University Outstanding Obligations: \$2.259 billion (as of October 2, 2016)

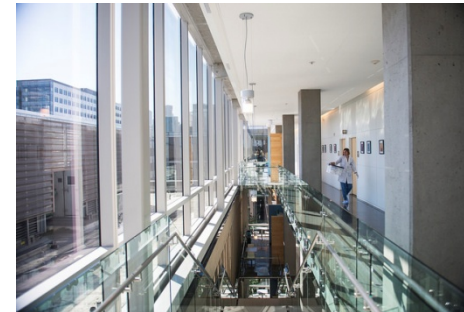
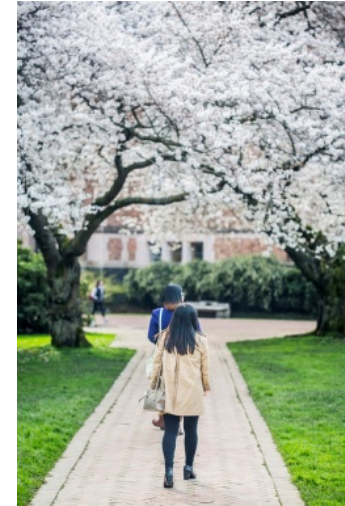


() See important footnotes related to the University's Annual Debt Service on page 13 of the Preliminary Official Statement*



FINANCING SCHEDULE

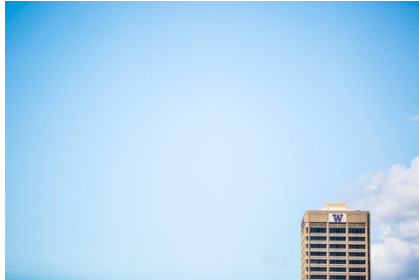
- > October 12:
 - POS mailing
- > October 13-17:
 - University management available for investor calls
- > October 18*:
 - Pricing
- > November 9*:
 - Closing



* Preliminary, subject to change



FOLLOW UP QUESTIONS



Please direct follow-up questions to:

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