New Issue
Book-Entry Only
Not Bank Qualified

Moody's Rating: Aaa
S&P Global Rating: AA+
(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 Bonds is excludable from gross income for federal income tax purposes. In addition, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. See "TAX MATTERS" herein.

W
UNIVERSITY of
WASHINGTON

UNIVERSITY OF WASHINGTON

$133,785,000
General Revenue Bonds, 2018

Dated: Date of delivery **Due: As shown on the inside cover**

The University of Washington (the "University") is issuing its General Revenue Bonds, 2018 (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 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 costs of University projects, or to refinance commercial paper issued originally to finance costs of University projects, and to pay the costs of issuance.

Interest on the Bonds from their date of delivery is payable on October 1 and April 1 of each year, commencing April 1, 2018. 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 optional redemption prior to maturity as described in this Official Statement.

The Bonds are special fund obligations of the University, payable solely from General Revenues, as defined herein. 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 Bonds are not an obligation, either general, special or moral, of the State.

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." 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 February 15, 2018.

Official Statement dated January 23, 2018

UNIVERSITY OF WASHINGTON

GENERAL REVENUE BONDS, 2018

$133,785,000

Maturity Year April 1	Principal Amount	Interest Rate	Yield	Price	CUSIP* Number
2019	$ 4,580,000	5.00%	1.43%	103.978	91523NSD9
2020	4,820,000	5.00	1.55	107.191	91523NSE7
2021	5,055,000	5.00	1.64	110.201	91523NSF4
2022	5,315,000	5.00	1.70	113.099	91523NSG2
2023	5,575,000	5.00	1.80	115.605	91523NSH0
2024	5,855,000	5.00	1.89	117.913	91523NSJ6
2025	6,150,000	5.00	2.00	119.834	91523NSK3
2026	6,455,000	5.00	2.11	121.479	91523NSL1
2027	6,780,000	5.00	2.22	122.852	91523NSM9
2028	2,725,000	5.00	2.30	122.113†	91523NSN7
2029	2,860,000	5.00	2.37	121.470†	91523NSP2
2030	3,005,000	5.00	2.42	121.013†	91523NSQ0
2031	3,155,000	5.00	2.47	120.559†	91523NSR8
2032	3,310,000	5.00	2.53	120.016†	91523NSS6
2033	3,475,000	5.00	2.59	119.476†	91523NST4
2034	3,650,000	5.00	2.63	119.118†	91523NSU1
2035	3,835,000	5.00	2.66	118.850†	91523NSV9
2037	4,025,000	5.00	2.72	118.316†	91523NSW7
2038	4,225,000	5.00	2.75	118.050†	91523NSX5

$19,130,000, 5.00% Term Bond, due April 1, 2043
(Yield of 2.86%, Price of 117.081†), CUSIP* No. 91523NSY3

$29,805,000, 5.00% Term Bond, due April 1, 2048
(Yield of 2.91%, Price of 116.644†), CUSIP* No. 91523NSZ0

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† Priced to the first par call date of April 1, 2027.

UNIVERSITY OF WASHINGTON
4311 11th Avenue NE, Suite 600
Seattle, Washington 98105-4608
Telephone: (206) 221-6752
Website: http://finance.uw.edu/treasury/(1)

BOARD OF REGENTS

Regent	Title	Term Expiration
Jeremy Jaech	Chair	September 30, 2018
Constance Rice	Vice Chair	September 30, 2019
Blaine Tamaki	Member	September 30, 2022
William S. Ayer(2)	Member	September 30, 2022
Joel Benoliel(2)	Member	September 30, 2021
Kristianne Blake	Member	September 30, 2018
Joanne R. Harrell(2)	Member	September 30, 2021
Rogelio Riojas	Member	September 30, 2019
Herb Simon	Member	September 30, 2017(3)
Jaron Reed Goddard(2)(4)	Member	June 30, 2018

Jeffrey F. Scott	Treasurer of the Board of Regents
Tyler Lange	Secretary of the Board of Regents
Shelley Tennant	Assistant Secretary of the Board of Regents

ADMINISTRATIVE OFFICERS

Dr. Ana Mari Cauce	President
Dr. Gerald Baldasty(5)	Provost and Executive Vice President
Dr. Paul G. Ramsey	Executive Vice President for Medical Affairs
Dr. Jeffrey F. Scott	Executive Vice President for Finance and Administration

BOND COUNSEL
Pacifica Law Group LLP
Seattle, Washington

FINANCIAL ADVISOR
Piper Jaffray & Co.
Seattle, Washington

REGISTRAR
U.S. Bank National Association
Seattle, Washington

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(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) Regents continue to serve until a successor is appointed, or the Regent resigns or is reappointed by the Governor. As of the date of this Official Statement, the Governor has not announced a reappointment or replacement for Regents with terms ending on September 30, 2017.
(4) Student Regent (serves a one-year term).
(5) Dr. Baldasty has announced plans to retire. On January 9, 2018, the University announced that Dr. Mark Richards has accepted the position of Provost and Executive Vice president for Academic Affairs, effective July 1, 2018.

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.

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 any purchaser takes 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.

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OFFICIAL STATEMENT

UNIVERSITY OF WASHINGTON

$133,785,000

General Revenue Bonds, 2018

INTRODUCTORY STATEMENT

This Official Statement, including the inside cover, table of contents and appendices, provides information regarding the University of Washington (the "University") and its General Revenue Bonds, 2018 (the "Bonds").

The University is issuing the Bonds (a) to pay costs of University projects, or to refinance commercial paper issued originally to finance costs of University projects; and (b) to pay costs of issuance. 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 13, 2017 (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 April 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 October 1 and April 1, commencing April 1, 2018 (each, an "Interest Payment Date").

The Bonds will be issued as fully registered bonds in denominations of $5,000 each or any integral multiple of $5,000 within a 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 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 Registrar 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 Bonds maturing on or after April 1, 2028, are subject to redemption at the option of the University, as a whole or in part on any date on or after April 1, 2027, at a redemption price equal to 100 percent of the principal amount thereof, plus interest accrued to the date fixed for redemption.

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 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 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 or if the Bonds are no longer in book-entry only form, the Bonds shall be selected randomly by the Registrar.

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 Bonds maturing on April 1, 2043 (the "2043 Term Bonds"), are subject to mandatory sinking fund redemption at a price of 100 percent of the principal amount thereof plus accrued interest to the date fixed for redemption on April 1 in the years and amounts as follows:

Date	Mandatory Sinking Fund Redemption
2039	$ 4,440,000
2041	4,660,000
2042	4,895,000
2043*	5,135,000

* Maturity.

The Bonds maturing on April 1, 2048 (the "2048 Term Bonds" and together with the 2043 Term Bonds, the "Term Bonds"), are subject to mandatory sinking fund redemption at a price of 100 percent of the principal amount thereof plus accrued interest to the date fixed for redemption on April 1 in the years and amounts as follows:

Date	Mandatory Sinking Fund Redemption
2044	$ 5,395,000
2045	5,665,000
2046	5,945,000
2047	6,245,000
2048*	6,555,000

* 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 Bonds being redeemed in the scheduled redemption amounts to be selected by the University, and randomly within each scheduled redemption amount. In the event the Bonds are no longer in book-entry only form, the Bonds shall be redeemed in the scheduled redemption amounts to be selected by the University, and randomly within each scheduled redemption amount.

Purchase of Bonds by the University

The University may acquire Bonds by the 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 be 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; and (b) there shall have been made an Irrevocable Deposit, in trust, with the Registrar or another corporate fiduciary of money in an amount that shall be sufficient, and/or noncallable Government Obligations that are direct obligations of the United States or obligations unconditionally guaranteed by the United States 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 that 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.

SOURCES AND USES OF BOND PROCEEDS

Use of Proceeds

The proceeds from the sale of the Bonds are to be applied, together with a University cash contribution, (a) to pay costs of University projects, or to refinance commercial paper issued originally to finance costs of University projects including the construction of housing and food services facilities and a life sciences building and the implementation of a human resources payroll system; and (b) to pay all or a portion of the costs of issuance.

Sources and Uses of Funds

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

Table 1: Sources and Uses

Sources of Funds		
Par Amount of the Bonds	$	133,785,000
Original Issue Premium		22,799,976
Total Sources of Funds(1)	$	156,584,976
Uses of Funds		
Project Fund Deposit(2)	$	155,881,470
Issuance Costs(3)		703,507
Total Uses of Funds(1)	$	156,584,976

(1) Totals may not foot due to rounding.
(2) A portion of the amount deposited to the Project Fund is to be used to pay $132 million of the University's outstanding General Revenue Notes (Commercial Paper).
(3) Issuance costs include underwriter's discount, legal fees, Financial Advisor fees, rating agency fees, additional proceeds, and other costs incurred in connection with the issuance of the Bonds.

SECURITY FOR THE BONDS

Special Fund Obligations

The Bonds are special fund obligations of the University, payable solely from General Revenues and the money and investments that are deposited into the special fund designated as the General Revenue Bond Redemption Fund, 2018 (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, excluded 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 from 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 currently 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 authorized and may in the future authorize the University to issue a bond or bonds to be paid from Building Fees 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 Fees 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 Fees and trust land revenues may be pledged, and may be applied, to pay a portion of the Bonds, Bond owners 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 on the 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. This could give rise to a difference in legal interests between owners of earlier- and later-maturing Bonds. 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 expects to borrow approximately $100 million for projects already authorized by the Board of Regents after the issuance of the Bonds. In addition, the University expects to continue to make draws on a $30 million non-revolving line of credit to finance short-term University assets (the "Line of Credit"). Additional projects may 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:

(1) *General Revenue bonds, including the Bonds, and Commercial Paper Notes.*

(i) *General Revenue Bonds.* From time to time, the University issues and has outstanding General Revenue bonds, such as the Bonds, to finance University purposes in accordance with law.

(ii) *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 a portion of the projects to be financed by the Bonds and other projects to be financed by future General Revenue bonds. The University provides self-liquidity for the payment of its Commercial Paper Notes, which are not currently secured by a bank credit or liquidity facility.

(2) *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.

(3) *Line of Credit*. The University has entered into the Line of Credit under a Master Financing Agreement with JPMorgan Chase Bank, N.A. The Line of Credit currently allows for draws (for a maximum term of 10 years) in an aggregate amount not to exceed $30 million through June 30, 2020.

The Bonds, the outstanding General Revenue bonds, the Commercial Paper Notes, leases and other contractual obligations, and the Line of Credit are equally and ratably payable from General Revenues without preference, priority or distinction because of date of issue or otherwise.

University Debt

The following table summarizes outstanding debt obligations by type.

Table 2: Outstanding Obligations
(as of February 2, 2018)
(dollars in thousands)

	Total
Obligations	
General Revenue Bonds[(1)]	$ 1,727,215
Leases (supporting lease revenue bonds)	383,075
Reimbursed Bonds and Certificates of Participation	107,901
Commercial Paper Notes[(2)]	180,000
Equipment Leases/Other[(3)]	12,043
Subtotal[(3)]	$ 2,410,234
Other Obligations[(4)]	
Northwest Hospital & Medical Center[(4)]	$ 7,435
Total Obligations	$ 2,417,669

(1) Excludes the Bonds.
(2) Includes $132 million of outstanding Commercial Paper Notes to be paid with a portion of the proceeds of the Bonds.
(3) Includes amounts drawn on the Line of Credit. Excludes obligations of Valley Medical Center ("Valley"), a public hospital district affiliated with the University. See "UW MEDICINE—Components of UW Medicine—Valley Medical Center."
(4) Northwest Hospital & Medical Center (now UW Medicine/Northwest dba Northwest Hospital & Medical Center, or "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:

Table 3: Unused Commercial Paper Authorization
(as of February 2, 2018)
(dollars in thousands)

	Total
Maximum Amount Authorized	$ 250,000
Less: Amount outstanding[(1)]	(180,000)
Unused commercial paper authorization	$ 70,000

(1) The University expects to pay $132 million of Commercial Paper Notes with a portion of the proceeds of the Bonds, at which point $48 million is expected to remain outstanding.
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, of which $180 million was outstanding as of February 2, 2018, as shown in the table "UNUSED COMMERCIAL PAPER AUTHORIZATION" above.

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Table 4: University of Washington
General Revenue Bonds Debt Service Schedule

Fiscal Year Ending 6/30	Outstanding General Revenue Bonds[(1)(2)]	The Bonds Principal	The Bonds Interest	Total General Revenue Bonds[(2)]	Leases and Other Obligations Paid from General Revenues[(2)(3)]	Total General Revenue Debt Service[(2)]
2018	$123,281,553	-	$854,738	$124,136,290	$83,514,223	$207,650,513
2019	120,782,481	$4,580,000	6,689,250	132,051,731	57,665,922	189,717,653
2020	120,575,364	4,820,000	6,460,250	131,855,614	52,275,358	184,130,973
2021	121,488,378	5,055,000	6,219,250	132,762,628	51,884,679	184,647,307
2022	121,498,011	5,315,000	5,966,500	132,779,511	50,483,110	183,262,621
2023	117,945,539	5,575,000	5,700,750	129,221,289	48,739,615	177,960,904
2024	117,916,060	5,855,000	5,422,000	129,193,060	43,683,895	172,876,955
2025	117,768,781	6,150,000	5,129,250	129,048,031	39,581,281	168,629,312
2026	117,600,398	6,455,000	4,821,750	128,877,148	34,154,892	163,032,040
2027	117,874,268	6,780,000	4,499,000	129,153,268	33,519,416	162,672,684
2028	117,362,986	2,725,000	4,160,000	124,247,986	29,531,917	153,779,903
2029	117,052,092	2,860,000	4,023,750	123,935,842	24,856,262	148,792,104
2030	114,214,509	3,005,000	3,880,750	121,100,259	23,128,424	144,228,682
2031	110,144,552	3,155,000	3,730,500	117,030,052	22,635,629	139,665,682
2032	108,671,992	3,310,000	3,572,750	115,554,742	22,559,583	138,114,325
2033	101,714,167	3,475,000	3,407,250	108,596,417	21,821,447	130,417,864
2034	97,693,265	3,650,000	3,233,500	104,576,765	19,792,538	124,369,303
2035	97,648,982	3,835,000	3,051,000	104,534,982	17,889,239	122,424,220
2036	137,780,480	-	2,859,250	140,639,730	17,789,062	158,428,791
2037	92,853,887	4,025,000	2,859,250	99,738,137	17,692,319	117,430,456
2038	93,401,631	4,225,000	2,658,000	100,284,631	17,582,584	117,867,216
2039	92,452,213	4,440,000	2,446,750	99,338,963	11,513,919	110,852,882
2040	113,505,683	-	2,224,750	115,730,433	11,398,385	127,128,818
2041	96,368,848	4,660,000	2,224,750	103,253,598	11,280,581	114,534,179
2042	96,490,509	4,895,000	1,991,750	103,377,259	11,152,404	114,529,662
2043	96,621,262	5,135,000	1,747,000	103,503,262	11,018,566	114,521,828
2044	94,301,487	5,395,000	1,490,250	101,186,737	5,170,600	106,357,337
2045	20,114,255	5,665,000	1,220,500	26,999,755	5,170,600	32,170,355
2046	18,307,594	5,945,000	937,250	25,189,844	5,168,800	30,358,644
2047	10,724,313	6,245,000	640,000	17,609,313	5,170,000	22,779,313
2048	-	6,555,000	327,750	6,882,750	5,168,800	12,051,550
2049	-	-	-	-	-	-
2050	-	-	-	-	-	-
Total	**$3,024,155,539**	**$133,785,000**	**$104,449,488**	**$3,262,390,027**	**$812,994,049**	**$4,075,384,076**

(1) Excludes Valley obligations. Does not include debt service on Commercial Paper Notes.
(2) Build America Bond subsidies are not reflected in this table.
(3) Includes leases and other contractual obligations payable from General Revenues, including lease obligations with respect to lease revenue bonds, equipment leases, a Northwest note and Reimbursed Bonds and Certificates of Participation. Official Statement figures also include $500,000 FAST loan, which closed on December 4, 2017.

Source: The University.

GENERAL REVENUES

Overview of 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.

The following table shows General Revenues and General Revenue balances of the University for Fiscal Years 2013 through 2017. 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 is adjusted to include certain net non-operating revenue, interest on capital asset related debt and other revenues. See "UNIVERSITY REVENUE AND EXPENSES—University Total Revenue By Source."

The definition of "General Revenues" in the Resolution provides that unrestricted fund balances, to the extent that they were accumulated from money that was received as General Revenues, also are includable and available to pay obligations secured by General Revenues. To illustrate unrestricted fund balances that may be available to pay General Revenue obligations, the following table shows general net position and also shows general net position adjusted to remove certain non-cash items (to show the figure excluding the effect of Governmental Accounting Standards Board ("GASB") Statement No. 68, which was implemented in Fiscal Year 2015, and GASB Statement No. 73, which was implemented in Fiscal Year 2017). The adjusted general net position figures are not audited.

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Table 5: General Revenues

(fiscal years, dollars in thousands)

General Revenue (Exclusions from Total Revenue)	2013	2014	2015	2016	2017[1]
Total Revenue[2]	$4,601,792	$4,953,409	$4,982,564	$5,024,269	$6,106,922
Less:					
State operating appropriations	(218,165)	(262,146)	(255,156)	(302,097)	(341,971)
Grant and contract direct costs	(1,109,871)	(1,080,088)	(1,082,452)	(1,093,865)	(1,147,694)
Gifts	(101,823)	(117,071)	(115,636)	(115,000)	(166,491)
Revenues of component units[3]	(171,238)	(161,247)	(211,174)	(276,946)	(636,200)
Student activities fees and U-Pass fees	(40,082)	(43,539)	(44,080)	(43,134)	(44,816)
Student technology fees, Building Fees, student loan funds	(66,726)	(71,576)	(76,297)	(79,066)	(72,008)
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	(324,901)	(440,903)	(187,599)	19,050	(416,327)
State capital appropriations	(47,123)	(7,693)	(20,812)	(39,221)	(64,166)
Capital grants, gifts and other	(26,763)	(26,156)	(21,986)	(21,645)	(52,897)
Other nonoperating revenues/expenses	19,780	(42,816)	(9,042)	(13,133)	(12,963)
Gifts to permanent endowments	(57,882)	(55,541)	(67,359)	(88,267)	(85,449)
Total General Revenues	$2,456,998	$2,644,633	$2,890,971	$2,970,945	$3,065,940
General Revenue (By Component)					
Student tuition and fees (less student activities fees, U-Pass fees, technology fees, Building Fees and loan funds)	$711,056	$733,815	$804,391	$837,677	$836,837
Grant and contract indirect costs	246,502	242,773	246,677	248,276	257,706
Invested funds distributions and net invested funds unrealized gains and losses	16,340	39,742	39,805	63,927	27,056
Sales and services of educational departments	198,320	212,592	223,494	224,747	217,421
Patient services[4]	1,020,075	1,066,181	1,196,561	1,210,271	1,319,393
Auxiliary systems	174,664	266,748	308,883	337,726	355,734
Other operating revenues	90,040	82,782	71,160	48,321	51,793
Total General Revenues	$2,456,998	$2,644,633	$2,890,971	$2,970,945	$3,065,940
General Revenue Balances					
General Net Position (per audit)	$1,459,610	$1,614,991	$754,822	$568,824	$315,982
Plus: Effect of 2015 GASB No. 68 Restatement[5]	-	-	803,277	769,615	761,658
Plus: Effect of 2017 GASB No. 73 Restatement[6]	-	-	-	-	215,387
Adjusted General Net Position	$1,459,610	$1,614,991	$1,558,099[5]	$1,338,457[5]	$1,293,027[5][6]

(1) See accompanying notes to Audited Financials: Reconciliation of Total University Revenue to General Revenue, June 30, 2017 (in Appendix B).

(2) Total Revenues exclude revenues from Valley (all years) and Northwest (2013-2016). Northwest revenues are included in total revenues in 2017.

(3) Revenues of component units include UW Physicians and UW Neighborhood Clinics and, in 2017, Northwest revenues. See "UW MEDICINE—Components of UW Medicine."

(4) Excludes revenue from Northwest, Valley, UW Physicians and UW Neighborhood Clinics. Only UW Medical Center revenues are included in patient services revenues within General Revenues for the University as of the date of this Official Statement. See "UW MEDICINE—Components of UW Medicine--Northwest Hospital & Medical Center" for a discussion of a proposal to combine UW Medical Center and Northwest into one hospital with two campuses, commencing in January 2019. If the proposal is approved, Northwest revenues would no longer be reported separately but would be a part of UW Medical Center's revenues included in General Revenues.

(5) The impact of GASB No. 68 accounting in the year of implementation, and the cumulative impact on subsequent years, is shown as an adjustment to General Net Position to illustrate the effects of this noncash change in accounting. Unaudited.

(6) The impact of GASB No. 73 is shown as an adjustment to General Net Position to illustrate the effects of this noncash change in accounting. Unaudited.

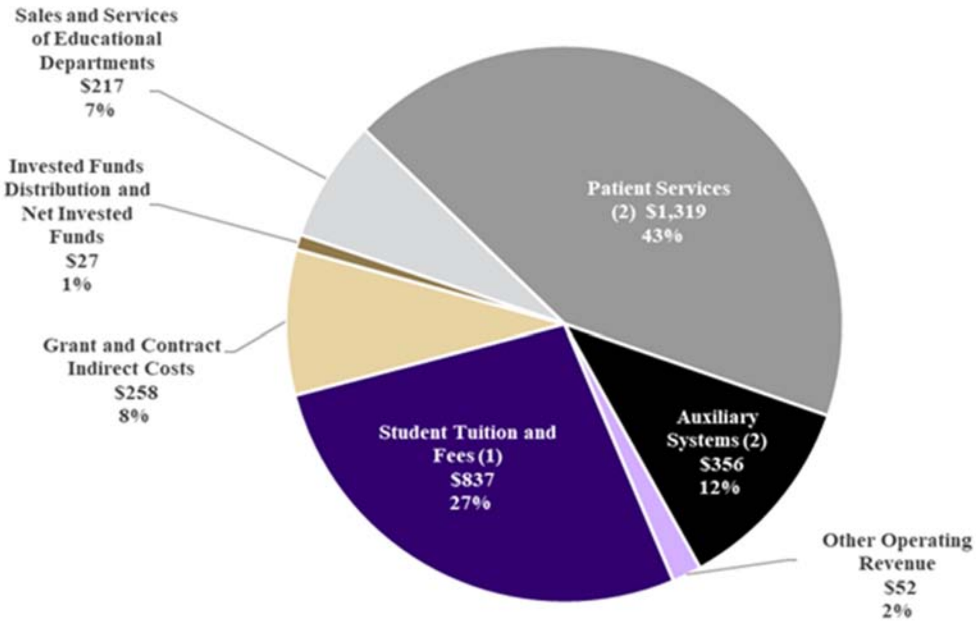
Source: The University's General Revenue Supplement to Audited Financial Statements, except as indicated in notes 5 and 6.

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 student loan funds), grants and contracts 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.

General Revenue Components

The following chart shows the General Revenue components for Fiscal Year 2017.

Figure 1: General Revenue Components, Fiscal Year 2017
(dollars in millions)



(1) Does not include student activities fees, technology fees, building fees, and loan funds.
(2) Auxiliary Systems and Patient Services do not include Valley or Northwest revenues.
Source: Chart is derived from data included in the General Revenue Supplement to Audited Financial Statements of the University (Fiscal Years Ended June 30, 2016 and June 30, 2017).

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 represented 12% of General Revenues in Fiscal Year 2017, while patient services represented 43%. 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 (in the case of graduate student and nonresident undergraduate student tuition) and within the limitations established by the Legislature (in the case of resident undergraduate tuition). The University has authority to set tuition for graduate students and nonresident undergraduate students. The Legislature limits increases in tuition for resident undergraduate students.

In Fiscal Years 2014 and 2015, the University committed to freezing 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. Resident undergraduate tuition rates were reduced by five and 15 percent below Fiscal Year 2015 rates in Fiscal Years 2016 and 2017, respectively. Future increases in resident undergraduate tuition were limited to annual increases of no more than the average annual percentage growth rate in the median hourly wage for Washington for the previous 14 years. The Legislature maintained this tuition policy in the 2017 legislative session. Accordingly, resident undergraduate tuition increases were limited to 2.2 percent for the 2017–2018 academic year and 2.0 percent for the 2018-2019 academic year. The University raised resident undergraduate tuition by the full 2.2 percent for the current 2017-2018 academic year. The State's adopted 2017–2019 biennial operating budget requires the University to maintain a minimum enrollment level, which is below the current actual level.

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 allows the Board of Regents to increase fees 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 Contract Indirect Costs

Indirect costs from grants and contracts constituted the third largest component of General Revenues in Fiscal Year 2017. Grants and contracts fund a wide variety of research and training programs at the University. In Fiscal Year 2016, the University negotiated an increase to the indirect cost/facilities and administrative cost ("IDC/F&A") rate. Over the next three years, the most common research activities will continue to see phased-in IDC/F&A increases of 1.0 percent to 2.5 percent.

The University's expectations with regard to future grant and contract revenues (and therefore future grant and contract indirect cost revenues included in General Revenues) 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. For more information regarding grant and contract revenues for Fiscal Years 2017 and 2016, see "APPENDIX B—"AUDITED FINANCIAL STATEMENTS (FISCAL YEARS ENDED JUNE 30, 2017 AND 2016) AND REQUIRED SUPPLEMENTAL INFORMATION OF THE UNIVERSITY (FISCAL YEAR ENDED JUNE 30, 2017)." The following award information provides information regarding the University's grant and contract awards for Fiscal Years 2013 through 2017. Only grant and contract indirect cost revenue is included in General Revenue.

Table 6: Grant and Contract Awards
(fiscal years, dollars in millions)

By Source[1]	2013	2014	2015	2016	2017
Federal Grants and Contracts	$ 981	$ 1,084	$ 1,040	$ 992	$ 1,034
Non-Federal Grants and Contracts	257	302	269	373	594[2]
Total[3]	$ 1,238	$ 1,386	$ 1,309	$ 1,365	$ 1,628
Total without Student Financial Aid[4]	$1,123				

By Purpose	2013	2014	2015	2016	2017
Medicine	$ 564	$ 751	$ 661	$ 718	$ 1,024[2]
Environment	105	115	129	111	106
Engineering	92	114	113	103	96
Arts and Sciences	82	81	107	98	106
Public Health	78	95	85	112	98
Health Sciences	18	43	28	30	10
Other	299	187	186	193	188
Total	$ 1,238	$ 1,386	$ 1,309	$ 1,365	$ 1,628

(1) Reporting awards by originating source/sponsor as of Fiscal Year 2014. Previous Fiscal Year awards modified to reflect reporting change.
(2) Includes a $279 million 10-year grant from the Bill and Melinda Gates Foundation.
(3) Totals subject to change per negotiations with sponsors after fiscal year end.
(4) External financial aid grants to undergraduates were removed from totals starting in Fiscal Year 2014.
Source: The University.

UNIVERSITY GOVERNANCE

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, 2017, more than 101,000 people studied and worked in approximately 24 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 45,100 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 579 degree options across 306 programs. In the 2016–2017 academic year, the University awarded 16,420 degrees, including 10,626 bachelor degrees, 4,454 master's degrees, 766 doctoral degrees and 574 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:

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

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

Blaine Tamaki, Member[1] (Attorney, Tamaki Law).

William S. Ayer, Member[1] (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).

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

Herb Simon, Member (Simon Johnson, LLC).

Jaron Reed Goddard, Student Member[1] (University second-year law student).

The University's Administrative Officers include the following individuals:

Dr. Ana Mari Cauce, President. A member of the University faculty since 1986, Dr. Cauce became President in 2015, having previously served as Provost and Executive Vice President. As President, Dr. Cauce is leading the University in providing a leading-edge student experience, conducting research and scholarship that has a global impact, and infusing the entire University with a spirit of innovation, all in support of the University's mission as a public university. She has earned awards both for her research into adolescent psychology and for her teaching, including a Distinguished Teaching Award, the University's highest honor for faculty's work with students in and outside of the classroom. Raised in Miami after emigrating with her family from Cuba, 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. She has received honorary degrees from the University of Miami and Tsinghua University.

Dr. 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 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 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. Dr. Baldasty has announced plans to retire.

On January 9, 2018, the University announced that Dr. Mark Richards has accepted the position of Provost and Executive Vice president for Academic Affairs, effective July 1, 2018. Dr. Richards is currently at the University of California, Berkeley, where he is a professor of Earth and planetary science and special assistant for diversity in the mathematical and physical sciences.

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[1] Pending State Senate confirmation.

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 UW School of Medicine's graduating class three times (in 1984, 1986, and 1987) and the Margaret Anderson Award, which recognizes exceptional support of medical students, from the University graduating class of 1989. 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.

Dr. Jeffrey F. Scott, Executive Vice President for Finance and Administration. Dr. Scott is the Executive Vice President for Finance and Administration for the University. He provides leadership for the central business services of the University, including finance, facilities, human resources, information technology and capital planning and development. Prior to joining the University, he led the finance, budget, capital planning, real estate, and institutional research departments for Georgia Tech. Previously, he also spent six years at Columbia University, leading its student and administrative services. Before entering higher education in 2008, Dr. Scott held a number of positions in the private and public sectors. He spent 13 years in a variety of positions, including chief strategy officer at FMC Corporation, a machinery and chemical multinational company. He also served in Washington D.C. as the chief financial officer of the Export-Import Bank of the United States. He spent his early career at the Office of Management and Budget and at the Pentagon. Dr. Scott graduated from Harvard College and received a master's in public policy from Harvard's Kennedy School. He holds a Doctorate in Education from the University of Pennsylvania.

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 NWCCU reaccredited the University in its last evaluation, held October 2013, and accepted the University's midcycle report in the spring of 2017.

ADMISSIONS, STUDENT ENROLLMENT AND FACULTY

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 student fees for each school, and the number of students enrolled in autumn quarter of the calendar years 2013–2017. The autumn quarter of the calendar year corresponds with a different fiscal year (e.g. autumn 2013 is enrollment for Fiscal Year 2014, autumn 2014 is enrollment for Fiscal Year 2015 and so on). In autumn quarter 2017, 76 percent of undergraduate students were located at the Seattle campus, 13 percent at Bothell, and 11 percent at Tacoma, based on headcount. For both the 2015-2016 and 2016-2017 academic years, approximately 66% and 65% of undergraduate and graduate FTEs were in-State residents. The Bothell and Tacoma campuses consist primarily of undergraduate students.

Table 7: Applications, Students and Enrollments[1]

Undergraduate	Autumn Quarter				
Freshmen	**2013**	**2014**	**2015**	**2016**	**2017**
Applied	33,857	35,382	41,257	48,471	50,007
Accepted	19,560	20,510	23,183	23,776	25,017
Percent Accepted to Applied	58%	58%	56%	49%	50%
Enrolled	7,210[2]	7,341[2]	7,943[2]	7,802	8,158
Percent Enrolled to Accepted	37%	36%	34%	33%	33%
Transfers	**2013**	**2014**	**2015**	**2016**	**2017**
Applied	8,809	9,480	9,819	9,619	9,718
Accepted	4,705	4,826	4,747	5,164	4,974
Percent Accepted to Applied	53%	51%	48%	54%	51%
Enrolled	3,252	3,308	3,123	3,207	3,218
Percent Enrolled to Accepted	69%	69%	66%	62%	65%
Undergraduate FTE[2]	**2013**	**2014**	**2015**	**2016**	**2017**
Bothell	3,794	4,101	4,402	4,804	5,026
Seattle	28,597	29,359	29,888	29,873	30,295
Tacoma	3,346	3,565	3,685	3,996	4,204
Total All Campuses	35,737	37,025	37,975	38,673	39,525
Undergraduate Headcount	**2013**	**2014**	**2015**	**2016**	**2017**
Bothell	4,106	4,406	4,698	5,113	5,370
Seattle	30,148	31,099	31,525	31,418	31,843
Tacoma	3,641	3,826	3,940	4,301	4,457
Total All Campuses	37,895	39,331	40,163	40,832	41,670
Additional Enrollment Statistics	**2013**	**2014**	**2015**	**2016**	**2017**
% of All Students From Outside State	30%	31%	32%	27%	29%
% Retention (Freshmen to Sophomore)	91%	92%	92%	92%	92%
Mean GPA	3.69	3.69	3.70	3.70	3.71
Median GPA	3.77	3.76	3.78	3.79	3.80
% of Class Reporting GPA Data	100%	100%	100%	100%	100%
Mean Combined SAT Scores	1200	1200	1210	1200	1,263
Median Combined SAT Scores	1220	1210	1230	1220	1,290
% of Class Reporting SAT Data	87%	84%	81%	78%	76%

(1) Unless otherwise noted, all figures include Seattle, Tacoma, and Bothell campuses.

(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.

Source: The University.

Table 7: Applications, Students and Enrollments[1] (Continued)

Graduate	Autumn Quarter 2013	2014	2015	2016	2017
Applied	27,381	29,851	32,248	32,562	34,150
Accepted	8,980	9,106	9,693	9,703	10,700
Percent Accepted to Applied	33%	31%	30%	30%	31%
Enrolled	4,383	4,389	4,717	4,693	4,605
Percent Enrolled to Accepted	49%	48%	49%	48%	43%
Graduate FTE	13,557	13,751	14,154	14,401	14,652
Graduate Headcount	13,177	13,333	13,595	13,896	14,059

Professional	2013	2014	2015	2016	2017
Applied	10,110	10,511	12,388	12,791	12,218
Accepted	1,195	1,269	1,291	1,226	1,335
Percent Accepted to Applied	12%	12%	10%	10%	11%
Enrolled	537	556	570	595	604
Percent Enrolled to Accepted	45%	44%	44%	49%	45%
Total Professional FTE	4,086	4,081	3,834	3,900	3,978
Total Professional Headcount	2,000	2,006	2,009	2,081	2,126

(1) Unless otherwise noted, all figures include Seattle, Tacoma, and Bothell campuses.
Source: The University.

Table 8: Extension Course and Conference Registrations

2013	2014	2015	2016	2017
74,922	75,412	76,245	78,426	82,949

Source: The University.

Table 9: Tuition and Fees[1]
(Full Academic Year)

	Autumn Quarter 2013	2014	2015	2016	2017
Undergraduate Resident	$ 12,397	$ 12,394	$ 11,839[2]	$ 10,753[2]	$ 10,974
Undergraduate Non-Resident	31,971	33,513	34,143	34,791	35,538
Graduate Resident	15,666	16,683	16,665	16,653	16,272
Graduate Non-Resident	28,119	28,926	28,909	28,896	28,320
Professional School Resident[3]	26,325-36,150	26,496-39,654	28,362-43,494	29,577-46,875	30,297-48,255
Professional School Non-Resident[3]	42,126-59,175	44,175-61,206	44,124-66,483	44,112-71,703	44,979-73,827

(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 "UNIVERSITY REVENUE AND EXPENSES—Fiscal Year 2017 Results and Recent Developments."
(3) Includes the Medical, Pharmacy, Dentistry and Law 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.

Table 10: University FTEs[(1)]

	Autumn Quarter				
	2013	**2014**	**2015**	**2016**	**2017**
Undergraduate	35,737	37,025	37,975	38,673	39,525
Graduate	13,557	13,751	14,154	14,401	14,652
Professional	4,086	4,081	3,834	3,900	3,978
Total University FTE	53,380	54,857	55,963	56,974	58,155

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

Table 11: University Headcount[(1)]

	Autumn Quarter				
	2013	**2014**	**2015**	**2016**	**2017**
Undergraduate	37,895	39,331	40,163	40,832	41,670
Graduate	13,177	13,333	13,595	13,896	14,059
Professional	2,000	2,006	2,009	2,081	2,126
Total University Headcount	53,072	54,670	55,767	56,809	57,855

(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.

Table 12: Faculty Data[(1)]

	2013	**2014**	**2015**	**2016**	**2017**
Number of Faculty	4,497	4,561	4,703	4,707	4,497
Tenure Rate (%)	37%	37%	36%	36%	36%

(1) Faculty data reflects core faculty comprised of professorial, instructional, and research categories. Headcount associated with temporary faculty categories is excluded. The University stopped tracking percent of faculty holding terminal degrees in 2017.*Source: The University.*

Table 13: Student Housing and Dining Data

	2013	**2014[(1)]**	**2015[(1)]**	**2016[(1)]**	**2017[(1)]**
Room and Board[(2)]	$9,360	$10,055	$10,576	$11,036	$11,251
Autumn Opening Occupancy[(3)]	6,403	6,592	7,010	7,024	7,294
Occupancy[(4)]	111%	114%	112%	113%	118%

(1) Figures for autumn 2014–2017 include residence hall units and exclude single student and family housing apartments.
(2) Room and board pricing is for the full academic year. The room portion of annual room and board pricing is the weighted average of all residence hall double rooms in inventory, and the dining portion is for a representative meal plan.
(3) Autumn opening occupancy is used to calculate capacity.
(4) 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.

UNIVERSITY REVENUE AND EXPENSES

The following section provides more general information regarding University revenues and expenses. University revenues may be restricted in whole or in part and, to the extent restricted, are excluded from General Revenues. Appropriated revenue also is 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 Revenues

The following table and chart show University total revenue by type of revenue source.

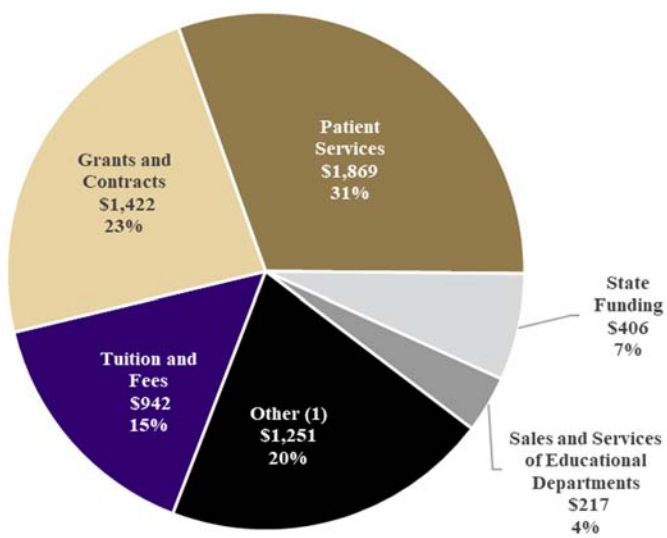
Table 14: University Total Revenue [(1)]
(fiscal years, dollars in millions)

	2013	2014	2015	2016	2017
Tuition and Fees	$ 808	$ 839	$ 914	$ 949	$ 942
Grants and Contracts	1,364	1,327	1,334	1,347	1,422
Patient Services	1,162	1,207	1,362	1,788	1,869
State Funding	265	270	276	341	406
Sales and Services of Educational Departments	198	213	223	223	217
Other	825	1,097	882	752	1,251
Total	$4,622	$4,953	$4,991	$5,400	$6,107

(1) Excludes Valley revenues in all years and includes Northwest revenues in 2016 and 2017.
Source: Management's Discussion and Analysis, Audited Financial Statements of the University.

University Total Revenue by Source. The following shows the University's $6.1 billion in total revenue by source for Fiscal Year 2017 (excluding Valley revenues).

Figure 2: University Total Revenue By Source, Fiscal Year 2017
(dollars in millions)



(1) "Other" revenue includes auxiliary revenue (other than patient services revenue), gifts and investment income.
Source: Chart is derived from data included in the Management's Discussion and Analysis, Audited Financial Statements of the University (Fiscal Years Ended June 30, 2016 and June 30, 2017).

University Expenses

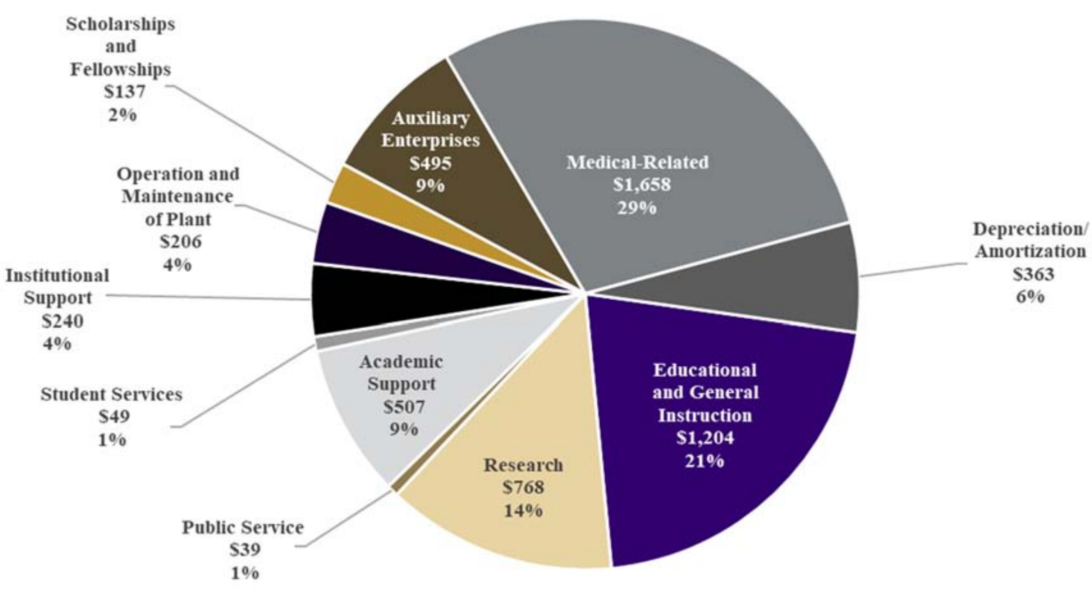
Operating Expenses. The University's operating expenses increased 4.7 percent in Fiscal Year 2017, due primarily to increased salary and benefit costs. Operating revenue increased 3.45 percent in Fiscal Year 2017. The following table and chart show University operating expenses by type of expenditure, excluding Valley expenses in all years and including Northwest expenses in 2016 and 2017.

Table 15: University Operating Expenses(1)
(fiscal years, dollars in millions)

	2013	2014	2015	2016	2017
Educational and general instruction (Instruction)	$988	$1,037	$1,114	$1,172	$1,204
Research	756	766	730	751	768
Public service	48	42	35	39	39
Academic support	261	297	337	398	507
Student services	36	43	43	47	49
Institutional support	201	224	215	267	240
Operation and maintenance of plant	207	201	241	239	206
Scholarships and fellowships	141	138	147	156	137
Auxiliary enterprises (other than medical)	204	286	292	422	495
Medical-related	999	1,042	1,203	1,580	1,658
Depreciation/amortization	280	308	311	342	363
Total	$4,121	$4,384	$4,668	$5,413	$5,666

(1) Excludes Valley revenues in all years and includes Northwest revenues in 2016 and 2017.
Source: Management's Discussion and Analysis, Audited Financial Statements of the University.

Figure 3: University Operating Expenses by Use, Fiscal Year 2017
(dollars in millions)



Source: Chart is derived from data included in the Audited Financial Statements of the University (Fiscal Years Ended June 30, 2016 and June 30, 2017).

UW MEDICINE

UW Medicine is an integrated health system that owns and/or operates Harborview Medical Center ("Harborview"), Northwest Hospital & Medical Center ("Northwest"), Valley Medical Center ("Valley"), UW Medical Center, UW Neighborhood Clinics, UW Physicians, UW School of Medicine and Airlift Northwest. As shown in Table 5, Harborview, Valley, Northwest, UW Physicians and UW Neighborhood Clinics revenues are not part of General Revenues. See "Table 5: General Revenues, notes 2, 3 and 4." UW Medical Center, including Airlift Northwest, revenues are included in General Revenues; UW School of Medicine revenues are included to the extent received as student tuition and fees, grant and contract indirect costs and other components of General Revenues. The following provides an overview of the integrated health system managed by UW Medicine.

Components of UW Medicine

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 2016. Phase two is expected to be fully completed in 2018.

Harborview Medical Center. Harborview is owned by King County and has been operated and managed by the University since 1967. The University and King County entered into a 10-year hospital services agreement (with two renewable 10-year agreement terms) in February 2016. 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.

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. 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. The District entered into a strategic alliance with UW Medicine in 2011. Valley continues to be included as a discretely presented component unit of the University following implementation of GASB Statement No. 80, Blending Requirements for Certain Component Units effective as of Fiscal Year 2017 ("GASB 80").

Northwest Hospital & Medical Center. Northwest is a 281-licensed bed hospital in North Seattle, which affiliated with UW Medicine in 2010. Northwest is a not-for-profit community hospital offering comprehensive medical, surgical and therapeutic services. The University is the sole corporate member of Northwest. Under 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 is presented as a blended component unit of the University, rather than in its previous form as a discretely presented component unit.

The University is in the process of evaluating whether to integrate UW Medical Center and Northwest into one hospital with two campuses. An evaluation team has recently recommended moving forward to seek requisite board approval to combine the two hospitals under one license. If a final decision is made to proceed, Northwest would be operated as a second campus of UW Medical Center and the two-campus hospital would be financially, clinically and administratively integrated. If the integration proposal is approved by the Northwest Board, the UW Medicine Board and the Board of Regents, the integration is expected to take effect January 1, 2019. It is likely that the Northwest corporation would be dissolved, at which point all Northwest assets and liabilities would transfer to the University to be reported as part of UW Medical Center. Following integration, Northwest revenues would cease to be revenue or income separately reported as an exclusion from General Revenues. Instead Northwest hospital and clinic operating revenues would be part of UW Medical Center revenues, which already are included within General Revenues. If integration and dissolution do not proceed, and Northwest revenue remains a separate item, Northwest revenue would not be included in General Revenues unless and until it can be added by certificate of the Controller.

See “SECURITY FOR THE BONDS—Additions to General Revenues” and Table 17: UW Medical Center, Northwest and Valley Financial Information for information regarding Northwest’s financial results and Table 16 for patient activity statistics, each showing historical performance of the two hospitals.

UW Neighborhood Clinics. UW Neighborhood Clinics is a network of clinics with 12 locations throughout the greater Seattle area. The clinics offer a spectrum of primary care services, select specialty care and urgent care services as well as ancillary services, including on-site laboratory, X-ray facilities and nutrition services. UW Physicians Network, dba UW Neighborhood Clinics, is a not-for-profit corporation organized for the benefit of the UW School of Medicine, its faculty practice plan, UW Physicians, and all of its affiliated medical centers. 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 2200 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 is a not-for-profit corporation whose members consist of clinically active faculty of the UW 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 UW 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 advancing medical knowledge through scientific research. UW School of Medicine was second in the nation in research funding received from the National Institutes of Health in 2016. Physician faculty members of the UW School of Medicine staff UW Medical Center, Harborview, Northwest, and UW Neighborhood Clinics, as well as the Puget Sound Veterans Affairs Health Care System, Seattle Cancer Care Alliance (“SCCA”) 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.

Patient Activity Statistics

The table on the following page shows patient activity statistics for UW Medical Center, Northwest and Valley, which are the three hospitals managed by UW Medicine that are included in the University financial statements (directly, as a blended component unit and as a discretely presented component unit).

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Table 16: UW Medical Center, Northwest and Valley Patient Activity Statistics
(fiscal years)

	2013	2014	2015	2016	2017
UW Medical Center					
Admissions	17,728	18,033	18,092	18,362	18,964
Outpatient Visits	284,870	291,375	302,038	320,037	341,014
Emergency Visits	22,977	25,338	26,465	26,555	27,730
Northwest					
Admissions	9,974	9,211	9,934	10,060	9,945
Outpatient Visits	195,978	193,387	195,031	197,132	174,257
Emergency Visits	33,942	34,276	36,159	35,068	34,150
Valley					
Admissions	17,477	16,693	17,174	17,518	18,153
Outpatient Visits	362,274	403,169	471,780	499,814	529,092
Emergency Visits	74,202	73,763	81,250	83,067	83,907
Combined					
Admissions	45,179	43,937	45,200	45,940	47,062
Outpatient Visits	843,122	887,931	968,849	1,016,983	1,044,363
Emergency Visits	131,121	133,377	143,874	144,690	145,787

Source: The University.

UW Medicine Joint Ventures

Seattle Cancer Care Alliance. SCCA is a joint venture of UW Medicine, Seattle Children's Hospital and Fred Hutchinson Cancer Research Center. SCCA integrates the cancer research, teaching and clinical cancer programs of all three institutions to provide cancer care. Each member of SCCA has a one-third interest. The University accounts for its share of the joint venture under the equity method of accounting.

Children's University Medical Group. Children's University Medical Group ("CUMG") is a joint venture of UW Medicine and Seattle Children's Hospital established to assist the organizations in carrying out their pediatric patient care, charitable, educational and scientific missions. CUMG employs UW School of Medicine faculty physicians, and it bills and collects for their services as an agent of UW School of Medicine. The University records revenue from CUMG based on an income distribution plan effective December 31, 2008.

Strategic 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 collaborations with third-party entities as part of its mission to improve the health of the public. These relationships are intended to address and further UW Medicine's strategic goals as described in "APPENDIX B–"AUDITED FINANCIAL STATEMENTS (FISCAL YEARS ENDED JUNE 30, 2017 AND 2016) AND REQUIRED SUPPLEMENTAL INFORMATION OF THE UNIVERSITY (FISCAL YEAR ENDED JUNE 30, 2017)" and below.

In 2014, UW Medicine formed an Accountable Care Network ("ACN") with other selected healthcare organizations and healthcare professionals in Western Washington to assume responsibility for the healthcare of contracted patient populations intended to achieve the Triple Aim: improved healthcare experience for the individual, improved health of the population and more affordable care.

- The ACN has contracted with the Washington Health Care Authority ("HCA") to participate in its Puget Sound Accountable Care Program ("ACP") as a healthcare benefit option for Public Employees Benefits Board ("PEBB") members. The ACP is offered to all PEBB members who reside in Snohomish, King, Kitsap, Pierce, and Thurston Counties. The contract with HCA covering PEBB members began January 1, 2016.

- A subset of the network members has also agreed to participate with the ACN in a contract with Premera as part of its Accountable Health System ("AHS") product. As an AHS, the ACN will share in accountability for the quality and cost of healthcare for Premera members who select this plan. This product was sold both on and off the Washington Health Benefit Exchange (the "Exchange") in select counties with coverage that began January 1, 2016. The AHS must have 5,000 planwide members per product, per region for the ACN to share in financial savings and risk. The ACN is not at risk for the AHS product in 2016 or 2017.
- The ACN also entered into an agreement to provide health care services to nonunion employees of a large local employer with coverage that began January 1, 2015.

These arrangements provide an opportunity for shared savings between the ACN and the contracted entity based on achieving quality and financial benchmarks. If certain financial benchmarks are not attained, UW Medicine and its network members are, is at risk for reductions in payment levels from the contracted entity based on the agreement.

In July 2017, UW Medicine and MultiCare Health System ("MultiCare") announced the formation of a new alliance to expand access to high-quality healthcare and allow the two organizations to engage in joint activities to further the mission of each organization. Through the alliance, UW Medicine and MultiCare are working to provide cost-effective and clinically integrated healthcare in communities throughout the Puget Sound region while supporting the education of the next generation of clinicians and advancing research.

RECENT DEVELOPMENTS

The University's financial performance improved in Fiscal Year 2017 as compared to Fiscal Year 2016, with increased nonoperating income (investment income, gifts and state appropriations) offsetting an operating loss. The following describes Fiscal Year 2017 results for the more significant components of University revenue, together with information regarding recent trends and challenges. See also "CERTAIN INVESTMENT CONSIDERATIONS."

UW Medicine Operating Results. UW Medical Center, Northwest and Valley had a combined negative margin for Fiscal Year 2017. UW Medical Center's negative margin was primarily due to lower than anticipated commercial reimbursements and higher than expected salary, wage and benefit expenses, offset partially by an increase in patient volumes during Fiscal Year 2017. Margins were unfavorable at Northwest for a variety of reasons, including a significant shift in payer mix and lower than anticipated patient volumes. Valley's negative margin in Fiscal Year 2017 was a result of a significant shift in payer mix and a one-time early retirement program.

The health care industry continues to experience rapid change, including as a result of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the "Affordable Care Act"). The Affordable Care Act changed how healthcare services are covered, delivered and reimbursed through expanded coverage of uninsured individuals, reduced growth in Medicare program spending, reduced Medicare and Medicaid Disproportionate Share Hospital payments, and established programs in which reimbursement is tied to quality and integration. In addition, the Affordable Care Act reformed certain aspects of health insurance, expanded efforts to tie Medicare and Medicaid payments to performance and quality, and contained provisions intended to strengthen fraud and abuse enforcement. Further, it provided 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. The Affordable Care Act also resulted in the creation of health insurance exchanges, including the Washington Health Plan Finder (the "Exchange"). The Exchange, coupled with the expansion of the Medicaid program in the State, 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. Legislative efforts to significantly modify or repeal and potentially replace the Affordable Care Act have created additional uncertainty; changes to the Affordable Care Act could significantly impact UW Medicine.

As the health care industry experiences change, continued reimbursement pressure from commercial and governmental payers as well as inflationary expenses increases have resulted in diminishing margins. On November 9, 2017, the Board of Regents approved UW Medicine's Financial Improvement and Transformation plan ("Project FIT"), a multi-year plan designed to improve financial stability and position UW Medicine for the future. Financial improvement is planned through revenue generation and cost savings with continued infrastructure investment. Key factors are planned related to clinical service growth and labor mix and productivity improvements. Fiscal Year 2018 represents the first year of Project FIT's multi-year plan. In general, UW Medicine's strategies are intended to improve financial performance through the reduction of costs and streamlining the provision of clinical care, as well as mitigating recent negative reimbursement trends being experienced within the market. Challenges include a continued focus on patient volumes shifting from inpatient to outpatient settings due to technological advancements and demand for care that is more convenient, affordable and accessible as well as the industry-wide migration to value-based payment models as government and private payers shift risk to providers.

The following table shows financial information for UW Medical Center, Northwest and Valley, which are the three hospitals managed by UW Medicine that are included in the University financial statements (directly, as a blended component unit and as a discretely presented component unit).

Table 17: UW Medical Center, Northwest and Valley Financial Information [(1)]
(fiscal years, dollars in thousands)

	2013	2014	2015	2016	2017
UW Medical Center					
Total Operating Revenue	$920,705	$967,651	$1,083,584	$1,135,626	$1,182,856
Operating Margin	2.6%	2.2%	4.9%	(0.2%)	(4.0%)[(2)]
Net Income	5,600	14,096	26,745	(27,679)	(44,323)
Northwest					
Total Operating Revenue	$327,807	$324,342	$357,054	$372,751	$358,700
Operating Margin	1.3%	(3.0%)	(5.0%)	(6.0%)	(9.9%)
Net Income	9,284	(4,755)	(5,283)	(4,511)	(26,314)
Valley					
Total Operating Revenue	$451,012	$474,195	$518,532	$550,343	$576,042
Operating Margin	(7.2%)	(0.8%)	0.9%	(1.9%)	(7.6%)
Net Income	(16,385)	6,149	15,617	11,481	(21,930)
Combined					
Total Operating Revenue	$1,699,524	$1,766,188	$1,959,170	$2,058,720	$2,117,598
Net Income	(1,501)	15,490	37,079	(20,709)	(92,567)

(1) Of these three hospitals, only UW Medical Center revenues are included in General Revenues for the University as of the date of this Official Statement. See "UW MEDICINE—Components of UW Medicine--Northwest Hospital & Medical Center" for a discussion of a proposal to combine UW Medical Center and Northwest into one hospital with two campuses, commencing in January 2019. If the proposal is approved, Northwest revenues would no longer be reported separately but would be a part of UW Medical Center's revenues included in General Revenues.

(2) $32 million of primary care funding for UW Neighborhood Clinics was reclassified to operating expense. Prior to the reclassification, operating margin would be (1.35%).

Source: The University.

Grant Awards. Grant and contract revenues accounted for 23 percent of University revenue in Fiscal Year 2017. In Fiscal Year 2017, federal and non-federal grant and contract awards were $1.63 billion, a 19 percent increase over Fiscal Year 2016.

The University experienced a four percent increase in total federal research funds between Fiscal Year 2016 and Fiscal Year 2017. Fiscal Year 2017 data for the University show a seven percent increase in National Institutes of Health funds and a five percent increase in National Science Foundation funds compared to Fiscal Year 2016.

The University also experienced a 60 percent increase in non-federal funds from Fiscal Year 2016 to Fiscal Year 2017. The large increase in non-federal funding is due to $279 million grant from the Bill and Melinda Gates Foundation to be collected over 10 years. It is expected that non-federal funding levels will return to historical norms in future years.

State Appropriations and Tuition. State appropriations and tuition account for 21 percent of University revenue in Fiscal Year 2017. As described under the heading "GENERAL REVENUES—Student Tuition and Fees," following a period during which tuition revenue grew as State appropriations to the University declined, the State began to reverse that trend through increased appropriations between Fiscal Year 2014 and Fiscal Year 2017.

State appropriations accounted for approximately six percent of the University's total revenue in Fiscal Year 2017. 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 table on the following page shows University expenditures of State operating and capital appropriations to the University in Fiscal Years 2013 through 2017.

Table 18: Expenditures of State Appropriations to the University By Type
(fiscal years, dollars in millions)

	2013	2014	2015	2016	2017
Operating Appropriations	$ 218.2	$ 262.1	$ 255.2	$ 302.1	$ 342.0
Capital Appropriations	47.1	7.7	20.8	39.2	64.2
Total Appropriations	$ 265.3	$ 269.8	$ 276.0	$ 341.3	$ 406.2

Source: The University.

The 2017 Legislature passed a final compromise operating budget for the 2017-2019 biennium shortly before a potential State government shutdown at the beginning of July 2017. Despite facing constitutionally required increases to K-12 funding as described below, the final State budget included targeted investments in public higher education including medical education and STEM enrollments. In addition, the Legislature authorized salary increases for State employees 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.

The 2017 Legislature failed to pass a capital budget for the 2017-2019 biennium. Therefore, most projects that were slated to receive funding for Fiscal Year 2018 will be delayed until a capital budget is approved. State funding for capital appropriations continues to be constrained, though the University expects to receive some State bonding capacity for critical capital projects once a budget is approved.

The Legislature continues to face budgetary pressure due to 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 decision (*McCleary v. Washington*) by the Washington State Supreme Court (the "Court") held that the State was not adequately funding K-12 education to this constitutional standard. In 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. The 2017 Legislature substantially increased appropriations to K-12 education. On November 15, 2017, the Court ruled that the State remains in contempt as a result of its noncompliance with the Court's prior orders, due to the implementation of increased teacher salary allocations in the 2019-2021 biennium and not by a previously established deadline of September 1, 2018; however, the Court found the State to have fully complied with respect to other issues. The Court retained jurisdiction over the case and continues to fine the State $100,000 per day of noncompliance. The Court declared its expectation that the Legislature will enact measures to achieve full compliance during its 2018 regular session and further stated that, if such measures are not enacted, the Court will immediately address the need to impose additional remedial measures. See "CERTAIN INVESTMENT CONSIDERATIONS—Uncertainties of State Legislation and Initiatives."

Gifts. Gifts accounted for five percent of University revenue in Fiscal Year 2017. Philanthropic support increased substantially in Fiscal Year 2017 to an all-time University record. In Fiscal Year 2017, the University received $564.4 million in total private support from 154,804 donors. This is up from the trailing five-year average of $423 million. Of the $564 million received, approximately $321 million was private gifts and approximately $243 million was private grants. The University formally announced its Be Boundless Campaign, with a goal of at least $5 billion, on October 21, 2016. The campaign will extend until June 30, 2020.

Beginning with audited financial statements for Fiscal Year 2018, new GASB standards will apply to irrevocable split-interest agreements, a specific type of giving arrangement used by donors to provide resources to two or more beneficiaries. See Note 1 to "APPENDIX B—AUDITED FINANCIAL STATEMENTS (FISCAL YEARS ENDED JUNE 30, 2017 AND 2016) AND REQUIRED SUPPLEMENTAL INFORMATION OF THE UNIVERSITY (FISCAL YEAR ENDED JUNE 30, 2017)."

Investment Income. Investment income increased in Fiscal Year 2017 to $443 million from $44 million in Fiscal Year 2016. The primary contributors of Investment Income are the Consolidated Endowment Fund ("CEF") and Invested Funds Pool ("IF Pool"). The total value of the CEF as of June 30, 2017 was $3,144 million, including $615 million of units of CEF owned by the IF Pool. For the 10 years that ended June 30, 2017, the annualized return on the CEF was 4.7 percent. The total value of the University's operating fund investments (the "IF Pool"), as of June 30, 2017 was $2,413 million, including the portion invested in the CEF as described under the heading "—Investments: Invested Funds and Endowment Funds."

Investments: Invested Funds and Endowment Funds

The Board of Regents is vested by statute with the responsibility of managing 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 establishes investment policy and has delegated authority to carry out the day-to-day activities of the investment portfolios to the University of Washington Investment Management Company ("UWINCO"), an internal investment management company, which is led by the Chief Investment Officer of the University. Investment performance is reviewed quarterly by the University of Washington Investment Management Company Board ("UWINCO Board"), which is the advisory board to the Board of Regents and UWINCO. Balances and returns on these funds have varied, sometimes significantly, from period to period.

Invested Funds Pool ("IF Pool"). The IF Pool currently consists of four pools: Short-term Pool, Intermediate-term Pool, Long-term Investment Pool and Capital Assets Pool ("CAP"). Although the pool names were updated by the Board of Regents in May 2017, the investment strategies of the individual pools remain the same. The Short- and Intermediate-term Pools are invested primarily in high quality, fixed-income securities to meet the day-to-day obligations of the University. The Long-term 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 the CAP is targeted at 10 percent of the IF Pool, and the maximum size is limited by policy to 15 percent of the IF Pool.

University policy stipulated the following minimum and maximum percentages that the IF Pool may be invested in these pools as of June 30, 2017. The percentages that were invested in these funds for the periods ended June 30, 2016 and June 30, 2017 are shown below. Over the next 12 months, planned fund transfers will bring the Short-term Pool and the Intermediate-term Pool allocations within the policy range.

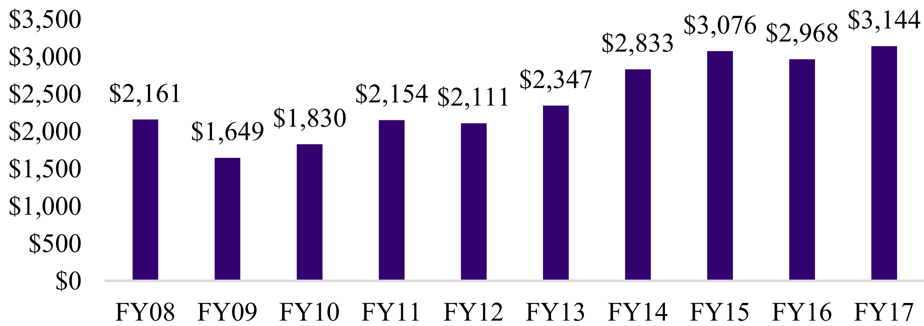
Table 19: Invested Funds Pool

	Policy %	**% June 30, 2016**	**% June 30, 2017**
Short-term Pool	10%-40%	24%	52%
Intermediate-term Pool	25%-60%	40%	17%
Long-term Pool	15%-45%	31%	25%
Capital Assets Pool	0%-15%	5%	6%

Source: University of Washington Investment Management Company.

Consolidated Endowment Fund. The CEF year-end market values for the last 10 fiscal years are shown below. See "APPENDIX B—"AUDITED FINANCIAL STATEMENTS (FISCAL YEARS ENDED JUNE 30, 2017 AND 2016) AND REQUIRED SUPPLEMENTAL INFORMATION OF THE UNIVERSITY (FISCAL YEAR ENDED JUNE 30, 2017)," which includes notes to the financial statements detailing the investment of the CEF.

Figure 4: Consolidated Endowment Fund Market Value
($ in millions)



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Source: University of Washington Investment Management Company.

Endowment Distributions. Under the Board of Regents-approved spending policy for the CEF, distributions to endowed programs are made in an amount equal to four percent of the twenty-quarter rolling average of the CEF's market valuation. The spending policy calls for an additional 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 twenty-quarter rolling average market value.

LABOR, RISK MANAGEMENT AND RETIREMENT INFORMATION

Labor Relations

The University employs approximately 45,100 full-time and part-time employees, of whom approximately 18,600 are unionized. Pursuant to chapter 41.80 RCW, the University has negotiated collective bargaining agreements to cover the 2017–2019 biennium with the following unions:

- Inlandboatmen's Union of the Pacific (mariners)
- Service Employees International Union ("SEIU") Local 925 (clerical and healthcare employees)
- Washington Federation of State Employees master group (service, library, public safety, skilled trade employees)
- UW Police Management group (police sergeants and lieutenants who are also represented by the Washington Federation of State Employees)
- Teamsters Local Union No. 117 (police officers)
- SEIU Local 1199NW (registered nurse, healthcare specialist, imaging tech, social worker, anesthesia and respiratory tech employees primarily at Harborview Medical Center, and at Airlift Northwest)
- Washington State Nurses Association (registered nurses at the University of Washington Medical Center)

Combined, these unions cover approximately 12,500 employees in 26 bargaining units.

With respect to agreements covered by chapter 41.56 RCW, the University is currently negotiating a successor agreement with the American Federation of Teachers Local 6486 (representing approximately 34 English language extension lecturers within UW Educational Outreach). The University recently reached an agreement with the graphic communications bargaining unit, also represented by the Teamsters Local 117 in late October 2017. In October 2016, the University reached agreement with the UW Housestaff Association (representing approximately 1,300 medical residents and fellows at the University) on a contract spanning November 1, 2016, to June 30, 2019. In the winter of the 2017-2018 academic year, the University will enter into negotiations with the United Auto

Workers Local 4121, representing approximately 4,600 academic student employees, whose current contract will expire on April 30, 2018. On October 3, 2017, United Auto Workers has filed a petition with the Washington State Public Employment Relations Commission to represent the University's approximately 1,200 to 1,300 post-doctoral fellows. On December 8, 2017, the Screen Actors Guild–American Federation of Television and Radio Artists filed a petition with PERC to represent approximately 50 employees at KUOW-FM.

The University has been in discussion with affected unions over the July 1, 2017 changes to RCW 43.01.040, which removed a requirement that employees work at least six months before being able to access their accrued vacation leave. The University is working with the unions to modify contract language to indicate that vacation leave can be used upon accrual. Employees will remain eligible for cash-out at separation if they are continuously employed for at least six months.

In anticipation of the revisions to State law as a result of Initiative 1433 that will become effective on January 1, 2018, the University will soon begin impact bargaining with all interested unions about contract changes to sick time-off provisions and related issues.

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 and 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 reserves represent the estimated ultimate cost of settling claims resulting from events that have occurred on or before the statements of net position date. The reserves include 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 reserves are estimated through an actuarial calculation and included in long-term liabilities. See "APPENDIX B—"AUDITED FINANCIAL STATEMENTS (FISCAL YEARS ENDED JUNE 30, 2017 AND 2016) AND REQUIRED SUPPLEMENTAL INFORMATION OF THE UNIVERSITY (FISCAL YEAR ENDED JUNE 30, 2017)." Changes in the self-insurance reserves for the years ended June 30, 2013 through 2017 are noted below:

Table 20: University Self-Insurance Reserves
(fiscal years, dollars in thousands)

	2013	2014	2015	2016	2017
Reserve at Beginning of Fiscal Year	$62,919	$79,708	$67,450	$82,201	$79,153
Incurred Claims and Changes in Estimates	28,605	13,917	29,495	24,778	15,026
Claim Payments	(11,816)	(26,175)	(14,744)	(27,826)	(15,695)
Reserve at End of Fiscal Year	$79,708	$67,450	$82,201	$79,153	$78,484

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.

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 Harborview's employees 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 the 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 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/ (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, 2015, with the results rolled forward to June 30, 2016 (the measurement period for the University's Fiscal Year 2017). 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 due to 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, 2015 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 2015 actuarial valuation report.

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 41.45 RCW by the OSA, and include a DRS administrative expense component that is currently set at 0.18 percent of covered payroll. 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.

The University's proportionate share of the State-wide required contributions for each DRS plan in which the University participates as of June 30, 2017 and 2016 is shown in the table below.

Table 21: University's Proportionate Share of Employer Contribution Rates
(as of June 30)

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2
2017 Rate	8.46%	10.36%	0.16%	0.15%	0.25%
2016 Rate	8.33%	10.20%	0.13%	0.12%	0.20%

Source: The University.

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

Table 22: University's Proportionate Share of Pension Expense
(as of June 30, dollars in thousands)

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2
2017 Amount	$31,179	$75,104	$1,315	$799	$169
2016 Amount	28,799	45,100	1,248	414	(66)[(1)]

(1) Negative value indicates overfunding.
Source: The University.

Table 23: Contribution Rates and Funded Status By Plan
(as of June 30, dollars in thousands)

2017	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2
Required University Contributions	$1,788	$114,852	$39	$1,401	$348
Covered Employee Payroll	1,043,335	1,027,338	10,967	10,669	4,061
University Contributions as a % of Payroll (Contribution Rates)	0.2%	11.2%	0.4%	13.1%	8.6%
Plan Fiduciary Net Position % of Total Net Pension Liability (funded status)	57.0%	85.8%	62.1%	88.7%	106.0%

2016	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2
Required University Contributions	$2,155	$107,424	$38	$956	$384
Covered Employee payroll	987,405	967,955	7,813	7,507	4,474
University Contributions as % of Payroll (Contribution Rates)	0.2%	11.1%	0.5%	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%

Source: The University.

University Aggregated Balances. The University's aggregated balances of net pension liabilities and net pension assets as of June 30, 2017 and 2016 are presented in the following table:

Table 24: University's 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
2017 Net Pension (Liability)/Asset	($454,341)	($521,777)	($5,463)	($2,077)	$1,430
2016 Net Pension (Liability)/Asset	($435,853)	($364,303)	($4,049)	($969)	$2,083

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 that is closed to new participants and operates in tandem with the 403(b) plan. Both plans are administered by the University.

Under GASB Statement No. 73, the University includes the pension-related amounts for the UWRP plan pertaining to employees working at Harborview in the amounts recorded in the University's Financial Report (see Appendix B). Harborview will continue to account for pension-related expenses using the current "funding" approach, and does not record any of the associated GASB 73 liabilities.

- *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, 2017 and 2016 were $112,420,000 and $111,015,000, 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. The Supplemental Retirement Plan was closed to new 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 June 30, 2016. Update procedures performed by the Office of the State Actuary were used to roll forward the total pension liability to the measurement date of June 30, 2017. The University has set aside $230,782,000 and $198,831,000 as of June 30, 2017 and 2016, 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 total pension liability, therefore, does not reflect a credit for these amounts.

Table 25: Changes in Total Pension Liability
(fiscal year, dollars in thousands)

	2017
Beginning Total Pension Liability	$512,372
Service Cost	19,892
Interest	15,097
Differences Between Expected and Actual Experience	(74,919)
Changes in Assumptions	(28,553)
Benefits Payments	(5,136)
Ending Total Pension Liability	**$438,753**
UWRP Covered Employee Payroll	801,161
Total Pension Liability as a Percentage of Covered Employee Payroll	54.76%

Source: The University.

Table 26: Significant Assumptions Used to Measure the Total Pension Liability
(dollars in thousands)

Inflation:	2.75%
Salary changes:	4.25%
Source of mortality assumptions:	RP-2000 Combined Healthy Table, with generational mortality improvements using 100 percent Scale BB
Date of experience study:	April 2016
Discount rate:	3.58%
Source of discount rate:	Bond Buyer's 20-bond index as of 6/30/17
TPL measurement at discount rate:	$438,753
TPL discount rate increased 1 percent:	$382,026
TPL discount rate decreased 1 percent:	$507,452

Source: The University.

Material assumption changes during the measurement period include updating the GASB Statement No. 73 discount rate from 2.85% to 3.58% (decreased the total pension liability) and updating the variable income investment return assumption used in the "assumed income" calculation from 6.75% to 6.25% (which increased the total pension liability).

Healthcare and Life Insurance Benefits; Other Post-Employment 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 2016 and 2017, 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, 2017 and 2015 was $5.5 billion and $5.3 billion, respectively. The annual required contribution was $534 million and $498 million for the State for 2017 and 2015, 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 $1.2 billion and $997 million for 2017 and 2015, respectively. These amounts are not included in the University's existing financial statements, but this will change beginning with financial statements for Fiscal Year 2018. Pursuant to GASB No. 75, the University will be required to recognize its proportional share of the State's actuarially determined OPEB liability, deferred inflows and deferred outflows of resources, and benefit expense. See Note 1 to "APPENDIX B—AUDITED FINANCIAL STATEMENTS (FISCAL

YEARS ENDED JUNE 30, 2017 AND 2016) AND REQUIRED SUPPLEMENTAL INFORMATION OF THE UNIVERSITY (FISCAL YEAR ENDED JUNE 30, 2017)."

The University paid $349 million and $324 million for healthcare expenses in Fiscal Years 2017 and 2016, respectively, which included its pay-as-you-go portion of the OPEB liability, calculated by the OSA at $16 million and $7.9 million in 2017 and 2016, respectively.

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).

CERTAIN INVESTMENT CONSIDERATIONS

The purchase of the Bonds involves investment risk. Prospective purchasers of the Bonds should carefully consider 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

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 the need to address 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. 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 Revenue; 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; a portion of these revenues is included in General Revenues. (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 repeal of or amendments to the Affordable Care Act, funding cuts for Medicare and Medicaid, lower patient volumes, uncertainty over healthcare reform repeal, replacement or continued implementation and payer reimbursement pressure. UW Medicine 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.

The Affordable Care Act affects almost all aspects of hospital and provider operations and health care delivery, and has changed and is continuing to change how health care services are covered, delivered, and reimbursed. These changes are resulting in lower hospital reimbursement from Medicare, utilization changes, increased government enforcement activity and the necessity for health care providers to assess, and alter, their business strategy and practices, among other consequences. The Affordable Care Act also has required, and may continue to require, the promulgation of substantial regulations with significant effects on the health care industry. Thus, the health care industry is the subject of significant statutory and regulatory requirements and consequently will be subject to structural and operational changes and challenges for a substantial period of time. The full ramifications of health care reform may also become apparent only over additional time and through further regulatory and judicial interpretations.

The Affordable Care Act and its implementation have faced legal and legislative challenges, including repeated repeal efforts, since its enactment. UW Medicine management cannot determine the impact any major modification or repeal of the Affordable Care Act, or any replacement health care reform legislation, might have on patient services revenue that contributes to General Revenues, though such impacts could be material. Public and nonprofit health care providers often treat large numbers of indigent patients who are unable to pay in full for their medical care. In general, any legal, legislative or executive action that reduces federal health care program spending increases the number of individuals without health insurance and may thereby increase the number of people seeking charity care and/or reduce the number of people seeking health care for payment. General economic conditions also may affect the number of employed individuals who have health coverage and the ability of patients to pay for their care. Similarly, changes in governmental policy, which may result in coverage exclusions under local, county, state and federal healthcare programs (including Medicare and Medicaid) may increase the frequency and magnitude of indigent care by such hospitals and other providers. As part of H.R. 1, Congress has eliminated the Affordable Care Act's individual mandate to maintain health insurance coverage. In addition, Congressional authorization of the Children's Health Insurance Program ("CHIP") has lapsed, and CHIP has not been reauthorized as of the date hereof. Each of these changes may increase the number of individuals without health insurance, resulting in higher health insurance premiums, increased levels of indigent care and other potential consequences which UW Medicine management cannot predict. State law codified at RCW 70.170.060 prohibits hospitals from denying access to emergency care based on inability to pay or maintaining admissions policies that result in significant reductions in charity care.

Among other provisions (some of which are described herein), the Affordable Care Act created "health insurance exchanges" (such as the Exchange) in which health insurance can be purchased by certain groups and segments of the population, expanded the availability of subsidies and tax credits for premium payments by some consumers and employers and required that certain terms and conditions be included by commercial insurers in contracts with providers. In addition, the Affordable Care Act imposed many obligations on states related to health insurance. The exchanges are still relatively new, participation in them is changing, there is ongoing litigation regarding the subsidies, and the Trump administration has taken and proposed recent actions related to the health insurance marketplaces (including proposing to eliminate subsidies). UW Medicine management cannot predict the effects of the exchanges upon the financial condition of any third-party payer that offers health insurance or the rates paid by third-party payers to providers and, thus, upon patient services revenues and the operations, results of operations and financial condition of the various UW Medicine components providing patient services.

The health care sector has undergone and may continue to undergo significant legislative and regulatory change, including as described above. To date 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 expects to enter into future arrangements. The University has experienced and expects a continued period of transition as it works to align affiliated and third-party entities' services and performance with broader UW Medicine objectives.

Tuition and Student Fee Revenues

Tuition and student fees are the second largest component of General Revenues. See "GENERAL REVENUES—Student Tuition and Fees." 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—Initiative 960." Tuition is established by the Board of Regents within the graduate and nonresident undergraduate tuition-setting authority delegated by the Legislature and is subject to certain statutory limits on resident undergraduate tuition. 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 revenue is used to support student financial aid. In the future, federal, State, institutional and private funders may not appropriate or approve funding for grant, scholarship, loan and other financial aid programs at the same levels and under the same terms as they have in the past, which may affect the amount of financial aid available to University students.

Changes in U.S. immigration policies may result in decreased enrollment among international students.

Uncertainties of State Legislation and Initiatives

The Legislature considers legislation from time to time that may affect the University, including without limitation legislation that appropriates funds for higher education; legislation that authorizes 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 has faced budgetary pressure as a result of court-mandated increases in K-12 education funding required by the 2012 Washington Supreme Court decision that the State was not adequately funding basic education to a constitutional standard. The 2017-2019 budget increased State funding of K-12 public education by $7.3 billion over four years (which may be offset in part by a reduction in authorized local funding), but the State has not yet satisfied all of the *McCleary* requirements.

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 Federal Legislation

Research funding from federal sources continues to be a large part of the University's total research revenues. Medicaid and Medicare payments contribute to patient services revenue. Medicare and Medicaid payments represented approximately 41.5 percent of total net patient services revenue in Fiscal Year 2017 (for UW Medical Center and Northwest). The University may be adversely impacted by federal legislative and executive or regulatory actions, including cuts to federal spending, changes to financial aid programs, H.R. 1, and actions affecting international student enrollment. Federal funding, including federal research funding and healthcare reimbursement funding, is subject to federal legislative action, including through the federal budget process and sequestration. Budgetary acts, including the sequestration provisions of the Budget Control Act of 2011 and Statutory Pay-As-You-Go Act of 2010 (together "Sequestration"), could continue to affect the availability of federal funds. Payments made by the federal government in connection with interest payments on taxable bonds eligible for federal interest subsidies between October 1, 2017 and September 30, 2018, were reduced through Sequestration by 6.6%, resulting in a reduction in subsidy payments related to certain University bonds. Sequestration of such interest payments has been extended by Congress and is scheduled to remain in effect through federal fiscal year 2024. 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.

H.R. 1's changes to estate taxes and deductions (including eliminating the 80% deductibility of certain athletic tickets and seat licenses) could negatively affect philanthropy as well as ticket and seat license sales. H.R. 1's elimination of tax-exempt advance refunding bonds affects the University's ability to refund for debt service savings except on a taxable or current refunding basis.

Laws and Regulation

The University is subject to federal, State, and local laws and regulations, and grant requirements. Failure by the University to comply with, or violations of, statutory, regulatory or grant 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.

As further described under the heading "Patient Services Revenues; Uncertainties of the Health Care Sector," 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, the imposition of significant fines and penalties and significant repayments for patient services previously billed. Recent regulatory, legislative and accounting activity is expected to impact all entities in UW Medicine during Fiscal Year 2018 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. For example, the implementation of GASB No. 68 and 73 has affected the University general net position (see the table entitled "GENERAL REVENUES"). Commencing Fiscal Year 2018, GASB No. 75 also will affect the University general net position, as the University will be required to recognize its proportional share of the State's actuarially determined OPEB liability, deferred inflows and deferred outflows of resources, and benefit expense. See "OTHER UNIVERSITY INFORMATION—Healthcare and Life Insurance Benefits; Other Post-Employment Benefits ("OPEB")."

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 form of opinion of Bond Counsel is set forth in APPENDIX C—"FORM OF BOND COUNSEL OPINION."

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. No mortgage, deed of trust, lien or security interest has been granted to secure the payment of the Bonds.

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.

Seismic and Other Considerations

The University's Seattle, Tacoma and Bothell campuses are located above or near a number of geological faults capable of generating significant earthquakes. The Puget Sound region, including portions of the University campus, is characterized by geotechnical conditions that could result in areas of liquefaction and landslide in an earthquake. In anticipation of such potential disasters, the University designs and constructs its facilities to the seismic codes in effect at the time the projects are designed. Although the University has implemented disaster preparedness plans, there can be no assurance that these or any additional measures will be adequate in the event a natural disaster occurs, nor that costs of preparedness measures will be as currently anticipated. Rising sea levels and changing regional rainfall patterns, such as an increase in winter rainstorm frequency or intensity, are potential impacts of climate change for the University. 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 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 Bonds. Any loss of tax exemption could cause all of the interest received by the Owners of the Bonds to be taxable. All or a portion of interest on the 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 Internal Revenue Code of 1986, as amended (the "Tax Code") or court decisions may cause interest on the 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.

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 this guidance 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 an informal memorandum (the "OFM Memo") to State agencies. 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 material 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 form of opinion of Bond Counsel is attached hereto as Appendix C. Pacifica Law Group LLP is also serving as Disclosure Counsel to the University in connection with the issuance of the Bonds.

TAX MATTERS

General

In the opinion of Bond Counsel, under existing law and subject to certain qualifications described below, interest on the 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. The proposed form of opinion of Bond Counsel with respect to the Bonds to be delivered on the date of issuance of the Bonds is set forth in Appendix C.

The Tax Code contains a number of requirements that apply to the 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 Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

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

Original Issue Premium and Discount

If the initial offering price to the public 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 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 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 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 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 Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the University or the Owners regarding the tax-exempt status of the 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 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 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 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 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 Bonds. Prospective purchasers of the 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 Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Tax Code.

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, 2019, for the report for Fiscal Year 2018), 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 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.

Underwriting

The Bonds are being purchased by JP Morgan Securities (the "Purchaser"), at an aggregate price of $156,268,762.17 (par plus original issue premium of $22,799,976.40, less an underwriter's discount of $316,214.23). After the initial public offering prices may be varied from time to time. The Purchaser has not audited, authenticated or otherwise verified the information set forth in this Official Statement or any other related information available to the University with respect to the accuracy and completeness of disclosure of such information, and no guaranty, warranty or other representation is made by the Purchaser respecting the accuracy and completeness of this Official Statement or any other matter related to this Official Statement.

Independent Auditor

The selected financial statements of the University for the Fiscal Years ended June 30, 2017 and 2016 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/Jeffrey F. Scott
Executive Vice President for Finance and Administration

APPENDIX A

COPY OF THE RESOLUTION

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BOARD OF REGENTS

UNIVERSITY OF WASHINGTON

RESOLUTION

DATED JULY 13, 2017

Authorizing the issuance and sale of

UNIVERSITY OF WASHINGTON
GENERAL REVENUE OBLIGATIONS [2017/2018]

ATTACHMENT

UNIVERSITY OF WASHINGTON

Table of Contents*

* This Table of Contents and the cover page are not a part of this resolution; they are included for convenience of the reader only.

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 $170,000,000, 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 $170,000,000 (the “2017/2018 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 4A, the Life Sciences building, the Human Resources/Payroll Modernization Program 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 "2017/2018 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 2017/2018 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 2017/2018 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, Loan Agreement or Trust Agreement.

Authorized Representative of the University means the President of the University or the designee(s) of the President or his or her designee for the purposes of one or more duties of the Authorized Representative under this resolution.

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

Beneficial Owner means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 2017/2018 Bonds (including persons holding 2017/2018 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.

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, 2017/2018.

Bond Purchase Contract means the Bond Purchase Contract(s) between the University and the underwriter(s) for Underwritten 2017/2018 Bonds or a certificate of award executed by the University pertaining to the initial sale and purchase of Underwritten 2017/2018 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 (Taxable), General Revenue Refunding Bonds, 2015B, General Revenue and Refunding Bonds, 2015C, General Revenue and Refunding Bonds, 2015D (Taxable), General Revenue and Refunding Bonds, 2016A, General Revenue Refunding Bonds, 2016B (Taxable), the 2017/2018 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 2017/2018 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 2017/2018 Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the 2017/2018 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 2017/2018 Bonds bear interest at a Commercial Paper Rate or Rates.

Commercial Paper Rate means the interest rate (per annum) on any 2017/2018 Bond in the Commercial Paper Mode determined pursuant to the applicable Remarketing Agreement, Loan Agreement or Trust Agreement for such 2017/2018 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 2017/2018 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 2017/2018 Bonds, including but not limited to payment of the scheduled principal of and interest on 2017/2018 Bonds. There may be more than one Credit Facility for a series or subseries of 2017/2018 Bonds.

Credit Facility Issuer means the issuer of any Credit Facility.

Current Mode means, with respect to any series or subseries of the 2017/2018 Bonds, the Mode then in effect.

Daily Mode means the Mode during which a series or subseries of the 2017/2018 Bonds bear interest at the Daily Rate.

Daily Rate means the per annum interest rate for a series or subseries of the 2017/2018 Bonds in the Daily Mode determined pursuant to the Remarketing Agreement, Loan Agreement or Trust Agreement for such 2017/2018 Bonds.

Debt Policy means the University of Washington Debt Management Policy Statement of Objectives and Policies, approved by the Board most recently on May 11, 2017.

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

Direct Purchaser means any bank or other financial institution selected to purchase (or to accept delivery of) one or more Direct Purchase 2017/2018 Bonds, including to evidence the University's obligations under a Loan Agreement, pursuant to Section 23 of this Resolution.

Direct Purchase 2017/2018 Bonds means any 2017/2018 Bonds or 2017/2018 Bond sold to a Direct Purchaser pursuant to Section 23 of this Resolution.

DTC means The Depository Trust Company, New York, New York as depository for the 2017/2018 Bonds, or any successor or substitute depository for the 2017/2018 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 means the price at which a willing buyer would purchase an investment from a willing seller in a bona fide, arm's-length transaction, except for specified investments as described in Treasury Regulation §1.148-5(d)(6), including United States Treasury obligations, certificates of deposit, guaranteed investment contracts, and investments for yield restricted defeasance escrows. Fair Market Value is generally determined on the date on which a contract to purchase or sell an investment becomes binding, and, to the extent required by the applicable regulations under the Code, the term "investment" will include a hedge.

Federal Tax Certificate means certificate of that name executed by the Authorized Representative of the University at the time of issuance and delivery of 2017/2018 Tax-Exempt Bonds.

Fiscal Agent means, for Underwritten 2017/2018 Bonds, the fiscal agent of the State of Washington and, for Direct Purchase 2017/2018 Bonds, the fiscal agent of the State of Washington or the Treasurer of the Board, as set forth in the Loan Agreement.

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 2017/2018 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 2017/2018 Bonds to the maturity thereof determined pursuant to Section 23 and the Bond

Purchase Contract, Remarketing Agreement, Loan Agreement or Trust Agreement for such 2017/2018 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 2017/2018 Bonds bear interest at the Index Floating Rate.

Index Floating Rate means the index-based floating rate for a series or subseries of the 2017/2018 Bonds in the Index Floating Mode determined pursuant to the Remarketing Agreement, Loan Agreement or Trust Agreement for such 2017/2018 Bonds.

Interest Payment Date means the dates selected by the Authorized Representative of the University and set forth in the Bond Purchase Contract, Loan Agreement, 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 2017/2018 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 2017/2018 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 or Direct Purchaser 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 2017/2018 Bonds (or portion thereof). There may be more than one Liquidity Facility for a series or subseries of 2017/2018 Bonds, and the University may provide self-liquidity for a series or subseries of 2017/2018 Bonds, all as set forth in the applicable Remarketing Agreement, Loan Agreement or Trust Agreement.

Liquidity Facility Issuer means the issuer of any Liquidity Facility.

Loan Agreement means one or more loan or purchase agreements, if any, between the University and a Direct Purchaser under which the Direct Purchaser will make a loan to the University evidenced by a Direct Purchase 2017/2018 Bond, or under which the Direct Purchaser will purchase the Direct Purchase 2017/2018 Bond.

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

Maximum Rate means the maximum rate for 2017/2018 Bonds set forth in the applicable Bond Purchase Contract, Trust Agreement, Loan 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 2017/2018 Bonds, the University, the University's financial advisor, the Registrar, any Remarketing Agent, and any Liquidity Facility Issuer or Credit Facility Issuer, and with respect to each series of the Direct Purchase 2017/2018 Bonds, the Direct Purchaser.

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, 2017/2018 Bonds that are Bank Bonds shall remain Outstanding until the applicable Credit Facility Issuer or Liquidity Facility Issuer or Direct Purchaser is paid all amounts due on such 2017/2018 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 4A, the Life Sciences building, and the Human Resources/Payroll Modernization Program.

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

Purchase Price has the meaning set forth in the Trust Agreement, Loan 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 (except as otherwise set forth in the applicable Trust Agreement, Loan Agreement or Remarketing Agreement):

(a) with respect to 2017/2018 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 2017/2018 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, Loan Agreement or Bond Purchase Contract.

Redemption Price means amounts to be paid to redeem the 2017/2018 Bonds on the Redemption Date as set forth in the applicable Bond Purchase Contract, Trust Agreement, Loan 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 2017/2018 Bond on the Bond Register. For so long as the 2017/2018 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 2017/2018 Bonds, maintaining the Bond Register, registering the transfer of the 2017/2018 Bonds, paying interest on and principal of the 2017/2018 Bonds, and drawing on any Credit Facility securing 2017/2018 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 2017/2018 Bonds payable pursuant to such Credit Facility or Liquidity Facility.

Reimbursement Agreement means a Reimbursement Agreement relating to the 2017/2018 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 2017/2018 Bonds pursuant to a Remarketing Agreement.

Remarketing Agreement means a Remarketing Agreement relating to 2017/2018 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 2017/2018 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 2017/2018 Bonds, if any, designated as term bonds in the applicable Bond Purchase Contract or Loan Agreement.

Term Rate means the per annum interest rate for a series or subseries of 2017/2018 Bonds in the Term Rate Mode determined pursuant to the Remarketing Agreement, Loan Agreement or Trust Agreement for such 2017/2018 Bonds.

Term Rate Mode means the Mode during which a series or subseries of 2017/2018 Bonds bear interest at the Term Rate.

Trust Agreement means a Trust Agreement entered into between the University and a Trustee with respect to 2017/2018 Bonds, setting forth the terms of such 2017/2018 Bonds.

Trustee means a bond trustee selected by the Authorized Representative of the University to act on behalf of owners of 2017/2018 Bonds pursuant to a Trust Agreement.

2017/2018 Bonds means the 2017/2018 New Money Bonds and the 2017/2018 Refunding Bonds.

2017/2018 New Money Bonds means the University of Washington General Revenue Bonds, Series [2017/2018][__] [Taxable] issued in one or more series or subseries in the aggregate principal amount not to exceed $170,000,000 to finance (or refinance commercial paper issued to finance) costs of the Projects pursuant to this resolution.

2017/2018 Refunding Bonds means the University of Washington General Revenue Refunding Bonds, Series [2017/2018][__] [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.

2017/2018 Taxable Bonds means any 2017/2018 Bonds determined to be issued on a taxable basis pursuant to Section 23.

2017/2018 Tax-Exempt Bonds means any 2017/2018 Bonds determined to be issued on a tax-exempt basis pursuant to Section 23.

Underwritten 2017/2018 Bonds means 2017/2018 Bonds, if any, sold pursuant to a Bond Purchase Contract pursuant to Section 23 of this Resolution.

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 2017/2018 Bonds bear interest at the Weekly Rate.

Weekly Rate means the per annum interest rate for a series or subseries of the 2017/2018 Bonds in the Weekly Mode determined pursuant to the Remarketing Agreement, Loan Agreement or Trust Agreement for such 2017/2018 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 any gender shall mean and include correlative words of any other gender 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 2017/2018 New Money Bonds in one or more series or subseries, upon the terms and conditions set forth for the 2017/2018 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 2017/2018 Bonds payable from General Revenues.

Section 3. Authorization and Purpose of 2017/2018 Bonds.

(a) *2017/2018 New Money Bonds.* The 2017/2018 New Money Bonds shall be in an aggregate principal amount not to exceed $170,000,000, 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 2017/2018 New Money Bonds. The 2017/2018 New Money Bonds shall be issued under terms determined pursuant to Section 23, as further set forth in the Bond Purchase Contract, Remarketing Agreement, Loan Agreement and/or Trust Agreement for such 2017/2018 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) *2017/2018 Refunding Bonds.* The 2017/2018 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 2017/2018 Refunding Bonds. The 2017/2018 Refunding Bonds shall be issued under terms determined pursuant to Section 23, as further set forth in the Bond Purchase Contract, Remarketing Agreement, Loan Agreement and/or Trust Agreement for such 2017/2018 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 2017/2018 Bonds.

(a) *General Terms.* The 2017/2018 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, Loan Agreement or Trust Agreement for such series of 2017/2018 Bonds. The 2017/2018 Bonds shall bear interest determined within Modes selected by the Authorized Representative of the University from time to time. All 2017/2018 Bonds shall be issued in the form of fully registered 2017/2018 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 2017/2018 Bonds from time to time. 2017/2018 New Money Bonds shall be named University of Washington General Revenue Bonds, Series [2017/2018], with an additional designation of "Taxable" for any series of 2017/2018 Taxable Bonds. 2017/2018 Refunding Bonds shall be named University of Washington General Revenue Refunding Bonds, Series [2017/2018], with an additional designation of "Taxable" for any series of 2017/2018 Taxable Bonds. 2017/2018 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 [2017/2018], with an additional designation of "Taxable" for any series of 2017/2018 Taxable Bonds. At the written direction of the Authorized Representative of the University, the Registrar shall designate a particular principal amount of 2017/2018 Bonds (in Authorized Denominations) as a series or subseries. A series of 2017/2018 Bonds shall be identified by the year of issue (either 2017 or 2018) and sequential letters (e.g. Series 2017A, Series 2017B, Series 2018A, Series 2018B). A subseries of 2017/2018 Bonds shall be further identified by sequential numbers (e.g., Series 2017A-1, Series 2017-2, Series 2018B-1, Series 2018B-2). Upon such designation, such 2017/2018 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 2017/2018 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 2017/2018 Bonds shall be payable in lawful money of the United States of America.

(c) *Modes*. The terms applicable to 2017/2018 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, Loan Agreement or Trust Agreement, as applicable.

(d) *Determinations Conclusive*. If the 2017/2018 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, Loan Agreement, Trust Agreement or Bond Purchase Contract, as applicable, shall be conclusive.

(e) *Maximum Rate*. No 2017/2018 Bond, other than a Bank Bond, shall bear interest at an Interest Rate higher than the Maximum Rate.

Section 5. Execution.

The 2017/2018 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 2017/2018 Bond so executed shall not be affected by the fact that one or more of the officers whose signatures appear on such 2017/2018 Bond have ceased to hold office at the time of issuance or authentication or at any time thereafter.

Section 6. Authentication.

No 2017/2018 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 2017/2018 Bonds shall be issued only in registered form as to both principal and interest. The University hereby appoints the Fiscal Agent as the Registrar for the 2017/2018 Bonds. So long as any 2017/2018 Bonds remain Outstanding, the Registrar shall make all necessary provisions to permit the exchange or registration of transfer of 2017/2018 Bonds. 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 the Treasurer of the Board or 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 2017/2018 Bonds transferred or exchanged in accordance with the provisions of such 2017/2018 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 2017/2018 Bonds.

The Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of the 2017/2018 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 2017/2018 Bonds as eligible for deposit at DTC, the University has executed and delivered the Letter of Representations. Except as otherwise set forth in the Loan Agreement, the 2017/2018 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 2017/2018 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 2017/2018 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 2017/2018 Bonds or any consent given or other action taken by DTC as the Registered Owner.

(d) *DTC as Registered Owner*. Except as otherwise set forth in the Loan Agreement, payment of any such 2017/2018 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 2017/2018 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 2017/2018 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 2017/2018 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) *2017/2018 Bonds Registered in the Name Designated by DTC.* Except as otherwise set forth in the Loan Agreement, the 2017/2018 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 2017/2018 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 2017/2018 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 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 2017/2018 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 2017/2018 Bonds of a series or subseries, together with a written request on behalf of the Authorized Representative of the University, issue a single new 2017/2018 Bond for each maturity of such series or subseries of 2017/2018 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 2017/2018 Bonds that they be able to obtain 2017/2018 Bond certificates, the ownership of 2017/2018 Bonds may then be transferred to any person or entity as herein provided, and the 2017/2018 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 2017/2018 Bonds, to issue 2017/2018 Bonds as herein provided in any Authorized Denomination. Upon receipt of all then Outstanding 2017/2018 Bonds by the Registrar together with a written request on behalf of the Authorized Representative of the University to the Registrar, new 2017/2018 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 2017/2018 Bonds are no longer held in immobilized, book-entry form, or if so provided in the Loan Agreement, the transfer of ownership of any 2017/2018 Bond may be registered and such 2017/2018 Bonds may be exchanged, but no transfer of any 2017/2018 Bond shall be valid unless it is surrendered to the Registrar with the assignment form appearing on such 2017/2018 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 2017/2018 Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new 2017/2018 Bond (or 2017/2018 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 2017/2018 Bond, in exchange for such surrendered and canceled 2017/2018 Bond. Any 2017/2018 Bond may be surrendered to the Registrar and exchanged, without charge, for an equal aggregate principal amount of 2017/2018 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 2017/2018 Bond during the five-day period prior to the selection of 2017/2018 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.

Section 8. Mutilated, Destroyed, Lost or Stolen 2017/2018 Bonds.

If any 2017/2018 Bond is lost, stolen or destroyed, the University may execute and the Registrar may authenticate and deliver a new 2017/2018 Bond or 2017/2018 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 2017/2018 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 2017/2018 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 2017/2018 Bond so furnished shall be equally and proportionately entitled to the security of this resolution with all other 2017/2018 Bonds issued hereunder.

Section 9. Payments of Principal, Redemption Price and Interest; Persons Entitled Thereto.

(a) *Payments of Principal, Interest, Purchase and Redemption Prices*. The principal or Redemption Price of each 2017/2018 Bond shall be payable upon surrender or delivery of such 2017/2018 Bond to the Registrar or as otherwise provided in the Loan Agreement. 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 2017/2018 Bond shall accrue interest and be payable as to interest as follows:

(1) On each Interest Payment Date, the Registered Owner of each 2017/2018 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 2017/2018 Bond on any Interest Payment Date shall be paid to the Registered Owner of such 2017/2018 Bond as shown on the Bond Register as of the Record Date. Except as otherwise provided in the applicable Bond Purchase Contract, Trust Agreement, Loan 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 2017/2018 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 2017/2018 Bonds of a series or subseries are no longer held by a Securities Depository, and except as otherwise set forth in the Loan Agreement, during the Term Mode or Fixed Mode, the interest, principal or Redemption Price of the 2017/2018 Bonds shall be payable by check, provided that any Registered Owner of $1,000,000 or more in aggregate principal amount of the 2017/2018 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 2017/2018 Bonds of a series or subseries are no longer held by a Securities Depository, and except as otherwise set forth in the Loan Agreement, all payments of interest, principal or the Redemption Price on the 2017/2018 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 2017/2018 Bond shall bind all future Registered Owners of the same 2017/2018 Bond or of any 2017/2018 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 2017/2018 Bond as the absolute owner thereof for all purposes, whether or not such 2017/2018 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 2017/2018 Bond shall be made only to such Registered Owner, which payments shall satisfy and discharge the liability of the University with respect to such 2017/2018 Bond to the extent of the sum or sums so paid.

Section 11. Form of 2017/2018 Bonds.

The 2017/2018 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 2017/2018 Bonds are not held in fully-immobilized form, the form of 2017/2018 Bonds will be changed to reflect the changes required in connection with the preparation of certificated 2017/2018 Bonds. The form of the 2017/2018 Bonds shall further be changed as necessary to reflect whether the 2017/2018 Bonds are 2017/2018 New Money Bonds or 2017/2018 Refunding Bonds, whether the 2017/2018 Bonds are 2017/2018 Tax-Exempt Bonds or 2017/2018 Taxable Bonds, whether the 2017/2018 Bonds are Underwritten 2017/2018 Bonds or Direct Purchase 2017/2018 Bonds, any series or subseries designation for the 2017/2018 Bonds and the Current Mode of the 2017/2018 Bonds.

No. R-_____ $___________

UNITED STATES OF AMERICA

[DTC LANGUAGE]

[STATEMENT OF INSURANCE, IF ANY]

UNIVERSITY OF WASHINGTON
GENERAL REVENUE [REFUNDING] BOND, 2017/2018[____] [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 [Treasurer of the Board][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, 2017/2018 (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.

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 <u>not</u> "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 2017/2018 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 2017/2018 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 2017/2018 Bonds of this issue and that the issuance of this bond and the 2017/2018 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 to be attested to by the [Secretary of the Board of Regents][Treasurer of the Board] 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 Board]

The Certificate of Authentication for the 2017/2018 Bonds shall be in substantially the following form and shall appear on each 2017/2018 Bond:

AUTHENTICATION CERTIFICATE

This bond is one of the University of Washington General Revenue [Refunding] [and Refunding] Bonds, Series [2017/2018][__] described in the within-mentioned Bond Resolution.

REGISTRAR

By ___________________________________
Authorized Signatory

Date of Authentication: ________________________

Section 12. Redemption.

(a) *Optional Redemption.* 2017/2018 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 2017/2018 Bonds as set forth in the respective Bond Purchase Contract, Trust Agreement, Loan Agreement and/or Remarketing Agreement, as applicable. 2017/2018 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. 2017/2018 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 or Loan Agreement.

(b) *Mandatory Redemption.* If the 2017/2018 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 2017/2018 Bonds, all as described in the next paragraph) or Loan Agreement at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the Redemption Date. If the 2017/2018 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 2017/2018 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 2017/2018 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, Loan Agreement or Trust Agreement, as applicable.

(c) *Selection of 2017/2018 Bonds for Redemption.* Whenever the University elects to redeem fewer than all of the 2017/2018 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 2017/2018 Bonds of a series or subseries and maturity are to be redeemed, the 2017/2018 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 2017/2018 Bonds of a series or subseries are not 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 2017/2018 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 2017/2018 Bonds. In any event, except as otherwise set forth in the Loan Agreement, 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 not in effect with respect to a series or subseries of 2017/2018 Bonds, and except as otherwise set forth in the Loan Agreement, notice of redemption shall be given in the manner hereinafter provided. Unless waived by any owner of 2017/2018 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 2017/2018 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 2017/2018 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 2017/2018 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 2017/2018 Bonds or portions thereof shall have no rights in respect thereof except to receive payment of the Redemption Price upon delivery of such 2017/2018 Bonds to the Registrar. Notwithstanding the foregoing, any Bank Bonds shall remain Outstanding until the Credit Facility Issuer or Liquidity Facility Issuer or Direct Purchaser, as the case may be, is paid all amounts due in connection with such 2017/2018 Bonds or portions thereof to be redeemed on the Redemption Date. After payment to the Credit Facility Issuer or Liquidity Facility Issuer or Direct Purchaser, as the case may be, of all amounts due on Bank Bonds such Credit Facility Issuer or Liquidity Facility Issuer or Direct Purchaser shall surrender such 2017/2018 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, 2017/2018 (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 2017/2018 Bonds then coming due and the principal of the 2017/2018 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 2017/2018 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 2017/2018 Bond Proceeds.

(a) *2017/2018 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 2017/2018 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 2017/2018 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 2017/2018 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 2017/2018 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 2017/2018 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) *2017/2018 Refunding Bonds.* The proceeds of each series of 2017/2018 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 2017/2018 Refunding Bonds 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 2017/2018 Bonds.

(a) *Special Fund Obligations.* The 2017/2018 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 2017/2018 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 2017/2018 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 2017/2018 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 2017/2018 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.

Section 19. Covenants Regarding Tax Exemption. The University will take all actions necessary to assure the exclusion of interest on the 2017/2018 Tax-Exempt Bonds from the gross income of the owners of the 2017/2018 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 2017/2018 Tax-Exempt Bonds, including but not limited to the following:

(a) The University will assure that the proceeds of the 2017/2018 Tax-Exempt Bonds are not used so as to cause the 2017/2018 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 2017/2018 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 2017/2018 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 2017/2018 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 2017/2018 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 2017/2018 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 2017/2018 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 2017/2018 Tax-Exempt Bonds would have caused the 2017/2018 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 2017/2018 Tax-Exempt Bond that complies with the Code until all 2017/2018 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 2017/2018 Tax-Exempt Bonds for at least three years after the 2017/2018 Tax-Exempt Bonds mature or are redeemed (whichever is earlier); however, if the 2017/2018 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 2017/2018 Tax-Exempt Bonds.

(h) The University will comply with the provisions of the Federal Tax Certificate with respect to the 2017/2018 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 2017/2018 Tax-Exempt Bonds.

Section 20. No Recourse Against Individuals.

No owner of a 2017/2018 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 2017/2018 Bonds, or for the satisfaction of any liability arising from, founded upon, or existing by reason of, the issuance or ownership of such 2017/2018 Bonds against the officers of the University or officers or members of the Board in their individual capacities.

Section 21. Defeasance.

Except as otherwise set forth in the Loan Agreement, any 2017/2018 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 2017/2018 Bonds are to be optionally redeemed, the University shall have given to the Registrar irrevocable instructions to give such notice of redemption of such 2017/2018 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 that are direct or indirect obligations of the United States or obligations unconditionally guaranteed by the United States 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 2017/2018 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 2017/2018 Bonds. In the event of such partial defeasance, this resolution shall be discharged only as to the 2017/2018 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 2017/2018 Bonds or 2017/2018 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 2017/2018 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 2017/2018 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 or any other offering document, and to approve the information contained therein, in connection with the offering and sale of the applicable 2017/2018 Bonds or 2017/2018 bonds issued on behalf of the University, to the actual purchasers of the 2017/2018 Bonds and others. The University hereby authorizes any of such officers to execute each final Official Statement or other offering document described above to indicate such approval.

Section 23. Determination of Certain Matters Affecting 2017/2018 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 2017/2018 Bonds or the refunding of Refunding Candidates, subject to the limitations described below:

(a) determine whether the 2017/2018 Bonds shall be issued and sold in one or more series or subseries;

(b) determine the Mode in which 2017/2018 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, Loan Agreement or Trust Agreement, or amendments thereto;

(d) negotiate and execute at his or her discretion, one or more Escrow Agreements, Bond Purchase Contracts, Remarketing Agreements, Loan 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;

(e) negotiate and execute a Payment Agreement, if any, in connection with the issuance of any series or subseries of 2017/2018 Bonds;

(f) select one or more Escrow Agents, underwriters, Direct Purchasers and/or Remarketing Agents;

(g) 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;

(h) determine if it is in the best interest of the University for any or all of the 2017/2018 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;

(i) subject to the limitations set forth herein, approve the Interest Rates if the 2017/2018 Bonds bear interest in Fixed Mode or Term Mode, Maturity Dates, aggregate principal amounts, principal amounts of each maturity, redemption rights, tender or put option rights, and other terms and conditions of the 2017/2018 Bonds;

(j) select a Trustee for the owners of any or all of the 2017/2018 Bonds and fix its or their rights, duties, powers, and obligations under the applicable Trust Agreement;

(k) determine whether any or all of the 2017/2018 Bonds shall be issued as 2017/2018 Tax-Exempt Bonds or as 2017/2018 Taxable Bonds;

(l) determine whether any or all of the 2017/2018 Bonds shall be issued and sold as Direct Purchase 2017/2018 Bonds or as Underwritten 2017/2018 Bonds; and

(l) allocate 2017/2018 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 2017/2018 New Money Bonds shall not exceed $170,000,000;

(b) the aggregate debt service to be paid on any 2017/2018 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 2017/2018 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, and the term of any 2017/2018 New Money Bond shall not be longer than 31 years;

(d) the true interest cost to the University, taking into account any interest subsidy, for the 2017/2018 Bonds issued initially in the Fixed Mode does not exceed 7.0%;

(e) the aggregate principal amount of 2017/2018 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 2017/2018 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, 2018.

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 2017/2018 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 2017/2018 Bonds.

Upon determination by the Authorized Representative of the University that all conditions to Closing set forth in a Bond Purchase Contract or Loan Agreement 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 2017/2018 Bonds, executed as provided in this resolution, to be authenticated and delivered to the underwriters or Direct Purchaser(s); 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 or other offering document and all other documents required to be delivered, at or before the Closing Date pursuant to the Bond Purchase Contract or Loan Agreement. 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 2017/2018 Bonds in exchange for the purchase price thereof.

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

<u>Section 24</u>. <u>Undertaking to Provide Continuing Disclosure</u>.

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 2017/2018 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 2017/2018 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 2017/2018 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 2017/2018 Bonds or reduce the University's exposure to fluctuations in interest rates on the related 2017/2018 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 2017/2018 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 2017/2018 Bonds.

Any such supplemental resolution of the Board may be adopted without the consent of the owners of any 2017/2018 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 2017/2018 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 2017/2018 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 2017/2018 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 2017/2018 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 2017/2018 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 2017/2018 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 2017/2018 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 2017/2018 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 2017/2018 Bond. Except as aforesaid, any such consent given by the Registered Owner of any 2017/2018 Bond shall be conclusive and binding upon such Registered Owner and upon all future Registered Owners of such 2017/2018 Bond and of any 2017/2018 Bond issued in exchange therefor or in lieu thereof, irrespective of whether or not any notation in regard thereto is made upon such 2017/2018 Bond. Any action taken by the Registered Owners of the percentage in aggregate principal amount of a series or subseries of Outstanding 2017/2018 Bonds specified in this resolution in connection with such action shall be conclusively binding upon the University and the Registered Owners of all Outstanding 2017/2018 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 2017/2018 Bonds have concurred in any demand, request, direction, consent or waiver under this resolution, 2017/2018 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. 2017/2018 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 2017/2018 Bonds and that the pledgee is not the University.

Section 29. University Acquisition of 2017/2018 Bonds.

The University may acquire 2017/2018 Bonds by (a) purchase of 2017/2018 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 2017/2018 Bonds and the provisions of the Bond Act shall constitute a contract between the University and the Registered Owners of the 2017/2018 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 2017/2018 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 13th day of July, 2017.

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 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
State of WA	R- 2017A GO HE-UW (R-2010A) (R-1999B))	9,130,000
University	2006 UWT Bank of America Term Loan	3,100,000
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	2016A General Revenue and Refunding Bonds (Tax-Exempt)	195,145,000
University	2016B General Revenue Refunding Bonds (Taxable)	10,015,000
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

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APPENDIX B

AUDITED FINANCIAL STATEMENTS (FISCAL YEARS ENDED JUNE 30, 2017 AND 2016) AND REQUIRED SUPPLEMENTAL INFORMATION OF THE UNIVERSITY (FISCAL YEAR ENDED JUNE 30, 2017)

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UNIVERSITY OF WASHINGTON

Supplementary Information

June 30, 2017

(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 and aggregate discretely presented component units of the University of Washington (the University), an agency of the state of Washington, as of and for the year ended June 30, 2017, and have issued our report thereon dated October 20, 2017, which contained unmodified opinions on those financial statements that collectively comprise the University's basic financial statements. Our audit was performed for the purpose of forming opinions on the financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 20, 2017.

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 basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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, 2017, and our unmodified opinions 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

October 20, 2017

UNIVERSITY OF WASHINGTON

Reconciliation of Total University Revenue to General Revenue

Year ended June 30, 2017

(Dollars in thousands)

General revenue:		
Total revenue	$	6,106,922
Less:		
State appropriations		341,971
Grant and contract direct costs		1,147,694
Gifts		166,491
Revenues of component units		636,200
Student activities fees and U-Pass fees		44,816
Student technology fees, student building fees, and student loan funds		72,008
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		416,327
Capital appropriations		64,166
Capital grants, gifts and other		52,897
Other nonoperating revenues		12,963
Gifts to permanent endowments		85,449
Total general revenue	$	3,065,940
General revenue components:		
Student tuition and fees (less student activities fees, U-Pass fees, technology fees, building fees, and loan funds)	$	836,837
Grant and contract indirect costs		257,706
Invested funds distribution and net invested funds unrealized gains and losses (note 2)		27,056
Sales and services of educational departments		217,421
Auxiliary systems and patient services		1,675,127
Other operating revenues		51,793
Total general revenue	$	3,065,940

See accompanying notes to supplementary information.

UNIVERSITY OF WASHINGTON

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

June 30, 2017

(Dollars in thousands)

Total University unrestricted net position per financial statements	$	380,050
Less:		
Student and activities fees		23,767
Net position (deficit) of component units:		
Association of University Physicians		95,155
UW Neighborhood Clinics		(1,686)
Northwest Hospital		(38,262)
Real estate entities		(14,906)
Total to be excluded, net		64,068
General net position	$	315,982

See accompanying notes to supplementary information.

UNIVERSITY OF WASHINGTON

Notes to Supplementary Information

June 30, 2017

(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) Adoption of Governmental Accounting Standards Board (GASB) Statements

On July 1, 2016, the University adopted GASB 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*. GASB Statement No. 73 requires governments to record the total actuarially determined pension liability; most changes in the total pension liability will now be reflected in pension expense in the period of the change, while others will be reported as deferred inflows or deferred outflows of resources, and amortized to expense over future periods. Implementation of GASB Statement No. 73 resulted in the restatement of fiscal year 2017 beginning unrestricted net position, reducing it by $215,387,000.

On July 1, 2016, the University adopted GASB Statement No. 80, *Blending Requirements for Certain Component Units*. GASB Statement No. 80 requires blending of a component unit's balances and activities with the primary government, and the elimination of intra-entity transactions, when the component unit is incorporated as a not-for-profit corporation and the primary government is the corporation's sole corporate member. Implementation of GASB Statement No. 80 resulted in the restatement of fiscal year 2017 beginning unrestricted net position, increasing it by $89,498,000 due to the blending of Northwest Hospital and Medical Center that was previously reflected as a discrete component unit.

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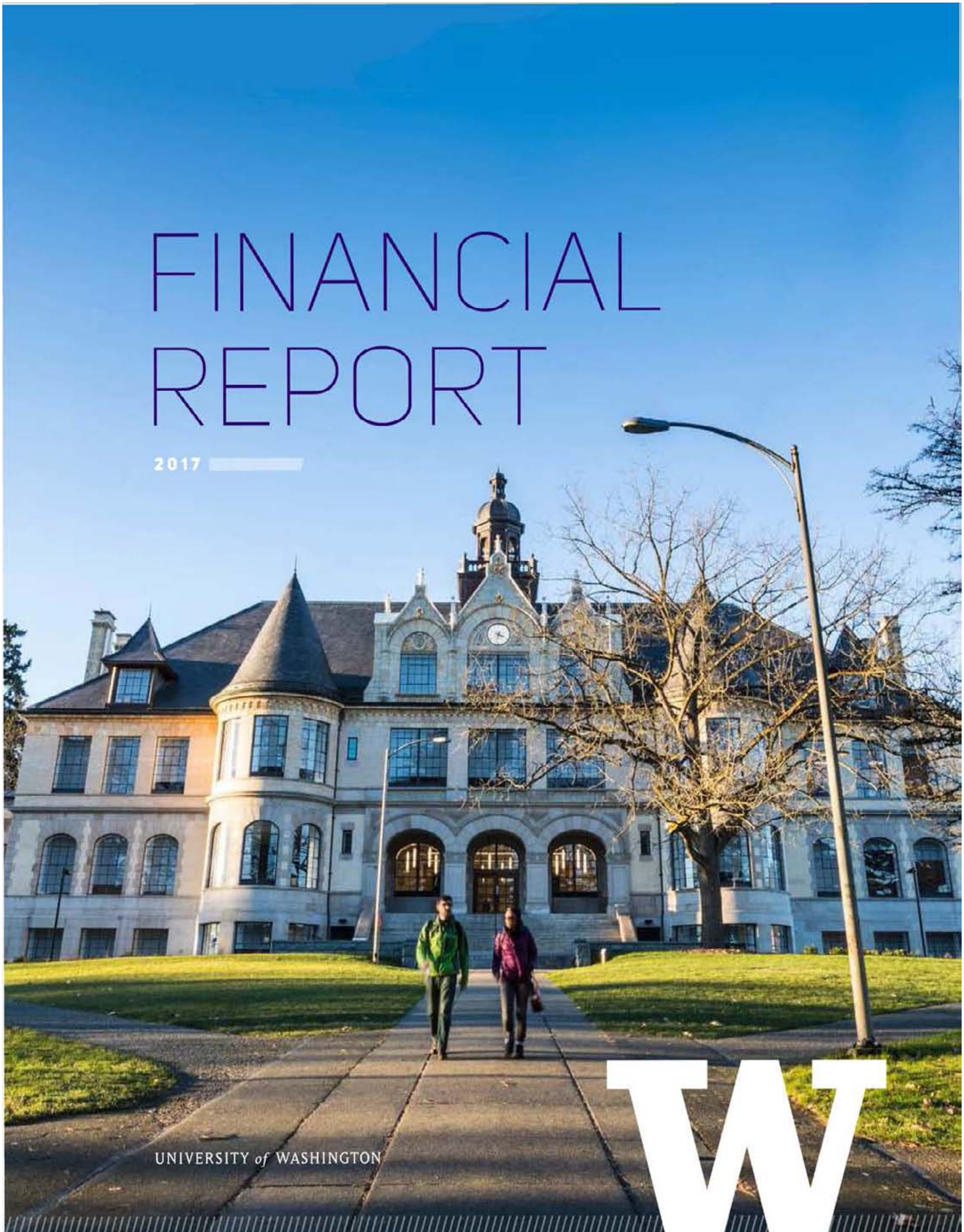
FINANCIAL
REPORT
2017
UNIVERSITY of WASHINGTON

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University Facts

	FISCAL YEAR 2017 Academic Year 2016–2017	FISCAL YEAR 2012 Academic Year 2011–2012	FISCAL YEAR 2007 Academic Year 2006–2007
STUDENTS			
Autumn Enrollment[1]			
Undergraduate	40,832	36,192	31,086
Graduate	13,896	12,574	10,540
Professional	2,081	1,979	1,802
TOTAL	**56,809**	**50,745**	**43,428**
Extension course and conference registrations	82,949	70,823	48,577
Number of Degrees Awarded			
Bachelor's	10,626	9,853	8,306
Master's	4,454	3,635	2,877
Doctoral	766	712	631
Professional	574	565	500
TOTAL	**16,420**	**14,765**	**12,314**
FACULTY[1] (Professorial, Instructional, Research)	4,707	4,280	3,650
FACULTY AND STAFF[2]	31,264	25,523	23,913
RESEARCH FUNDING – ALL SOURCES *(in thousands of dollars)*	$1,628,539	$1,365,002	$ 995,531
SELECTED REVENUES *(in thousands of dollars)*			
Patient Service and Other Medical-Related Revenues[3]	$2,509,177	$1,862,557	$ 900,266
Gifts, Grants and Contracts	1,571,890	1,425,659	1,079,926
Tuition and Fees[4]	941,873	681,227	396,895
Auxiliary Enterprises and Other Revenues	659,195	413,528	299,158
Investment Income	443,383	34,123	503,300
State Appropriations (Operating)	341,971	218,343	365,782
SELECTED EXPENSES *(in thousands of dollars)*			
Medical Related[3]	$2,260,315	$1,709,781	$ 689,435
Instruction, Academic Support and Student Services	1,895,544	1,328,790	1,102,630
Research and Public Service	807,225	817,370	630,460
Institutional Support and Physical Plant	809,910	608,810	505,523
Auxiliary Enterprises	495,375	194,949	142,883
CONSOLIDATED ENDOWMENT FUND[5] *(in thousands of dollars)*	$3,144,000	$ 2,111,000	$2,098,000
SQUARE FOOTAGE[6] *(in thousands of square feet)*	24,329	21,428	18,676

[1] Headcount
[2] Full time equivalents
[3] Includes Valley Medical Center and Northwest Hospital in 2017 and 2012 only
[4] Net of scholarship allowances of $159,166,000 in 2017, $133,243,000 in 2012 and $55,394,000 in 2007
[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 and the aggregate discretely presented component unit 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, 2017, 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, which collectively comprise the University's basic financial statements.

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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the University of Washington as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with U.S. generally accepted accounting principles.

KPMG

Emphasis of Matters

As discussed in note 1 to the financial statements, the financial statements of the University of Washington, an agency of the state of Washington, are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only the respective portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the state of Washington that are attributable to the transactions of the University of Washington and its discretely presented component unit. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2017, the changes in its financial position or, where applicable, its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

As discussed in note 1 to the financial statements, on July 1, 2016, the University adopted new accounting guidance requiring governments providing defined benefit pension plans to their employees that are not administered through a trust to record the total pension liability, as well as recognizing most changes in the total pension liability within pension expense. Our opinion is not modified with respect to this matter.

As discussed in note 1 to the financial statements, on July 1, 2016, the University adopted new accounting guidance which amends requirements for the financial statement presentation of component units of all state and local governments. As a result of this amendment the University now reports Northwest Hospital and Medical Center as a blended component unit, whereas it was presented as a discrete component in previous years. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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 43 and 44, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of 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 of 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The accompanying information under the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

KPMG LLP

Seattle, Washington
October 20, 2017

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, 2017. This discussion has been prepared by management, and since it includes highly summarized data, should be read in conjunction with the financial statements and accompanying notes which follow this section.

Financial Highlights for Fiscal Year 2017

The University recorded an increase in net position of $363 million in fiscal year 2017, which is a $450 million improvement compared to the fiscal year 2016 decrease in net position of $87 million. Revenues from patient services and research activities continued to show growth during 2017, and together with mostly unchanged tuition revenues contributed to an overall increase in operating revenues. An increase in operating expenses was more than offset by increases in most nonoperating revenue categories, most notably investment income, which benefited from a recovery in 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.

Key Financial Results for Fiscal Years 2017 and 2016

(in millions)	2017	2016
Total operating revenues	$ 4,893	$ 4,730
Total operating expenses	5,666	5,413
Operating loss	(773)	(683)
State appropriations	342	302
Investment income	443	44
Gifts	166	115
Other nonoperating revenues, net	185	135
Increase (decrease) in net position	363	(87)
Net position, beginning of year	6,053	6,046
Cumulative effect of accounting change	(215)	94
Net position, beginning of year as restated	5,838	6,140
Net position, end of year	**$ 6,201**	**$ 6,053**

Governmental Accounting Standards Board (GASB) principles require that revenues from state appropriations, Pell grants, and gifts be considered nonoperating while the expenses funded from these revenues are categorized as operating. As a result, the University will typically reflect an operating loss on its Statements of Revenues, Expenses and Changes in Net Position.

The University implemented GASB 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"* during fiscal year 2017. This statement changed how the University reports its obligation for retiree benefits associated with the University of Washington Supplemental Retirement Plan (UWSRP). Assets set aside by the University to pay future retiree benefits are not segregated in an irrevocable trust; therefore, the accounting for this single-employer defined-benefit pension plan was not impacted by the prior implementation of GASB Statement No. 68 in fiscal year 2015. Prior to implementing this Statement, the UWSRP pension liability represented the cumulative amounts expensed for the Annual Required Contribution (ARC) less cash payments to retirees, and UWSRP pension expense was equal to the ARC. Under Statement No. 73, the University must record the total actuarially determined UWSRP pension liability, and most changes in the total pension liability will now be reflected in pension expense in the period of the change, while others will be reported as deferred inflows or deferred outflows of resources and amortized to expense over future periods. With the adoption of GASB Statement No. 73, net position was restated at July 1, 2016 by a decrease of $215 million for the difference between the beginning total pension liability and the amount previously reported as the UWSRP pension liability. Fiscal year 2017 financial results reflect application of the accounting changes required by Statement No. 73, but those changes have not been applied to fiscal year 2016 amounts due to the constraints of available information.

The University also implemented GASB Statement No. 80, *"Blending Requirements for Certain Component Units"* during fiscal year 2017. This Statement amends requirements for the financial statement presentation of component units, by adding a requirement to reflect a component unit as blended when it is incorporated as a not-for-profit corporation and the primary government is the corporation's sole corporate member. The University is the sole corporate member of Northwest Hospital and Medical Center (NWH), which was previously reflected as a discretely presented component unit. With the adoption of GASB Statement No. 80, NWH is now being reflected as a blended component unit of the University, and net position was restated at July 1, 2015 by an increase of $94 million. Fiscal years 2016 and 2017 in this management's discussion and analysis both reflect application of the accounting changes required by Statement No. 80.

Economic Factors Affecting the Future

The state of Washington, which provided 7% of the University's total revenues in fiscal year 2017, continues to emerge from the recession with moderate economic growth and commensurate increases in state tax collections. However, additional state tax collections, as well as new revenue, were largely consumed by the state's attempt to meet court-mandated increases to K-12 education funding (McCleary v. Washington). As a result, non-mandatory state programs, including higher education, did not and will not receive significant additional funding for the current 2017-19 biennium.

During the 2013-15 biennium, the University committed to freezing resident undergraduate tuition rates in 2014 and 2015 in exchange for increases in state funding in both years. In the 2015-17 biennium, the state reduced resident undergraduate tuition rates to 5% below the 2015 rates in 2016, and to 15% below the 2015 rates in 2017. The state provided funds to offset the lost tuition revenue in both years. In a change from previous tuition freezes and reductions, the state will now allow a 2.2% increase to resident undergraduate tuition in 2018 and a 2.0% increase in 2019.

The University's fiscal year 2018 general operating appropriation from the state (excluding amounts appropriated for specific purposes) is expected to be approximately $352 million. This amount is an increase from $332 million in 2017 and $292 million in 2016. The increase between 2017 and 2018 is largely attributable to targeted investments in compensation, medical education, and science, technology, engineering and math (STEM) enrollments. The significant increase in 2017 was largely attributable to funding intended to offset tuition reductions, but also included targeted investments in medical and computer science education. The University's Board of Regents continues to have broad tuition and fee setting authority for categories other than resident undergraduate tuition.

The state has yet to pass a capital budget for the 2017-19 biennium. Therefore, projects that were slated to receive funding for the beginning of 2018 will be delayed until a capital budget is approved. State funding for capital appropriations continues to be constrained, though the University expects to receive some state bonding capacity for critical capital projects once a budget is approved.

The healthcare industry, in general, and the acute care hospital business, in particular, are experiencing significant regulatory uncertainty based, in large part, on legislative efforts to significantly modify or repeal and potentially replace the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 ("Affordable Care Act" or "ACA"). It is difficult to predict the full impact of these actions on the University's future revenues and operations. Changes to the ACA are likely to significantly impact the University.

UW Medicine formed an Accountable Care Network (ACN) in 2014 with other selected healthcare organizations and healthcare professionals in Western Washington to assume responsibility for the healthcare of contracted patient populations to achieve the Triple Aim: improved healthcare experience for the individual, improved health of the population, and more affordable care.

- The ACN has contracted with the Washington Health Care Authority to participate in its Puget Sound Accountable Care Program (ACP) as a healthcare benefit option for Public Employees Benefits Board (PEBB) members. The ACP is offered to all PEBB members who reside in Snohomish, King, Kitsap, Pierce, and Thurston counties.
- A subset of the network members have also agreed to participate with the ACN in a contract with Premera as part of its Accountable Health System (AHS) product. As an AHS, the UW Medicine ACN will share in accountability for the quality and cost of healthcare for Premera members who select this plan. This product was sold both on and off the Washington Health Exchange in select counties with coverage that began January 1, 2016. The AHS must have 5,000 planwide members per product, per region for the UW Medicine ACN to share in financial savings and risk. The ACN was not at risk for the AHS product in 2016 and 2017.
- The UW Medicine ACN also entered into an agreement to provide healthcare services to nonunion employees of a large local employer with coverage that began January 1, 2015.

These arrangements provide an opportunity for shared savings between the ACN and the contracted entity based on achieving quality and financial benchmarks. If certain financial benchmarks are not attained, UW Medicine, along with its network members, is at risk for reductions in payment levels from the contracted entity based on the agreement.

Rising benefit costs, particularly for pensions and healthcare, continue to impact the University. Employer pension funding rates paid by the University for the Public Employees' Retirement System (PERS) pension plans were mostly unchanged in 2017 at 11.2% of covered salary, but will be increasing to 12.5% of covered salary in 2018. The monthly employer base rate paid for employee healthcare, however, increased 5.7% during 2017, from $840 to $888 per active employee, and will be increasing to $913 per active employee during 2018. Both rates are likely to continue increasing.

Using the Financial Statements

The University's 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. These financial statements include the following components:

- Independent Auditors' Report presents an unmodified opinion prepared by our auditors, KPMG LLP, on the fairness in all material respects of our financial statements.
- Statements of Net Position present the assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position of the University at a point in time (June 30, 2017). Their purpose is to present a financial snapshot of the University. This statement aids the reader in determining the assets available to continue the University's operations, how much the University owes to employees and vendors, whether the University has any deferred outflows or inflows other than assets or liabilities, and provides a picture of net position and its availability for expenditure by the University.
- Statements of Revenues, Expenses and Changes in Net Position present the total revenues earned and expenses incurred by the University for operating, nonoperating and other related activities, during a period of time (the fiscal year ended June 30, 2017). Their purpose is to assess the University's operating and nonoperating activities.
- Statements of Cash Flows present cash receipts and payments of the University during a period of time (the fiscal year ended June 30, 2017). Their purpose is to assess the University's ability to generate net cash flows and meet its obligations as they come due.
- Notes to the Financial Statements present additional information to support the financial statements. Their purpose is to clarify and expand on the information in the financial statements. Notes are referenced in this discussion to indicate where details of the financial highlights may be found.

The University has had a strategic alliance with Valley Medical Center, a Washington public hospital district, since 2011. GASB standards require that this entity be presented as a discrete component unit of the University; therefore, its financial position at June 30, 2017, and results of operations for the year ended June 30, 2017, are reported in a separate column for financial statement presentation purposes (see Note 1 to the Financial Statements). The analysis that follows includes the consolidated balances of the University and its blended component units, but excludes the financial position and results of operations of Valley Medical Center.

Financial Health

STATEMENTS OF NET POSITION

A summarized comparison of the University's assets, liabilities, deferrals and net position as of June 30, 2017 and 2016 follows:

The University continues to maintain and protect its strong

(in millions)	2017	2016
Current assets	$ 1,427	$ 1,603
Noncurrent assets:		
Capital assets, net	4,737	4,465
Investments, net of current portion	4,721	4,155
Other	455	427
Total assets	11,340	10,650
Deferred outflows	269	185
Total assets and deferred outflows	11,609	10,835
Current liabilities	1,315	1,115
Noncurrent liabilities:		
Bonds payable	2,275	1,911
Other	1,710	1,634
Total liabilities	5,300	4,660
Deferred inflows	108	122
Total liabilities and deferred inflows	5,408	4,782
Net position	**$ 6,201**	**$ 6,053**

financial foundation. This financial health, as reflected in the Statements of Net Position, results from the prudent utilization of financial resources including careful cost controls, preservation of endowment funds, conservative utilization of debt, and adherence to a long-range capital plan for the acquisition, maintenance and replacement of the physical plant.

Current assets include those that may be used to support current operations, and consist primarily of cash, short-term investments and accounts receivable. Current liabilities generally are due and payable over the course of the following fiscal year, and include accounts payable and other accrued liabilities, unearned revenues, and the current portion of long- term debt.

The excess of current assets over current liabilities of $112 million in 2017 and $488 million in 2016 reflects the continuing ability of the University to meet its short-term obligations. Current assets decreased $176 million in 2017, partly due to a $117 million decrease in short-term investments, and a $48 million decrease in cash. Current liabilities increased $200 million during the year, due in part to a $75 million increase in the accrual for investment purchases not yet settled, a $22 million increase in unearned revenues, and a $17 million increase in commercial paper debt.

Noncurrent assets increased $866 million in 2017, driven by an increase in long-term investments of $566 million as a result of strong investment returns during the year on the University's investments, together with an increase in capital assets of $272 million.

Noncurrent liabilities increased $440 million during 2017, primarily due to an increase in the University's pension liabilities. The net pension liability representing the University's proportionate share of the statewide amounts reported by the Department of Retirement Systems (DRS) increased $178 million during the year due to service cost and interest on the unfunded liability. The pension liability associated with the UWSRP increased $142 million, due to the implementation of GASB Statement No. 73 during 2017. Noncurrent liabilities also increased during the year due to an increase in long-term liabilities, primarily associated with the November, 2016 issuance of University General Revenue Bonds (see Note 11).

Deferred outflows of resources and deferred inflows of resources primarily represent pension-related deferrals associated with the implementation of GASB Statement No. 68 in 2015, and GASB Statement No. 73 in 2017. The increase in deferred outflows of $84 million in 2017 primarily reflects the University's proportionate share of an increase in the statewide amounts reported by the DRS due to differences between projected and actual investment earnings on pension plan assets. Deferred inflows were impacted during 2017 by a corresponding reduction in the University's proportionate share of the statewide difference between projected and actual earnings on plan assets (total change for 2017 equaled $199 million). This was offset by an increase of $91 million of deferred inflows recorded for the first time in 2017 due to the implementation of GASB Statement No. 73.

The difference between total assets and deferred outflows, and total liabilities and deferred inflows, is referred to as net position or "equity". Over time, the change in net position is one indicator of the improvement or decline in the University's overall financial health when considered with nonfinancial factors such as enrollment, research awards, patient levels, and the condition of facilities.

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, represents gifts to the University's permanent endowment funds. These are funds on which the donor or other external party has imposed the restriction that the corpus is not available for expenditure, but rather for investment purposes only in order to produce income that is to be expended for the purposes specified.

- Expendable net position consists of resources that the University is legally or contractually obligated to spend in accordance with time or purpose restrictions placed by donors and/or other external parties, and includes the net appreciation of permanent endowments.

- Unrestricted Net Position – This is all other funds available to the University for any purpose associated with its mission. Unrestricted net position is not subject to externally imposed stipulations, but often is internally designated for specific purposes.

The University's net position at June 30, 2017 and 2016 is summarized as follows:

(in millions)	2017	2016
Net investment in capital assets	$ 2,425	$ 2,308
Restricted:		
Nonexpendable	1,537	1,421
Expendable	1,859	1,592
Unrestricted	380	732
Total net position	**$ 6,201**	**$ 6,053**

Net investment in capital assets increased $117 million, or 5%, in 2017. This balance typically 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. The increase in 2017 reflects greater additions to net capital assets during the year than the associated increase in capital asset-related debt, reflecting continued capital spend on previously approved projects together with a reduced pace for new debt issuances.

Restricted nonexpendable net position increased $116 million, or 8%, in 2017. This primarily reflects the receipt of new endowment gifts during the year, together with an increase in the market value of underwater endowment investments.

Restricted expendable net position increased $267 million, or 17%, in 2017. This category is primarily affected by new operating and capital gifts, and earnings or losses on restricted investments, including endowments. The improvement in market value for the Consolidated Endowment Fund (CEF) was the primary reason for the increase during the year.

Unrestricted net position decreased by $352 million, or 48%, in 2017 primarily due to the impact of restating fiscal year 2017 beginning net position as a result of implementing GASB Statement No. 73. The change in accounting treatment required by Statement No. 73 reduced unrestricted net position by $215 million, representing the difference between the beginning of year UWSRP total pension liability calculated under Statement No. 73, and the amount previously reported by the University under the prior basis of accounting. In addition, operating losses associated with unrestricted activities were $385 million for the year, together with interest expense on capital asset-related debt of $77 million. These were partly offset by $342 million of state operating appropriations, and $23 million of investment income on unrestricted investments.

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 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 gifts and endowment returns. The number of individual endowments in the CEF has grown significantly, from 2,500 at June 30, 2007 to 4,685 at June 30, 2017. The market value of the CEF has similarly increased from $2.1 billion at June 30, 2007 to $3.1 billion at June 30, 2017.

The impact to program support has been substantial, with $902 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.

In September of 2015, the Board of Regents approved the establishment of an internal investment management company, known as the University of Washington Investment Management Company or UWINCO. Under the new structure, the UWINCO advisory committee was transitioned to an investment company advisory board (UWINCO Board). This change reflects industry best practices and trends among other peer institutions.

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 UWINCO Board, 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, 2017, 78% of the CEF was invested in Capital Appreciation and 22% in Capital Preservation. Following an expectation that market returns for equities will exceed bonds over the next decade, a medium-term objective is maintained of generally overweighting equity-oriented strategies with a focus on quality companies and downside protection. 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.

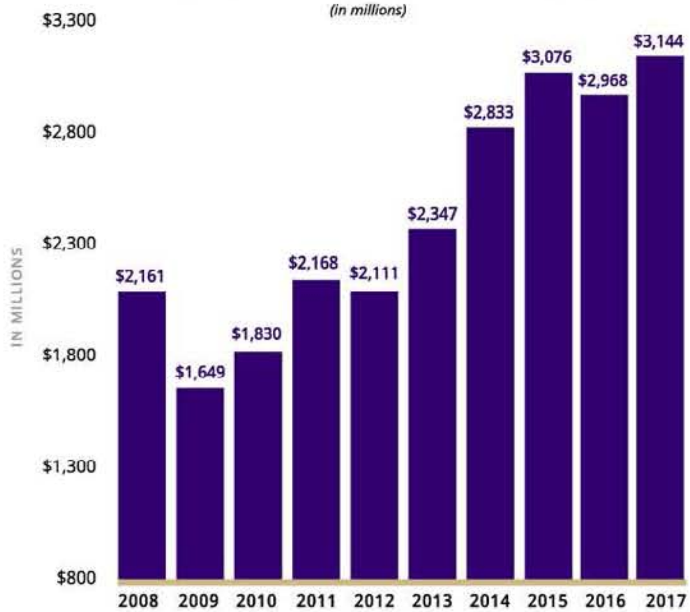
For the fiscal year ending June 30, 2017, the CEF returned +13.6% versus +12.4% for the passive benchmark. Absolute performance was positive across all CEF strategies. After a tough 2016, staying the course in emerging markets paid off, with the CEF's Emerging Markets Equity strategy leading absolute returns this year. The CEF's Capital Preservation portfolio substantially outperformed, while Capital Appreciation slightly underperformed largely due to weak energy markets.

All major equity indexes posted strong gains in 2017, but markets are rotating in favor of non-US equities, especially emerging markets and the Eurozone. Geopolitical risks and policy uncertainty appear to be on the rise. Forecasted returns have been trending down and a lower return, high-risk environment is expected.

Longer-term, the CEF has consistently maintained solid relative performance. The CEF has outperformed both the passive benchmark and public university peers with $1-5 billion for the 5, 10 and 20-year periods. The 20-year return for the CEF stands at +8.0%, although returns have been trending downward with the 10-year return at +4.7%.

Consolidated Endowment Fund Market Value

(in millions)



A portion of the University's operating funds are invested in the CEF. As of June 30, 2017, these funds comprise $615 million of the CEF market value.

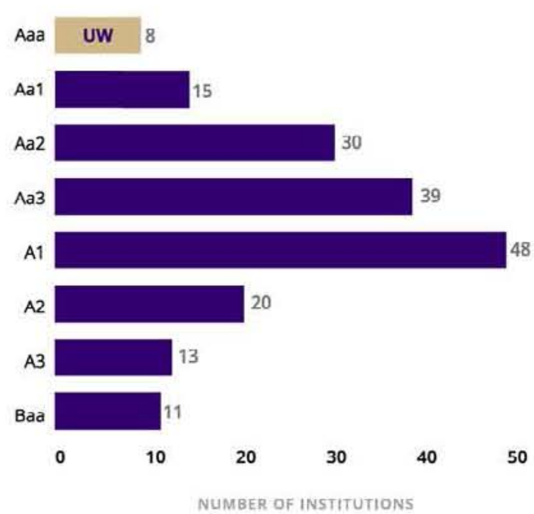
Debt and Related Capital Improvements

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 in the form of 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 2017, the University was rated Aaa (the highest rating) by Moody's Investors Service and AA+ 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.

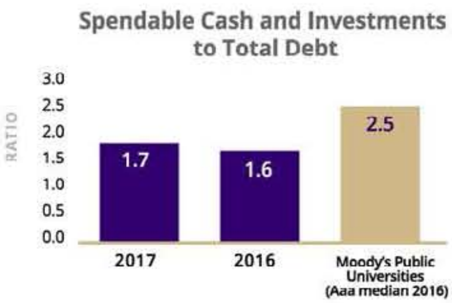
The University takes its role of financial stewardship seriously and works hard to manage its financial resources effectively. Continued high debt ratings are important indicators of the University's success in this area.

Moody's Fiscal Year 2016
Public College and University Rating Distribution
(As of the July 2017 Moody's Median Report)

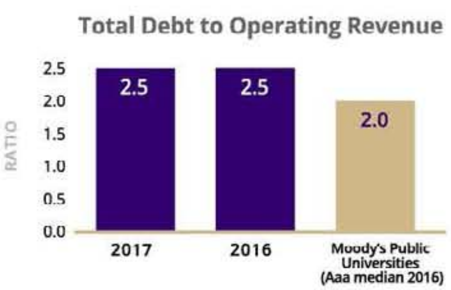


Unaudited – see accompanying notes to financial statements

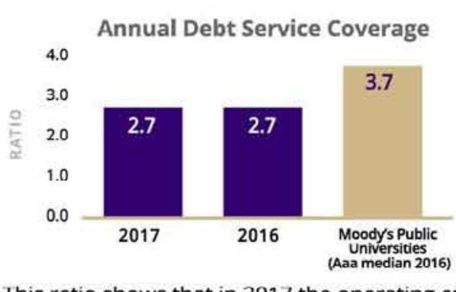
The University uses financial ratios to evaluate institutional health and to inform planning for future debt issuances. Each ratio is defined by Moody's Investors Service, and reflects year-to-year changes at the University as well as how those results trend against other Aaa-rated peer schools. Spendable Cash and Investments to Total Debt is the ratio of all available resources to pay debt, Total Debt to Operating Revenue is a measure of financial leverage, and Annual Debt Service Coverage is a measure of cash flow available to pay debt obligations. Although ratio results are an important aspect of the University's credit rating, many other factors also play a large role such as state demographics, the strength of the University's research enterprise and student demand.



This ratio shows that in 2017 the University had sufficient nonrestricted cash and investments to pay its outstanding debt 1.7 times.



This ratio shows that in 2017 the University generated enough operating revenue (as defined by Moody's) to pay its total outstanding debt 2.5 times.



This ratio shows that in 2017 the operating cash flow of the University (as defined by Moody's) was sufficient to pay the principal and interest payments on its outstanding debt 2.7 times.

In November 2016, the University issued $205 million of General Revenue Bonds with an average coupon of $4.80%. A portion of the proceeds was used to refund General Revenue Bonds originally issued in 2008. The balance was used to fund various projects including construction of new residential housing, a new Life Sciences building, research facilities, and expansion of the UW Medical Center.

The University continues to expand its campuses and renovate existing facilities to meet the needs of its students, faculty and staff. Significant capital asset expenditures (greater than $20 million) during fiscal year 2017 included $58 million for the McCarty Hall demolition and construction, $57 million for the Life Sciences Building, $31 million for Washington Biomedical Research Properties 3.2, and $30 million for the Burke Museum Building.

Key projects placed in service during 2017 include:

- UW Animal Research and Care Facility – $131 million. A two-story research facility constructed below ground level.
- Nano-engineering & Sciences Building – $72 million. Completed buildout of facilities for classrooms and offices for instruction, in addition to providing capacity for future College of Engineering vibration and EMI sensitive programs.
- Workday HR & Payroll System – $61 million. A cloud-based software-as-a-service suite to centralize and standardize human resources and payroll processes across three campuses, the Medical Centers and other off-site facilities.
- Denny Hall Renovation – $50 million. This project included exterior work, masonry repair, and replacement of electrical, lighting, mechanical and communications systems.
- West Campus Utility Plant – $44 million. Supplies chilled water and emergency power to energy-intensive research buildings in the southwestern corner of the University.
- UW Medical Center Expansion Phase 2 – $26 million. This project included a buildout of surgical prep/recovery areas, pharmacy, and laboratory.
- UW Tacoma (UWT) Urban Solutions Center – $25 million. Renovation of the Tacoma Paper & Stationery Building, a 40,000 square foot, four-story historic building located between the existing UWT Science and Dougan Buildings. Creates capacity to dramatically expand programs in engineering, environmental sciences, GIS, general engineering and big data computing.
- UW Police Department (UWPD) – $21 million. Provides a replacement facility for the UWPD, which was formerly located in the Bryants Building.

Unaudited – see accompanying notes to 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, 2017 and 2016 follows:

(in millions)	2017	2016
Total operating revenues	$ 4,893	$ 4,730
Total operating expenses	5,666	5,413
Operating loss	(773)	(683)
Nonoperating revenues, net of expenses	934	447
Other revenues	202	149
Increase (decrease) in net position	363	(87)
Net position, beginning of year	6,053	6,046
Cumulative effect of accounting change	(215)	94
Net position, beginning of year as restated	5,838	6,140
Net position, end of year	**$ 6,201**	**$ 6,053**

The University has a diversified revenue base. No single source generated more than 31% of the total fiscal year 2017 revenues of $6.1 billion.

Sources of Funds

The following table summarizes revenues from all sources for the years ended June 30, 2017 and 2016:

(in millions)	2017	2016
Tuition and fees	$ 942	$ 949
Patient services	1,869	1,788
Grants and contracts	1,422	1,347
Sales and services of educational departments	217	223
Auxiliary enterprises	374	349
State funding for operations	342	302
Gifts	289	221
Investment income	443	44
State funding for capital projects	64	39
Other	145	138
Total revenue - all sources	**$ 6,107**	**$ 5,400**

Grant Revenue

One of the largest sources of revenue (23%) continues to be grants and contracts. Total grant and contract revenue increased $75 million, or 6% in 2017.

Federal revenue increased $35 million or 4%, as several large, long-term projects received supplemental funding during the year from both the Centers for Disease Control and the Office of Naval Research. The University's largest project that was funded by federal revenue during 2017 involved the refurbishing of a 25-year-old research vessel, R/V Thomas G. Thompson. With an original lifespan of 30 years, federal funding will extend the vessel's capability to operate for another 20 to 25 years.

Consistent with 2016, nongovernmental revenue saw a double-digit (12%) increase which was largely attributable to The Bill & Melinda Gates Foundation's continued support of the University's Institute for Health Metrics and Evaluation.

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 expenses necessary to support grants and contracts are reimbursed by sponsors, along with direct costs, by an indirect cost recovery. The current indirect cost recovery rate for research grants is approximately 30 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 has increased during the last few fiscal years, but is still significantly below historical levels.

Operating Support for Instruction

(in millions)	2017		2016	
State operating appropriations	$ 342	27%	$ 302	24%
Operating tuition and fees	639	50%	661	53%
Fees for self-sustaining educational programs	303	23%	288	23%
Total educational support	**$1,284**	**100%**	**$1,251**	**100%**

Noncapital state appropriations are considered nonoperating revenue under GASB principles, 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.

Revenue from tuition and fees decreased slightly to $942 million in fiscal year 2017, from $949 million in 2016. These amounts are net of scholarship allowances of $159 million in 2017, and $145 million in 2016. The stability in tuition revenue between

2016 and 2017 was due to a combination of factors. In accordance with a state legislative mandate, the operating fee rate (which is the main component of student tuition) for resident undergraduate students decreased by 10.5%. This decrease, however, was offset by a 2% increase in the operating fee rate for nonresident undergraduates, by 0-10% increases in the operating fee rates for graduate and professional student categories, and by 3-5% increases in fee rates for fee-based programs. Increases varied by program. The decrease in the resident undergraduate operating fee rate was also partially offset by enrollment growth. Full-time equivalent (FTE) enrollment in undergraduate tuition- and fee-based programs increased by 2.6% in the resident student category, and by 0.4% in the nonresident student category. FTE enrollment in graduate and professional tuition- and fee-based programs increased by 0.3% in the resident student category and by 2.1% in the nonresident student category.

Fees for self-sustaining educational programs (fee-supported programs) include the following amounts for fiscal years 2017 and 2016: UW Continuum College (the continuing education branch of the University) $113 million and $108 million, respectively, summer quarter tuition $50 million and $54 million, respectively, and for the combination of Business School and School of Medicine programs $50 million and $50 million, respectively.

Patient Services–UW Medicine

The financial statements of the University include the operations of the School of Medicine, three hospitals, associated physician group 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) and shared services providing IT, accounting, finance and revenue cycle services, 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 529-bed hospital that provides comprehensive healthcare services to the Puget Sound community and patients from throughout the Pacific Northwest and beyond. UWMC also serves as the major clinical, teaching and research site for students and faculty in the Health Sciences at the University. Nearly 19,000 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 and the Organ Transplantation program.

Valley Medical Center (VMC) is a 321-bed acute care hospital and network of clinics that treats over 18,000 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 on the financial statements of the University.

Northwest Hospital & Medical Center is a full-service medical facility with 281 beds, and treats approximately 10,000 inpatients per year. NWH joined UW Medicine in January, 2010. Specialized patient needs are met by the Stroke Center, Multiple Sclerosis Center, and other inpatient and outpatient services to the surrounding community.

UW Neighborhood Clinics is a network of clinics with 12 neighborhood locations throughout the greater Puget Sound area, providing primary, urgent and selected specialty care with a staff of 120 healthcare providers.

UW Physicians is the physician practice group for more than 2,200 faculty physicians and healthcare providers associated with UW Medicine.

Airlift Northwest is the preeminent provider of air medical transport services in the Pacific Northwest.

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) contributed $1,869 million in patient services revenue in fiscal year 2017 and $1,788 million in fiscal year 2016. UWMC generated 60% of this revenue in both 2017 and 2016. UWMC admissions were 18,964 in 2017, a 3% increase from 2016. Average patient length of stay was 7.0 days, down slightly from 7.2 days in 2016. The increase in patient services revenue during 2017 was primarily due to strong case volumes in surgeries, cardiology, and radiation oncology.

Gifts, Endowments and Investment Revenues

Net investment income for the years ended June 30, 2017 and 2016 consisted of the following:

(in millions)	2017	2016
Interest and dividends	$ 78	$ 68
Metropolitan Tract net income	23	22
Seattle Cancer Care Alliance increase in equity	15	19
Net appreciation (depreciation) of fair value of investments	337	(54)
Investment expenses	(10)	(11)
Net investment income	**$ 443**	**$ 44**

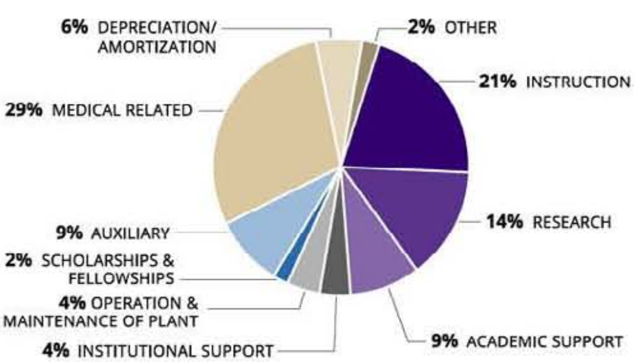
Net appreciation (depreciation) includes both realized and unrealized gains and losses. The unrealized gains, however, are not available until the underlying securities have been sold. Net investment income increased by $399 million in 2017, primarily due to the change in realized and unrealized gains and losses during the year.

Donor support increased by $68 million, or 31%, to $289 million in 2017 from $221 million in 2016. 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 35% of total operating expenses. These dollars provided instruction to nearly 57,000 students and funded over 5,100 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



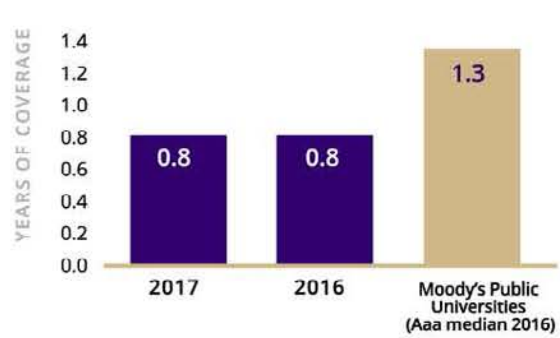
A comparative summary of the University's expenses by functional classification (purpose for which the costs are incurred) for the years ended June 30, 2017 and 2016 follows:

(in millions)	2017	2016
Operating expenses:		
Educational and general instruction	$ 1,204	$ 1,172
Research	768	751
Public service	39	39
Academic support	507	398
Student services	49	47
Institutional support	240	267
Operation and maintenance of plant	206	239
Scholarships and fellowships	137	156
Auxiliary enterprises	495	422
Medical-related	1,658	1,580
Depreciation/amortization	363	342
Total operating expenses	**$ 5,666**	**$ 5,413**

Overall, the University's operating expenses increased by $253 million, or 5%, during 2017. Salaries expense increased $129 million, or 5%, due to employee merit increases and a modest increase in FTE's. Expenses associated with employee benefits increased $76 million, or 10%, primarily due to higher costs paid by the University for employee healthcare, and increased costs commensurate with higher salaries expense. A roughly $34 million increase in pension costs associated with the University's proportionate share of the statewide defined-benefit plans was offset by a $30 million reduction in pension expense associated with the UWSRP as a result of implementing GASB Statement No. 73. Amounts paid for supplies and materials increased $29 million, or 5%, partly associated with medical supplies used by the University's clinical operations, as well as costs associated with refurbishing the R/V Thompson research vessel (reimbursed by federal grant revenue). Depreciation and amortization expenses increased $21 million, or 6%, during 2017 due to the additional capital assets placed in service by the University during the year.

The ratio of spendable cash and investments to operating expenses (as defined by Moody's Investors Service) measures the strength of available resources to cover annual operating expenses. This ratio, illustrated in the chart below, shows that in 2017 the University had sufficient available resources to fund operations for a period of 9.6 months.

Spendable Cash and Investments to Operating Expenses



Operating Loss

The University's operating loss increased to $773 million in 2017, from $683 million in 2016. 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 $431 million in 2017, and $381 million in 2016. 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.

Unaudited – see accompanying notes to financial statements

Statements of Net Position

	UNIVERSITY OF WASHINGTON June 30, 2017	DISCRETE COMPONENT UNIT June 30, 2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
CASH AND CASH EQUIVALENTS (NOTE 2)	$ 64,035	$ 74,826
INVESTMENTS, CURRENT PORTION (NOTE 6)	585,419	21,920
ACCOUNTS RECEIVABLE (NET OF ALLOWANCE OF $70,099) (NOTE 5)	721,730	76,948
OTHER CURRENT ASSETS	55,799	46,614
TOTAL CURRENT ASSETS	1,426,983	220,308
NONCURRENT ASSETS:		
DEPOSIT WITH STATE OF WASHINGTON (NOTE 3)	66,409	-
INVESTMENTS, NET OF CURRENT PORTION (NOTE 6)	4,721,417	2,052
METROPOLITAN TRACT (NOTE 7)	146,258	-
STUDENT LOANS RECEIVABLE (NET OF ALLOWANCE OF $4,817) (NOTE 4)	69,381	-
OTHER NONCURRENT ASSETS	172,537	96,821
CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION OF $4,285,757) (NOTE 8)	4,737,034	363,610
TOTAL NONCURRENT ASSETS	9,913,036	462,483
TOTAL ASSETS	11,340,019	682,791
DEFERRED OUTFLOWS OF RESOURCES:		
UNAMORTIZED LOSS ON BOND REFUNDING	30,457	13,242
PENSION-RELATED DEFERRED OUTFLOWS (NOTE 15)	238,184	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	268,641	13,242
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 11,608,660**	**$ 696,033**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 833,564	$ 119,601
UNEARNED REVENUES	195,852	-
OTHER CURRENT LIABILITIES	127,581	-
LONG-TERM LIABILITIES, CURRENT PORTION (NOTES 9-11)	157,803	9,054
TOTAL CURRENT LIABILITIES	1,314,800	128,655
NONCURRENT LIABILITIES:		
U.S. GOVERNMENT GRANTS REFUNDABLE	49,909	-
LONG-TERM LIABILITIES, NET OF CURRENT PORTION (NOTES 9-11)	2,512,279	305,100
PENSION LIABILITIES (NOTE 15)	1,422,411	-
TOTAL NONCURRENT LIABILITIES	3,984,599	305,100
TOTAL LIABILITIES	5,299,399	433,755
DEFERRED INFLOWS OF RESOURCES:		
PROPERTY TAXES	-	42,717
PENSION-RELATED DEFERRED INFLOWS (NOTE 15)	108,155	-
TOTAL DEFERRED INFLOWS OF RESOURCES	108,155	42,717
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	5,407,554	476,472
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	2,424,447	62,018
RESTRICTED:		
NONEXPENDABLE	1,537,473	-
EXPENDABLE	1,859,136	8,041
UNRESTRICTED	380,050	149,502
TOTAL NET POSITION	6,201,106	219,561
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 11,608,660**	**$ 696,033**

See accompanying notes to financial statements.
Dollars in thousands

Statements of Revenues, Expenses and Changes in Net Position

	UNIVERSITY OF WASHINGTON Year ended June 30, 2017	DISCRETE COMPONENT UNIT Year ended June 30, 2017
REVENUES		
OPERATING REVENUES:		
STUDENT TUITION AND FEES (NET OF SCHOLARSHIP ALLOWANCE OF $159,166)	$ 941,873	$ -
NET PATIENT SERVICE REVENUES (NET OF PROVISION FOR UNCOLLECTIBLE ACCOUNTS OF $27,286)	1,869,238	544,674
FEDERAL GRANTS AND CONTRACTS	1,025,318	-
STATE AND LOCAL GRANTS AND CONTRACTS	93,662	-
NONGOVERNMENTAL GRANTS AND CONTRACTS	240,305	-
SALES AND SERVICES OF EDUCATIONAL DEPARTMENTS	217,421	-
AUXILIARY ENTERPRISES:		
HOUSING AND FOOD SERVICES	123,647	-
SPORTS PROGRAMS (NET OF SCHOLARSHIP ALLOWANCE OF $7,504)	69,608	-
OTHER AUXILIARY ENTERPRISES	180,868	-
OTHER MEDICAL-RELATED REVENUE	63,897	31,368
OTHER OPERATING REVENUE	67,651	-
TOTAL OPERATING REVENUES	**4,893,488**	**576,042**
EXPENSES		
OPERATING EXPENSES (NOTE 12):		
SALARIES	2,656,462	294,462
BENEFITS	862,800	79,722
SCHOLARSHIPS AND FELLOWSHIPS	136,871	-
UTILITIES	63,746	5,156
SUPPLIES AND MATERIALS	574,806	76,435
PURCHASED SERVICES	828,415	83,556
DEPRECIATION/AMORTIZATION	363,028	31,561
OTHER	180,301	31,048
TOTAL OPERATING EXPENSES	**5,666,429**	**601,940**
OPERATING LOSS	**(772,941)**	**(25,898)**
NONOPERATING REVENUES (EXPENSES)		
STATE APPROPRIATIONS	341,971	-
GIFTS	166,491	-
INVESTMENT INCOME (NET OF INVESTMENT EXPENSE OF $10,384)	443,383	1,549
INTEREST ON CAPITAL ASSET-RELATED DEBT	(77,386)	(17,711)
PELL GRANT REVENUE	46,114	-
PROPERTY TAX REVENUE	-	21,488
OTHER NONOPERATING REVENUES (EXPENSES)	12,963	(1,360)
NET NONOPERATING REVENUES	**933,536**	**3,966**
INCOME (LOSS) BEFORE OTHER REVENUES	**160,595**	**(21,932)**
CAPITAL APPROPRIATIONS	64,166	-
CAPITAL GRANTS, GIFTS AND OTHER	52,897	-
GIFTS TO PERMANENT ENDOWMENTS	85,449	-
TOTAL OTHER REVENUES	**202,512**	**-**
INCREASE (DECREASE) IN NET POSITION	**363,107**	**(21,932)**
NET POSITION		
NET POSITION – BEGINNING OF YEAR (NOTE 1)	5,837,999	241,493
NET POSITION – END OF YEAR	**$ 6,201,106**	**$ 219,561**

See accompanying notes to financial statements.
Dollars in thousands

Statement of Cash Flows

	UNIVERSITY OF WASHINGTON Year Ended June 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES	
STUDENT TUITION AND FEES	$ 916,171
PATIENT SERVICES	1,879,942
GRANTS AND CONTRACTS	1,361,909
PAYMENTS TO SUPPLIERS	(530,626)
PAYMENTS FOR UTILITIES	(59,670)
PURCHASED SERVICES	(798,295)
OTHER OPERATING DISBURSEMENTS	(216,221)
PAYMENTS TO EMPLOYEES	(2,649,967)
PAYMENTS FOR BENEFITS	(799,877)
PAYMENTS FOR SCHOLARSHIPS AND FELLOWSHIPS	(136,871)
LOANS ISSUED TO STUDENTS	(29,108)
COLLECTION OF LOANS TO STUDENTS	22,604
OTHER MEDICAL CENTER RECEIPTS	63,897
AUXILIARY ENTERPRISE RECEIPTS	378,287
SALES AND SERVICES OF EDUCATIONAL DEPARTMENTS	199,716
RECEIPTS FROM OUTSIDE AFFILIATED AGENCIES	830,208
DISBURSEMENTS TO OUTSIDE AFFILIATED AGENCIES	(829,534)
OTHER RECEIPTS	93,455
NET CASH USED BY OPERATING ACTIVITIES	**(303,980)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
STATE APPROPRIATIONS	343,355
GIFTS AND GRANTS FOR OTHER THAN CAPITAL PURPOSES	46,114
PRIVATE GIFTS	126,304
PERMANENT ENDOWMENT RECEIPTS	85,449
DIRECT LENDING RECEIPTS	234,100
DIRECT LENDING DISBURSEMENTS	(245,016)
OTHER	13,122
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	**603,428**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
PROCEEDS FROM CAPITAL DEBT	272,489
STATE CAPITAL APPROPRIATIONS	58,648
CAPITAL GRANTS AND GIFTS RECEIVED	51,488
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(628,080)
PRINCIPAL PAYMENTS ON CAPITAL-RELATED DEBT AND LEASES	(143,416)
INTEREST PAYMENTS ON CAPITAL-RELATED DEBT AND LEASES	(90,943)
OTHER	(5,562)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(485,376)**

CASH FLOWS FROM INVESTING ACTIVITIES		Year Ended June 30, 2017
PROCEEDS FROM SALES OF INVESTMENTS		9,810,736
DISBURSEMENTS FOR PURCHASES OF INVESTMENTS		(9,764,100)
INVESTMENT INCOME		91,116
NET CASH PROVIDED BY INVESTING ACTIVITIES		**137,752**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(48,176)**
CASH AND CASH EQUIVALENTS-BEGINNING OF THE YEAR		112,211
CASH AND CASH EQUIVALENTS-END OF THE YEAR	**$**	**64,035**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
OPERATING LOSS	$	(772,941)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
DEPRECIATION/AMORTIZATION EXPENSE		363,028
CHANGES IN ASSETS AND LIABILITIES:		
RECEIVABLES		(24,875)
OTHER ASSETS		(13,579)
PENSION RELATED DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES		(96,556)
PENSION LIABILITIES		104,864
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		91,584
UNEARNED REVENUE		22,151
OTHER LONG-TERM LIABILITIES		28,849
U.S. GOVERNMENTAL GRANTS REFUNDABLE		(8,845)
LOANS TO STUDENTS		2,340
NET CASH USED BY OPERATING ACTIVITIES	**$**	**(303,980)**
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
STOCK GIFTS	$	40,188
INCREASE IN INTEREST IN SEATTLE CANCER CARE ALLIANCE		15,181
NET UNREALIZED GAINS		289,568
TOTAL NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	**$**	**344,937**

See accompanying notes to 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. Financial accountability is demonstrated when one of several conditions exist such as when the University appoints a voting majority of the organization's board, is able to impose its will on the organization, receives specific financial benefit or incurs specific financial burdens from the organization, or the organization is fiscally dependent on the University. These entities may be reported in the financial statements of the University in one of two ways: the component units' amounts may be blended with the amounts reported by the University, or they may be shown in a separate column, depending on the application of the criteria of Governmental Accounting Standards Board (GASB) code section 2600, *"Reporting Entity and Component Unit Presentation and Disclosure"*. All component units of the University meet the criteria for blending except Valley Medical Center. It is reported discretely, since it has a separate board of directors, it does not provide services exclusively to the University, and it is not a nonprofit corporation with the University being the sole corporate member.

CHANGES IN REPORTING ENTITY

In fiscal year 2017, the University implemented GASB Statement No. 80, *"Blending Requirements for Certain Component Units"*. Northwest Hospital & Medical Center, previously presented as a discrete component unit, meets the revised criteria for blending in the University's financial statements since it is a nonprofit corporation and the University is the sole corporate member. As such, its financial activities have been aggregated with those of the University, and intra-entity transactions have been eliminated.

BLENDED COMPONENT UNITS

The following entities are presented as blended component units of the University. Financial information for these affiliated organizations is available from their respective administrative offices.

MEDICAL ENTITIES

Northwest Hospital

UW Medicine and Northwest Hospital & Medical Center (NWH), a 281-bed full-service acute care hospital, have been affiliated since January 1, 2010. The University is the sole corporate member of NWH. NWH had operating revenues of $358,580,000 in 2017.

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 $262,682,000 in 2017.

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 $29,332,000 in 2017.

REAL ESTATE ENTITIES

The entities listed below are nonprofit corporations that were formed to acquire or construct 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
- Washington Biomedical Research Properties 3.2
- Washington Biomedical Research Properties 3.3

These entities collectively had net capital assets of $294,448,000, and long-term debt of $410,374,000, in 2017. These amounts are reflected in the University's financial statements.

DISCRETELY PRESENTED COMPONENT UNIT

Valley Medical Center

UW Medicine and Public Hospital District No. 1 of King County, a Washington public hospital district dba Valley Medical Center (VMC), have had a strategic alliance since July 1, 2011. VMC owns and operates a 321-bed full-service acute care hospital and 45 clinics located throughout southeast King County. The audited financial statements of VMC are available by contacting VMC at 400 S. 43rd Street, Renton, Washington 98055 or online at the following address: 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 the SCCA under the equity method and has recorded $141,817,000 in Other Assets, together with $15,181,000 in Investment Income, for its share of the joint venture in 2017.

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 $16,182,000 in 2017.

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, revenue is recognized when earned, and expense is recorded when an obligation has been incurred. Significant intra-entity 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, 2016, the University adopted those portions of GASB 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"* pertaining to pension plans not within the scope of Statement No. 68. The University of Washington Supplemental Retirement Plan (UWSRP, Note 15) does not fall within the scope of Statement No. 68 since the assets set aside to pay retiree benefits have not been segregated and restricted in a trust or equivalent arrangement. As a result of implementing this Statement, the University has recognized the total pension liability for this plan, and has restated July 1, 2016 Net Position for the difference between the beginning total pension liability and the amount previously reported as the UWSRP pension liability. Prior to implementing this Statement, the UWSRP pension liability represented the cumulative amounts expensed for the Annual Required Contribution (ARC) less cash payments to retirees, and UWSRP pension expense was equal to the ARC. Under Statement No. 73, the University must record the total actuarially determined UWSRP pension liability, and most changes in the total pension liability will now be reflected in pension expense in the period of the change, while others will be reported as deferred inflows or deferred outflows of resources, and amortized to expense over future periods. 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. 73 is not able to be applied to the prior fiscal year due to the constraints of available information.

On July 1, 2016, the University adopted GASB Statement No. 80, *"Blending Requirements for Certain Component Units"*. This Statement amends requirements for the financial statement presentation of component units of all state and local governments. The new criteria require presenting a component unit's balances and activities blended with the primary government, and the elimination of intra-entity transactions, when the component unit is incorporated as a not-for-profit corporation and the primary government is the corporation's sole corporate member. The University is the sole corporate member of NWH, which was previously reflected as a discretely presented component unit. As a result of implementing this Statement, NWH is now being reflected as a blended component unit, and the July 1, 2016 net position has been restated to reflect this change.

With the adoption of GASB Statements No. 73 and No. 80, net position was restated at July 1, 2016. Below is a reconciliation of total net position as previously reported at June 30, 2016, to the restated net position.

(Dollars in thousands)

NET POSITION AT JUNE 30, 2016, AS PREVIOUSLY REPORTED	$ 5,963,888
ADOPTION OF GASB STATEMENT NO. 73	(215,387)
ADOPTION OF GASB STATEMENT NO. 80	89,498
NET POSITION AT JULY 1, 2016, AS RESTATED	**$ 5,837,999**

ACCOUNTING STANDARDS IMPACTING THE FUTURE

In June 2015, the GASB issued Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"* (OPEB), which will be 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. The University's participation in OPEB is described in Note 14, and based on the requirements of GASB Statement No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,"* OPEB does not currently impact the University's financial statements. As a result of implementing Statement No. 75, the University will be required to recognize its proportionate share of the state's actuarially determined OPEB liability, deferred inflows and deferred outflows of resources, and benefit expense. The July 2017 actuarial valuation prepared in accordance with GASB Statement No. 45 reports an actuarial accrued liability for the state of Washington of $5,500,000,000, and estimates the University's proportionate share of that liability to be $1,200,000,000. The plan has no accumulated assets; therefore, the impact to the University's financial statements from implementation will require recognition of the University's proportionate share of the statewide OPEB liability as calculated under the requirements of GASB 75, with a corresponding restatement of net position as of June 30, 2017.

In March 2016, the GASB issued Statement No. 81, *"Irrevocable Split-Interest Agreements,"* which will be effective for the fiscal year ending June 30, 2018. Irrevocable split-interest agreements are a specific type of giving arrangement used by donors to provide resources to two or more beneficiaries, including governments. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Implementation of this Statement will require the University to report its beneficial interest in irrevocable split-interest agreements, including those held by an intermediary such as an outside trust. The University has lead income rights in many outside trusts. This Statement will require that the beneficial interest received be initially recorded at fair value as a deferred inflow of resources, and then revalued at the end of each financial reporting period with the change in fair value recognized as revenue. The University currently reports revenue based on income distributions received. As a result of implementing this statement, the University expects to recognize additional assets of approximately $100,000,000, deferred inflows of resources of $150,000,000, and a reduction of net position of $50,000,000.

In November 2016, the GASB issued Statement No. 83, *"Certain Asset Retirement Obligations,"* which will be effective for the fiscal year ending June 30, 2019. An Asset Retirement Obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. Governments that have legal obligations to perform future tangible asset retirement activities will need to recognize a liability and offsetting deferred outflow of resources when incurred and reasonably estimable. The basis of the estimate is the current value of the future outlays expected to be incurred, and is to be adjusted annually for inflation and any changes of relevant factors. The deferral is to be recognized as expense in a systematic and rational manner over the life of the tangible capital asset. The liability is derecognized as retirement costs are paid. Required disclosures include information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The University's 2015 Decommissioning Funding Plan, prepared in accordance with Washington Administrative Code 246-235-075, has estimated disposal and clean-up costs related to several Cyclotrons used in research and medical services of approximately $100,000,000 and discussions are underway to determine the applicability of this standard to University X-ray and MRI machines.

In January 2017, the GASB issued Statement No. 84, *"Fiduciary Activities,"* which will be effective for the fiscal year ending June 30, 2020. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. Governments with activities meeting the criteria should present a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. Custodial assets held for three months or less are exempt from the reporting requirements. The University will be required to report fiduciary activities that do not meet the exception criteria, primarily consisting of funds invested by other agencies and organizations in the Consolidated Endowment Fund.

In March 2017, the GASB issued Statement No. 85, *"Omnibus 2017,"* which will be effective for the fiscal year ending June 30, 2018. This Statement addresses practice issues that were identified during implementation and application of certain other GASB Statements. It addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The guidance related to component units, fair value measurement and goodwill does not apply to the University. The guidance related to OPEB will be considered in the context of implementing GASB Statement No. 75.

In June 2017, the GASB issued Statement No. 87, *"Leases,"* which will be effective for the fiscal year ending June 30, 2021. This Statement changes the current classification of lease arrangements as either operating or capital leases, and establishes a single model for lease accounting based on the foundational principle that leases represent a financing transaction associated with the right to use an underlying asset. This Statement applies to contracts that convey the right to use a non-financial asset in an exchange or exchange-like transaction for a term exceeding 12 months. Lessees will be required to recognize a lease liability and an intangible right-to-use lease asset, and lessors will be required to recognize a lease receivable and a deferred inflow of resources. The University is currently analyzing the impact from implementation 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, 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 under 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 are reflected on the Statements 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.

Capital assets which are financed by capital leases are depreciated in the same manner as other capital assets.

Interest incurred on capital asset-related debt was $90,080,000 in 2017. The University capitalized $12,694,000 of this cost in 2017.

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 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. 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.

Single Employer Pension Plan (UW Supplemental Retirement Plan). The total pension liability is determined by discounting projected benefit payments for current participants and retirees, based on the benefit terms and legal agreements existing at the pension plan's fiscal year-end. The discount rate used is the yield or index rate for 20 year tax-exempt general obligation municipal bonds with average credit rating AA/Aa or higher rating. 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. The measurement date for the UW Supplemental Retirement Plan is June 30, 2017.

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 3.4% to 7.5%.

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, 2017 was $118,917,000, and is included in Accounts Payable and Accrued Liabilities. Sick leave accrued at June 30, 2017 was $46,771,000, 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 Service Revenue. Patient service 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 service 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 service 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 Net Patient Service Revenue, see the audited financial statements of the UW Medicine Clinical Enterprise – UW Division, which are contained in the latest Bondholders Report at http://finance.uw.edu/treasury/bondholders/other-investor-material.

Charity Care. Charity care provides patient care without charge to patients who meet certain criteria under the charity care policy. Records are maintained to identify and monitor the level of charity care provided. These records include charges foregone for services and supplies furnished under the charity care policy to the uninsured and the underinsured. Collection of these amounts is not pursued and as such they are not reported as net patient service revenue. The cost of charity care provided is calculated based on the aggregate relationship of costs to charges. The estimated cost of charity care provided during 2017 was $21,346,000.

State Appropriations. The state of Washington appropriates funds to the University on both annual and biennial bases. This revenue is reported as nonoperating revenue in the Statements of Revenues, Expenses and Changes in Net Position when underlying expenditures are made.

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, but 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. Cash equivalents includes treasury securities with maturities of less than 90 days and money market funds with remaining maturities of one year or less at the time of purchase. 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).

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 building fee collected from students. The fair value of these funds approximates the carrying value.

NOTE 4:

Student Loans Receivable

Net student loans of $69,381,000 at June 30, 2017 consist of $53,281,000 from federal programs, and $16,100,000 from University programs. Interest income from student loans for the year ended June 30, 2017 was $1,606,000. 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, 2017 were:

(Dollars in thousands)	**2017**
NET PATIENT SERVICES	$ 351,566
GRANTS AND CONTRACTS	182,191
INVESTMENTS	95,232
DUE FROM OTHER AGENCIES	78,207
SALES AND SERVICES	52,294
TUITION	13,451
STATE APPROPRIATIONS	5,517
ROYALTIES	5,021
OTHER	8,350
SUBTOTAL	**791,829**
LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS	(70,099)
TOTAL	**$ 721,730**

NOTE 6:

Investments

INVESTMENTS – GENERAL

The University of Washington Board of Regents is vested by statute with responsibility for the University's properties and investments, and for establishing investment policy. The University of Washington Investment Management Company (UWINCO), led by the Chief Investment Officer, carries out the day-to-day activities of the investment portfolios. The University of Washington Investment Management Company Board, which consists of both Board of Regents' members and external investment professionals, serves as an advisory board to UWINCO.

The University holds significant amounts of investments that are measured at fair value on a recurring basis. Shown below is a tabular format for disclosing the levels within the fair value hierarchy. The three-tier hierarchy of inputs is summarized as follows:

- Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date
- Level 2 Inputs – Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly
- Level 3 Inputs – Unobservable inputs for an asset or liability

TABLE 1 – INVESTMENTS *(Dollars in thousands)*

		Fair Value Measurement Inputs		
INVESTMENTS BY FAIR VALUE LEVEL	**2017**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
FIXED INCOME SECURITIES				
U.S. TREASURY SECURITIES	$ 777,094	$ 3,059	$ 774,035	$ -
U.S. GOVERNMENT AGENCY	573,706	9,497	564,209	-
MORTGAGE BACKED	205,503	-	205,503	-
ASSET BACKED	141,845	-	141,845	-
CORPORATE AND OTHER	249,196	16,856	232,340	-
TOTAL FIXED INCOME SECURITIES	**1,947,344**	**29,412**	**1,917,932**	**-**
EQUITY SECURITIES				
GLOBAL EQUITY INVESTMENTS	740,427	711,755	28,672	-
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	1,340	-	-	1,340
REAL ESTATE	9,396	-	-	9,396
OTHER	2,754	1,482	-	1,272
TOTAL EQUITY SECURITIES	**753,917**	**713,237**	**28,672**	**12,008**
TOTAL INVESTMENTS BY FAIR VALUE LEVEL	**2,701,261**	**$ 742,649**	**$1,946,604**	**$ 12,008**
INVESTMENTS MEASURED USING NET ASSET VALUE (NAV)				
GLOBAL EQUITY INVESTMENTS	1,272,046			
ABSOLUTE RETURN STRATEGY FUNDS	465,553			
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	339,876			
REAL ASSETS FUNDS	183,070			
OTHER	69,630			
TOTAL INVESTMENTS MEASURED USING NAV	**2,330,175**			
TOTAL INVESTMENTS MEASURED AT FAIR VALUE	5,031,436			
CASH EQUIVALENTS AT AMORTIZED COST	275,400			
TOTAL INVESTMENTS	**$ 5,306,836**			

Fixed income and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income and equity securities classified in Level 2 are valued using other observable inputs including quoted prices for similar securities and interest rates. Private equity, real assets and other investments classified in Level 3 are valued using either discounted cash flow or market comparable techniques.

The University's interests in certain non-readily marketable alternative investments, such as hedge funds and private equity limited partnerships, are stated at fair value based on NAV estimates used as a practical expedient reported to the University by investment fund managers. The valuation method for investments measured using NAV per share (or its equivalent) is presented in the following table.

TABLE 2 – INVESTMENTS MEASURED USING NAV *(Dollars in thousands)*

2017	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
GLOBAL EQUITY INVESTMENTS	$ 1,272,046	$ 22,308	MONTHLY TO ANNUALLY	15-180 DAYS
ABSOLUTE RETURN STRATEGY FUNDS	465,553	45,490	QUARTERLY TO ANNUALLY	30-90 DAYS
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	339,876	241,330	N/A	-
REAL ASSETS FUNDS	183,070	68,452	N/A	-
OTHER	69,630	8,011	QUARTERLY TO ANNUALLY	30-95 DAYS
TOTAL INVESTMENTS MEASURED USING NAV	**$ 2,330,175**			

1. **Global Equity:** This investment category includes public equity investments in separately managed accounts, long-only comingled funds, unconstrained limited partnerships, and passive market indices. Fair values have been determined using the NAV per share of the investments. For 2017, approximately 75% of the value of the investments in this category can be redeemed within 90 days, and 92% can be redeemed within one year.
2. **Absolute Return:** This category includes investments in stable income and low-to-medium beta funds. Management of these funds seeks low correlation to broad equity markets by investing in assets that exhibit low volatility, deep discounts, and/or hedges against market downturns. Fair values have been determined using the NAV per share of the investments. Approximately 91% of the value of the investments in this category can be redeemed within one year.
3. **Private equity:** This category includes buyout, venture, and special situations funds. Fair values have been determined using the NAV per share (or its equivalent) of the ownership interest in partners' capital. These investments can never be redeemed with the funds, with the exception of one investment. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the majority of underlying assets of the funds will be liquidated over the next 7 to 10 years.
4. **Real assets:** This category includes real estate, natural resources, and other hard assets. Fair values have been determined using the NAV per share (or its equivalent) of the ownership interest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the majority of underlying assets of the funds will be liquidated over the next 7 to 10 years.
5. **Other:** This category consists of fixed income and opportunistic investments and includes various types of non-investment grade and non-rated credit plus nominal equity exposure. Fair values have been determined using the NAV per share (or its equivalent) of the ownership interest in partners' capital. Approximately 81% of the value of the investments in this category can be redeemed or anticipate distribution within one year. The remaining balance of these investments contain restrictions on redemption within one year or will be distributed as underlying investments are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 10 years.

INVESTMENT POOLS

The University combines most short-term cash balances into the Invested Funds Pool. At June 30, 2017, the Invested Funds Pool totaled $1,658,957,000. The Invested Funds Pool also owns units in the Consolidated Endowment Fund (CEF) valued at $614,540,000 at June 30, 2017. 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 1% in fiscal year 2017. University Advancement received 3% of the average balances in endowment operating and gift accounts in fiscal year 2017. 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 4.0%, applied to the five-year rolling average of the CEF's market valuation. Additionally, the policy allows for an administrative fee of 1.0% supporting campus-wide fundraising and stewardship activities (0.80%) and offsetting the internal cost of managing endowment assets (0.20%).

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 $2,065,000 at June 30, 2017.

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 $112,821,000 at June 30, 2017. Income received from these trusts, which is included in Investment Income, was $4,619,000 for the fiscal year ended June 30, 2017.

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 $47,518,000 in fiscal year 2017 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 (depreciation) of these investments reported in the prior year(s). The net appreciation in the fair value of investments during the year ended June 30, 2017 was $337,086,000.

FUNDING COMMITMENTS

The University enters into contracts with investment managers to fund alternative investments. As of June 30, 2017, the University had outstanding commitments to fund alternative investments of $385,591,000. 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 notional amount and fair value of investment derivative instruments outstanding at June 30, 2017, categorized by type, are as follows:

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, 2017. 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.

TABLE 3 – INVESTMENT DERIVATIVES *(Dollars in thousands)*

Notational Amount as of June 30		Fair Value as of June 30		Change in Fair Value	
DESCRIPTION	2017	ASSET CLASSIFICATION	2017	INCOME CLASSIFICATION	2017
SWAPS FIXED INCOME – LONG	$ 94,365	INVESTMENTS	$ 94,365	INVESTMENT INCOME	$ -
SWAPS FIXED INCOME – SHORT	$ (94,365)	INVESTMENTS	$ (95,409)	INVESTMENT INCOME	$ (1,044)
FUTURES ON CONTRACTS – LONG	$133,581	INVESTMENTS	$133,374	INVESTMENT INCOME	$ (207)
FUTURES ON CONTRACTS – SHORT	$ (74,786)	INVESTMENTS	$ (74,723)	INVESTMENT INCOME	$ 63

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 1.95 years at June 30, 2017.

CREDIT RISK

Fixed income securities are also 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 is a calculation of the number of years required to recover the true cost of a bond. The duration measures presented in Table 4 below represent a broad average across all fixed income securities held in the CEF, the Invested Funds Pool (IF or operating funds) and debt service reserve funds. The CEF and IF portfolios are managed to have a duration below their policy benchmarks to protect principal and provide liquidity to the overall portfolio.

Duration and credit risk figures at June 30, 2017 exclude $15,625,000 of fixed income securities held outside the CEF and the IF. These amounts make up 0.80% of the University's fixed income investments, and are not included in the duration figures detailed in Table 4.

The composition of fixed income securities at June 30, 2017, along with credit quality and effective duration measures, is summarized as follows:

TABLE 4 – FIXED INCOME: CREDIT QUALITY AND EFFECTIVE DURATION *(Dollars in thousands)*

2017

Investments	U.S. Government	Investment Grade*	Non-Investment Grade	Not Rated	Total	Duration (in years)
U.S. TREASURIES	$ 774,034	$ -	$ -	$ -	$ 774,034	1.57
U.S. GOVERNMENT AGENCY	569,325	-	-	-	569,325	2.30
MORTGAGE BACKED	-	135,624	49,402	20,477	205,503	1.50
ASSET BACKED	-	139,233	2,048	564	141,845	0.92
CORPORATE AND OTHER	-	171,826	40,591	28,595	241,012	3.68
TOTAL	**$ 1,343,359**	**$ 446,683**	**$ 92,041**	**$ 49,636**	**$ 1,931,719**	**1.95**

* 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, 2017 of $1,121,780,000.

TABLE 5 – INVESTMENTS DENOMINATED IN FOREIGN CURRENCY

(Dollars in thousands)	2017
INDIAN RUPEE (INR)	$ 169,112
JAPANESE YEN (JPY)	117,709
EURO (EUR)	112,308
CHINESE RENMINBI (CNY)	100,807
BRAZIL REAL (BRL)	88,806
SOUTH KOREAN WON (KRW)	63,005
HONG KONG DOLLAR (HKD)	61,804
BRITISH POUND (GBP)	55,104
RUSSIAN RUBLE (RUB)	43,103
CANADIAN DOLLAR (CAD)	41,703
MEXICAN PESO (MXN)	32,802
TAIWANESE DOLLAR (TWD)	30,102
PHILIPPINE PESO (PHP)	26,002
SWISS FRANC (CHF)	24,202
REMAINING CURRENCIES	155,211
TOTAL	**$ 1,121,780**

NOTE 7:

Metropolitan Tract

The University of Washington Metropolitan Tract (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 University has managed the Metropolitan Tract by leasing to third party tenants, and ground leasing to entities responsible for developing and operating new buildings.

The balance as of June 30, 2017 of $146,258,000 represents the asset value net of operating liabilities and long-term debt on the property. The asset value is comprised primarily of land, buildings, building improvements and operating assets.

Total debt outstanding on the Metropolitan Tract was $35,000,000 as of June 30, 2017, which will be repaid by proceeds from the properties. The debt was issued in 2015 to refund commercial paper and acquire the leasehold on the Cobb Building. This amount is reflected in the balance for Metropolitan Tract on the Statement of Net Position, and is therefore not included in Note 9 or Note 11.

In 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). The agreement commenced on November 1, 2014 and expires upon the completion of certain development milestones. The Predevelopment Agreement provides for the execution of a ground lease for the development of a multi-use office tower (Tower Lease) and a separate ground lease for a luxury hotel (Rainier Square Hotel Lease).

SUBSEQUENT EVENT

On September 12, 2017, the University executed the Tower Lease with Wright Runstad and amended the Predevelopment Agreement to allow for a separate future closing of the Rainier Square Hotel Lease. The Tower Lease has an 80 year term, requires Wright Runstad to complete development of the approved building in four years, is unsubordinated, and requires minimum ground rent during construction and 8% of adjusted gross revenue from the project thereafter. Demolition of the existing Rainier Square building is expected in November 2017.

In connection with the Tower Lease, the University executed an Operating Agreement with Wright Runstad that regulates how the Rainier Tower and the lessees of the Rainier Square Tower and Hotel will operate shared mix use space on the Rainier Square block.

NOTE 8:

Capital Assets

Capital asset activity for the period ended June 30, 2017 is summarized as follows:

(Dollars in thousands)	Balance at June 30, 2016	Additions/ Transfers	Retirements	Balance at June 30, 2017
LAND	$ 139,565	$ 4,646	$ -	$ 144,211
INFRASTRUCTURE	247,792	62,296	-	310,088
BUILDINGS	5,766,853	389,840	5,620	6,151,073
FURNITURE, FIXTURES AND EQUIPMENT	1,484,793	151,963	159,813	1,476,943
LIBRARY MATERIALS	349,516	16,879	1,904	364,491
CAPITALIZED COLLECTIONS	7,183	110	45	7,248
INTANGIBLE ASSETS	139,155	71,074	1,701	208,528
CONSTRUCTION IN PROGRESS	353,597	8,009	11,907	349,699
INTANGIBLES IN PROCESS	56,800	(46,290)	-	10,510
TOTAL COST	**8,545,254**	**658,527**	**180,990**	**9,022,791**
LESS ACCUMULATED DEPRECIATION/AMORTIZATION:				
INFRASTRUCTURE	111,694	8,862	-	120,556
BUILDINGS	2,395,932	209,263	4,886	2,600,309
FURNITURE, FIXTURES AND EQUIPMENT	1,214,848	129,857	151,232	1,193,473
LIBRARY MATERIALS	261,669	12,951	1,449	273,171
INTANGIBLE ASSETS	96,153	2,095	-	98,248
TOTAL ACCUMULATED DEPRECIATION/AMORTIZATION	**4,080,296**	**363,028**	**157,567**	**4,285,757**
CAPITAL ASSETS, NET	**$ 4,464,958**	**$ 295,499**	**$ 23,423**	**$ 4,737,034**

NOTE 9:

Long-Term Liabilities

UNIVERSITY OF WASHINGTON

Long-term liability activity for the period ended June 30, 2017 is summarized as follows:

(Dollars in thousands)	Balance at June 30, 2016	Additions/ Transfers	Reductions	Balance at June 30, 2017	Current Portion 2017
BONDS PAYABLE:					
GENERAL OBLIGATION BONDS PAYABLE (NOTE 11)	$ 127,054	$ 9,130	$ 26,985	$ 109,199	$ 13,890
REVENUE BONDS PAYABLE (NOTE 11)	1,992,945	205,160	85,775	2,112,330	77,250
UNAMORTIZED PREMIUM ON BONDS	137,142	37,403	17,341	157,204	12,465
TOTAL BONDS PAYABLE	**2,257,141**	**251,693**	**130,101**	**2,378,733**	**103,605**
NOTES PAYABLE AND CAPITAL LEASES:					
NOTES PAYABLE & OTHER – CAPITAL ASSET RELATED (NOTE 11)	36,499	-	9,860	26,639	5,177
NOTES PAYABLE & OTHER – NONCAPITAL ASSET RELATED (NOTE 11)	1,316	453	290	1,479	1,355
CAPITAL LEASE OBLIGATIONS (NOTE 10)	12,298	3,796	3,265	12,829	2,425
TOTAL NOTES PAYABLE AND CAPITAL LEASES	**50,113**	**4,249**	**13,415**	**40,947**	**8,957**
OTHER LONG-TERM LIABILITIES:					
OBLIGATIONS UNDER SPLIT-INTEREST AGREEMENTS	39,154	20,800	5,271	54,683	5,694
POLLUTION REMEDIATION LIABILITY (NOTE 1)	21,000	-	-	21,000	3,000
HMC ITS FUNDING (NOTE 13)	27,610	4,434	1,786	30,258	9,500
SICK LEAVE (NOTE 1)	42,191	9,499	4,919	46,771	5,286
SELF-INSURANCE (NOTE 16)	79,153	15,026	15,695	78,484	21,761
OTHER NONCURRENT LIABILITIES	12,637	6,569	-	19,206	-
TOTAL OTHER LONG-TERM LIABILITIES	**221,745**	**56,328**	**27,671**	**250,402**	**45,241**
TOTAL LONG-TERM LIABILITIES	**$ 2,528,999**	**$ 312,270**	**$ 171,187**	**$ 2,670,082**	**$ 157,803**

DISCRETE COMPONENT UNIT

Long-term liability activity for the period ended June 30, 2017 is summarized as follows:

(Dollars in thousands)	Balance at June 30, 2016	Additions/ Transfers	Reductions	Balance at June 30, 2017	Current Portion 2017
VALLEY MEDICAL CENTER					
LIMITED TAX GENERAL OBLIGATION BONDS	$ 230,745	$ 214,926	$ 207,312	$ 238,359	$ 7,020
REVENUE BONDS	15,959	-	1,641	14,318	1,790
BUILD AMERICA BONDS	61,155	-	-	61,155	-
NOTES PAYABLE & OTHER	603	-	281	322	244
TOTAL LONG-TERM LIABILITIES	**$ 308,462**	**$ 214,926**	**$ 209,234**	**$ 314,154**	**$ 9,054**

NOTE 10:

Leases

Future minimum lease payments under capital leases, and the present value of the net minimum lease payments as of June 30, 2017, are as follows:

CAPITAL LEASES

Year *(Dollars in thousands)*	Future Payments
2018	$ 2,696
2019	2,710
2020	2,370
2021	2,008
2022	1,983
THEREAFTER	1,981
TOTAL MINIMUM LEASE PAYMENTS	13,748
LESS: AMOUNT REPRESENTING INTEREST COSTS	919
PRESENT VALUE OF MINIMUM PAYMENTS	**$ 12,829**

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, 2017, the University recorded rent expense of $78,127,000 for these leases. Future lease payments as of June 30, 2017 are as follows:

Year *(Dollars in Thousands)*	Future Payments
2018	$ 72,053
2019	69,715
2020	65,601
2021	55,648
2022	46,751
2023 - 2027	120,394
2028 - 2032	51,465
2033 - 2037	52,940
2038 - 2042	61,240
2043 - 2047	70,825
2048 - 2052	81,936
2053 - 2057	94,797
2058 - 2062	109,686
2063 - 2067	21,530
TOTAL MINIMUM LEASE PAYMENTS	**$ 974,581**

NOTE 11:

Bonds and Notes Payable

The bonds and notes payable at June 30, 2017 consist of state of Washington General Obligation and Refunding Bonds, University Revenue Bonds, and Notes Payable. These obligations have fixed interest rates ranging from 0.91% to 6.52%. Debt service requirements at June 30, 2017 were as follows:

BONDS AND NOTES PAYABLE *(Dollars in thousands)*

	STATE OF WASHINGTON GENERAL OBLIGATION BONDS		UNIVERSITY OF WASHINGTON GENERAL REVENUE BONDS		NOTES PAYABLE AND OTHER	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2018	$ 13,890	$ 5,195	$ 77,250	$ 97,920	$ 6,532	$ 1,164
2019	13,920	4,473	56,795	95,276	3,819	1,008
2020	10,275	3,824	58,195	92,782	3,628	855
2021	10,765	3,305	61,585	90,143	3,577	705
2022	11,230	2,753	64,370	87,228	2,529	556
2023 - 2027	45,275	5,580	331,795	389,724	4,796	1,381
2028 - 2032	3,844	142	370,285	303,304	3,177	399
2033 - 2037	-	-	398,670	214,940	60	-
2038 - 2042	-	-	439,405	106,738	-	-
2043 - 2047	-	-	249,010	17,353	-	-
2048 - 2052	-	-	4,970	-	-	-
TOTAL PAYMENTS	**$ 109,199**	**$ 25,272**	**$ 2,112,330**	**$ 1,495,408**	**$ 28,118**	**$ 6,068**

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 service revenues, tuition, timber sales and other revenues.

ISSUANCE ACTIVITY

On November 9, 2016, the University issued $205,160,000 in General Revenue & Refunding Bonds, 2016A&B, at a premium of $35,596,000. Part of the proceeds were used to refund existing debt. The amount of refunded bonds was $38,220,000; the amount of refunding bonds was $35,020,000 (plus premium of $4,989,000). The refunded bonds had coupon rates ranging from 4.0% to 5.0% with an average coupon of 4.68%; the new bonds have an average coupon of 4.39%. The refunding decreased the total debt service payments to be made over the next 21 years by $6,154,000 and resulted in a total economic gain of $4,960,000. The remainder of the proceeds are funding a variety of projects. The average life of the 2016A&B General Revenue Bonds is 17.2 years with final maturity on December 1, 2046. The average coupon of these bonds is 4.80%.

REFUNDING ACTIVITY

On July 14, 2016, the state of Washington refunded General Obligation Bonds totaling $9,755,000 (UW portion) with new bond issuances totaling $9,130,000 and premium of $1,717,000. The refunded bonds had an average interest rate and coupon rate of 5.00%; the new bonds have an average coupon rate of 4.90%. The refunding decreased the total debt service payments to be made over the next seven years by $1,057,000 and resulted in a total economic gain of $958,000.

COMMERCIAL PAPER PROGRAM

The University has 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, 2017, there was $67,000,000 in outstanding commercial paper.

On July 20, 2016, the University issued of $45,000,000 of commercial paper debt. The proceeds were used to fund various projects such as Phases 3 and 4a of the Housing Master Plan, Animal Research and Care Facilities and UWMC Expansion Phase 2.

SUBSEQUENT DEBT ACTIVITY

On August 31, 2017, the University issued $45,000,000 of commercial paper debt. The proceeds will be used to fund the Life Sciences Building and Phase 4a of the Housing Master Plan.

On September 20, 2017, the University issued $14,000,000 of commercial paper debt. The proceeds will be used to fund construction of the Burke Museum.

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, 2017, $38,693,000 of bonds outstanding are considered defeased.

NOTE 12:

Operating Expenses by Function

Operating expenses by functional classification for the year ended June 30, 2017 are summarized as follows:

OPERATING EXPENSES *(Dollars in thousands)*	**2017**
INSTRUCTION	$ 1,203,800
RESEARCH	767,887
PUBLIC SERVICE	39,338
ACADEMIC SUPPORT	506,501
STUDENT SERVICES	48,372
INSTITUTIONAL SUPPORT	240,446
OPERATION & MAINTENANCE OF PLANT	206,436
SCHOLARSHIPS & FELLOWSHIPS	136,871
AUXILIARY ENTERPRISES	495,375
MEDICAL-RELATED	1,658,375
DEPRECIATION/AMORTIZATION	363,028
TOTAL OPERATING EXPENSES	**$ 5,666,429**

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, NWH, Airlift Northwest and Neighborhood Clinics are included in this category.

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. In February 2016, the University and King County entered into a Hospital Services Agreement. The term of the agreement, including extensions, will expire on December 31, 2045.

Under the agreement, 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 $28,432,000 as of June 30, 2017, as well as HMC investments of $3,629,000, current accrued liabilities of $26,731,000, and long-term liabilities of $30,258,000.

Under an annual agreement, HMC provides strategic funding to Neighborhood Clinics. Funding from HMC to Neighborhood Clinics was $11,522,000 during fiscal year 2017, and is presented as Other Operating Revenue in the Statements of Revenues, Expenses and Changes in Net Position.

UW Medicine information technology operates as a self-sustaining activity of the University (ITS department). The ITS department records enterprise-wide information technology capital assets that are purchased for use by UW Medicine entities. The HMC ITS funding reflected in long-term liabilities (Note 9) of $30,258,000 at June 30, 2017, represents HMC's funding of the enterprise-wide information technology capital assets which will be included in the recharge rates of the ITS department over the useful life of the assets.

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 2017, the UWF transferred $114,167,000 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 $3,755,000 from the University in support of its operations in fiscal year 2017. These amounts were expensed by the University.

NOTE 14:

Other Post Employment Benefits

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). For calendar year 2017, 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 Washington Office of the State Actuary, calculated that the total OPEB obligation of the state of Washington at January 1, 2017 was $5,500,000,000. The annual required contribution was

$534,000,000 for the state of Washington for 2017. 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 $1,200,000,000 for 2017. This amount is not included in the University's financial statements.

The University paid $349,000,000 for healthcare expenses in fiscal year 2017, which included its pay-as-you-go portion of the OPEB liability, calculated by the actuary at $16,000,000 in 2017.

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: 1) the Washington State Public Employees' Retirement System (PERS) plan, 2) the Washington State Teachers' Retirement System (TRS) plan, 3) the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) plan, and 4) 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). UWRP is a defined-contribution plan with a supplemental noncontributory defined-benefit plan component, and is administered by the University.

As of June 30, 2017, the University's share of the total unfunded liabilities associated with the defined-benefit pension plans administered by the DRS was $983,658,000. The liability associated with the defined-benefit pension plan administered by the University was $438,753,000, but does not reflect assets physically segregated in a separate investment account to pay future retiree benefits of $230,782,000. For the year ended June 30, 2017, total pension expense recorded by the University related to both the DRS and University plans was $130,620,000.

PLANS ADMINISTERED BY DRS

PLAN DESCRIPTION

Public Employees' Retirement System

PERS 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.

For accounting purposes, PERS is reported as three separate plans. Plan 1 accounts for the defined benefits of Plan 1 members, Plan 2/3 accounts for the defined benefits of Plan 2 and Plan 3 members, and Plan 3 accounts for the defined-contribution portion of Plan 3 members. The defined-benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund, and 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.

Teachers' Retirement System

TRS 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 pension 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.

For accounting purposes, similar to PERS, TRS is reported as three separate plans. Plan 1 accounts for the defined benefits of Plan 1 members, Plan 2/3 accounts for the defined benefits of Plan 2 and Plan 3 members, and Plan 3 accounts for the defined-contribution portion of Plan 3 members. The defined-benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund, and 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.

Law Enforcement Officers' and Fire Fighters' Retirement System

LEOFF 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.

VESTING AND BENEFITS PROVIDED

PERS Plan 1 and TRS Plan 1

PERS Plan 1 and TRS Plan 1 provide retirement, disability and death benefits. Both plans are closed to new entrants. All members were vested after the completion of five years of eligible service. 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-paid consecutive service months. The retirement benefit may not exceed 60% of the AFC.

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. Other benefits include duty and nonduty disability payments, an optional cost-of-living allowance, and a one-time duty-related death benefit, if the member is found eligible by the Washington State Department of Labor and Industries.

PERS Plan 2/3 and TRS Plan 2/3

PERS Plan 2/3 and TRS Plan 2/3 provide retirement, disability and death benefits. PERS Plan 2 and TRS Plan 2 members are vested after completion of five years of eligible service. PERS Plan 3 and TRS Plan 3 members are vested in the defined-benefit portion of their plan after 10 years of service, or after five years of service if 12 months are earned after age 44. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2, and 1% of AFC times the member's years of service for Plan 3. The AFC is the 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 early retirement. Members are eligible for early retirement with a reduced benefit at age 55 with at least 20 years of service credit. The benefit is reduced by a factor that varies according to age, for each year before age 65.

Retirement benefits are 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 the member is found eligible by the Washington State Department of Labor and Industries.

LEOFF Plan 2

LEOFF Plan 2 provides retirement, disability and death benefits. Members are vested after completing five years of eligible service. Retirement benefits are determined as 2% of the final average salary (FAS) per year of service, based on the member's 60 highest-paid consecutive service 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 age 53 receive reduced benefits.

Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index) capped at 3% annually, and a one-time duty-related death benefit if the member is found eligible by the Washington State Department of Labor and Industries.

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. 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.

The RCW (chapter 43.33 A) authorizes the Washington State Investment Board (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 drs.wa.gov/administration/ annualreport/.

ACTUARIAL ASSUMPTIONS

Accounting requirements dictate the use of assumptions to best estimate the impact that pension obligations will have on the University. The professional judgments used in determining these assumptions are important, and can significantly impact the resulting actuarial estimates. Differences between actual results compared to these assumptions could have a significant effect on the University's financial statements.

The total pension liability for each DRS plan was determined by an actuarial valuation, conducted by the Washington State Office of the State Actuary (OSA). The University's 2017 pension liability is based on an OSA valuation performed as of June 30, 2015, with the results rolled forward to the measurement date of June 30, 2016. 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' 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% 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 lifetimes.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report.

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% 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.

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 the measurement date of June 30, 2016, are summarized in the following table:

	2017 *(Measurement Date 2016)*	
Asset Class	**Target Allocation**	**Long-Term Expected Arithmetic Real Rate of Return**
FIXED INCOME	20.00%	1.70%
TANGIBLE ASSETS	5.00%	4.40%
REAL ESTATE	15.00%	5.80%
GLOBAL EQUITY	37.00%	6.60%
PRIVATE EQUITY	23.00%	9.60%

The inflation component used to create the above table is 2.20%, and represents WSIB's most recent long-term estimate of broad economic inflation.

DISCOUNT RATE

The discount rate used to measure the total pension liabilities as of June 30, 2017 was 7.50%. 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 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% future investment rate of return on pension plan investments was assumed. 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 of the RCW).

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 one-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate.

DISCOUNT RATE SENSITIVITY – NET PENSION LIABILITY (ASSET)

(Dollars in thousands)		2017	
Plan	1% Decrease	Current Discount Rate	1% Increase
PERS 1	$ 547,890	$ 454,341	$ 373,837
PERS 2/3	960,686	521,777	(271,615)
TRS 1	6,716	5,463	4,384
TRS 2/3	4,700	2,077	(2,413)
LEOFF 2	4,011	(1,430)	(5,531)

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. The contribution rates and required contributions for each DRS plan in which the University participates are shown in the table below.

Description *(Dollars in Thousands)*	PERS 1	PERS 2/3[a]	TRS 1	TRS 2/3[a]	LEOFF 2
2017					
CONTRIBUTION RATE	11.18%	11.18%	13.13%	13.13%	8.59%
CONTRIBUTIONS MADE	$ 50,761	$ 64,001	$ 703	$ 717	$ 342

[a] Plan 2/3 employer rate includes a component to address the Plan 1 unfunded actuarial accrued liability

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, 2017 was June 30, 2016. Employer contributions received and processed by the DRS during the fiscal year ended June 30, 2016 have been used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in their June 30, 2016 Schedules of Employer and Nonemployer Allocations. The University's proportionate share for each DRS plan is shown in the table below.

PROPORTIONATE SHARE *(Dollars in thousands)*

PLAN	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2
YEAR ENDED JUNE 30, 2017	8.46%	10.36%	0.16%	0.15%	0.25%

UNIVERSITY AGGREGATED BALANCES

The University's aggregated balance of net pension liabilities and net pension asset as of June 30, 2017 is presented in the table below.

(Dollars in Thousands)	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
2017						
NET PENSION LIABILITY	$ 454,341	$ 521,777	$ 5,463	$ 2,077	$ -	$ 983,658
NET PENSION ASSET	$ -	$ -	$ -	$ -	$ 1,430	$ 1,430

PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

The tables below summarize the University's pension expense, deferred outflows of resources and deferred inflows of resources related to the DRS pension plans, together with the related future year impacts to pension expense from amortization of those deferred amounts. Note that deferred outflows of resources related to University contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the following year, and are not amortized to pension expense.

PROPORTIONATE SHARE OF PENSION EXPENSE *(Dollars in thousands)*	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	TOTAL
YEAR ENDED JUNE 30, 2017	$ 31,179	$ 75,104	$ 1,315	$ 799	$ 169	$ 108,566

DEFERRED OUTFLOWS OF RESOURCES *(Dollars in thousands)* 2017	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	TOTAL
DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS, NET	$ 11,440	$ 63,850	$ 173	$ 334	$ 514	$ 76,311
CHANGE IN ASSUMPTIONS	-	5,393	-	21	5	5,419
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	-	27,784	-	157	196	28,137
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE	-	10,906	-	837	50	11,793
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE NET PENSION LIABILITY [a]	50,761	64,001	703	717	342	116,524
TOTAL	**$ 62,201**	**$ 171,934**	**$ 876**	**$ 2,066**	**$ 1,107**	**$ 238,184**

[a] Recognized as a reduction of the net pension liability as of June 30, 2018

DEFERRED INFLOWS OF RESOURCES *(Dollars in thousands)* 2017	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	TOTAL
DIFFERENCE BETWEEN PROJECTED AND ACTUAL EXPERIENCE	$ -	$ 17,225	$ -	$ 92	$ -	$ 17,317
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE	-	-	-	-	299	299
TOTAL	**$ -**	**$ 17,225**	**$ -**	**$ 92**	**$ 299**	**$ 17,616**

Amounts reported as deferred outflows of resources, exclusive of contributions made after the measurement date, and deferred inflows of resources will be recognized in pension expense as follows:

AMORTIZATION OF DEFERRED INFLOWS AND DEFERRED OUTFLOWS OF RESOURCES (a) *(Dollars in thousands)* YEAR	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	TOTAL
2018	$ (2,817)	$ 4,284	$ (45)	$ 226	$ (56)	$ 1,592
2019	(2,817)	4,225	(45)	226	(56)	1,533
2020	10,506	51,540	162	479	375	63,062
2021	6,568	30,659	101	294	245	37,867
2022	-	-	-	32	(42)	(10)
TOTAL	**$ 11,440**	**$ 90,708**	**$ 173**	**$ 1,257**	**$ 466**	**$ 104,044**

(a) Negative amounts shown in the table above represent a reduction of expense

PLANS ADMINISTERED BY UNIVERSITY OF WASHINGTON

University of Washington Retirement Plan

PLAN DESCRIPTION

UWRP, a single-employer 403(b) defined-contribution plan, is administered by the University. Faculty, librarians and professional staff are eligible to participate in the UWRP.

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 UWRP as of June 30, 2017 was 16,161.

Funding Policy

Employee contribution rates, based on age, are 5%, 7.5% or 10% of salary. The University matches 100% of employee contributions. Within parameters established by the legislature, contribution requirements may be established or amended by the University of Washington Board of Regents. Employer contributions for the year ended June 30, 2017 were $112,420,000.

University of Washington Supplemental Retirement Plan

PLAN DESCRIPTION

UWSRP, a single-employer 401(a) defined-benefit retirement plan administered by the University, 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. UWSRP membership includes academic, librarian, professional and other salary positions employed in eligible positions.

NUMBER OF PARTICIPANTS	As of June 30, 2017
ACTIVE EMPLOYEES	7,046
INACTIVE EMPLOYEES RECEIVING BENEFITS	696
INACTIVE EMPLOYEES ENTITLED TO, BUT NOT RECEIVING, BENEFITS	4

VESTING AND BENEFITS PROVIDED

UWSRP retirement benefit provisions are contained in RCW 28B.10.400, et. seq. which assigns the authority to establish and amend benefit provisions to the University of Washington Board of Regents. Members are eligible for calculation of a possible retirement benefit under this plan when they have reached age 62 and have 10 years of service with the University. Upon retirement, a calculation is performed which compares "goal income" to "assumed income" to determine if benefits have been earned under the plan.

Goal income is the product of a service factor multiplied by average monthly compensation, and then by eligible years of participation. Average monthly compensation is defined as the average annual basic salary, not to exceed annual limits established by the Internal Revenue Code, paid to a participant for their highest 24 consecutive months of service.

Assumed income must be calculated by an independent actuary, and represents a theoretical amount of monthly income that would have been generated if actual employee and University contributions to the UWRP had been allocated equally between fixed and variable dollar annuities.

When the goal income exceeds the assumed income, the participant is entitled to benefits under this plan. Benefit payments made during the fiscal year ending June 30, 2017 were $5,136,000.

TOTAL PENSION LIABILITY (TPL)

Assets set aside to pay UWSRP benefits are not held in a qualified trust as defined by GASB. A qualified trust requires that contributions from employers be irrevocable, dedicated to providing pension benefits to plan members, and are legally protected from creditors of the employer and plan administrator. As a result, the University reports the total UWSRP pension liability. This is different from the DRS plans (PERS, TRS, and LEOFF2), which have trusted assets and, therefore, are reported as a net pension liability. The University has set aside $230,782,000 to pay future UWSRP retiree benefits. These assets are physically segregated in a separate investment account, and included in Investments, Net of Current Portion on the Statement of Net Position.

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY *(Dollars in thousands)*	
2017	
BEGINNING BALANCE	$ 512,372
SERVICE COST	19,892
INTEREST ON TPL	15,097
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	(74,919)
CHANGE IN ASSUMPTIONS	(28,553)
BENEFIT PAYMENTS	(5,136)
ENDING BALANCE	**$ 438,753**

The TPL is based on an actuarial valuation performed as of June 30, 2016 using the entry age actuarial cost method. Update procedures performed by the Office of the State Actuary were used to roll forward the TPL to the measurement date of June 30, 2017.

UWSRP pension expense for the fiscal year ending June 30, 2017 was $22,054,000.

ACTUARIAL ASSUMPTIONS

Accounting requirements dictate the use of assumptions to best estimate the impact that pension obligations will have on the University. The professional judgments used in determining these assumptions are important, and can significantly impact the resulting actuarial estimates. Differences between actual results compared to these assumptions could have a significant effect on the University's financial statements.

SIGNIFICANT ASSUMPTIONS USED TO MEASURE THE TOTAL PENSION LIABILITY *(Dollars in thousands)*	
2017	
INFLATION	2.75%
SALARY CHANGES	4.25%
SOURCE OF MORTALITY ASSUMPTIONS	RP-2000 COMBINED HEALTHY TABLE, WITH GENERATIONAL MORTALITY IMPROVEMENTS USING SCALE BB
DATE OF EXPERIENCE STUDY	APRIL 2016
DISCOUNT RATE	3.58%
SOURCE OF DISCOUNT RATE	BOND BUYER'S 20 BOND INDEX AS OF 6/30/2017
TPL MEASUREMENT AT DISCOUNT RATE	$ 438,753
TPL DISCOUNT RATE INCREASED 1%	$ 382,026
TPL DISCOUNT RATE DECREASED 1%	$ 507,452

Material assumption changes during the measurement period include updating the GASB Statement No. 73 discount rate from 2.85% to 3.58% (decreased the TPL), and updating the variable income investment return assumption used in the "assumed income" calculation from 6.75% to 6.25% (increased the TPL).

DEFERRED INFLOWS OF RESOURCES

The tables below summarize the University's deferred inflows of resources related to the UWSRP, together with the related future year impacts to pension expense from amortization of those deferred amounts:

DEFERRED INFLOWS OF RESOURCES *(Dollars in thousands)*		
2017		
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	$	65,554
CHANGE IN ASSUMPTIONS		24,985
TOTAL	**$**	**90,539**

AMORTIZATION OF DEFERRED INFLOWS OF RESOURCES [a] *(Dollars in thousands)*		
Year		
2018	$	(12,934)
2019		(12,934)
2020		(12,934)
2021		(12,934)
2022		(12,934)
THEREAFTER		(25,869)
TOTAL	**$**	**(90,539)**

(a) Negative amounts shown in the table above represent a reduction of expense

NOTE 16:

Commitments and Contingencies

Authorized expenditures for construction projects unexpended as of June 30, 2017 were $332,061,000. These expenditures will be funded from institutional reserves, 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 2 CFR 200, *"Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards."* 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, automobile liability, and information security and privacy protection, 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. Changes in the self-insurance reserve for the year ended June 30, 2017 are noted below:

(Dollars in thousands)		**2017**
RESERVE AT BEGINNING OF FISCAL YEAR	$	79,153
INCURRED CLAIMS AND CHANGES IN ESTIMATES		15,026
CLAIM PAYMENTS		(15,695)
RESERVE AT END OF FISCAL YEAR	**$**	**78,484**

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, 2017**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**
ASSETS						
TOTAL CURRENT ASSETS	$ 1,426,983	$ (23,618)	$ 1,208,515	$ 242,086	$ 129,045	$ 113,041
NONCURRENT ASSETS:						
TOTAL OTHER ASSETS	5,176,002	(106,532)	5,111,778	170,756	152,628	18,128
CAPITAL ASSETS, NET	4,737,034	–	4,316,830	420,204	125,756	294,448
TOTAL ASSETS	11,340,019	(130,150)	10,637,123	833,046	407,429	425,617
DEFERRED OUTFLOWS OF RESOURCES	268,641	–	262,945	5,696	5,696	–
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 11,608,660**	**$ (130,150)**	**$ 10,900,068**	**$ 838,742**	**$ 413,125**	**$ 425,617**
LIABILITIES						
TOTAL CURRENT LIABILITIES	$ 1,314,800	$ (8,745)	$ 1,144,562	$ 178,983	$ 120,332	$ 58,651
TOTAL NONCURRENT LIABILITIES	3,984,599	(116,322)	3,593,367	507,554	119,262	388,292
TOTAL LIABILITIES	5,299,399	(125,067)	4,737,929	686,537	239,594	446,943
DEFERRED INFLOWS OF RESOURCES	108,155	–	108,155	–	–	–
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	5,407,554	(125,067)	4,846,084	686,537	239,594	446,943
NET POSITION						
NET INVESTMENT IN CAPITAL ASSETS	2,424,447	–	2,315,559	108,888	115,308	(6,420)
RESTRICTED:						
NONEXPENDABLE	1,537,473	–	1,535,387	2,086	2,086	–
EXPENDABLE	1,859,136	–	1,858,205	931	931	–
UNRESTRICTED	380,050	(5,083)	344,833	40,300	55,206	(14,906)
TOTAL NET POSITION	6,201,106	(5,083)	6,053,984	152,205	173,531	(21,326)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 11,608,660**	**$ (130,150)**	**$ 10,900,068**	**$ 838,742**	**$ 413,125**	**$ 425,617**

(Dollars in thousands) Statements of Revenues, Expenses and Changes in Net Position–Year ended June 30, 2017	Combined Entities	Eliminations	University of Washington	Total Blended Component Units	Medical Entities	Real Estate Entities
REVENUES						
OPERATING REVENUES:						
STUDENT TUITION AND FEES	$ 941,873	$ –	$ 941,873	$ –	$ –	$ –
PATIENT SERVICES	1,869,238	(7,520)	1,269,217	607,541	607,541	–
GRANT REVENUE	1,359,285	–	1,359,285	–	–	–
OTHER OPERATING REVENUE	723,092	(93,265)	693,652	122,705	75,569	47,136
TOTAL OPERATING REVENUE	**4,893,488**	**(100,785)**	**4,264,027**	**730,246**	**683,110**	**47,136**
EXPENSES						
OPERATING EXPENSES:						
OTHER OPERATING EXPENSES	5,303,401	(78,422)	4,667,868	713,955	691,335	22,620
DEPRECIATION / AMORTIZATION	363,028	–	329,494	33,534	18,945	14,589
TOTAL OPERATING EXPENSES	**5,666,429**	**(78,422)**	**4,997,362**	**747,489**	**710,280**	**37,209**
OPERATING INCOME (LOSS)	**(772,941)**	**(22,363)**	**(733,335)**	**(17,243)**	**(27,170)**	**9,927**
NONOPERATING REVENUES (EXPENSES)						
STATE APPROPRIATIONS	341,971	–	341,971	–	–	–
GIFTS	166,491	–	165,328	1,163	1,163	–
INVESTMENT INCOME	443,383	(3,301)	440,939	5,745	5,745	–
OTHER NONOPERATING REVENUES (EXPENSES)	(18,309)	35,678	(42,458)	(11,529)	(758)	(10,771)
NET NONOPERATING REVENUES (EXPENSES)	**933,536**	**32,377**	**905,780**	**(4,621)**	**6,150**	**(10,771)**
INCOME (LOSS) BEFORE OTHER REVENUES	**160,595**	**10,014**	**172,445**	**(21,864)**	**(21,020)**	**(844)**
CAPITAL APPROPRIATIONS, GRANTS, GIFTS AND OTHER	117,063	(1,413)	116,414	2,062	2,062	–
GIFTS TO PERMANENT ENDOWMENTS	85,449	–	85,449	–	–	–
TOTAL OTHER REVENUES	**202,512**	**(1,413)**	**201,863**	**2,062**	**2,062**	**–**
INCREASE (DECREASE) IN NET POSITION	**363,107**	**8,601**	**374,308**	**(19,802)**	**(18,958)**	**(844)**
NET POSITION						
NET POSITION – BEGINNING OF YEAR	5,837,999	(13,684)	5,679,676	172,007	192,489	(20,482)
NET POSITION – END OF YEAR	**$ 6,201,106**	**$ (5,083)**	**$ 6,053,984**	**$ 152,205**	**$ 173,531**	**$ (21,326)**

(Dollars in thousands) Statements of Cash Flows –Year ended June 30, 2017	Combined Entities	Eliminations	University of Washington	Total Blended Component Units	Medical Entities	Real Estate Entities
NET CASH PROVIDED (USED) BY:						
OPERATING ACTIVITIES	$ (303,980)	$ –	$ (313,829)	$ 9,849	$ (2,703)	$ 12,552
NONCAPITAL FINANCING ACTIVITIES	603,428	–	587,920	15,508	15,508	–
CAPITAL AND RELATED FINANCING ACTIVITIES	(485,376)	–	(447,428)	(37,948)	(25,383)	(12,565)
INVESTING ACTIVITIES	137,752	–	126,750	11,002	12,436	(1,434)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(48,176)**	**–**	**(46,587)**	**(1,589)**	**(142)**	**(1,447)**
CASH AND CASH EQUIVALENTS –BEGINNING OF THE YEAR	112,211	–	79,929	32,282	29,307	2,975
CASH AND CASH EQUIVALENTS –END OF THE YEAR	**$ 64,035**	**$ –**	**$ 33,342**	**$ 30,693**	**$ 29,165**	**$ 1,528**

Schedules of Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability

(Amounts determined as of the measurement date)

PERS 1

(Dollars in thousands)	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	8.46%	8.33%	8.28%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 454,341	$ 435,853	$ 417,231
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$ 987,405	$ 927,002	$ 882,215
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	46.01%	47.02%	47.29%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	57.03%	59.10%	61.19%

PERS 2/3

(Dollars in thousands)	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	10.36%	10.20%	10.00%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$521,777	$ 364,303	$ 202,225
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$967,955	$ 904,661	$ 856,839
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	53.91%	40.27%	23.60%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	85.82%	89.20%	93.29%

TRS 1

(Dollars in thousands)	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	0.16%	0.13%	0.10%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 5,463	$ 4,049	$ 2,881
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$ 7,813	$ 5,790	$ 3,905
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	69.92%	69.93%	73.78%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	62.07%	65.70%	68.77%

TRS 2/3

(Dollars in thousands)	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	0.15%	0.12%	0.08%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 2,077	$ 969	$ 252
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$ 7,507	$ 5,367	$ 3,391
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	27.67%	18.05%	7.43%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	88.72%	92.48%	96.81%

Schedule of Contributions

(Amounts determined as of the fiscal year end)

PERS 1

(Dollars in thousands)	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 1,788	$ 2,155	$ 2,058
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 1,769	$ 2,155	$ 2,059
CONTRIBUTION DEFICIENCY (EXCESS)	$ 19	$ -	$ (1)
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$1,043,335	$ 987,405	$ 927,002
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	0.17%	0.22%	0.22%

PERS 2/3

(Dollars in thousands)	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 114,852	$107,424	$ 83,323
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 114,968	$108,413	$ 83,342
CONTRIBUTION DEFICIENCY (EXCESS)	$ (116)	$ (989)	$ (19)
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$1,027,338	$967,955	$ 904,661
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	11.18%	11.10%	9.21%

TRS 1

(Dollars in thousands)	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 39	$ 38	$ 44
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 40	$ 38	$ 42
CONTRIBUTION DEFICIENCY (EXCESS)	$ (1)	$ -	$ 2
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$ 10,967	$ 7,813	$ 5,790
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	0.36%	0.49%	0.76%

TRS 2/3

(Dollars in thousands)	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 1,401	$ 956	$ 558
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 1,410	$ 985	$ 555
CONTRIBUTION DEFICIENCY (EXCESS)	$ (9)	$ (29)	$ 3
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$ 10,669	$ 7,507	$ 5,367
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	13.13%	12.73%	10.40%

Schedule of Proportionate Share of the Net Pension Liability

(Amounts determined as of the measurement date)

LEOFF 2

(Dollars in thousands)	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY (ASSET)	0.25%	0.20%	0.21%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)	$ (1,430)	$ (2,083)	$ (2,844)
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$ 4,474	$ 3,534	$ 3,581
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	-31.97%	-58.94%	-79.42%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	106.04%	111.67%	116.75%

Schedule of Contributions

(Amounts determined as of the fiscal year end)

LEOFF 2

(Dollars in thousands)	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 348	$ 384	$ 303
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 352	$ 384	$ 300
CONTRIBUTION DEFICIENCY (EXCESS)	$ (4)	$ -	$ 3
UNIVERSITY'S COVERED-EMPLOYEE PAYROLL	$ 4,061	$ 4,474	$ 3,534
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	8.57%	8.58%	8.57%

UNIVERSITY OF WASHINGTON SUPPLEMENTAL RETIREMENT PLAN SCHEDULE OF CHANGES IN THE TOTAL PENSION LIABILITY

(Dollars in thousands)	2017
TOTAL PENSION LIABILITY – BEGINNING	$ 512,372
SERVICE COST	19,892
INTEREST	15,097
DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE	(74,919)
CHANGES IN ASSUMPTIONS	(28,553)
BENEFIT PAYMENTS	(5,136)
TOTAL PENSION LIABILITY – ENDING	**$ 438,753**
UWSRP COVERED-EMPLOYEE PAYROLL	$ 801,161
TOTAL PENSION LIABILITY AS PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	54.76%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

Plans administered by DRS

OSA calculates the actuarially determined contributions (ADC) based on the results of an actuarial valuation consistent with the state's funding policy defined in chapter 41.45 RCW. Consistent with the state's contribution-rate adoption process, the results of an actuarial valuation with an odd-numbered year valuation date determine the ADC for the biennium that ensues two years later. For example, the actuarial valuation with a June 30, 2015, valuation date, completed in the fall of 2016, determines the ADC for the period beginning July 1, 2017, and ending June 30, 2019. Adopted contribution rates could be different pending the actions of the governing bodies. For instance, for the period beginning July 1, 2015, and ending June 30, 2017, the contribution rates the Pension Funding Council adopted, which the Legislature did not change, reflect a phasing in of the increase to contribution rates that resulted from a change to the mortality assumption. The increase is expected to be phased in over three biennia for PERS Plans 1, 2 and 3 and TRS Plans 1, 2 and 3. For cost-sharing plans, OSA calculates the contractually required contributions (CRC) using the same assumptions and methods as the ADC except the CRC reflect the adopted contribution rates for the time period shown, which might differ from the contribution rates produced for the ADC.

Plans administered by the University

The University of Washington Supplemental Retirement Plan has no assets accumulated in a trust to pay retiree benefits that meets the criteria in GASB statement No. 73, paragraph 4.

Material assumption changes during the measurement period include updating the GASB statement No. 73 discount rate from 2.85% to 3.58%, and updating the variable income investment return assumption used in the "assumed income" calculation from 6.75% to 6.25%.

ADMINISTRATIVE OFFICERS*

Ana Mari Cauce
President

Gerald J. Baldasty
Provost and Executive Vice President

Jeffrey Scott
Executive Vice President Finance and Administration

Rickey Hall
Vice President for Minority Affairs and Diversity

Randy Hodgins
Vice President for External Affairs

Vikram Jandhyala
Vice President for Innovation Strategy

Mindy Kornberg
Vice President for Human Resources

Connie Kravas
Vice President for University Advancement

Paul G. Ramsey
CEO, UW Medicine, Executive Vice President for Medical Affairs and Dean of the School of Medicine

Denzil Suite
Vice President for Student Life

Aaron Powell
Interim Vice President for UW Information Technology

* As of October 20, 2017

This publication was prepared by Finance and Administration. Published December 2017.

The 2017 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

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UNIVERSITY *of*
WASHINGTON

APPENDIX C

FORM OF BOND COUNSEL OPINION

February 15, 2018

University of Washington
Seattle, Washington

JP Morgan Securities
New York, New York

Re: University of Washington, General Revenue Bonds, 2018 - $133,785,000

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 Bonds, 2018, in the aggregate principal amount of $133,785,000 (the "Bonds"). The Bonds are issued pursuant to a resolution of the Board of Regents of the University adopted on July 13, 2017 (the "Resolution"). Capitalized terms used in this opinion which are not otherwise defined shall have the meanings given to such terms in the Resolution.

The Bonds are subject to redemption prior to their scheduled maturities as set forth in the Official Statement dated January 23, 2018. The University has not designated the 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 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 Bonds may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors.

2. The 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, 2018 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 Bonds as the same become due. The 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 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. 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 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The University has covenanted to comply with all applicable requirements. Failure to comply with certain of such covenants may cause interest on the

Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Except as expressly stated above, we express no opinion regarding any tax consequences related to the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 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 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 February 15, 2018, is hereby made by the University of Washington (the "University") in connection with the issuance of its General Revenue Bonds, 2018 (the "Bonds") pursuant to a resolution of the University adopted on July 13, 2017 (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 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 action or the termination of a definitive agreement to undertake such an action, other than pursuant to its terms, if material; and

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

Official Statement shall mean the Official Statement dated January 23, 2018, 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, 2019, for the Fiscal Year ended June 30, 2018), commencing with the report for Fiscal Year 2018, 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 "Applications, Students and Enrollment" under the heading "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."

- 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."

- General Revenues and General Revenue components for that fiscal year, of the type provided in the table entitled "GENERAL REVENUES" under the headings General Revenue (Exclusions from Total Revenue) and General Revenue (By Component) and for the line item General Net Position. Illustrative information, if any, regarding effects of certain GASB Statements on General Net Position may be provided in narrative, tabular or other form.

- 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"

- UW Medical Center, Northwest and Valley patient activity statistics for such fiscal year, generally of the type provided in the table under the heading "UW MEDICINE—Patient Activity Statistics."

- UW Medical Center, Northwest and Valley financial information for such fiscal year, generally of the type provided in the table under the heading "RECENT DEVELOPMENTS"

- Value of investments, including operating fund investments 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 titled "University Total Revenue by Source, Fiscal Year 2017"

- Total University expenditures by category for that fiscal year

- A description of any material changes to the University's obligations with respect to its pension plans, of the type presented under the heading "LABOR, RISK MANAGEMENT AND RETIREMENT INFORMATION."

- 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 "LABOR, RISK

MANAGEMENT AND RETIREMENT INFORMATION — Healthcare and Life Insurance Benefits; Other Post-Employment Benefits ("OPEB")."

- Amount of the University's self-insurance reserve, of the type presented under the heading "LABOR, RISK MANAGEMENT AND RETIREMENT 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 (which website is not incorporated herein). 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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