NEW ISSUE
BOOK-ENTRY ONLY

RATING: Moody's: A3
Fitch: A
(See "RATING")

In the opinion of Pacifica Law Group LLP, Bond Counsel, assuming compliance with certain covenants of the Authority and the University, interest on the 2013A Bonds is excludable from gross income for federal income tax purposes under existing law. Interest on the 2013A Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax. Interest on the 2013A Bonds may be indirectly subject to corporate alternative minimum tax and certain other taxes imposed on certain corporations. See "TAX MATTERS." In the opinion of Bond Counsel, interest on the 2013B Bonds is not excludable from gross income for federal income tax purposes. See "CERTAIN INCOME TAX CONSEQUENCES" herein. See also APPENDIX D—"FORMS OF APPROVING OPINIONS OF BOND COUNSEL."

$53,000,000
WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY
REVENUE BONDS
(GONZAGA UNIVERSITY PROJECT), SERIES 2013

Consisting of:

$33,000,000	$20,000,000
Revenue Bonds,	**Taxable Revenue Bonds,**
Series 2013A	**Series 2013B**

DATED: Date of Delivery **DUE: April 1, as shown on inside front cover**

Maturity Dates, Principal Amounts, Interest Rates, Prices, and CUSIP Numbers are Shown on the Inside Front Cover

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The above-referenced bonds (collectively, the "2013 Bonds") are being issued by the Washington Higher Education Facilities Authority (the "Authority"), a public body corporate and politic and an agency of the State of Washington (the "State"), pursuant to an Indenture of Trust dated as of December 1, 2013 (the "Indenture"), between the Authority and U.S. Bank National Association, as bond trustee (the "Trustee"). The 2013 Bonds are being issued only as fully registered bonds in Authorized Denominations of $5,000 or any integral multiple thereof within a single series and maturity, initially in book-entry only form registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive certificates representing their interests in the 2013 Bonds, except as described herein. For as long as the 2013 Bonds are held in book-entry only form by DTC, the principal of and redemption premium, if any, and interest on the 2013 Bonds will be paid by the Trustee to Cede & Co., as nominee of DTC, which in turn is required to remit such principal of and redemption premium, if any, and interest on the 2013 Bonds to participants in DTC for subsequent disbursement to the beneficial owners of the 2013 Bonds. DTC acts as agent solely for its participants and not for the beneficial owners of the 2013 Bonds, the Authority or the University.

The 2013 Bonds are being issued by the Authority, which will lend the proceeds thereof to The Corporation of Gonzaga University, a Washington nonprofit corporation and an organization described in Section 501(c)(3) of the Code (the "University"), pursuant to a Loan Agreement dated as of December 1, 2013 (the "Loan Agreement"), among the Authority, the University and the Trustee. The proceeds of such loan, together with other available funds, will be used to (i) provide a portion of the funds to finance the planning, design, construction, installation, acquisition and equipping of the new University Center facility located on the University's campus in Spokane, Washington, (ii) make additional capital improvements to the University's facilities, (iii) pay a portion of interest on the 2013A Bonds, (iv) finance a payment in connection with the termination of a certain interest rate swap agreement, and (v) pay certain expenses incurred in connection with the issuance of the 2013 Bonds. See "THE PROJECT" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The 2013 Bonds will accrue interest from their dated date, payable semiannually on April 1 and October 1 of each year (each, an "Interest Payment Date"), commencing April 1, 2014, to their respective dates of maturity or earlier redemption.

The 2013 Bonds are subject to acceleration of maturity and optional, mandatory and extraordinary redemption prior to maturity as described herein under "THE 2013 BONDS—Redemption Provisions."

The 2013 Bonds are not and shall never become general obligations of the Authority but are special, limited obligations payable by the Authority solely and only from the Revenues and the other security pledged in the Indenture for such purpose. The 2013 Bonds and the interest thereon do not and shall never constitute a debt or an indebtedness or an obligation of the Authority, the State, or any county, city or other municipal or political corporation or subdivision of the State, or a loan of the faith or credit or the taxing power of any of them, within the meaning of any constitutional or statutory provisions, nor shall the 2013 Bonds be construed to create any moral obligation on the part of the Authority, the State, or any county, city or other municipal or political corporation or subdivision of the State with respect to the payment of the 2013 Bonds. The 2013 Bonds shall not be payable from the general revenues of the Authority, and neither the Authority nor the State nor any political corporation, subdivision or agency thereof will be liable thereon, nor in any event shall the 2013 Bonds be payable out of any funds or properties other than those specifically pledged therefor. The Authority has no taxing power.

An investment in the 2013 Bonds involves a certain degree of risk related to the nature of the business of the University, the regulatory environment, and the provisions of the principal documents. A prospective Bondowner is advised to read this entire Official Statement, including without limitation the information in the sections herein entitled "SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS" and "RISK FACTORS" for a description of the security for the 2013 Bonds and for a discussion of certain risk factors which should be considered in connection with an investment in the 2013 Bonds.

The Authority has not designated the 2013A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

The 2013 Bonds are offered when, as and if issued and received by the purchasers thereof, and subject to the opinion of Pacifica Law Group LLP, Seattle, Washington, Bond Counsel, as to the validity of the 2013 Bonds and the tax-exempt status of the 2013A Bonds and the approval of certain other matters for the Authority. Certain legal matters will be passed upon by Hillis Clark Martin & Peterson P.S., Seattle, Washington, counsel to the Underwriter (hereinafter defined) and by Koegen Edwards LLP, Spokane, Washington, special counsel to the University. It is expected that the 2013 Bonds in definitive form will be available for delivery to the Trustee on behalf of DTC by Fast Automated Securities Transfer on or about December 20, 2013.

This cover page contains certain information for ease of reference only. It does not constitute a summary of the 2013 Bonds or the security therefor. Potential investors must read this entire Official Statement, including the Appendices, to obtain information essential to the making of an informed investment decision.

BofA Merrill Lynch

Official Statement dated December 17, 2013

THE 2013A BONDS

$33,000,000 5.250% Term Bonds due April 1, 2043 Price 98.812 CUSIP† No. 939781R77

THE 2013B BONDS

$20,000,000 6.000% Term Bonds due April 1, 2040 Price 98.687 CUSIP† No. 939781R85

Artist's rendition of completed University Center

Artist's rendition of completed University Center

REGARDING USE OF THIS OFFICIAL STATEMENT

The information set forth herein under the captions "INTRODUCTION—The Authority," "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION—The Authority" has been furnished by the Authority. The information set forth herein under the caption "UNDERWRITING" has been furnished by the Underwriter. The information set forth under the caption "THE TRUSTEE" has been furnished by the Trustee. The information set forth herein in APPENDIX F—"BOOK-ENTRY ONLY SYSTEM" has been furnished by DTC. The information in this Official Statement under the captions "INTRODUCTION—The University" and "—Security and Sources of Payment for the 2013 Bonds;" "SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS—The University's Obligations Under the Loan Agreement," "—Existing Obligations and Expected Issuance of Additional Indebtedness; Additional Obligations," "—Interest Rate Swap Agreements" and "—Intercreditor and Collateral Agency Agreement;" "CERTAIN COVENANTS OF THE UNIVERSITY;" "THE UNIVERSITY;" "ESTIMATED SOURCES AND USES OF FUNDS;" "THE PROJECT;" "RISK FACTORS" (excluding therefrom the information under the subcaption "—Secondary Market and Prices"); "ABSENCE OF MATERIAL LITIGATION—The University;" "CONTINUING DISCLOSURE;" and in APPENDIX A—"SELECTED INFORMATION CONCERNING THE UNIVERSITY INCLUDING UNAUDITED FINANCIAL INFORMATION" and APPENDIX E—"FORM OF CONTINUING DISCLOSURE AGREEMENT" has been provided by the University. All other information has been obtained from other sources identified herein that are believed to be reliable. Such other information is not guaranteed as to accuracy or completeness by, and is not to be relied upon as or construed as a promise or representation by, the Authority or the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in the affairs of the Authority, DTC, the Trustee or the University since the date hereof.

No dealer, broker, sales representative or other person has been authorized by the Authority, the University or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the 2013 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

In making an investment decision, investors must rely upon their own examination of the terms of the offering, including the merits and risks involved.

IN CONNECTION WITH THE OFFERING OF THE 2013 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2013 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE 2013 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE 2013 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH 2013 BONDS HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAS PASSED UPON THE MERITS OF THE 2013 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

This Official Statement should be reviewed by each prospective purchaser and its legal, regulatory, tax, accounting, investment and other advisors. Investors whose investment authority is subject to legal restrictions should consult their own legal advisors to determine whether and to what extent the 2013 Bonds constitute a legal investment for them. In making any investment decision, investors must rely on their own examination of the Indenture, the Loan Agreement and related documents and the terms of the 2013 Bonds, including the risks involved.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE UNIVERSITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR.

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY

1000 Second Avenue
Seattle, Washington 98104
(206) 464-7139

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$53,000,000
WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY
REVENUE BONDS
(GONZAGA UNIVERSITY PROJECT), SERIES 2013

Consisting of:

$33,000,000 Revenue Bonds, Series 2013A	$20,000,000 Taxable Revenue Bonds, Series 2013B

INTRODUCTION

Purpose of this Official Statement

This Official Statement, including the cover, inside front cover and the Appendices, is provided to set forth certain information in connection with the offering by the Washington Higher Education Facilities Authority (the "Authority") of its $33,000,000 Revenue Bonds (Gonzaga University Project), Series 2013A (the "2013A Bonds") and its $20,000,000 Taxable Revenue Bonds (Gonzaga University Project), Series 2013B (the "2013B Bonds"). The 2013A Bonds and the 2013B Bonds are collectively referred to herein as the "2013 Bonds."

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein regarding any such documents are qualified in their entirety by reference to such documents. This Introduction is intended only to serve as a brief description of this Official Statement and is expressly qualified by reference to the Official Statement as a whole, as well as the documents summarized or described herein. All capitalized terms used in this Official Statement and not otherwise defined herein are defined in "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS" in APPENDIX C. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Purpose of the 2013 Bonds

The 2013 Bonds will be issued pursuant to an Indenture of Trust dated as of December 1, 2013 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as bond trustee (the "Trustee"). The Authority will lend the proceeds of the 2013 Bonds to The Corporation of Gonzaga University, a Washington nonprofit corporation (the "University"), pursuant to a Loan Agreement dated as of December 1, 2013 (the "Loan Agreement"), among the Authority, the University and the Trustee. The University intends to use the proceeds of such loan (the "Loan"), together with other available funds, to (i) provide a portion of the funds to finance the planning, design, construction, installation, acquisition and equipping of the new University Center facility located on the University's campus in Spokane, Washington, (ii) make additional capital improvements to the University's facilities, (iii) pay a portion of interest on the 2013A Bonds, (iv) finance a payment in connection with the termination of a certain interest rate swap agreement, and (v) pay certain expenses incurred in connection with the issuance of the 2013 Bonds (collectively, the "Project"). See "THE PROJECT" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Authority

The Authority is a public body corporate and politic and an agency of the State of Washington (the "State"). The Authority is authorized to issue nonrecourse revenue bonds in order to make funds available to private, nonprofit higher education institutions in the State for the purpose of financing and refinancing the building, improvement, expansion and modernization of higher education facilities. See "THE AUTHORITY."

The University

The University is a Washington nonprofit, coeducational, privately endowed university offering undergraduate liberal arts, professional and graduate degrees and an organization described by Section 501(c)(3) of the Code. The University was incorporated in 1894 as Gonzaga College and changed its name to Gonzaga University in 1912. The University is located on a 131-acre campus in a residential area near the heart of downtown Spokane, Washington, and currently serves approximately 7,605 students. The University is governed by a Board of Trustees currently consisting of 29 elected Trustees and two *ex officio* Trustees, a Board of Members consisting of nine persons, and an 85-member Board of Regents that serves in an advisory capacity. See "THE UNIVERSITY," APPENDIX A—"SELECTED INFORMATION CONCERNING THE UNIVERSITY INCLUDING UNAUDITED FINANCIAL INFORMATION" and APPENDIX B—"AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY."

Security and Sources of Payment for the 2013 Bonds

The 2013 Bonds are special, limited obligations of the Authority, and are payable from and secured by a pledge of and lien on all Revenues, subject to disbursement and application in accordance with the Indenture. The Authority has conveyed to the Trustee as security for the 2013 Bonds the Trust Estate, including the special funds established by the Indenture and the Authority's rights to receive loan payments from the University pursuant to the Loan Agreement. The University's obligations under the Loan Agreement are evidenced by a promissory note for each series of the 2013 Bonds (collectively, the "2013 Notes"). Under the 2013 Notes and the Loan Agreement, the University is required to deliver to the Trustee, on or before the fifth Business Day immediately before each Interest Payment Date, an amount equal to the principal of and premium, if any, and interest on the 2013 Bonds due on that Interest Payment Date. The Trustee is required to deposit such funds in the Debt Service Fund, and to use such funds to pay debt service on the 2013 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS," APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—THE LOAN AGREEMENT—Loan; Payments" and "—THE INDENTURE—Establishment of Funds and Accounts."

The obligations of the University under the Loan Agreement constitute a general obligation of the University to which certain of the University's Unrestricted Gross Revenues (the "Pledged Revenues") are pledged. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS" and APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—THE LOAN AGREEMENT—Loan; Payments."

Pursuant to the Fourth Amended and Restated Intercreditor and Collateral Agency Agreement dated as of December 1, 2013, among Bank of America, N.A., Union Bank, N.A., Wells Fargo Bank, National Association, the Trustee and U.S. Bank National Association, in various capacities including as the collateral agent (the "Intercreditor and Collateral Agency Agreement"), the pledge of the University's Unrestricted Gross Revenues and certain pledged accounts (the "Collateral") with respect to the University's obligations under the Indenture are on parity with the pledge that secures the repayment of the Authority's Revenue and Refunding Revenue Bonds (Gonzaga University Project), Series 2009 (the "2009 Bonds") (outstanding as of November 1, 2013 in an aggregate principal amount of $36,645,000), the Authority's Refunding Revenue Bonds (Gonzaga University Project), Series 2009B (the "2009B Bonds") (outstanding as of November 1, 2013 in the aggregate principal amount of $52,660,000), the Authority's Refunding Revenue Bonds (Gonzaga University Project), Series 2010A (the "2010A Bonds") (outstanding as of November 1, 2013 in the aggregate principal amount of $33,785,000), the Authority's Revenue Bonds (Gonzaga University Project), Series 2012A (the "2012A Bonds") and the Authority's Revenue Bonds (Gonzaga University Project), Series 2012B (the "2012B Bonds," and together with the 2012A Bonds, the "2012 Bonds") (outstanding as of November 1, 2013 in the aggregate principal amount of $10,625,000) (the 2009 Bonds, the 2009B Bonds, the 2010A Bonds and the 2012 Bonds being collectively the "Outstanding Bonds"); the University's obligations under certain swap transactions currently outstanding and any future swap transactions between the University and the Swap Counterparty (as hereinafter defined); the University's obligations under a Continuing Covenant Agreement, dated as of August 1, 2012, between the University and Union Bank, N.A., as purchaser of the 2012 Bonds (the "Continuing Covenant Agreement"); and the University's obligations under a Credit Agreement, dated as of December 1, 2013, between the University and U.S. Bank National Association with respect to a credit facility in the maximum principal amount of $10,000,000, for the benefit of the University (the "U.S. Bank National Association Credit Agreement") and a Credit Agreement, dated December 18, 2013, between the University and Wells Fargo Bank, National Association with respect to a credit facility in the maximum principal amount of $5,000,000, for the benefit of the University (the "Wells Fargo Bank, National Association Credit Agreement," and collectively with the U.S. Bank National Association Credit Agreement, the "Credit Agreements"). The Intercreditor and Collateral Agency Agreement contemplates that additional secured parties may become parties to such agreement and that additional indebtedness may, in the future, be secured by interests in the Collateral on parity with the 2013 Bonds. All parties to the Intercreditor and Collateral Agency Agreement will share in the Collateral on a pooled basis on the terms and conditions described in the Intercreditor and Collateral Agency Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS—Existing Obligations and Expected Issuance of Additional Indebtedness" and "—Intercreditor and Collateral Agency Agreement."

Neither the 2013 Bonds nor the obligations of the University under the 2013 Notes will be secured by any real property of the University or any credit or liquidity facility. There is no debt service reserve fund securing payment of the principal of or interest on the 2013 Bonds.

The 2013 Bonds are not and shall never become general obligations of the Authority but are special, limited obligations payable by the Authority solely and only from the Revenues and the other security pledged in the Indenture for such purpose. The 2013 Bonds and the interest thereon do not and shall never constitute a debt or an indebtedness or an obligation of the Authority, the State, or any county, city or other municipal or political corporation or subdivision of the State, or a loan of the faith or credit or the taxing power of any of them, within the meaning of any constitutional or statutory provisions, nor shall the 2013 Bonds be construed to create any moral obligation on the part of the Authority, the State, or any county, city or other municipal or political corporation or subdivision of the State with respect to the payment of the 2013 Bonds. The 2013 Bonds shall not be payable from the general revenues of the Authority, and neither the Authority nor the State nor any political corporation, subdivision or agency thereof will be liable thereon, nor in any event shall the 2013 Bonds be payable out of any funds or properties other than those specifically pledged therefor. The Authority has no taxing power.

Risk Factors

There are risks associated with the purchase of the 2013 Bonds. See the information under the caption "RISK FACTORS" for a discussion of some of these risks.

THE AUTHORITY

The Washington Higher Education Facilities Authority was created in 1983 as a public body corporate and politic and an agency of the State. The Authority is authorized to issue nonrecourse revenue bonds in order to make funds available to private, nonprofit higher education institutions in the State for the purpose of financing and refinancing the building, improvement, expansion and modernization of higher education facilities.

The Authority is authorized to make loans to nonprofit entities, to pledge loans as security for the payment of the principal of and interest on its revenue bonds, and to enter into any agreements in connection therewith.

The Authority has seven members and is composed of the persons holding the offices of Governor, Lieutenant Governor and Chair, or the Chair's designee, of the Washington Student Achievement Council and four public members, one of whom must be the president of a higher education institution at the time of appointment. The public members are appointed to four-year terms by the Governor, subject to confirmation by the State Senate, and are selected on the basis of their interest or expertise in the provision and financing of higher education.

The Governor serves as Chair of the Authority. Pursuant to the Authority's authorizing legislation, the Governor may designate an employee of the Governor's office to attend and vote at meetings on behalf of the Governor. David Schumacher, Director of the State Office of Financial Management, has been so designated. The Authority's elected secretary presides in the Chair's absence. The current members of the Authority are as follows:

The Honorable Jay Inslee, Chair	Governor, State of Washington
The Honorable Brad Owen	Lieutenant Governor, State of Washington
Dr. Gene Sharratt	Executive Director, Washington Student Achievement Council
Manford Simcock	Public Member, Secretary of the Board
Dr. Roy Heynderickx	Public Member, President, Saint Martin's University
Tom Johnson	Public Member, Treasurer of the Board
Claire Grace	Public Member

The administration and overall operation of the Authority is the responsibility of its Executive Director, Kim Herman. Mr. Herman is also the Executive Director for the Washington State Housing Finance Commission (the "Housing Finance Commission"), an instrumentality of the State that is empowered to issue nonrecourse revenue bonds to finance housing and nonprofit facilities in the State. The Authority contracts with the Housing Finance Commission for Mr. Herman's and his staff's services, including those of Paul Edwards, Deputy Director; Robert D. Cook, Senior Director of Finance and IT Services; and Carol Johnson, Affiliates Manager.

The Authority requires each higher education institution, as a condition of obtaining financing through the Authority, to covenant that the savings it realizes from the lower interest cost resulting from such financing, as compared to conventional financing, will be passed on to its students in the form of reductions in tuition and fees or foregone increases in tuition and fees or grants-in-aid and/or scholarships. The University will so covenant in the Loan Agreement.

Each series of bonds or other obligations of the Authority issued for the benefit of a particular higher education institution is secured by a separate trust indenture or financing agreement (in the case of private placements). Consequently, each series of obligations of the Authority (with the exception of additional bonds with respect to that series) is separate and distinct as to security and source of payment. The Authority may authorize other series of bonds or other obligations for the financing of projects for other private nonprofit higher education institutions in the State.

As of November 8, 2013, the Authority had issued obligations aggregating $1,728,185,958.00 in original principal amount. As of November 8, 2013, the Authority had bonds outstanding in the principal amount of $699,389,396.38.

THE 2013 BONDS

The following is a summary of certain provisions of the 2013 Bonds. Reference is made to the 2013 Bonds for the complete text thereof and to the Indenture for a more detailed description of these provisions. The discussion herein is qualified by such reference.

General Description

The 2013 Bonds of each series will be dated as of their date of initial delivery, will be issued only in fully registered form, initially in denominations of $5,000 or any integral multiple thereof within a single series and maturity (each, an "Authorized Denomination"), and will bear interest from their dated date (or from the most recent date to which interest has been paid thereon) until the 2013 Bonds mature or are duly called for redemption prior to maturity. Interest on the 2013 Bonds will be payable semiannually on April 1 and October 1 of each year (each, an "Interest Payment Date"), commencing April 1, 2014. Interest will be calculated on the basis of a 360-day year of twelve 30-day months at the respective rates per annum and will mature, subject to earlier redemption, in the amounts and on the dates set forth on the inside cover page of this Official Statement.

Limited Obligations

The 2013 Bonds are not and shall never become general obligations of the Authority but are special, limited obligations payable by the Authority solely and only from the Revenues and the other security pledged in the Indenture for such purpose. The 2013 Bonds and the interest thereon do not and shall never constitute a debt or an indebtedness or an obligation of the Authority, the State, or any county, city or other municipal or political corporation or subdivision of the State, or a loan of the faith or credit or the taxing power of any of them, within the meaning of any constitutional or statutory provisions, nor shall the 2013 Bonds be construed to create any moral obligation on the part of the Authority, the State, or any county, city or other municipal or political corporation or subdivision of the State with respect to the payment of the 2013 Bonds. The 2013 Bonds shall not be payable from the general revenues of the Authority, and neither the Authority nor the State nor any political corporation, subdivision or agency thereof will be liable thereon, nor in any event shall the 2013 Bonds be payable out of any funds or properties other than those specifically pledged therefor. The Authority has no taxing power.

Payments on the 2013 Bonds

All payments with respect to principal of, premium, if any, and interest on the 2013 Bonds will be made in the manner provided in the Letter of Representations from the Authority accepted by DTC. See "Book-Entry Only" under this heading and APPENDIX F—"BOOK-ENTRY ONLY SYSTEM" for further information. In the event that the book-entry only system is discontinued, payment of the principal of, premium, if any, and interest on the 2013 Bonds shall be paid in the manner described under the caption "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—THE INDENTURE—Termination of Book-Entry System" in APPENDIX C hereto.

Book-Entry Only

The 2013 Bonds initially 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 from the Authority to DTC.

Neither the Authority, the University, the Trustee nor U.S. Bank National Association, as registrar (the "Bond Registrar") shall have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the 2013 Bonds regarding accuracy of any records maintained by DTC or DTC participants of any amount in respect of principal or redemption price of or interest on the 2013 Bonds, or any notice which is permitted or required to be given to Registered Owners hereunder (except such notice as is required to be given by the Authority, the Bond Registrar or the Trustee to DTC).

For so long as Outstanding 2013 Bonds are registered in the name of Cede & Co., or its registered assigns, as nominee of DTC, payments of principal of, premium, if any, and interest on the 2013 Bonds shall be made at the place and in the manner provided in the Letter of Representations from the Authority accepted by DTC.

See APPENDIX F—"BOOK-ENTRY ONLY SYSTEM" for further information.

Redemption Provisions

Optional Redemption.

2013A Bonds. The 2013A Bonds are subject to optional redemption in whole or in part upon not less than 45 days' written notice from the University to the Trustee (with copy to the Authority), on any Business Day commencing April 1, 2023 at a price of par plus accrued interest to the date of redemption.

2013B Bonds. The 2013B Bonds are subject to optional redemption in whole or in part (if in part, such 2013B Bonds will be redeemed pro rata, as described below), upon not less than 45 days' written notice from the University to the Trustee (with copy to the Authority), on any Business Day at the "Make-Whole Redemption Price," plus accrued and unpaid interest on the 2013B Bonds to be redeemed on the date fixed for redemption.

The "Make-Whole Redemption Price" is the greater of (i) 100% of the principal amount of the 2013B Bonds to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such 2013B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such 2013B Bonds are to be redeemed, discounted to the date on which the 2013B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the "Treasury Rate" defined below, plus 35 basis points.

"Treasury Rate" means, with respect to any redemption date for a particular 2013B Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the 2013B Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

If less than all of the 2013B Bonds are called for redemption, such 2013B Bonds will be redeemed in part on a pro rata basis; provided that, so long as the 2013B Bonds are held in book-entry only form, the selection for redemption of such 2013B Bonds will be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata basis, the 2013B Bonds will be selected for redemption in accordance with DTC procedures, by lot or in such other manner as is in accordance with applicable DTC operational arrangements.

Mandatory Sinking Fund Redemption.

2013A Bonds. The 2013A Bonds are subject to mandatory sinking fund redemptions on the following dates and in the following amounts at a price of par plus accrued interest to the date of redemption:

2013A Bonds Maturing April 1, 2043

Mandatory Sinking Fund Redemption Dates (April 1)	Mandatory Sinking Fund Redemption Amounts
2041	$10,440,000
2042	10,990,000
2043*	11,570,000

* Final Maturity

In the event that 2013A Bonds are redeemed in part in accordance with the Indenture other than by mandatory sinking fund payments, the mandatory sinking fund redemptions shall be reduced proportionately with remaining amounts in Authorized Denominations.

2013B Bonds. The 2013B Bonds are subject to mandatory sinking fund redemptions on the following dates and in the following amounts at a price of par plus accrued interest to the date of redemption:

2013B Bonds Maturing April 1, 2040

Mandatory Sinking Fund Redemption Dates (April 1)	Mandatory Sinking Fund Redemption Amounts
2039	$ 9,710,000
2040*	10,290,000

* Final Maturity

In the event that 2013B Bonds are redeemed in part in accordance with the Indenture other than by mandatory sinking fund payments, the mandatory sinking fund redemptions shall be reduced proportionately with remaining amounts in Authorized Denominations.

Extraordinary Mandatory Redemption of 2013 Bonds from Unspent Proceeds.

2013A Bonds. The 2013A Bonds are subject to redemption in whole or in part, on December 1, 2016 unless such date is extended in accordance with the Loan Agreement, after the provision of notice in accordance with the Indenture, in an amount equal to the Loan proceeds (plus any interest earnings thereon) remaining in the 2013A Project Account at the close of business on October 15, 2016 (or the fifteenth day of the second month preceding the month in which any extension of such date set for redemption ends).

2013B Bonds. The 2013B Bonds are subject to redemption in whole or in part, on December 1, 2018 unless such date is extended in accordance with the Loan Agreement, after the provision of notice in accordance with the Indenture, in an amount equal to the Loan proceeds (plus any interest earnings thereon) remaining in the 2013B Project Account at the close of business on October 15, 2018 (or the fifteenth day of the second month preceding the month in which any extension of such date set for redemption ends).

Extraordinary Mandatory Redemption Upon a Determination of Taxability. The 2013A Bonds shall be subject to redemption in whole or in part as soon as practicable following the receipt by the Trustee of written notice from the Authority, the University or Bond Counsel of a Determination of Taxability, or in order to prevent a Determination of Taxability (in the amount determined by Bond Counsel to be necessary to preserve the tax-exemption of interest on the 2013A Bonds which will remain Outstanding thereafter, if any). See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—CERTAIN DEFINITIONS" for the definition of "Determination of Taxability."

Notice of Redemption. The Trustee shall give notice of redemption pursuant to the Indenture not less than 20 days and not more than 60 days prior to the date fixed for redemption. So long as the 2013 Bonds are held in fully immobilized form by DTC, notice of redemption shall be given to Cede & Co., as nominee of DTC and the Registered Owner of the 2013 Bonds, in accordance with the Letter of Representations. See APPENDIX F—"BOOK-ENTRY ONLY SYSTEM" for further information.

Notice of any optional redemption pursuant to the Indenture may be given on a conditional basis if redemption is subject to the scheduled closing of refunding bonds. Any notice given pursuant to the Indenture may be rescinded as provided therein. The Trustee shall give notice of such rescission as soon as practicable after receiving notice of such rescission from the University to the same persons as notice of such redemption was given pursuant to the Indenture.

Partial Redemption. All or a portion of any 2013 Bond of a series may be redeemed, but only in a principal amount equal to an Authorized Denomination. In the event of a partial optional or extraordinary mandatory redemption, the maturity or maturities of 2013 Bonds to be redeemed up to the allocable amount shall be selected pro rata unless other written instructions are given by the University. Within each series and maturity, the particular 2013 Bonds to be redeemed shall be selected randomly. The mandatory sinking fund redemptions, if any, shall be reduced on a proportionate basis with remaining amounts in Authorized Denominations. Upon surrender of any 2013 Bond for redemption in part, the Authority shall execute and the Bond Registrar shall authenticate and deliver to the owner thereof a new 2013 Bond or 2013 Bonds of Authorized Denominations of the same series and maturity and in an aggregate principal amount equal to the unredeemed portion of the 2013 Bond so surrendered.

Payment Upon Redemption. Upon presentation and surrender of any such 2013 Bonds at the Principal Office of the Bond Registrar on or after the date fixed for redemption, the Trustee shall pay the principal of, premium, if any, and interest on such 2013 Bonds to the extent of money received for such purpose.

Effect of Redemption. Notice of redemption having been given as provided in the Indenture, the 2013 Bonds or portions thereof designated for redemption shall become due and payable on the date fixed for redemption and, unless the Authority defaults in the payment of the principal thereof, premium, if any, and interest thereon or unless such redemption was conditioned upon the issuance of refunding bonds which were not issued, such 2013 Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption whether or not such 2013 Bonds are presented and surrendered for payment on such date. If any 2013 Bond or portion thereof called for redemption is not so paid upon presentation and surrender thereof for redemption, such 2013 Bond or portion thereof shall continue to bear interest at the rate set forth thereon until paid or until due provision is made for the payment of same.

Purchase of the 2013 Bonds in the Open Market

The Authority, at the direction of the University, reserves the right to direct the Trustee to acquire 2013 Bonds in the open market from amounts on deposit in the Debt Service Fund or from other available funds of the University. All 2013 Bonds so purchased shall be canceled.

Defeasance

The Indenture provides that the 2013 Bonds, or any portion thereof, may be defeased prior to maturity or redemption by the deposit of cash or Government Obligations, or a combination thereof, sufficient to provide for the payment of all principal of, premium, if any, and interest on the 2013 Bonds through maturity or the date upon which the 2013 Bonds will be redeemed pursuant to the Indenture. 2013 Bonds that are defeased will no longer be entitled to any security under the Indenture, except for the right to payment from such money or Government Obligations. See "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—THE INDENTURE—Defeasance" in APPENDIX C.

Defeasance of any 2013B Bond may result in a reissuance thereof, in which event a holder will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in the 2013B Bond. See "CERTAIN INCOME TAX CONSEQUENCES" herein.

Additional Bonds

The Indenture provides that without the consent of or notice to the Bondowners, the Authority may issue additional bonds ("Additional Bonds") having a parity of lien on the Trust Estate at the request of the University with prior written confirmation from the Rating Agency that the rating on the 2013 Bonds will not be reduced or withdrawn solely as a result of the issuance of any such Additional Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS

General

The 2013 Bonds are special, limited obligations of the Authority, payable solely from Revenues and the other security pledged in the Indenture for such purpose. Under the Loan Agreement, the University is required to make payments upon the 2013 Notes at such times and in such amounts so as to provide for payment of the principal of, premium, if any, and interest on the 2013 Bonds outstanding under the Indenture when due whether upon a scheduled Interest Payment Date, at maturity or by mandatory redemption, acceleration or otherwise upon the 2013 Bonds. The 2013 Bonds are secured by a pledge and assignment by the Authority under the Indenture of the Trust Estate.

The enforcement of the obligations and agreements described in this section will depend upon the availability and enforceability of remedies. For a description of certain possible limitations on such remedies, see "RISK FACTORS."

The Indenture permits certain amendments to be made to the Indenture and the Loan Agreement upon the consent of the holders of 51% or more in aggregate principal amount of 2013 Bonds Outstanding; the Indenture also permits certain amendments to be made to the Indenture and the Loan Agreement without the consent of Bondowners, including without limitation an amendment to provide for the substitution of the Revenues and Pledged Revenues and all other property and collateral pledged under the Indenture to the Trust Estate, with an obligation issued pursuant to a master trust indenture of the University; provided, that any such substitution shall be accompanied by a Rating Agency confirmation of the rating of the 2013 Bonds and an opinion of Bond Counsel that such substitution shall not adversely affect the exclusion from gross income for federal tax purposes of interest on the 2013A Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—THE INDENTURE—Indenture Amendments Not Requiring Consent of Bondowners," "—Indenture Amendments Requiring Consent of Bondowners," "—Amendments to Loan Documents Requiring Consent of Bondowners" and "—Amendments to Loan Documents Not Requiring Consent of Bondowners" in APPENDIX C.

Limited Obligations

The 2013 Bonds are not and shall never become general obligations of the Authority but are special, limited obligations payable by the Authority solely and only from the Revenues and the other security pledged in the Indenture for such purpose. The 2013 Bonds and the interest thereon do not and shall never constitute a debt or an indebtedness or an obligation of the Authority, the State, or any county, city or other municipal or political corporation or subdivision of the State, or a loan of the faith or credit or the taxing power of any of them, within the meaning of any constitutional or statutory provisions, nor shall the 2013 Bonds be construed to create any moral obligation on the part of the Authority, the State, or any county, city or other municipal or political corporation or subdivision of the State with respect to the payment of the 2013 Bonds. The 2013 Bonds shall not be payable from the general revenues of the Authority, and neither the Authority nor the State nor any political corporation, subdivision or agency thereof will be liable thereon, nor in any event shall the 2013 Bonds be payable out of any funds or properties other than those specifically pledged therefor. The Authority has no taxing power.

Pledge of the Trust Estate Under the Indenture

In order to secure the payment of the principal of, premium, if any, and interest on the 2013 Bonds, the Authority pledges and assigns to the Trustee pursuant to the Indenture all of its right, title and interest in the Trust Estate, which includes: (a) the Authority's right, title and interest in the Loan and the Loan Documents (subject to the reservation of certain rights by the Authority); (b) all Revenues (subject to disbursement and application in accordance with the Indenture), which are defined in the Indenture to include (i) money held in the Funds and Accounts created under the Indenture (except the Cost of Issuance Fund and the Rebate Fund), together with investment earnings thereon, and (ii) all income, revenues, proceeds, obligations, securities and other amounts received by the Trustee and derived from or in connection with the Loan or the Loan Documents (except amounts payable as fees of the Authority or the Trustee, the Rating Agency Surveillance Fee, the Rebate Amount, fees for the calculation of rebate and indemnification or reimbursement of the Authority and the Trustee); and (c) any and all other property pledged or assigned as and for additional security under the Indenture.

The University's Obligations Under the Loan Agreement

Under the 2013 Notes and the Loan Agreement, the University is required to deliver to the Trustee, on or before the fifth Business Day immediately before each Interest Payment Date, an amount equal to the principal of, premium, if any, and interest on the 2013 Bonds due on that Interest Payment Date. The Trustee is required to deposit such funds in the Debt Service Fund, and to use such funds to pay debt service on the 2013 Bonds. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—THE LOAN AGREEMENT" for further information about the University's obligations under the Loan Agreement.

The obligations of the University under the Loan Agreement constitute a general obligation of the University secured by a security interest granted thereunder in (a) Unrestricted Gross Revenues, which security interest shall be on a parity basis with certain other security interests pursuant to the Intercreditor and Collateral Agency Agreement as contemplated therein (the "Pledged Revenues"), and (b) the University's interests, if any, in the Project Fund and the Debt Service Fund.

Existing Obligations and Expected Issuance of Additional Indebtedness; Additional Obligations

Pursuant to the Intercreditor and Collateral Agency Agreement, the pledge of the Collateral with respect to the University's obligations under the Loan Agreement will be on parity with the pledge that secures the repayment of the Outstanding Bonds, the University's obligations under the 2007 Swaps (as defined below) to the extent such 2007 Swaps remain outstanding) and any future swap transactions between the University and the Swap Counterparty (as defined below), and the University's obligations under the Credit Agreements. **The Intercreditor and Collateral Agency Agreement contemplates that additional secured parties may become parties to such agreement and that additional indebtedness may, in the future, be secured by interests in the Collateral on parity with the 2013 Bonds.** All parties to the Intercreditor and Collateral Agency Agreement will share in the Collateral on a pooled basis on the terms and conditions described in the Intercreditor and Collateral Agency Agreement. See "Intercreditor and Collateral Agency Agreement."

Interest Rate Swap Agreements

The University and Bank of America, N.A. (the "Swap Counterparty") entered into a forward-start interest rate swap agreement in connection with the issuance of the Authority's Refunding Revenue Bonds (Gonzaga University Project), Series 2007B, effective October 1, 2014 (the "2007B Swap") and a forward-start interest rate swap agreement in connection with the issuance of the Authority's Refunding Revenue Bonds (Gonzaga University Project), Series 2007C, effective October 1, 2012 (the "2007C Swap" and, together with the 2007B Swap, the "2007 Swaps"). The University expects to terminate the 2007B Swap and to use a portion of the proceeds of the 2013B Bonds to finance the related termination payment. Such termination is expected to occur in 2014, unless the University determines to keep the 2007B Swap outstanding.

The 2007 Swaps had an initial notional amount of $42,875,000 and have a $42,500,000 outstanding notional amount as of June 30, 2013. See the discussion of derivative financial instruments under Note 6 in APPENDIX B—"AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY" and APPENDIX A—"SELECTED INFORMATION CONCERNING THE UNIVERSITY INCLUDING UNAUDITED FINANCIAL INFORMATION—Interest Rate Swap Agreements" for additional information regarding the 2007 Swaps.

Until the termination of the 2007B Swap, the University will continue to have both swap agreements with the Swap Counterparty outstanding. Under the 2007 Swaps and until such time as the 2007B Swap is terminated, the University will pay a fixed rate on the notional amount and in exchange the Swap Counterparty will pay the University a variable rate on the notional amount based on the one-Month London Interbank Offered Rate (LIBOR).

The 2007 Swaps are subject to early termination by the University at any time or the Swap Counterparty upon the occurrence of a termination event. If termination occurs, the University may be required to make a cash termination payment to the Swap Counterparty, and the amount of any such payment could be substantial. See "RISK FACTORS—Swap Agreement Interest Rate Risk." The University regularly reviews the value of its outstanding interest rate swap agreements and may choose to terminate the 2007C Swap if the University believes such a termination is in its best interests.

The pledge of University's Unrestricted Gross Revenues under the Indenture is on parity with the pledge that secures University's obligations under the 2007C Swap and any future swap transactions between the University and the Swap Counterparty. See "Intercreditor and Collateral Agency Agreement."

Intercreditor and Collateral Agency Agreement

In connection with the issuance of the 2013 Bonds, Bank of America, N.A. Union Bank, N.A. (as the purchaser of the 2012 Bonds), U.S. Bank National Association (in its capacity as bond trustee for the 2009 Bonds, the 2009B Bonds, the 2010A Bonds, the 2012 Bonds and the 2013 Bonds), U.S. Bank National Association (as the lender under the U.S. Bank National Association Credit Agreement), Wells Fargo Bank, National Association (as the lender under the Wells Fargo Bank, National Association Credit Agreement), and U.S. Bank National Association, as collateral agent (the "Collateral Agent") will enter into the Fourth Intercreditor and Collateral Agency Agreement to amend and restate a Third Amended and Restated Intercreditor and Collateral Agency Agreement dated as of August 1, 2012, which had amended and restated prior intercreditor and collateral agency agreements.

Pursuant to the Intercreditor and Collateral Agency Agreement, the Collateral Agent is appointed as the agent of Bank of America, N.A., Union Bank, N.A., Wells Fargo Bank, National Association, U.S. Bank National Association and the Trustee with respect to the Collateral. The Collateral Agent is authorized to enforce rights and remedies of the secured parties under a Fourth Amended and Restated Security Agreement dated as of December 1, 2013 (the "Security Agreement"), made by the University in favor of the Collateral Agent, for the benefit of Bank of America, N.A., Union Bank, N.A., Wells Fargo Bank, National Association, U.S. Bank National Association, the Trustee and additional bond trustees and secured creditors (collectively, the "Secured Creditors"). Under the Intercreditor and Collateral Agency Agreement, the parties have agreed that the security interests and liens granted to the Collateral Agent will secure Secured Obligations (as defined therein) on a *pari passu* basis for the benefit of the Collateral Agent and the Secured Creditors, notwithstanding the relative priority or the time of grant, creation, attachment or perfection of any security interest and liens, if any, of any of the Collateral Agent or any Secured Creditor. For purposes of the Intercreditor and Collateral Agency Agreement, the "Secured Obligations" include: (1) payment obligations of the University under the 2007 Swaps and any swap contracts that may in the future be entered into between the University and Bank of America, N.A.; (2) obligations of the University to repay the loan with respect to the 2009 Bonds; (3) obligations of the University to repay the loan with respect to the 2009B Bonds; (4) obligations of the University to repay the loan with respect to the 2010A Bonds; (5) obligations of the University to repay the loan with respect to the 2012 Bonds; (6) obligations of the University to repay the loans with respect to the 2013 Bonds; (7) the obligations of the University to repay amounts in connection with additional bonds issued by the Authority for the benefit of the University; (8) any indebtedness for borrowed money incurred by the University and secured by the Security Agreement; (9) obligations of the University or any Secured Creditor to pay, reimburse or indemnify the Collateral Agent; (10) obligations owing by the University pursuant to the Credit Agreements; (11) obligations owing by the University pursuant to the Continuing Covenant Agreement; (12) other present or future indebtedness, liabilities or obligations of the University owed to any or all of the Collateral Agent, Bank of America, N.A., U.S. Bank National Association, Wells Fargo Bank, National Association, Union Bank, N.A., the Trustee or a trustee for additional bonds issued by the Authority, including the 2009 Bonds, the 2009B Bonds, the 2010A Bonds, the 2012 Bonds and the 2013 Bonds; and (13) other future indebtedness of the University secured by a parity lien on the Collateral.

The Intercreditor and Collateral Agency Agreement contemplates that additional parties may become secured parties thereunder in the future and that additional indebtedness may be secured by the Unrestricted Gross Revenues on parity with the liens or security interests of the original Secured Parties. The rights and remedies of the Trustee, on behalf of Bondowners, under the Loan Agreement and the Indenture with respect to the Unrestricted Gross Revenues are governed by and subject to the terms and conditions of the Intercreditor and Collateral Agency Agreement. All parties to the Intercreditor and Collateral Agency Agreement share in the Collateral on a pooled basis, on the terms and conditions set forth therein.

No Debt Service Reserve Fund for the 2013 Bonds; No Real Estate Security

The 2013 Bonds are not secured by any debt service reserve fund. The University is not pledging any portion of its real estate as security for the repayment of the Loan or the 2013 Bonds.

CERTAIN COVENANTS OF THE UNIVERSITY

Limitations on Encumbrances

The security interest in the Pledged Revenues described above is intended to be and remain a first lien for so long as any of the 2013 Bonds are Outstanding, subject only to (a) Permitted Encumbrances and (b) parity liens to the extent described in the Loan Agreement, for so long as any of the 2013 Bonds are Outstanding.

The Loan Agreement provides that the University may encumber its Pledged Revenues by a lien which is equal to the lien thereon made under the Loan Agreement only upon compliance with the conditions of the Loan Agreement with respect to the issuance of additional Indebtedness, described below under the caption "—Additional Indebtedness."

Also see "—Springing Provisions" below.

Additional Indebtedness

The University agrees in the Loan Agreement that it will not issue, incur, assume, create or have outstanding any Indebtedness; provided, however, that it shall not be prevented from: (1) acquiring goods, supplies or merchandise in the normal course of business; (2) endorsing negotiable instruments received in the normal course of business; (3) having outstanding Indebtedness in existence on the date of the Loan Agreement and disclosed in writing to the Trustee and the Authority; and (4) issuing additional Indebtedness which does not exceed an aggregate principal amount of $1,000,000 outstanding at any time.

In addition, the University may incur additional Indebtedness if it provides to the Trustee and the Rating Agency certificates to the effect that upon issuance of such additional Indebtedness and taking such additional Indebtedness into account, (a) the Debt Service Coverage Ratio (computed using the Unrestricted Gross Revenues as set forth in the University's Audited Financial Statements for the most recent Fiscal Year) will not be greater than 0.10:1.0; and (b) the debt covenants described below under the captions "Expendable Net Asset Ratio" and "Debt Service Coverage Ratio" will continue to be met.

Also see "—Springing Provisions" below.

Expendable Net Asset Ratio

The University covenants in the Loan Agreement that as of the last date of each Fiscal Year, it will maintain Expendable Net Assets equal to at least 50% of the aggregate outstanding principal amount of Long Term Debt. Failure to maintain this ratio will constitute an Event of Default under the Loan Agreement if such failure is not caused by general market conditions (as evidenced by an officer's certificate provide by the University to the Trustee stating that such failure is caused by general market conditions and requesting that such failure not be considered an Event of Default thereunder) or cured within the next 60 days.

Also see "—Springing Provisions" below.

Debt Service Coverage Ratio

The University covenants in the Loan Agreement that it will not permit the Debt Service Coverage Ratio to exceed 0.10:1.0 for any Fiscal Year.

Also see "—Springing Provisions" below.

Negative Pledge on Core Campus

The University agrees in the Loan Agreement that it may not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Core Campus, except encumbrances to secure additional Indebtedness that meet certain requirements and Permitted Encumbrances as described therein. In addition, as summarized above, the University has reserved the right to incur additional debt and encumber the Pledged Revenues. The University has further reserved the rights to pledge its property which is not part of the Core Campus and to encumber its Pledged Revenues with a lien subordinate to the lien of the 2013 Bonds.

Springing Provisions

The Indenture and the Loan Agreement contain certain springing provisions that will become effective, without additional notice to or the consent of Bondholders of the 2013 Bonds, upon satisfaction of certain events. For instance, from and after such time as all of the Existing Obligations (including the 2009A Bonds, the 2007B Swap and the 2007C Swap) have been repaid in full or defeased, are no longer secured under the Intercreditor and Collateral Agency Agreement or their respective governing documents are amended to conform with such springing changes, for purpose of Pledged Revenues, the definition of Unrestricted Gross Revenues will exclude revenues from facilities constructed or acquired after October 1, 2009, which revenues are pledged to obligations (other than Additional Bonds or Indebtedness having a parity lien on the Unrestricted Gross Revenues with the University's obligations under the Loan Agreement and/or the 2010A Bonds) incurred to finance such new facilities. See "RISK FACTORS—Possible Limitations on Enforceability of Obligations and Remedies—Security Interest in Pledged Revenues."

Furthermore, the Loan Agreement contains springing provisions that will become effective, without additional notice to or the consent of Bondholders of the 2013 Bonds, from and after such time as certain obligations issued prior to the 2013 Bonds (including the Outstanding Bonds, the 2007B Swap and the 2007C Swap) are defeased, are no longer outstanding or secured under the Intercreditor and Collateral Agency Agreement or their respective governing documents are amended to conform with such springing changes. The springing changes will eliminate the University's covenants in the Loan Agreement (and summarized above) regarding the Expendable Net Asset Ratio, the Debt Service Coverage Ratio and the Negative Pledge on the Core Campus. The springing changes will also permit the University to issue additional Indebtedness and encumber its Unrestricted Gross Revenues by a lien equal to that of its obligations under the Loan Agreement upon compliance with certain conditions, but without restriction on amount and without meeting any financial covenant test. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—THE LOAN AGREEMENT—Negative Pledge" and "—Indebtedness; Additional Indebtedness."

THE UNIVERSITY

Founded in Spokane, Washington, by members of the Society of Jesus in 1887, the University is an independent Roman Catholic and Jesuit University. The University was incorporated in 1894 as Gonzaga College and changed its name to Gonzaga University in 1912. The University does not receive financial support from the Roman Catholic Church, but rather it depends on tuition revenues, gifts and the income from its endowment for its operational needs. The University's educational philosophy is based upon the 450-year-old Ignation model that aims to educate the whole person: mind, body and spirit – an integration of science and art, faith and reason, action and contemplation. The University is routinely recognized in national publications as one of the West's best comprehensive regional universities.

The University is located on a 131-acre campus in a residential area near the heart of downtown Spokane, Washington, currently serving approximately 7,605 students. The state of Washington (the "State") accorded the University status as a university in 1912, the same year the School of Law began. The School of

Business Administration was established in 1921, the School of Education in 1928, the Graduate School in 1931, the School of Engineering and Applied Science in 1934, the School of Professional Studies in 1975 and the School of Nursing and Human Physiology in 2013. The University maintains contact with more than 36,000 alumni, through its quarterly alumni publication and other methods.

The University offers seven bachelor's degrees in 75 majors and programs, and 26 master's degree programs, in addition to primary and secondary education credential programs. Programs are offered through the Colleges of Arts and Sciences and the Schools of Business Administration, Education, Engineering and Applied Science, Professional Studies, Nursing and Human Physiology, and Law. The University is governed by a Board of Trustees currently consisting of 29 elected Trustees and two ex officio Trustees, a Board of Members consisting of nine persons, and an 85-member Board of Regents that serves in an advisory capacity.

For additional information regarding the University, please see APPENDIX A—"SELECTED INFORMATION CONCERNING THE UNIVERSITY INCLUDING UNAUDITED FINANCIAL INFORMATION" AND APPENDIX B—"AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY."

THE TRUSTEE

The Authority has appointed U.S. Bank National Association to serve as Trustee under the Indenture. The Trustee is a national banking association organized and existing under the laws of the United States of America, having all of the powers of a bank, including fiduciary powers, and is a member of the Federal Deposit Insurance Corporation and the Federal Reserve System. The mailing address of the Trustee is U.S. Bank National Association, 1420 Fifth Avenue, Seventh Floor, Seattle, Washington 98101, Attention: Corporate Trust Services.

The Trustee is to carry out those duties assignable to it under the Indenture, the Loan Agreement and related financing documents. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the contents, accuracy, fairness or completeness of the information set forth in this Official Statement or for the recitals contained in the Indenture, the Loan Agreement or the 2013 Bonds (except for the certificate of authentication on each 2013 Bond), or for the validity, sufficiency, or legal effect of any of such documents.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the University of any of the 2013 Bonds authenticated or delivered pursuant to the Indenture or for the use or application of the proceeds of such 2013 Bonds by the Authority or the University. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the 2013 Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets or revenues pledged or assigned as security for the 2013 Bonds, the technical or financial feasibility of the Project, or the investment quality of the 2013 Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

Additional information about the Trustee may be found at its website at http://www.usbank.com/corporatetrust. **Neither the information on U.S. Bank's website, nor any links from that website, is part of this Official Statement, and such information cannot be relied upon to be accurate as of the date of this Official Statement, nor should any such information by relied upon to make investment decisions regarding the 2013 Bonds**.

ESTIMATED SOURCES AND USES OF FUNDS

Proceeds to be received from the sale of the 2013 Bonds are estimated to be applied as set forth in the following table.

Sources	2013A Bonds	2013B Bonds	Total
Par Amount	$33,000,000.00	$20,000,000.00	$53,000,000.00
Less: Original Issue Discount	392,040.00	262,600.00	654,640.00
Total Sources of Funds	$32,607,960.00	$19,737,400.00	$52,345,360.00

Uses	2013A Bonds	2013B Bonds	Total
Deposit to Project Fund	$29,619,837.62	$19,526,524.66	$49,146,362.28
Deposit to Capitalized Interest Fund	2,640,178.01(1)	0.00	2,640,178.01
Cost of Issuance	347,944.37(2)	210,875.34(2)	558,819.71
Total Uses of Funds	$32,607,960.00	$19,737,400.00	$52,345,360.00

(1) Proceeds of the 2013A Bonds to be used to pay interest on a portion of such 2013A Bonds for approximately 18 months after issuance of the 2013A Bonds.

(2) Includes the initial fees of the Authority and the Trustee, certain fees of the rating agencies, legal fees, financial advisory fees, Underwriter's discount, accounting, administrative and miscellaneous fees and expenses.

ANNUAL DEBT SERVICE REQUIREMENTS OF THE UNIVERSITY

See APPENDIX A—"SELECTED INFORMATION CONCERNING THE UNIVERSITY INCLUDING UNAUDITED FINANCIAL INFORMATION—Annual Debt Service Requirements of the University" for information regarding the outstanding indebtedness of the University.

THE PROJECT

The proceeds of the 2013 Bonds will be loaned to the University and will be used, together with certain other moneys, to (i) provide a portion of the funds to finance the planning, design, construction, installation, acquisition and equipping of the new University Center facility located on the University's campus in Spokane, Washington, (ii) make additional capital improvements to the University's facilities, (iii) pay a portion of interest on the 2013 Bonds, (iv) finance a payment in connection with the termination of the interest rate swap agreement for the 2007B Swap, and (v) pay certain expenses incurred in connection with the issuance of the 2013 Bonds (collectively, the "Project").

The project facilities to be financed with the proceeds of the 2013 Bonds include the following:

1. Construction and equipping of Hemmingson Center (University Center Facility), a 167,000 square foot building to be located on the eastside of the University's campus on the site of the original student union center known as the COG. The building will consist of four floors and will house board dining for resident students, a variety of retail spaces serving students, faculty, and staff, as well as curricular and co-curricular spaces to meet academic and student development needs consistent with the University's mission of educating the whole person in the Jesuit tradition. The building will also contain meeting rooms and a multi-purpose ballroom for University and community use.

2. To the extent funds remain, for miscellaneous capital improvements on the University's campus.

RISK FACTORS

Set forth below are certain risk factors which should be considered before any investment in the 2013 Bonds is made. Certain risks are inherent in the successful operation of the University's facilities. **This section discusses some of these risks but is not intended to be, and should not be considered, a comprehensive listing of all risks associated with the operation of the University's facilities or the payment of the 2013 Bonds.**

General

An investment in the 2013 Bonds involves certain risks, including the risk of nonpayment of interest or principal due to Bondowners and the risk that the 2013 Bonds will be redeemed prior to maturity. The enforceability of the University's obligations pursuant to the Loan Agreement may be limited by the laws of the State and the United States with respect to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by the availability of equitable remedies. The 2013 Bonds are special, limited obligations of the Authority payable solely out of Revenues and other amounts pledged by the University under the Loan Agreement and held by the Trustee in certain funds and accounts established pursuant to the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS." The risk of nonpayment or that the 2013 Bonds will be redeemed prior to maturity is affected by the following factors, among others, which should be considered by prospective investors, along with other information presented in this Official Statement, in judging the suitability of an investment in the 2013 Bonds. The 2013 Bonds may not be a suitable investment for all prospective purchasers. Prospective purchasers should consult their investment advisors before making any decisions as to the purchase of the 2013 Bonds.

Special Obligations

THE 2013 BONDS ARE NOT AND SHALL NEVER BECOME GENERAL OBLIGATIONS OF THE AUTHORITY BUT ARE SPECIAL, LIMITED OBLIGATIONS PAYABLE BY THE AUTHORITY SOLELY AND ONLY FROM THE REVENUES AND THE OTHER SECURITY PLEDGED IN THE INDENTURE FOR SUCH PURPOSE. THE 2013 BONDS AND THE INTEREST THEREON DO NOT AND SHALL NEVER CONSTITUTE A DEBT OR AN INDEBTEDNESS OR AN OBLIGATION OF THE AUTHORITY, THE STATE, OR ANY COUNTY, CITY OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE, OR A LOAN OF THE FAITH OR CREDIT OR THE TAXING POWER OF ANY OF THEM, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS, NOR SHALL THE 2013 BONDS BE CONSTRUED TO CREATE ANY MORAL OBLIGATION ON THE PART OF THE AUTHORITY, THE STATE, OR ANY COUNTY, CITY OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE WITH RESPECT TO THE PAYMENT OF THE 2013 BONDS. THE 2013 BONDS SHALL NOT BE PAYABLE FROM THE GENERAL REVENUES OF THE AUTHORITY, AND NEITHER THE AUTHORITY NOR THE STATE NOR ANY POLITICAL CORPORATION, SUBDIVISION OR AGENCY THEREOF WILL BE LIABLE THEREON, NOR IN ANY EVENT SHALL THE 2013 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE SPECIFICALLY PLEDGED THEREFOR. THE AUTHORITY HAS NO TAXING POWER.

Early Redemption

Purchasers of 2013 Bonds, including those who purchase 2013 Bonds at a price in excess of their principal amount or who hold such a 2013 Bond trading at a price in excess of par, should consider the fact that the 2013 Bonds are subject to redemption prior to their stated dates of maturity upon optional redemption, mandatory sinking fund redemption and extraordinary redemption. See the description herein under the heading "THE 2013 BONDS—Redemption Provisions."

Adequacy of Revenues

The future financial condition of the University and the University's ability to perform its obligations under the Loan Agreement are subject, among other things, to the capabilities of University management and future economic and other conditions which are unpredictable. In addition to the obligations of the University under the Loan Agreement, the existing obligations of the University under the 2009A Bonds, the 2009B Bonds, the 2010A Bonds, the 2012 Bonds, the 2007B Swap (until such swap is terminated), the 2007C Swap, and the Credit Agreements, the University may incur additional indebtedness on a parity lien with such 2013 Bonds and may incur indebtedness on a subordinated basis. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS." These factors may adversely affect the University's revenues and the performance by the University of its obligations under the Loan Agreement. The future financial condition of the University could be adversely affected by, among other things, detrimental State or federal legislation, detrimental State or federal regulatory actions, increased competition from other educational institutions, including State institutions of higher education, including those financed through the Authority, decreased demand for higher education services because of higher costs or other reasons, demographic changes, increased costs beyond the ability of the University to control or to increase revenue to offset such increased costs, natural disasters, reduced availability of student financial aid and tax law changes.

The ability of the University to generate sufficient revenues to meet its obligations under the Loan Agreement depends on a number of factors, including, but not limited to: (i) the University's ability to achieve enrollment, tuition and fundraising at levels sufficient to consistently enjoy operating surpluses and (ii) the University's ability to continue to provide financial aid to its students at sufficient levels in attractive combinations of scholarships, grants, loans and workstudy (if applicable). These factors are in turn affected by numerous future economic and other conditions which could include possible adverse effects such as the loss by the University of its accreditations; destruction or loss of a substantial portion of the University's facilities; litigation; competition; discontinuation of favorable governmental policies and programs with respect to post-secondary education; changes in direction of demographic trends determining the number of college-aged persons in the general population; changes in prospective levels of regional and national economic prosperity; the occurrence of natural, national or international calamities; changes in the competitive appeal and perceived quality of the University's curriculum; changes in the demand for post-high school education and for certain degrees; the ability and energy of the faculty and administration; a reduction in the amounts received by the University through fundraising efforts; or a reduction in the value of the University's assets. There can be no assurance that the University's income and receipts will not decrease.

Swap Agreement Interest Rate Risk

The University uses the 2007 Swaps to manage its exposure to interest rate fluctuations. There are a number of risks associated with swaps that could affect the value of the 2007 Swaps, the ability of the University to accomplish its objectives in entering into the 2007 Swaps and the ability of the University to meet its obligations under the 2007 Swaps and with respect to the 2013 Bonds. These risks include, among others: counterparty risk – the failure of the counterparty to make required payments; credit risk – the occurrence of an event modifying the credit rating of the University or its counterparty; termination risk – the need to terminate the transaction in a market that dictates a termination payment by the University; and tax risk – the risk created by potential tax events that could affect swap payments. Swap agreements are subject to periodic "mark-to-market" valuations. The 2007 Swaps (and any similar future agreements) may, at any time, have a positive or negative value to the University. If the University chooses to terminate a swap agreement or if a swap agreement is terminated pursuant to an event of default or a termination event as described in the swap agreement, the University may be required to pay a termination payment to the swap provider, and such payment may adversely affect the University's financial condition. The University expects to terminate the 2007B Swap and to use a portion of the proceeds of the 2013B Bonds to finance the related termination payment. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS—Existing Obligations and Expected Issuance of Additional Indebtedness; Additional Obligations; and "—Interest Rate Swap Agreements" for information regarding the 2007 Swaps and the University's plans with respect to such 2007 Swaps.

Possible Limitations on Enforceability of Obligations and Remedies

General. The enforceability of the University's obligations pursuant to the Loan Agreement may be limited by the laws of the State and the United States with respect to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by the availability of equitable remedies. The opinions of Bond Counsel and counsel to the University will so state. The practical realization of any rights upon any default will depend upon the exercise of various remedies specified in the Loan Agreement and the Indenture. These remedies, in certain respects, may require judicial action which is often subject to discretion and delay. Under existing law, certain of the remedies specified in the Loan Agreement and the Indenture may not be readily available or may be limited. A court may decide not to order the specific performance of these covenants.

Security Interest in Pledged Revenues. The effectiveness of the Loan Agreement and the security interest in the Pledged Revenues granted therein may be limited by a number of factors, including but not limited to: (1) commingling of Pledged Revenues with other money of the University not so pledged; (2) statutory liens; (3) rights arising in favor of the United States of America or any agency thereof; (4) constructive trusts and equitable or other rights impressed or conferred by a federal or State court in the exercise of its equitable jurisdiction; (5) federal bankruptcy laws that may affect the enforceability of the Loan Agreement or the security interest in the Pledged Revenues received by the University within 90 days preceding and after any effectual institution of bankruptcy proceedings by or against the University; (6) rights of third parties in Pledged Revenues converted to cash and not in the possession of the Trustee; (7) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the Washington Uniform Commercial Code from time to time in effect; and (8) delay and/or unwillingness of a court to compel the University to transfer or assign its Pledged Revenues to the Trustee. In addition, federal bankruptcy law permits adoption of a reorganization plan even though it has not been accepted by the Owners of a majority in aggregate principal amount of 2013 Bonds, if the Owners are provided with the benefit of their original lien or the "indubitable equivalent." Further, if the bankruptcy court concluded that such Owners had "adequate protection," it could (1) substitute other security for the security provided by the Indenture and Loan Agreement for the benefit of the Owners, and (2) subordinate the lien of the Owners (a) to claims by persons supplying goods and services to the debtor after bankruptcy and (b) to the administrative expenses of the bankruptcy proceeding. In the event of the bankruptcy of the University, the amount realized by the Owners might depend on the bankruptcy court's interpretation of the "indubitable equivalent" and "adequate protection" under the then-existing circumstances.

The Loan Agreement contains a springing definitional change that would permit the University to exclude certain revenues generated by facilities constructed or acquired after October 1, 2009, from Pledged Revenues. Total Unrestricted Gross Revenues (without the subtraction of any revenue stream associated with such new facility) will continue to be used for the calculation of Debt Service Coverage Ratio and additional indebtedness tests, so long as such tests are in effect (see "CERTAIN COVENANTS OF THE UNIVERSITY—Springing Provisions"). As such, Bondowners should be aware that future financial covenant calculations may take into account more revenues than are pledged to the 2013 Bonds and/or the University's obligations under the Loan Agreement. Further, future lenders that provide financing for new projects may have a security interest in the revenue stream from such project (instead of or in addition to a security interest in Pledged Revenues) that will not be pledged to the payment of the 2013 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS—Pledge Under the Indenture and the Loan Agreement."

The Loan Agreement contains springing provisions that will be in effect from and after such time as certain obligations issued prior to the 2013 Bonds (the Outstanding Bonds and the 2007 Swaps) are defeased, are no longer outstanding or secured under the Intercreditor and Collateral Agency Agreement or their respective governing documents are amended to conform with such springing changes. The springing changes will eliminate the University's covenants in the Loan Agreement regarding the Expendable Net Asset Ratio, the Debt Service Coverage Ratio and the Negative Pledge on the Core Campus. The springing changes will also permit the University to issue additional Indebtedness and encumber its Unrestricted Gross Revenues by a lien equal to that of its obligations under the Loan Agreement upon compliance with certain conditions, but without restriction on amount and without meeting any financial covenant test.

In addition, the University may incur additional obligations to which its Pledged Revenues and other Collateral are pledged in accordance with the terms of the Loan Agreement, the Indenture and the Intercreditor and Collateral Agency Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS."

No Deed of Trust. There is no Deed of Trust encumbering any property of the University as security for the 2013 Bonds.

Amendments to Indenture and Loan Documents

The Indenture and Loan Agreement may be amended with or without the consent of Bondowners. The Indenture permits amendments thereto, without the consent of Bondowners, to provide for the release of Revenues, Pledged Revenues, interests under all property and collateral pledged to the Trust Estate in exchange for a master trust indenture obligation to be issued pursuant to a master trust indenture of the University. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—THE INDENTURE—Indenture Amendments Requiring Consent of Bondowners," "—Indenture Amendments Not Requiring Consent of Bondowners," "—Amendments to Loan Documents Not Requiring Consent of Bondowners" and "—Amendments to Loan Documents Requiring Consent of Bondowners."

Construction Risks

Construction projects are subject to a variety of risks, including but not limited to delays in issuance of required building permits or other necessary approvals or permits, strikes, shortages of qualified contractors or materials and adverse weather conditions. Such events could delay occupancy of the project facilities to be financed with the proceeds of the 2013 Bonds. The University has entered into a fixed price construction contract for the construction of the new University Center facility which will eliminate the risk of cost overruns for that facility. Management of the University anticipates that the proceeds from the sale of the 2013 Bonds, together with anticipated investment earnings thereon, and contributed University equity, will be sufficient to complete the construction and equipping of the project facilities to be financed with the proceeds of the 2013 Bonds.

The University has reserved the right to issue additional debt secured by Unrestricted Gross Revenues on a parity of lien with the pledge of such revenues to the repayment of the 2013 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS." Furthermore, the University anticipates that its revenues will be sufficient to complete construction and equipping of the projects facilities to be financed with the proceeds of the 2013 Bonds and to enable the University to meet its obligations under the Loan Agreement, but if the moneys are insufficient and the University fails to make a payment under the Loan Agreement when due, it could result in a default under the Loan Agreement. See "Adequacy of Revenues" above.

Notwithstanding anything herein to the contrary, neither payment of the principal of and interest on the 2013 Bonds nor the University's obligations under the Loan Agreement are contingent on completion of all or any of the project facilities to be financed with the proceeds of the 2013 Bonds, and any delay, cost overruns, or other factors customary to any construction project shall not relieve the University from its payment obligations under the Loan Agreement.

Redemption Upon Loss of Tax Exemption

The Authority has covenanted and agreed in the Indenture and the Loan Agreement and the University has covenanted and agreed in the Loan Agreement, to comply with the applicable provisions of the Code relating to the exclusion from gross income of the interest payable on the 2013A Bonds for federal income tax purposes, and the Indenture, the Loan Agreement and the Tax Certificates contain covenants and procedures designed to assure compliance with such provisions. Any failure by the Authority or the University to comply with such provisions may give rise to a redemption of the 2013A Bonds. See "THE 2013 BONDS—Redemption Provisions." Interest on the 2013A Bonds may become includable in gross income for purposes of federal income taxation retroactively to the date of issuance of the 2013A Bonds by reason of the Authority or the University's failure to comply with the requirements of federal tax law. See "TAX MATTERS." There is no provision for an increase in the rate of interest payable thereon upon the occurrence of such an event.

Secondary Market and Prices

It has been the practice of the Underwriter to maintain a secondary market in municipal securities it sells, and the Underwriter currently intends to engage in secondary market trading of the 2013 Bonds, subject to applicable securities laws. The Underwriter, however, is not obligated to engage in secondary trading or to repurchase any of the 2013 Bonds at the request of the owners thereof. No assurance can be given that a market will exist for the resale of the 2013 Bonds. Because of general market conditions or because of adverse history or economic prospects connected with a particular issue or issuer, secondary marketing activity in connection with a particular issue may be suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price. THERE CAN BE NO GUARANTEE THAT THERE WILL BE A SECONDARY MARKET FOR THE 2013 BONDS, OR IF A SECONDARY MARKET EXISTS, THAT THE 2013 BONDS CAN BE SOLD FOR ANY PARTICULAR PRICE.

No Seasoned Funds

There is no requirement in the Indenture that seasoned funds be provided by the University in connection with the optional redemption of 2013 Bonds. If any such payments are made to Bondowners with funds that are not seasoned funds at a time when the University is insolvent, which determination may occur up to one year after the payment is made, then Bondowners may be required by a bankruptcy court to refund those payments to the bankruptcy court.

General Economic Factors

The domestic and international financial crisis has had, and may continue to have, negative repercussions upon the national and global economies, including a scarcity of credit, lack of confidence in the financial sector, volatility in the financial markets, increased interest rates, reduced business activity, increased consumer bankruptcies and increased business failures and bankruptcies. The Federal Reserve Board and other agencies of the federal government and foreign governments have taken actions that are designed to enhance liquidity, improve the performance and efficiency of credit markets and generally stabilize securities markets. There can be no assurance that these actions will be effective.

The University has significant holdings in a broad range of investments. Market fluctuations have affected and will likely continue to affect the value of those investments. Current financial conditions will likely cause the University's ability to borrow to be more limited and more expensive. For further discussion of the impact of the market disruption on the University's investments, see APPENDIX A—"SELECTED INFORMATION CONCERNING THE UNIVERSITY INCLUDING UNAUDITED FINANCIAL INFORMATION."

Bond Audits

The 2013A Bonds could be audited by the IRS. Bond Counsel will render an opinion with respect to the tax-exempt status of the 2013A Bonds, as described under the caption "TAX MATTERS." No ruling with respect to the tax-exempt status of the 2013A Bonds has been or will be sought from the IRS, however, and opinions of counsel are not binding on the IRS or the courts. There can be no assurance that an audit of the 2013A Bonds would not adversely affect the 2013A Bonds.

ABSENCE OF MATERIAL LITIGATION

The Authority

There is no proceeding pending or threatened to restrain or enjoin the issuance, sale or delivery of the 2013 Bonds, or in any way contesting or affecting the validity or enforceability of the 2013 Bonds, the Indenture, the Loan Agreement or any other documents executed by the Authority in connection with the 2013 Bonds, or any proceedings of the Authority taken with respect to the issuance or sale of the 2013 Bonds, the pledge or application of any money or securities provided for the payment of the 2013 Bonds or the existence or powers of the Authority insofar as they relate to the authorization, sale and issuance of the 2013 Bonds or such pledge or application of money and securities, the completeness or accuracy of this Official Statement or the existence or powers of the Authority relating to the sale of the 2013 Bonds.

The University

There is no litigation now pending against the University or, to the actual knowledge of officers of the University, threatened, restraining or enjoining the issuance, sale, execution or delivery of the 2013 Bonds, the Indenture or the Loan Agreement or in any way contesting or affecting the validity of any of these documents or of any proceedings of the University taken with respect to the issuance or sale of, or the pledge or application of any money or security provided for the payment of, the 2013 Bonds. There is no litigation pending or, to the knowledge of the University, threatened that might have a material adverse effect upon the operations or financial condition of the University.

CERTAIN LEGAL MATTERS

All legal matters in connection with the issuance of the 2013 Bonds are subject to the approval of Pacifica Law Group LLP, Seattle, Washington, Bond Counsel. Certain legal matters will be passed upon by Koegen Edwards LLP, Spokane, Washington, special counsel to the University. Certain legal matters will be passed upon by Hillis Clark Martin & Peterson P.S., Seattle, Washington, special counsel to the Underwriter, and any opinion of such firm will be rendered solely to the Underwriter, will be limited in scope and cannot be relied upon by investors without the express written consent of such firm. The forms of Bond Counsel's approving opinions are set forth in APPENDIX D hereto. Copies of the approving opinions of Bond Counsel will be available at the time of issuance and delivery of the 2013 Bonds.

The opinions to be delivered by Pacifica Law Group LLP, as Bond Counsel, concurrently with the issuance of the 2013 Bonds, will be subject to limitations regarding bankruptcy, insolvency and other laws relating to or affecting creditors' rights. Copies of the forms of legal opinions of Bond Counsel are set forth in APPENDIX D.

TAX MATTERS

In the opinion of Bond Counsel, interest on the 2013A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the 2013A Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Federal income tax law contains a number of requirements that apply to the 2013A Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the 2013A Bonds and the facilities financed with proceeds of the 2013A Bonds and certain other matters. The Authority and the University have covenanted to comply with all applicable requirements.

Bond Counsel's opinion pertaining to the 2013A Bonds is subject to the condition that the Authority and the University comply with the above-referenced covenants and, in addition, will rely on representations by the Authority, the University and their advisors with respect to matters solely within the knowledge of the Authority, the University and their advisors, respectively, which Bond Counsel has not independently verified. If the Authority or the University fails to comply with such covenants or if the foregoing representations are determined to be inaccurate or incomplete, interest on the 2013A Bonds could be included in gross income for federal income tax purposes retroactively to the Date of Issue, regardless of the date on which the event causing taxability occurs. Bond Counsel has further relied on the opinion of Koegen Edwards LLP, special counsel to the University, to the effect that the University is exempt from federal income tax pursuant to Section 501(a) of the Code by virtue of it being an organization described in Section 501(c)(3) of the Code and that the facilities financed with the proceeds of the 2013A Bonds are not being used in an unrelated trade or business of the University within the meaning of Section 513(a) of the Code.

Except as expressly stated above, Bond Counsel expresses no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the 2013A Bonds. Owners of the 2013A Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2013A Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

Prospective purchasers of the 2013A Bonds should be aware that ownership of the 2013A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the 2013A Bonds. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the 2013A Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations, such as the 2013A Bonds, are in many cases required to be reported to the Internal Revenue Service (the "IRS"). Additionally, backup withholding may apply to any such payments made to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Bond Counsel's opinion is not a guarantee of result and is not binding on the IRS; rather, the opinion represents Bond Counsel's legal judgment based on its review of existing law and in reliance on the representations made to Bond Counsel and compliance with covenants of the Authority and University. The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the 2013A Bonds. Owners of the 2013A Bonds are advised that, if the IRS does audit the 2013A Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the Authority as the taxpayer, and the owners of the 2013A Bonds may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the 2013A Bonds until the audit is concluded, regardless of the ultimate outcome.

Not Bank Qualified. The Authority has not designated the 2013A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

Proposed Tax Legislation; Miscellaneous. Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the 2013A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent the beneficial owners of the 2013A Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the 2013A Bonds. For example, proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal tax purposes of interest on obligations such as the 2013A Bonds. Prospective purchasers of the 2013A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

Original Issue Discount. The initial public offering price of certain 2013A Bonds (the "Original Issue Discount Bonds"), may be less than the stated redemption price at maturity. In such case, the difference between (i) the stated amount payable at the maturity of an Original Issue Discount Bond and (ii) the initial public offering price of that Original Issue Discount Bond constitutes original issue discount with respect to that Original Issue Discount Bond in the hands of the owner who purchased that Original Issue Discount Bond at the initial public offering price in the initial public offering of the 2013A Bonds. The initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to an Original Issue Discount Bond equal to that portion of the amount of the original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by the initial owner.

In the event of the redemption, sale or other taxable disposition of an Original Issue Discount Bond prior to its stated maturity, however, the amount realized by the initial owner in excess of the basis of the Original Issue Discount Bond in the hands of its initial owner (adjusted upward by the portion of the original issue discount allocable to the period for which such 2013A Bond was held by the initial owner) is includable in gross income. Purchasers of Original Issue Discount Bonds should consult their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes and the state and local tax consequences of owning Original Issue Discount Bonds.

CERTAIN INCOME TAX CONSEQUENCES

This advice was written to support the promotion or marketing of the 2013B Bonds. This advice is not intended or written by Pacifica Law Group LLP to be used, and may not be used, by any person or entity for the purpose of avoiding any penalties that may be imposed on any person or entity under the U.S. Internal Revenue Code. Prospective purchasers of the 2013B Bonds should seek advice based on their particular circumstances from an independent tax advisor.

The following discussion describes aspects of the principal U.S. federal tax treatment of U.S. persons that are beneficial owners ("Owners") of the 2013B Bonds. This summary is based on the Code, published revenue rulings, administrative and judicial decisions, and existing and proposed Treasury regulations (all as of the date hereof and all of which are subject to change, possibly with retroactive effect).

This summary discusses only 2013B Bonds held as capital assets within the meaning of Section 1221 of the Code. It does not discuss all of the tax consequences that may be relevant to an Owner in light of its particular circumstances or to Owners subject to special rules, such as certain financial institutions, insurance companies, tax-exempt organizations, foreign taxpayers, taxpayers who may be subject to the alternative minimum tax or personal holding company provisions of the Code, dealers in securities or foreign currencies, Owners holding the 2013B Bonds as part of a hedging transaction, "straddle," conversion transaction, or other integrated transaction, or Owners whose functional currency (as defined in Section 985 of the Code) is not the U.S. dollar. Except as stated herein, this summary describes no federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the 2013B Bonds. ACCORDINGLY, INVESTORS WHO ARE OR MAY BE DESCRIBED WITHIN THIS PARAGRAPH SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO SUCH INVESTORS, AS WELL AS TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL, OR FOREIGN TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY, OF PURCHASING, HOLDING, OWNING AND DISPOSING OF THE 2013B BONDS.

For purposes of this discussion, a "U.S. person" means an individual who, for U.S. federal income tax purposes, is (a) a citizen or resident of the United States, (b) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, (c) an estate, the income of which is subject to U.S. federal income taxation regardless of its source of income, or (d) a trust, if either: (i) a United States court is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust or (ii) a trust has a valid election in effect to be treated as a United States person under the applicable treasury regulations. The term also includes nonresident alien individuals, foreign corporations, foreign partnerships, and foreign estates and trusts ("Foreign Owners") to the extent that their ownership of the 2013B Bonds is effectively connected with the conduct of a trade or business within the United States, as well as certain former citizens and residents of the United States who, under certain circumstances, are taxed on income from U.S. sources as if they were citizens or residents. It should also be noted that certain "single member entities" are disregarded for U.S. federal income tax purposes. Such Foreign Owners and Owners who are single member non-corporate entities, should consult with their own tax advisors to determine the U.S. federal, state, local, and other tax consequences that may be relevant to them.

In General. Interest derived from a 2013B Bond by an Owner is subject to U.S. federal income taxation. In addition, a 2013B Bond held by an individual who, at the time of death, is a U.S. person is subject to U.S. federal estate tax.

Payments of Interest. Interest, including additional amounts of cash and interest, if any, paid on the 2013B Bonds will generally be taxable to Owners as ordinary interest income at the time it accrues or is received, in accordance with the Owner's method of accounting for U.S. federal income tax purposes. Owners who are cash-method taxpayers will be required to include interest in income upon receipt of such interest income; whereas Owners who are accrual-method taxpayers will be required to include interest as it accrues, without regard to when interest payments are actually received.

Disposition or Retirement. Upon the sale, exchange or other disposition of a 2013B Bond, or upon the retirement of a 2013B Bond (including by redemption), an Owner will recognize capital gain or loss equal to the difference, if any, between the amount realized upon the disposition or retirement (reduced by any amounts attributable to accrued but unpaid interest, which will be taxable as such) and the Owner's adjusted tax basis in the 2013B Bond. Any such gain or loss will be United States source gain or loss for foreign tax credit purposes. Under the Indenture, the 2013B Bonds are subject to optional redemption. See "THE 2013 BONDS—Redemption Provisions." If the Authority defeases any 2013B Bonds, such 2013B Bonds may be deemed to be retired and "reissued" for federal income tax purposes as a result of the defeasance. See "THE 2013 BONDS—Defeasance." In such event, the Owner of a 2013B Bond would recognize a gain or loss on the 2013B Bond at the time of defeasance.

The Code contains a number of provisions relating to the taxation of securities such as the 2013B Bonds (including, but not limited to the tax treatment of and accounting of interest, premium, original issue discount and market discount thereon, gain from the sale, exchange of other disposition thereof and withholding tax on income therefrom) that may affect the taxation of certain owners, depending on their particular tax situations.

The federal tax discussion set forth above is included for general information only and may not be applicable depending upon an Owner's particular situation. Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the 2013B Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not U.S. persons.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on employee plans subject to Title I of ERISA ("ERISA Plans"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements under Title I, Part 4 of ERISA, including, but not limited to, the requirements of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to Title I of ERISA but are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons" (each a "Party in Interest")) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A Party in Interest who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The fiduciary of a Plan that proposes to purchase and hold any 2013B Bonds should consider, among other things, whether such purchase and holding may involve (a) the direct or indirect extension of credit to a Party in Interest, (b) the sale or exchange of any property between a Plan and a Party in Interest and (c) the transfer to, or use by or for the benefit of, a Party in Interest, of any Plan assets within the meaning of 29 CFR Sec. 2510.3-102 as modified by ERISA Section 3(42). Depending on the identity of the Plan fiduciary making the decision to acquire or hold 2013B Bonds on behalf of a Plan and other factors, U.S. Department of Labor Prohibited Transaction Class Exemption ("PTCE") 75-1 (relating to certain broker-dealer transactions), PTCE 84-14 (relating to transactions effected by independent "qualified professional asset managers"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by an insurance company general account), or PTCE 96-23 (relating to transactions directed by certain "in-house asset managers") (collectively, the "Class Exemptions") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code generally provide for a statutory exemption from the prohibitions of Section 406(a) of ERISA and Section 4975 of the Code for certain transactions between

Plans and persons who are Parties in interest solely by reason of providing services to such Plans or that are affiliated with such service providers, provided generally that such persons are not fiduciaries (or affiliates of such fiduciaries) with respect to the "plan assets" of any Plan involved in the transaction and that certain other conditions are satisfied.

By its acceptance of a 2013B Bond, each Beneficial Owner will be deemed to have represented and warranted that either (a) no "plan assets" of any Plan have been used to purchase such 2013B Bond, or (b) the Underwriter is not a Party in Interest with respect to the "plan assets" of any Plan used to purchase such 2013B Bond, or (c) the purchase and holding of such 2013B Bonds is exempt from the prohibited transaction restrictions of ERISA and Section 4975 of the Code pursuant to a statutory exemption or an administrative class exemption.

Each Plan fiduciary (and each fiduciary for a governmental or church plan subject to the rules similar to those imposed on Plans under ERISA) should consult with its legal advisor concerning an investment in any of the 2013B Bonds.

FINANCIAL ADVISORS

The Authority has retained Springsted Incorporated, Public Sector Advisors, of Saint Paul, Minnesota, as financial advisor (the "Authority's Financial Advisor") in connection with the issuance of the 2013 Bonds. Prager & Co. LLC, San Francisco, California (the "University's Financial Advisor" and, together with the Authority's Financial Advisor, the "Financial Advisors"), serves as financial advisor to the University in connection with the issuance of the 2013 Bonds.

In connection with this Official Statement, the Financial Advisors have relied upon University officials and other sources that have access to relevant data to provide accurate information for this Official Statement, and the Financial Advisors have not been engaged, nor have they undertaken, to independently verify the accuracy of such information. The Financial Advisors are not public accounting firms and have not been engaged by the Authority or the University to compile, review, examine or audit any information in this Official Statement in accordance with accounting standards. The Financial Advisors are independent firms. Springsted Incorporated is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. Prager & Co., LLC is a FINRA registered broker-dealer which engages in the business of underwriting, trading and distributing municipal, corporate and government securities, but is acting in a fiduciary capacity as advisor to the University. Neither firm will participate in the underwriting of the 2013 Bonds.

UNDERWRITING

Pursuant to two bond purchase agreements (collectively, the "Bond Purchase Agreements" and each a "Bond Purchase Agreement"), each by and among the Authority, the University and Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter"), the Underwriter will purchase the 2013 Bonds. The 2013A Bonds will be purchased at an aggregate purchase price of $32,510,940, which purchase price reflects $33,000,000 of aggregate par amount of the 2013A Bonds less $97,020 of Underwriter's discount minus $392,040 of original issue discount. The 2013B Bonds will be purchased at an aggregate purchase price of $19,678,600 which purchase price reflects $20,000,000 of aggregate par amount of the 2013B Bonds less $58,800 of Underwriter's discount minus $262,600 of original issue discount. Each Bond Purchase Agreement will provide that the Underwriter will purchase all of the series of 2013 Bonds relating to such Bond Purchase Agreement if any are purchased, and will purchase both series of 2013 Bonds if 2013 Bonds are purchased.

The 2013 Bonds are being offered for sale to the public at the prices shown on the inside cover page hereof. The Underwriter reserves the right to lower such initial offering prices as it deems necessary in connection with the marketing of the 2013 Bonds. The Underwriter may offer and sell the 2013 Bonds to certain dealers (including dealers depositing the 2013 Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in this Official Statement. The Underwriter reserves the right to join with dealers and other underwriters in offering the 2013 Bonds to the public. The obligation of the Underwriter to accept delivery of the 2013 Bonds is subject to the terms and conditions set forth in the Bond Purchase Agreements, the approval of legal matters by counsel and other conditions. The Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the 2013 Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the University, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the University. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

INDEPENDENT AUDITOR'S REPORT

The financial statements of the University for the fiscal years ended May 31, 2013 and May 31, 2012, included in APPENDIX B to this Official Statement, have been audited by Moss Adams LLP, independent public accountants, as indicated in its report thereon. Moss Adams LLP has not been engaged to perform and has not performed, since the date of the report included herein, any procedures on the consolidated financial statements addressed in that report. Moss Adams LLP has also not performed any procedures relating to this Official Statement.

CONFLICTS OF INTEREST

Some or all of the fees of the Underwriter, the Financial Advisors, Underwriter's counsel and Bond Counsel are contingent upon the issuance and sale of the 2013 Bonds. From time to time, Pacifica Law Group LLP, Bond Counsel, serves as counsel to Merrill Lynch, Pierce, Fenner & Smith Incorporated, the Underwriter of the 2013 Bonds, and previously, not currently, has also represented the University on unrelated matters. For the 2013 Bonds, Pacifica Law Group LLP serves solely as Bond Counsel to the Authority. None of the members or other officers of the Authority have interests in the issuance of the 2013 Bonds that are prohibited by applicable law.

Merrill Lynch, Pierce, Fenner & Smith Incorporated, the Underwriter of the 2013 Bonds, is an affiliate of Bank of America, N.A., the counterparty to the 2007 Swaps.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Fitch Ratings, Inc. ("Fitch") have assigned their municipal bond ratings of A3 (stable outlook) and A (stable outlook), respectively, to the 2013 Bonds. Such ratings reflect only the views of such rating agencies. The University has furnished such rating agencies with certain information and materials relating to the 2013 Bonds that have not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the rating agencies themselves. There is no assurance that the ratings mentioned above will remain in effect for any given period of time or that they might not be lowered, suspended or withdrawn entirely by such rating agency, if in its judgment circumstances so warrant. Any such downward change in, suspension of or withdrawal of any ratings might have an adverse effect on the market price or marketability of the 2013 Bonds.

CONTINUING DISCLOSURE

The University, as an "obligated person" within the meaning of paragraph (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR 240.15c2-12) (the "Rule"), will undertake in the Continuing Disclosure Agreement between the University and U.S. Bank National Association, as dissemination agent, to provide certain annual financial information and notice of listed events as described therein. See APPENDIX E for a copy of the form of the Continuing Disclosure Agreement.

Prior Compliance of the University. While the University has not failed within the last five years to comply with its continuing disclosure obligations with respect to any of its obligations by providing the required information to its dissemination agent, such dissemination agent provided the Annual Financial Information for fiscal years 2009 and 2011 to the MSRB after the date required by such continuing disclosure obligations. The University has implemented procedures to insure that all future filings are made on time.

MISCELLANEOUS

The summaries or descriptions of provisions of the 2013 Bonds, the Loan Agreement, the Indenture, the Intercreditor and Collateral Agency Agreement and the Security Agreement, and all references to other materials not purported to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. Reference is made to the 2013 Bonds, the Loan Agreement, the Indenture, the Intercreditor and Collateral Agency Agreement and the Security Agreement for a full and complete statement of the provisions thereof. Such documents are on file at the offices of the Underwriter and, following delivery of the 2013 Bonds, will be on file at the offices of the Trustee, currently located at 1420 Fifth Avenue, 7th Floor, Seattle, Washington 98101, Attention: Corporate Trust Services.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the 2013 Bonds.

It is anticipated that CUSIP identification numbers will be printed on the 2013 Bonds, but neither the failure to print such numbers nor any error in the printing of such numbers shall constitute grounds for a failure or refusal by any purchaser thereof to accept delivery of and payment for any 2013 Bonds.

The attached APPENDICES are integral parts of this Official Statement and must be read together with all of the foregoing statements.

This Official Statement has been duly authorized, executed and delivered by the Authority and the University. The Authority has not, however, prepared nor made any independent investigation of the information contained in this Official Statement except the information under the captions "INTRODUCTION—The Authority," "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION—The Authority."

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY

By: /s/ Kim Herman
Kim Herman
Executive Director

THE CORPORATION OF GONZAGA UNIVERSITY

By: /s/ Charles J. Murphy
Charles J. Murphy
Vice President for Finance

APPENDIX A

SELECTED INFORMATION CONCERNING THE UNIVERSITY INCLUDING UNAUDITED FINANCIAL INFORMATION

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APPENDIX A

SELECTED INFORMATION CONCERNING THE UNIVERSITY INCLUDING UNAUDITED FINANCIAL INFORMATION

The information within this APPENDIX A has been provided solely by the University and is believed to be accurate, but has not been verified independently by the Underwriter. No representation whatsoever as to the accuracy, adequacy or completeness of such information is made by the Underwriter.

General

The Corporation of Gonzaga University (the "University") is a non-profit Washington corporation that owns and operates a coeducational university emphasizing undergraduate liberal arts as well as professional and graduate education. University enrollment for the fall term of the 2013-14 academic year is 7,605 "head count" students. Of these, 4,896, or approximately 64%, are enrolled as undergraduates. Of the graduate students, 387, or approximately five percent of total student enrollment, are enrolled in Gonzaga's School of Law. The remaining 2,322 graduate students are enrolled in master's degree programs in business administration, education, organizational leadership, communication leadership, nursing, engineering, or liberal arts or in the Ph.D., program in leadership studies.

The University is located on a 131-acre campus in a residential area of Spokane, Washington. The undergraduate student body represents 44 states and 26 foreign countries. Approximately 52% of the undergraduate student body comes from outside Washington State. The University also owns and operates a campus in Florence, Italy with academic capacity for approximately 175 students wishing to study abroad.

For the fall semester 2013, there were 434 full-time Jesuit, religious and lay faculty, with all classes taught by professors. The average class size was approximately 22 students.

The University's commitment to assisting students with their educational goals is demonstrated by the 28% of gross operating revenue that is returned to students in the form of financial aid. Approximately 98% of undergraduate students receive some form of financial aid.

Among other national rankings, *U.S. News & World Report* lists the University as the fourth Best Regional University (West Region), the fourteenth consecutive year the University has been among the top four.

Members of the Society of Jesus, called Jesuits ("S.J."), founded the University in 1887, two years before Washington became a state. The University was incorporated in 1894 as Gonzaga College and changed its name to Gonzaga University in 1912. The 2012-13 fiscal year marked the University's 125th anniversary and the 100th anniversary of the Gonzaga School of Law. The 2013-14 fiscal year marks the 50th anniversary of the Gonzaga in Florence program.

The University has, since its founding, been affiliated with the Catholic Church. The University, however, welcomes persons of all religious persuasions, and large numbers of non-Catholics are at the University as members of the student body, faculty, staff and administration.

Mission Statement

The University's Mission Statement:

Gonzaga University is an exemplary learning community that educates students for lives of leadership and service for the common good. In keeping with its Catholic, Jesuit, and humanistic heritage and identity, Gonzaga models and expects excellence in academic and professional pursuits and intentionally develops the whole person -- intellectually, spiritually, physically, and emotionally.

Through engagement with knowledge, wisdom, and questions informed by classical and contemporary perspectives, Gonzaga cultivates in its students the capacities and dispositions for reflective and critical thought, lifelong learning, spiritual growth, ethical discernment, creativity, and innovation.

The Gonzaga experience fosters a mature commitment to dignity of the human person, social justice, diversity, intercultural competence, global engagement, solidarity with the poor and vulnerable, and care for the planet. Grateful to God, the Gonzaga community carries out this mission with responsible stewardship of our physical, financial, and human resources.

Spokane and the Inland Northwest

Spokane, Washington, forms the hub of the "Inland Northwest," a region encompassing parts of four states and southern Canada and relying on the area's business, service and transportation facilities. With a population of approximately 475,000 in the metropolitan area, the City of Spokane (the "City") offers many opportunities for work and relaxation for University students.

The campus is adjacent to the Spokane River, where the Washington Centennial Trail extends 39 miles between northwest Spokane and Coeur d'Alene, Idaho. Students enjoy biking, rollerblading, running and walking along the trail. The downtown area of the City is just a few blocks from the campus, and the City's skywalk system, the nation's second largest, provides easy access to shopping, dining and entertainment. A 12,000-seat civic entertainment arena is also within walking distance of the campus.

The City boasts many parks, including the 100-acre Riverfront Park in the heart of the City. In addition, there are 15 area public golf courses, ice and roller skating rinks, theaters and art galleries. A symphony orchestra, civic theater and professional athletic teams add to the cultural and entertainment opportunities of the region.

Nearby recreation areas are easily accessible to students. Seventy-six lakes and five ski areas provide swimming, water skiing and winter sports activities. The City has consistently been recognized for its quality of life, and was most recently listed by *Outside Magazine* as one of the top 10 cities in America to be active.

Corporate Structure

The University is governed by a Board of Trustees (each individually a "Trustee" and collectively the "Board of Trustees"), which is responsible for the management of the affairs of the University. The University is a non-profit member corporation established under chapter 24.03 RCW. Under the University's Articles of Incorporation and Bylaws, a separate Board of Members (the "Board of Members") exists, which has responsibility for certain key decisions and which once a year meets with the Board of Trustees to receive a report on the state of the University in light of its goals, especially with respect to the mission, academic programs, spiritual and moral life of the students, and financial state of the University.

The Board of Trustees currently consists of 29 elected Trustees and two ex-officio Trustees – the Rector of the Jesuit Community of Gonzaga University (the "Rector"), a Washington non-profit corporation (the "Jesuit Community"), and the President of the University (the "President"). In July 2010, following action by the Board of Members to suspend the requirement that the President be a Jesuit, the Board of Trustees appointed the University's first regular lay President.

The Board of Members currently consists of nine persons. The Rector is an ex officio member of the Board of Members. Three additional persons are elected by a majority vote of the members of the Jesuit Community active in the University. According to the University's Bylaws, the Rector and these three elected persons then elect three to five additional persons to complete the Board of Members.

The Board of Members has the right to elect three Jesuits to the Board of Trustees. The Trustees elect the remainder of the Board of Trustees. If the number of Trustees is 22 or fewer, five Trustees must be Jesuits. If 23 or more Trustees are on the Board of Trustees, six must be Jesuits. Jesuits elected by the Board of Trustees must not then be engaged in work at the University.

The University's Board of Trustees currently includes eight Jesuits: one ex officio Jesuit Trustee, three Jesuits elected by the Board of Members and the four Jesuits elected by the Board of Trustees.

Most Jesuits employed by the University are assigned or "missioned" to the University by the Provincial of the Oregon Province. The remaining Jesuits employed by the University are missioned to the University by one of the Provincials of the other nine Jesuit Provinces in the United States. The Rector is appointed by the Superior General of the Society of Jesus in Rome, Italy.

The Board of Members has reserved to itself the power to alter, amend or repeal the University's Articles of Incorporation and Bylaws. Consent by a majority vote of the Board of Members is required for transactions involving University assets, including acquisitions, sales, transfers, gifts, loans, pledges, mortgages, encumbrances, or capital expenditures, where the value of the transaction is greater than $3,000,000.

Under its Articles of Incorporation, no part of the net earnings of the University may inure to the benefit of the University's Trustees, Members, officers or other private persons, except that the University may pay reasonable compensation for services rendered and make payments and distributions in furtherance of its tax-exempt purposes.

At November 30, 2013, the members of the Board of Trustees, and their principal occupations and their primary residences were as follows:

Gerri Craves
Redmond, Washington

John Fitzgibbons, S.J.
President, Regis University
Denver, Colorado

Michael Graham, S.J.
President, Xavier University
Cincinnati, Ohio

Steve Kuder, S.J.
Rector Jesuit Community, Gonzaga University
Spokane, Washington

Rita Illig Liebelt
President, Illig Construction Company
Los Angeles, California

Shannon McCambridge
Attorney
Seattle, Washington

Philip G. McCarthey
Chairman, Philip G. McCarthey Financial
Salt Lake City, Utah

John P. McGarry, S.J.
Rector Jesuit School of Theology
Santa Clara University in Berkeley
Berkeley, California

Donald P. Nelles
Retired, Partner, Deloitte and Touche
Bellevue, Washington

James E. Powers
Powers Energy Corporation
Denver, Colorado

Joseph S. Rossi, S.J.
Department of Theology
Loyola University Maryland
Baltimore, Maryland

Donald Curran
Attorney at Law, Delay, Curran, Thompson & Pontarolo , P.S.
Spokane, Washington

Theresa Gee
Co-Owner, Gee Automotive
Liberty Lake, Washington

John Hemmingson
CEO, Lakeside Capital Group, LLC
Liberty Lake, Washington

David J. Leigh, S.J.
Professor of English, Seattle University
Seattle, Washington

John Luger
President, JDL Enterprises
Bellevue, Washington

Jack McCann
President, Jack McCann Company
Kent, Washington

Thayne M. McCulloh, D.Phil.
President, Gonzaga University
Spokane, Washington

Kevin D. McQuilkin
Managing Director, Wells Fargo Securities
New Canaan, Connecticut

Michael A. Patterson
Attorney at Law, Patterson, Buchanan, Fobes, Leitch Inc., P.S.
Seattle, Washington

Edward Reese, S.J.
President, Brophy College Preparatory
Phoenix, Arizona

Kathleen Magnuson Sheppard
Magnuson Family Interests
Spokane, Washington

Peter F. Stanton
Chairman & CEO, Washington Trust Bank
Spokane, Washington

Edward Taylor
Vice Provost & Dean Undergraduate Academic Affairs
University of Washington
Seattle, Washington

Robert H. Tomlinson
CEO, Tomlinson Consulting
Spokane, Washington

The University also has a Board of Regents presently comprised of 85 persons, most of whom are otherwise unaffiliated with the University. The function of the Regents is to serve as regional ambassadors for the University, to advise the University and its Board of Trustees on financial and other affairs, and to be active in financial support of the University.

Officers of the University

The following table sets forth the names of the principal executive officers of the University, along with their positions and tenure in office. A brief statement of the duties and background of each of the officers appears following the table.

Name	**Position**	**Position Since**
Thayne McCulloh, Ph.D.	President	2009
Bernard J. Coughlin, S.J.	Chancellor	1996
Patricia O'Connell Killen, Ph.D.	Academic Vice President	2010
Earl F. Martin, J.D.	Executive Vice President	2010
Charles J. Murphy	Vice President for Finance	1985
Judith Biggs Garbuio, Ph.D.	Vice President for Student Development	2013
Frank Case, S.J.	Vice President for Mission	2011
Margot J. Stanfield	Senior Vice President for Principal Gifts	2011
Joseph Poss	Vice President for University Advancement	2011
Maureen McGuire, J.D.	Corporation Counsel	2013

Thayne McCulloh, Ph.D., President. Dr. McCulloh was elected President in July 2010, after serving one year as Interim President upon the retirement of Fr. Robert Spitzer, S.J. in July 2009. Prior to his selection as President, Dr. McCulloh served the University as the Interim Academic Vice President, Vice President for Administration and Planning, Associate Academic Vice President, Dean of Student Financial Services, Dean of Student Academic Services, Assistant Dean of Students, Director of Housing and Residence Life, and Coordinator of Residence Life. Dr. McCulloh holds a Ph.D. in experimental social psychology from Oxford University and a B.A. in psychology and sociology from the University.

Bernard J. Coughlin, S.J., Chancellor of the University. Fr. Coughlin became Chancellor of the University in September 1996. Prior to that he was President of the University from 1974 to 1996. He previously served as a professor and Dean of the School of Social Service at Saint Louis University; Fulbright Lecturer, Universidad Javeriana, Bogata, Columbia and Universidad Bolivariana, Medellin, Colombia; a social work educational consultant in Ecuador, Peru, Chile and Guatemala; a research assistant for the Juvenile Probation Project, Los Angeles, California; a counselor at a boys' industrial school in Topeka, Kansas; and an Instructor and Senior Director of Campion High School, Prairie du Chien, Wisconsin. Fr. Coughlin graduated from Saint Louis University in 1946 with a B.A. He holds additional degrees from Saint Louis University in philosophy and theology. He also holds a master's degree in social welfare from Brandeis University.

Patricia O'Connell Killen, Ph.D., Academic Vice President. Dr. Killen joined the University as its chief academic officer in July of 2010. Prior to assuming this position she served for four years as Provost and Dean of Graduate Studies at Pacific Lutheran University, where she had taught for 17 years, and held multiple faculty and academic administrative leadership positions. She also is tenured at the rank of professor in the University's Department of Religious Studies. Dr. Killen is widely published and consults nationally on religion in public life, faculty development and student learning. In 2006 she received the American Academy of Religion Teaching Excellence Award and also holds an Arnold and Lois Graves Foundation Award for Outstanding Humanities Teachers. Dr. Killen received her B.A. from the University in religious studies and her M.A. and Ph.D. in religious studies from Stanford University.

Earl F. Martin, J.D., Executive Vice President. Mr. Martin was appointed Executive Vice President in March 2010. From July 2009 to July 2010, Mr. Martin served as Interim Academic Vice President. Mr. Martin joined the University on July 1, 2005, as Dean of the School of Law. He graduated from the University of Kentucky College of Communications in 1984, University of Kentucky College of Law in 1987, and received an LL.M. from the Yale Law School in 1996. He served 20 years as an active duty and reserve Judge Advocate General in the United States Air Force, retiring in November 2007.

Charles J. Murphy, Vice President for Finance. Mr. Murphy was appointed Vice President for Finance in 1985. He had been Controller at the University since 1978. Prior to coming to the University, his professional experience included public accounting and private industrial accounting positions. He received his B.A. from the University in 1973.

Judith Biggs Garbuio, Ph.D., Vice President for Student Development. Dr. Garbuio was appointed Vice President for Student Development in July 2013. She came to the University from the University of Southern California ("USC"), where she worked in a succession of student affairs positions since 1990. Her educational background includes a B.S. in Education from Emporia State University, an M.A. in College Student Personnel from Bowling Green State University, and a Ph.D. in Educational Policy Planning and Administration from USC.

Rev. Frank Case, S.J., Ph.D., Vice President for Mission. Fr. Frank Case, S.J. was selected as Vice President for Mission in 2011. He studied Economics at Washington University in St. Louis, receiving a Ph.D. in 1980. He taught in the Economics Department at Seattle University from 1975 until 1986 as an assistant and then associate professor. In 1981 he was appointed the Superior of the Seattle University Jesuit Community and in 1986 Provincial of the Oregon Province. In 1990 Fr. Peter-Hans Kolvenbach, the General Superior of the Jesuits, invited him to Rome to serve as the Regional Assistant for the United States, a role in which he served for 15 years. In 2005, he was asked to take the position of General Secretary of the Society of Jesus for the years leading up to a general Congregation in 2008. He returned to the United States at the end of the Congregation. After a sabbatical year at Seattle University, he served two years there as the Jesuit Assistant for the Business and Law Schools prior to joining the University.

Margot J. Stanfield, Senior Vice President for Principal Gifts. Ms. Stanfield joined the University in April 1984 as Director of Planned Giving. She became Director of Capital Programs in January 1986 and assumed the position of Vice President for University Relations in September 1991. Ms. Stanfield was appointed Senior Vice President for Principal Gifts in October 2011. Ms. Stanfield received her B.A. in Journalism/Public Relations from Eastern Washington University in 1980 and her Master's Degree in Organizational Leadership from the University in 1989.

Joseph Poss, Vice President for University Advancement. Mr. Poss was appointed to this leadership role in October 2011. He oversees the University's Development, Alumni Relations and Marketing/Communications operations. He joined University Relations in 1998 and served in several positions in the Development office during his nearly 15 years as a member of the University Relations (later renamed University Advancement) team. Mr. Poss received his B.A. in Criminal Justice from Gonzaga University in 1997.

Maureen McGuire, J.D., Corporation Counsel. Ms. McGuire began serving as Corporation Counsel in January 2013. She received her Juris Doctor from Gonzaga's School of Law after graduating from the University of Washington with a B.A. in Political Science. Following a judicial clerkship at the Washington State Court of Appeals, Ms. McGuire enjoyed a long career in the Washington State Attorney General's Office, Spokane Division, from 1983 until 2013. During that time, she worked 24 years in the Education Division representing public colleges and universities. In 1998 she was appointed the Spokane Interdivisional Section Chief and supervised attorneys and staff in six Divisions of the Attorney General's Office while continuing to represent higher education clients and other state agencies.

Faculty and Staff

The following table reflects the number of full-time and part-time faculty (excluding adjunct faculty) for the past five academic years, inclusive of the current academic year, together with the number of tenured full-time faculty members. There are no unions representing members of the faculty.

FACULTY SUMMARY

Fall Semester	Tenured Full-Time	Other Full-Time	Part-Time	Total
2013	219	202	13	434
2012	210	198	21	429
2011	201	202	19	422
2010	189	197	24	410
2009	175	220	14	409

Source: The University.

Members of the Society of Jesus constitute approximately three percent of the full-time faculty. They receive compensation from the University which is comparable to that received by other members of the faculty. The majority of the faculty who are members of the Society of Jesus live in facilities located on the University's campus.

The faculty, as of the fall semester of the 2013-14 academic year, consisted of 110 professors, 128 associate professors, 149 assistant professors and 47 instructors. Eighty-two percent of the full-time faculty has obtained a Ph.D. or other terminal degree appropriate to their disciplines.

In addition to its faculty, the University employs approximately 780 administrative, professional, and staff members. There are no unions representing administrative, professional, or staff members.

Academic Programs

The University reflects the centuries-old tradition of Catholic and Jesuit education, whose goals include a dedicated commitment to academic and professional excellence, Christian and humanistic traditions, and community service. Among the University's numerous achievements with respect to service to others, in 2013 it was ranked number one nationwide among small colleges and universities whose graduates serve in the Peace Corps.

The University's educational programs are organized into six major academic divisions and the School of Law. Undergraduate and graduate instruction is provided by the College of Arts and Sciences and the Schools of Business Administration, Education, Engineering and Applied Science, and Nursing and

Human Physiology. The School of Professional Studies houses Master's and Ph.D. programs in leadership studies, with the majority of classes offered online. The English Language Center offers programs for English as a Second Language learners and a Master's degree in Teaching English as a Second Language. The Gonzaga School of Law offers a Juris Doctor degree. In addition, the University offers several study abroad programs, including a campus in Florence, Italy. In total, the University offers seven bachelor's degrees in 75 majors and programs, and a master's degree in 26 programs, in addition to primary and secondary education credential programs. Some undergraduate students are enrolled in multiple majors, minors, and/or concentrations.

Undergraduate and Graduate Education

College of Arts and Sciences. The College of Arts and Sciences is the central component of the University's undergraduate program. Every student, whatever his or her major, takes a variety of courses in the College of Arts and Sciences, including courses in literature, mathematics, science, philosophy and religious studies. The purpose of this core curriculum is to develop a well-rounded and well-educated adult with a firm grounding in the humanistic traditions. Through the University's core curriculum, the College of Arts and Sciences provides all its students with the foundation upon which they build further studies in their chosen academic discipline or field of study. The University's core curriculum was developed to challenge each student to read, write, analyze, reflect, discuss and persuade; to evaluate learning with discernment and compassionate understanding; to explore the past for the light it casts on the present and the future; to create works of the imagination; to practice ethical decision making; and to develop a foundation for a career. The College of Arts and Sciences confers the degrees of Bachelor of Arts (B.A.) (Classical, Honors and General), and Bachelor of Science (B.S.) (Honors and General). The College of Arts and Sciences includes 23 departments and had 219 full-time and 15 part-time faculty members in the fall of the 2012-13 academic year. In the fall of the 2013-14 academic year, 2,597 undergraduates and 12 graduate students were enrolled in the majors and fields of concentration offered by the College of Arts and Sciences.

School of Business Administration. The School of Business was established in 1921 and is accredited by the Association to Advance Collegiate Schools of Business. As expressed in its Mission Statement, the School of Business Administration strives to develop professionally competent and intellectually curious graduates who exemplify the humanistic, ethical and moral values of a Jesuit institution. A personal learning environment, quality students and a faculty dedicated to teaching, advising, scholarship and service mark the University's excellence. As part of a dynamic and global business environment, the University promotes relationships with the regional, national and international communities. The School of Business Administration confers the degree of Bachelor of Business Administration ("BBA") (Honors and General), Master of Business Administration ("MBA"), Master of Accountancy ("MACC"), MBA in Healthcare Management, and MBA in American Indian Entrepreneurship. In the fall of the 2013-14 academic year, there were 1,121 undergraduate and 161 graduate students under the instruction and guidance of 42 full-time and one part-time faculty member affiliated with the School of Business Administration.

School of Education. The mission of the School of Education is to prepare socially responsive and discerning practitioners to serve their communities and profession. This mission is accomplished by directing available human and physical resources toward the establishment of knowledge bases and professional competencies needed to be an effective leader within a variety of organizational settings. The School of Education offers three undergraduate degrees: Bachelors of Education ("B.Ed.") in Special Education, Sport Management, and Physical Education. The School of Education also offers 11 separate Master's degrees, in the areas of education, special education, initial teaching, various counseling programs, leadership and administration, sport and athletic administration. Additionally, there is a comprehensive Teacher Certification Program, which enables students to obtain initial, as well as continuing certification, at the elementary or secondary level. All degree and certification programs in the School of Education are accredited by the National Council for Accreditation of Teacher Education. The School of Education is a member of the American Association of Colleges of Teacher Education and is recognized by the Washington State Office of the Superintendent of Public Instruction as having approved programs for the preparation of teachers, counselors, special education teachers, principals and superintendents. In the fall of the 2013-14 academic year, there were 193 undergraduate students and 443 on-campus and off-campus graduate students receiving instruction from 29 full-time and four part-time faculty members. Faculty in the School of Education also work closely with accrediting bodies, professional standards entities, and other organizations within the community to meet the educational training needs of current teachers and administrators in K-12 educational settings. Certificate programs are offered in Superintendent, Principal, Teacher and School Counselor. Conferences, institutes, and seminars are developed to meet the needs of these professionals.

School of Engineering and Applied Science. One of the key goals of the undergraduate programs in the School of Engineering and Applied Science is to prepare the students with a baccalaureate degree to be professional engineers. In addition, the programs provide a base both for graduate study and for lifelong learning in support of evolving career objectives, which include being informed, effective and responsible participants in the engineering profession and society. The School of Engineering and Applied Science offers four-year Bachelor of Science degrees in Civil Engineering ("BSCE"), Electrical Engineering ("BSEE") and Mechanical Engineering ("BSME"). All three Bachelor of Science degree programs are fully accredited by the Engineering Accreditation Commission of the Accreditation Board for Engineering and Technology. The Civil Engineering program is offered with two options. One option is a traditional Civil Engineering program and the other option is an Environmental Engineering program. The Electrical Engineering program is also offered with two options. One option is a traditional Electrical Engineering program and the other is a Computer Engineering program. The Center for Engineering Design is intended to enhance the design content of the engineering programs at the University by promoting interaction between the industrial and academic communities. The Center's mission is to organize, support and provide guidance to student teams that undertake design projects defined by industry sponsors. In addition to its undergraduate programs of study, in fall 2013 approximately 82 graduate students were enrolled in the Transmission and Distribution program through which the University offers a Certificate in Transmission and Distribution, and a Master of Engineering in Transmission and Distribution degree. The School of Engineering and Applied Science is currently ranked the seventeenth best undergraduate engineering program in the nation (among engineering schools without a Ph.D. degree program) by *U.S. News and World Report.* In the fall of the 2013-14 academic year, 28 full-time faculty provided instruction to 868 undergraduate students in the School of Engineering and Applied Science.

School of Professional Studies. The School of Professional Studies strives to create, educate, and support leaders and to be of service in meeting the learning needs of a complex society. Ethics, excellence, spirit, and community are guiding values for all aspects of the School. Faculty scholarship and research contribute positively to the professions, the global community, and the classroom. Through a spirit of inquiry and lifelong learning, students expand their capacity to transform thinking, and engage in ethical problem solving and decision making. The teaching strategies meet the needs of diverse student groups by utilizing dynamic program delivery formats, including technology and flexible scheduling. Traditional age undergraduate students, as well as adults returning to complete their degree, enrich the learning environment. The School of Professional Studies confers Master's degrees in Organizational Leadership as well as Communication and Leadership Studies, and the University's only Ph.D. degree in Leadership Studies. In the fall of the 2013-14 academic year, 983 students took leadership classes from 17 full-time and one part-time faculty through a variety of course delivery platforms.

School of Nursing and Human Physiology. The School of Nursing and Human Physiology was established in 2013, in response to growing demand for programmatic offerings in health-related professions. Undergraduate degrees in Nursing and in Human Physiology as well as graduate degrees in Nursing, including a new Doctor of Nursing Practice degree, are offered. There are 26 full-time faculty who work closely with 1,129 undergraduate, graduate, and doctoral students. Prior to 2013, these two units and their programs resided in the School of Professional Studies.

School of Law. The University's School of Law was established in 1912 by the Board of Trustees with the active support of many prominent members of the bench and bar in Washington State. It is one of only three law schools in Washington State. It is fully accredited by the American Bar Association and is also a member of the Association of American Law Schools. The University's School of Law has a long and distinguished tradition of humanistic Jesuit education. The School of Law seeks to challenge its students to incorporate the knowledge of the past with the innovations of the present in order to better serve society. The Law Library collection totals more than 250,000 volumes of legal and law-related materials of hard copy or microform equivalents. The School of Law confers the degree of Juris Doctor ("J.D."). In cooperation with the Graduate School of Business Administration, a combined program is offered for the MBA/J.D. and MACC/J.D. and the School of Law currently offers a full range of courses dealing with federal, state and international law. In addition to the traditional methods of legal education, the School of Law is committed to the value of clinical experiences as an integral part of modern legal education. The student body at the School of Law publishes the Gonzaga Law Review four times per year, and conducts an extensive moot court program. Beginning in the fall of 2014, the School of Law will offer an optional two-year accelerated law program, as compared to the typical three-year program, the first of its kind among law schools in the Pacific Northwest. In the fall of the 2013-14 academic year, there were 387 students enrolled in, and 30 full-time and two part-time faculty members affiliated with, the School of Law.

Summer Session

To provide students with further opportunities to expand or accelerate their studies, the University offers a summer session, which is an extension of its normal academic programs. During the summer of 2013, 1,257 undergraduate and 1,872 graduate students furthered their academic studies at the University. The enrollment figures contained in this Appendix do not include the summer sessions.

Accreditation

The University is accredited by the Northwest Commission on Colleges and Universities ("NWCCU"), an accrediting body recognized by the Council for Higher Education Accreditation (the "Council") and the Secretary of the U.S. Department of Education. In addition, the University's schools and some academic programs are also accredited by the following professional accrediting bodies:

- The School of Business is accredited by AACSB International - The Association to Advance Collegiate Schools of Business, a specialized accrediting board recognized by the Council and the Secretary of the U.S. Department of Education.

- The School of Law is accredited by Council of the Section of Legal Education and Admissions to the Bar of the American Bar Association ("ABA Council"). The U.S. Department of Education has recognized the ABA Council as the national agency for the accreditation of programs leading to the first professional degree in law.

- Programs in English as a Second Language are accredited by the Commission on Accreditation of Teachers and Speakers of Other Languages ("TESOL"), a specialized accrediting board recognized by the Council and the Secretary of the U.S. Department of Education.

- Programs in the Department of Nursing are accredited by the Commission on Collegiate Nursing Education ("CCNE"), a specialized accrediting board recognized by the Council and the Secretary of the U.S. Department of Education.

- Programs in Civil, Electrical, Computer, and Mechanical Engineering are accredited by the Engineering Accreditation Commission of the Accreditation Board for Engineering and Technology ("EAC/ABET"), a specialized accrediting board recognized by the Council and the Secretary of the U.S. Department of Education.

- Programs for the certification of elementary, secondary, and Special Education teachers at the bachelor's level; and Special Education, Initial Teaching (elementary and secondary levels), Principal and Superintendents (Leadership Formation), at the graduate level; and for the certification of post-licensure teachers and administrators (i.e., "professional certification"), are accredited both by the National Council for Accreditation of Teacher Education ("NCATE"), a specialized accrediting board recognized by the Council and the Secretary of the U.S. Department of Education, and by the Washington State Board of Education through its Office of the Superintendent of Public Instruction ("OSPI").

- The School Counseling and Counseling Psychology master's programs are accredited by the Council for Accreditation of Counseling and Related Education Program ("CACREP"), a specialized accrediting board recognized by the Council and the Secretary of the U.S. Department of Education.

- The Special Education, Sports Management, and Physical Education bachelor's programs, and the Special Education, Sport & Athletic Administration, Leadership & Administration, Master of Teaching At-Risk Youth, Counseling Psychology, Reading & Literacy, and Anesthesiology Education master's programs, are accredited both by NCATE, a specialized accrediting board recognized by the Council and the Secretary of the U.S. Department of Education, and by the Washington State Board of Education through OSPI.

- The Anesthesiology Education master's program is accredited by the Council of Accreditation of Nurse Anesthesia Education Programs ("COA"), part of the American Association of Nurse Anesthetists ("AANA"). The COA is a specialized accrediting board recognized by the Council and the Secretary of the U.S. Department of Education.

The Campus

The University's campus has grown from one building, which housed both students and Jesuit faculty in its founding years, to 102 buildings spread over 131 landscaped acres. The University is located along the north bank of the Spokane River and includes its own small lake, providing an attractive campus setting for students, faculty and staff. Some highlights of the campus include the following:

Student Housing provides living options for more than 2,900 undergraduate students, including men's, women's and coeducational residence halls with capacities ranging from 15 to 422. Apartment-style living units are another housing option for students. The University owns several houses and apartment complexes in the campus neighborhood, which are rented to upper-division students. Residence halls are staffed by professional staff and trained students who provide services ranging from personal counseling to activities planning. Full-time first and second year students under age 21, unmarried and not living at home, must live in on-campus residence halls.

Crosby Student Center is an important part of campus life. Crosby Student Center offers lounges for quiet study, watching television and listening to music, meeting rooms, postal services, offices for student government and student activities, and recreation such as video games, pool tables and ping pong. Crosby Student Center also displays memorabilia from alumnus/entertainer Bing Crosby and houses various Student

Life offices and The Career Center. With the construction of the University Center, a number of student related services and functional space will transition from the Crosby Student Center.

Martin Centre and the Rudolf Fitness Center, the University's modern sports and recreational facilities, include an intercollegiate volleyball competition arena, dance studio, weight and exercise rooms, and a fieldhouse offering three full sized courts for intramural basketball and volleyball, four racquetball and handball courts, an elevated running track and an indoor swimming pool.

Foley Center, opened in the fall of 1992, and provides sophisticated online computer access to libraries across the United States. In addition, students enjoy abundant individual study spaces, a computer lab, an audio/visual resource room, and one of the finest rare book collections in the country.

St. Aloysius Church and the student chapel offer students a place for solitude and reflection as well as daily masses. The spires of St. Aloysius's Church are a landmark of the Spokane area. The recently renovated student chapel is located in College Hall, the University's primary administration building. There are other smaller student chapels and reflections spaces located throughout campus, including a new outdoor candlelight grotto located adjacent to St. Aloysius Church.

The McCarthey Athletic Center, a 6,000-seat arena, opened in the fall of 2004, and is home to the University's men's and women's basketball teams and other University-sponsored events.

The Jundt Art Center and Museum opened in 1995, and includes an academic wing and a museum for exhibiting acclaimed art works.

The campus includes both new and historic buildings. The Rosauer Center for Education, College Hall, the Herak Center for Engineering, the Jepson Center (School of Business Administration), the Law School Building, the PACCAR building (Engineering and Applied Science), and the Tilford Center all add excellent facilities to provide an outstanding learning environment.

In addition to the University Center, other recent and pending projects include:

- A 72,000 square-foot indoor tennis and golf facility, scheduled for completion by the end of 2013; and

- A four-level mixed use parking/retail structure, with approximately 650 parking spaces and 36,000 square-foot of retail, completed in the summer of 2013.

Cultural Activities

The University offers a wide variety of cultural events on campus, including films, speakers, concerts, dramatic presentations and art displays. The University has a choral program that enjoys a national reputation. University students write, edit and publish a student newspaper and a literary magazine that includes works of poetry and fiction and operate KAGU, a radio station that offers an extensive broadcast schedule devoted to music, fine arts and public affairs programming.

Athletics

The University sponsors nine intercollegiate sports for men: baseball, basketball, crew, cross country, golf, soccer, tennis and track & field. Women's teams compete in nine intercollegiate sports: basketball, crew, cross country, golf, soccer, tennis, volleyball and track & field. The University's teams compete on the NCAA Division I level. Men's teams compete in the West Coast Conference ("WCC") in baseball, basketball, cross country, golf, soccer and tennis, and women's teams compete in the WCC in basketball, cross country, soccer, golf, tennis, crew and volleyball. The men's basketball team has won the WCC championship 14 of the last 15 years and made its fifteenth consecutive appearance in the NCAA tournament in March 2013. Women's basketball has won nine straight WCC championships, making the NCAA Tournament five of the last six years.

The University also sponsors a popular recreational sports program that offers a wide variety of structured and unstructured sports and activities. The intramural sports program offers participants the opportunity to play in structured sports such as flag football, softball, soccer, volleyball and basketball. The fitness program includes life cycles, life steps, treadmills, circuit training machines, free weights and aerobic dance facilities. Informal sports allow students to participate on their own in activities such as weight lifting, basketball and table tennis. The sports club program provides opportunities for participation on a more competitive level. These clubs include ice hockey, men's and women's rugby, alpine skiing and lacrosse.

FINANCIAL CONDITION OF THE UNIVERSITY

Presentation of Financial Statements

The most recent audited financial statements of the University are presented in APPENDIX B entitled "Audited Financial Statements of the University." The statements provide information for the fiscal years ended May 31, 2013 and 2012. The University maintains its accounts in accordance with accounting principles generally accepted in the United States of America applicable to colleges and universities.

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The Corporation of Gonzaga University
Summary Statement of Unrestricted Activities
for the Years Ended May 31

	2013	2012*	2011*	2010*	2009*
Changes in unrestricted net assets:					
Revenues and other additions:					
Student tuition and fees, net of institutional financial aid	$137,509,144	$135,656,901	$126,548,162	$120,323,423	$110,710,882
Contributions	3,871,183	3,411,431	2,958,074	2,751,899	1,157,633
Organized activities	3,530,606	3,416,981	3,063,921	2,632,532	4,515,593
Government grants and contracts	1,880,835	2,465,596	2,463,872	932,972	3,864,103
Other investment income	246,780	232,131	517,764	307,712	1,066,638
Gain (Loss) on forward currency exchange contract	-0-	-0-	-0-	-0-	(57,368)
Income and net unrealized and realized gains (losses) on long-term investments	2,225,814	(1,381,019)	4,023,252	3,474,571	(11,077,818)
Auxiliary enterprises	25,243,858	27,420,107	27,556,809	26,884,561	23,853,466
Other income	6,096,267	6,073,082	7,007,550	7,535,717	7,433,149
Net assets released from restrictions	13,673,110	9,301,955	12,719,861	10,376,172	11,746,058
Total revenues and additions	$194,277,597	$186,597,165	$186,859,265	$175,219,559	$153,212,336
Expenses and transfers:					
Instruction	$74,680,445	$73,339,884	$68,918,107	$66,727,609	$61,917,369
Libraries	5,920,692	5,847,701	5,860,232	5,968,141	5,704,741
Student services	11,424,673	10,102,149	9,625,649	10,528,326	10,771,326
Organized activities	18,611,557	18,583,972	17,166,196	15,500,505	13,918,091
General administration and institutional	33,921,371	31,957,956	30,006,648	31,158,314	29,496,779
Operations and maintenance of plant	10,445,304	10,305,493	10,359,491	9,768,708	9,782,775
Scholarships and student aid	1,577,393	1,305,552	916,987	1,262,556	1,412,084
Auxiliary enterprises	21,706,862	25,731,251	25,321,305	24,444,366	21,724,007
Loss (Gain) on property & equipment	(52,033)	12,736	(9,043)	-0-	69,541
Change in value of interest rate swaps	(1,076,287)	4,502,777	587,460	300,353	4,950,635
Gain on termination and purchase of real property leasehold interest	-0-	-0-	-0-	(2,038,513)	-0-
Loss (Gain) on debt extinguishment	-0-	-0-	-0-	(464,542)	337,380
Transfers out	49,122	925,300	532,531	-0-	903,491
Total expenses and transfers	$177,209,099	$182,614,771	$169,285,563	$163,155,823	$160,988,219
Increase (Decrease) in net assets	17,068,498	3,982,394	17,573,702	12,063,736	(7,775,883)
Reclassification of net assets	-0-	-0-	-0-	(1,268,083)	-0-
Subtotal	17,068,498	3,982,394	17,573,702	10,795,653	(7,775,883)
Unrestricted net assets, beginning of year	132,479,060	128,496,666	110,922,964	100,127,311	107,903,194
Unrestricted net assets, end of year	$149,547,558	$132,479,060	$128,496,666	$110,922,964	$100,127,311

* Reclassifications: Certain reclassifications were made to prior periods to conform with the May 31, 2013 financial statement presentation, with such reclassification having no impact on total net assets in any period presented. The information listed herein is derived from those years' audited financial statements.

Note: The amounts reported above represent a summary of the University's Unrestricted Activities. For complete details, please see the University's Audited Financial Statements set forth in APPENDIX B.

Source: Audited financial statements of the University.

ANNUAL DEBT SERVICE REQUIREMENTS OF THE UNIVERSITY

	Outstanding Bonds(1)			The 2013 Bonds			
Fiscal Year Ending May 31	Principal⁺	Interest(2)	Total	Principal⁺	Interest	Total	Grand Total(3)
2014	$5,430,000	$6,434,808	$11,864,808		$ 822,729	$ 822,729	$12,687,537
2015	5,670,000	6,189,155	11,859,155		2,932,500	2,932,500	14,791,655
2016	5,935,000	5,921,615	11,856,615		2,932,500	2,932,500	14,789,115
2017	6,210,000	5,647,788	11,857,788		2,932,500	2,932,500	14,790,288
2018	6,480,000	5,381,042	11,861,042		2,932,500	2,932,500	14,793,542
2019	6,805,000	5,064,250	11,869,250		2,932,500	2,932,500	14,801,750
2020	7,145,000	4,729,768	11,874,768		2,932,500	2,932,500	14,807,268
2021	7,500,000	4,384,628	11,884,828		2,932,500	2,932,500	14,817,128
2022	7,875,000	4,017,149	11,892,149		2,932,500	2,932,500	14,824,649
2023	8,270,000	3,626,036	11,896,036		2,932,500	2,932,500	14,828,536
2024	8,695,000	3,207,768	11,902,768		2,932,500	2,932,500	14,835,268
2025	9,145,000	2,764,201	11,909,201		2,932,500	2,932,500	14,841,701
2026	9,635,000	2,281,145	11,916,145		2,932,500	2,932,500	14,848,645
2027	10,150,000	1,771,492	11,921,492		2,932,500	2,932,500	14,853,992
2028	10,705,000	1,233,837	11,938,837		2,932,500	2,932,500	14,871,337
2029	11,290,000	667,126	11,957,126		2,932,500	2,932,500	14,889,626
2030	350,000	71,815	421,815		2,932,500	2,932,500	3,354,315
2031	370,000	68,105	438,105		2,932,500	2,932,500	3,370,605
2032	390,000	64,183	454,183		2,932,500	2,932,500	3,386,683
2033	415,000	60,049	475,049		2,932,500	2,932,500	3,407,549
2034	435,000	55,650	490,650		2,932,500	2,932,500	3,423,150
2035	455,000	51,039	506,039		2,932,500	2,932,500	3,438,539
2036	475,000	46,216	521,216		2,932,500	2,932,500	3,453,716
2037	495,000	41,181	536,181		2,932,500	2,932,500	3,468,681
2038	515,000	35,934	550,934		2,932,500	2,932,500	3,483,434
2039	535,000	30,475	565,475	$ 9,710,000	2,932,500	12,642,500	13,207,975
2040	555,000	24,804	579,804	10,290,000	2,349,900	12,639,900	13,219,704
2041	575,000	18,921	593,921	10,440,000	1,732,500	12,172,500	12,766,421
2042	595,000	12,826	607,826	10,990,000	1,184,400	12,174,400	12,782,226
2043	615,000	6,519	621,519	11,570,000	607,425	12,177,425	12,798,944
Totals(3)	**$133,715,000**	**$63,909,525**	**$197,624,525**	**$53,000,000**	**$80,009,454**	**$133,009,454**	**$330,633,979**

⁺ Includes mandatory sinking fund installments.

(1) Washington Higher Education Facilities Authority Refunding Revenue Bonds (Gonzaga University Project), Series 2009A (the "2009A Bonds"), Washington Higher Education Facilities Authority Refunding Revenue Bonds (Gonzaga University Project), Series 2009B (the "2009B Bonds"), Washington Higher Education Facilities Authority Refunding Revenue Bonds (Gonzaga University Project), Series 2010A (the "2010A Bonds"), Washington Higher Education Facilities Authority Revenue Bonds (Gonzaga University Project), Series 2012A (the "2012A Bonds"), Washington Higher Education Facilities Authority Revenue Bonds (Gonzaga University Project), Series 2012B (the "2012B Bonds"). As of May 31, 2013, there was $386,000 of other unsecured notes payable not included above.

(2) The 2012A Bonds and 2012B Bonds are variable rate, indexed to one month LIBOR. Interest is calculated using one month LIBOR of 0.20% for all periods presented. Interest does not include any interest payments/receipts related to two outstanding interest rate swap agreements, discussed in the Interest Rate Swap Agreement section below.

(3) Numbers may not foot due to rounding.

Source: The University.

Interest Rate Swap Agreements

In connection with previously refunded Washington Higher Education Facilities Authority ("WHEFA") bonds, the University entered into the following interest rate swap agreements, described herein as the 2007C Swap and 2007B Swap, and together, the "Swaps."

	2007C Swap	2007B Swap
University Pays	4.1680%	4.1195%
University Receives	70% of one month LIBOR	67% of one month LIBOR if LIBOR is 3.5% or greater or 77% of one month LIBOR if LIBOR is less than 3.5%
Effective Date	October 1, 2012	October 1, 2014
Expiration	April 1, 2022	April 1, 2034
Notional Amount Amortization Date	April 1	April 1
Notional Amounts Outstanding on:		
Effective Date	$7,325,000	$35,550,000
April 1, 2013	6,950,000	N/A
April 1, 2014	6,275,000	N/A
April 1, 2015	5,575,000	33,225,000
April 1, 2016	4,825,000	30,750,000
April 1, 2017	3,925,000	28,150,000
April 1, 2018	3,450,000	25,450,000
April 1, 2019	3,000,000	22,650,000
April 1, 2020	2,050,000	19,625,000
April 1, 2021	1,050,000	16,500,000
April 1, 2022	-0-	13,250,000
April 1, 2023		12,475,000
April 1, 2024		11,675,000
April 1, 2025		10,825,000
April 1, 2026		9,950,000
April 1, 2027		9,025,000
April 1, 2028		8,075,000
April 1, 2029		7,075,000
April 1, 2030		6,075,000
April 1, 2031		5,025,000
April 1, 2032		3,925,000
April 1, 2033		2,775,000
April 1, 2034		-0-

In prior years, the University used variable-rate debt to refinance certain outstanding debt and finance the construction and acquisition of property, plant, and equipment. The University entered into the Swaps in order to obtain a synthetic fixed rate and to hedge the risk of changes in interest payments on the variable-rate bonds caused by changes in the market rates. All of the University's variable-rate WHEFA bonds that were paired with the Swaps have been previously refunded with proceeds of fixed rate WHEFA bonds. As such, the Swaps are no longer paired with any outstanding debt, though all of the 2007C Swap and a portion of the 2007B Swap together provide a synthetic fixed rate on a significant portion of the 2012A Bonds and 2012B Bonds, which were both variable rate privately placed issues. As of May 31, 2013, the total principal balance outstanding on the combined 2012A Bonds and 2012B Bonds was $9,293,904. The University drew an additional $1,331,096 on the 2012B Bonds during 2013 as construction was finalized for the associated project. The 2012A Bonds and 2012B Bonds can be prepaid by the University at any time.

The Swaps can each be terminated at market rates at any time during the term of the swap. One or both of the Swaps will be terminated if the Board of Trustees deems it is in the best interest of the University, with consideration given to the amount of variable rate debt exposure remaining under the 2012A Bonds and 2012B Bonds, termination cost, and future debt plans. As of November 30, 2013, the 2007C Swap and 2007B Swap have derivative liabilities of $950,696 and $5,425,381, respectively, with such amounts representative of the termination price of each swap. The University may terminate the 2007B Swap and to use a portion of the proceeds of the 2013B Bonds to finance the related termination payment. Such termination may occur in 2014, unless the University determines that it is in its best interest to adjust the anticipated termination date or to keep the 2007B Swap outstanding.

The University does not enter into derivative instruments for any purpose other than cash flow hedging purposes and does not speculate for investment purposes using derivative instruments. The transactions involve both credit and market risk. The notional amounts do not represent direct credit exposure. Direct credit exposure is limited to the net difference between the calculated amounts to be received and paid. If the University's bond rating falls below BBB+ by Standard & Poor's Ratings Service or Baa1 by Moody's Investors Service, the swap counterparty has the ability to require the University to post collateral.

Comments on the University's Financial Condition

Student Tuition and Fee Revenues

The main components of the University's revenues are student tuition and fees. Tuition revenues are a function of tuition rates and enrollments. The University has raised its tuition rates in each of the past five years and believes that its tuition rates remain attractive compared to those of other private institutions with which it competes for students.

The following table sets forth the tuition charged to full-time students, as well as the room charges for the majority of University accommodations combined with the full board charges for each of the last five academic years, inclusive of the current academic year.

TUITION RATES, ROOM AND BOARD*

Academic Year	Undergraduate Full-time Tuition	School of Law Full-time Tuition	Room and Board
2013-14	$34,570	$36,360	$9,120
2012-13	33,160	35,310	8,730
2011-12	31,730	33,960	8,340
2010-11	30,440	32,640	8,110
2009-10	29,200	31,320	7,976

* Excludes non-law graduate student tuition rates (see "Undergraduate and Graduate Education" on page A-8 for a description of those programs). Students in such graduate programs pay tuition on a per-credit-hour basis, which for the 2013-14 academic year ranged from $615-$935 per-credit-hour. Undergraduate full-time tuition above excludes mandatory fees of ranging from $482 to $492 per year. Room and Board amounts are based on the typical lower division student housing configuration and meal plan selection.

Source: The University.

Financial Aid Programs

Approximately 98% of the undergraduate student body receives some form of financial assistance. The following table shows the University's total student assistance programs for all students, graduate and undergraduate, for the last five academic years for which figures are available.

FINANCIAL AID PROGRAMS

	Grants			Loans	
Academic Year	Washington State Programs	Federal and Private Assistance	University Expenditures	Federal and Private	Total Grants and Loans
2012-13	$3,270,054	$5,998,348	$79,685,006	$73,272,314	$162,226,722
2011-12	2,541,147	4,437,584	75,977,295	77,034,927	159,993,953
2010-11	2,565,127	4,968,998	70,485,250	70,353,306	148,372,681
2009-10	2,426,310	4,401,306	64,441,120	77,821,935	149,090,671
2008-09	2,450,218	3,081,571	56,901,959	61,055,394	123,489,142

Source: The University. Academic year 2013-14 information is not yet available.

A significant number of the University's students depend on sources of student financial aid from other than the University to pay tuition fees and expenses. The majority of such aid comes from state and federal governmental sources. The continued availability of those funds is contingent upon continued legislative support.

Student Enrollment

The undergraduate enrollment for 2013-14 has grown 3.5% from 2009-10, stemming from overall new student enrollment growth and strong retention. During the last five years, the University has maintained its enrollment from the state of Washington, which is its primary feeder state and which accounted for 48% of the total freshmen enrollment in 2013-14, while also growing its enrollment sourced from out-of-state students. The University will continue to aggressively look at strengthening its position in these out-of-state markets through focused marketing efforts and financial aid strategies in order to maintain or increase its undergraduate revenue. The fall 2013 entering freshmen class of 1,238 is the second largest in University history, only one student less than the 1,239 fall 2009 entering freshmen class.

Graduate enrollment has remained fairly steady over the past five years, with fall 2013 enrollments approximately 4% below a high point in fall 2010. As a result of the quality, mix and reputation of the University's graduate programs, demand continues to be good overall for programs offered both on campus and off campus including online distance education programs, particularly in light of national trends for graduate enrollment. Enrollment has softened in areas such as MBA, organizational leadership and communication leadership, while enrollments are extremely strong in nursing and a new program in sport administration. Overall, the University anticipates a slight decline in graduate enrollment in the coming year.

Gonzaga School of Law enrollment is following the national declining trend of applications and enrollment. There is generally recognized to be a 10-year cycle of peaks and valleys associated with law school enrollment. The Gonzaga School of Law has taken active steps to manage through this downward cycle.

U.S. News and World Report ranks the University among the "most efficient" regional universities in the West Region. This newly published listing reports schools that are able to produce the highest educational quality, as determined by placement in the *U.S. News and World Report's "Best Colleges"* rankings, but spend less money to achieve that quality. The University is the only private regional university in the West Region to be included.

The following table sets forth the University's enrollment headcount for the fall semester for each of the past five academic years, inclusive of the current academic year, and the number of degrees conferred in each such year completed.

ENROLLMENT AND DEGREES

	Fall Enrollments				**Degrees Awarded**			
Academic Year	**Under-graduate**	**Graduate**	**Law**	**Total**	**Bachelor**	**Graduate**	**Law**	**Total**
2013-14	4,896	2,322	387	7,605	*	*	*	*
2012-13	4,906	2,417	460	7,781	1,255	828	161	2,244
2011-12	4,865	2,392	507	7,764	1,109	830	168	2,107
2010-11	4,805	2,422	511	7,738	1,065	867	157	2,089
2009-10	4,729	2,376	532	7,637	1,025	820	173	2,018

*Information not available.

Source: The University.

The following table sets forth applications, admissions and new enrollments for the undergraduate, law and other graduate programs for the last five academic years.

APPLICATION POOL

Fall Semester	Undergraduate (Freshmen only) Applications	Offered Admission	New Enrollments	School of Law Applications	Offered Admission	New Enrollments	Other Graduate* Applications	Offered Admission	New Enrollments
2013	7,030	4,790	1,238	551	511	108	950	602	458
2012	6,985	4,649	1,096	1,157	723	132	1,291	987	649
2011	6,851	4,217	1,131	1,389	739	176	2,260	1,728	921
2010	6,260	3,981	1,119	1,924	762	183	1,520	1,103	838
2009	5,042	3,952	1,239	1,513	649	188	1,454	987	754

* Head count. Does not include transfers.
Source: The University.

RETENTION RATES AND GRADUATION RATES OF INCOMING FRESHMEN

Year of Entry	2007	2008	2009	2010	2011	2012
Entering Freshmen	1,035	1,107	1,239	1,119	1,131	1,096
Returned 2nd Year	92.1%	91.9%	92.0%	90.8%	93.4%	94.3%
4-Year Graduation	70.5%	73.0%	72.8%			
5-Year Graduation	80.9%	82.3%				
6-Year Graduation	82.2%					

Source: The University, as of October 2013.

Income on Endowment Funds

The University has adopted an investment and spending policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce an acceptable level of return while assuming a moderate level of investment risk on a total portfolio basis. The University's goal for its endowment funds, over time, is to provide an average annualized return of the annual endowment spending amount plus inflation, as measured by the Higher Education Price Index ("HEPI") over a market cycle of three to five years. To satisfy its long-term rate of return, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends), and maintains a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term return objectives within prudent risk constraints.

Contributions and Other Support

The University is currently in the quiet phase of a multi-year fundraising campaign, largely focused on growing student financial aid endowments, academic program endowments, and signature capital projects, including the University Center. The current campaign was initiated in July 2011, and has a working goal of $250 million. As of October 31, 2013, the University has raised $136.6 million in the form of cash contributions, pledges, bequests, and other support, of which $38.9 million is in support of the University Center project. The University's last public fundraising campaign, which ended in October 2005, raised a total of $149 million, exceeding a goal of $119 million. The University continues to be successful in its fund-raising efforts for a variety of purposes and projects.

Auxiliary Enterprise Revenues

Auxiliary enterprise revenues are principally from room and board fees and campus bookstore sales. The University attempts to operate its auxiliary enterprises on a "break-even" basis, after including charges for principal and interest on debt and reserves for renewal and replacement of these facilities. In June 2012, the University transitioned the operations of the campus bookstore to a third party.

Other Income

Sources of other income to the University include interest income, rental income and miscellaneous sales and services income.

Expenditures

The most significant categories of expenditures are instruction, libraries, student services, general administration and institutional, operation and maintenance of plant, and auxiliary enterprises. Instruction and libraries expenses include principally faculty and academic staff salaries and other expenses related to the operations of the major academic divisions. Student services expenses include registration, admissions, counseling, career advising, and health center operations. The general administration and institutional category includes expenses related to such operations as data processing, University advancement activities, alumni activities, legal, accounting and audit functions, employee benefits and other similar expenses which benefit the University as a whole. The operation and maintenance of plant category includes utilities and staff and operating costs for repairs and maintenance, grounds, and housekeeping. Auxiliary enterprises expenses include the costs of providing room and board to students and of operating the campus bookstore (through May 2012).

Liabilities

The University's liabilities at May 31, 2013, are shown on the Consolidated Statements of Financial Position included in the University's Audited Financial Statements, set forth in APPENDIX B. Such liabilities amounted to $205,517,189, including long-term indebtedness of $135,445,205, excluding government student loans and obligation under interest rate swaps. The remainder of the liabilities other than long-term indebtedness consisted of accounts payable, accruals, reserves, student advances and deposits and assets held for others.

The University provides retirement benefits to all employees working a minimum of 1,000 hours per year under a 403(b) defined contribution plan. Beginning the first day of the month following one year of service, eligible employees are required to contribute 5% of their salary and the University contributes 8.5%. All contributions vest immediately. The University expense for the 403(b) retirement plan was $5,690,000 for the year ended May 31, 2013. There are no defined benefit retirement plans or other defined benefit post-employment benefit plans, and as such there are no unfunded benefit plan liabilities.

The University is subject to legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, the results of these matters will not have a significant impact on the consolidated financial statements.

Cash and Investments

The following table sets forth the University's cash and investment balances for each of the past five fiscal years, including the most recently completed fiscal year.

CASH AND INVESTMENTS
As of May 31

	2013	2012	2011	2010	2009
Cash and Cash Equivalents	$ 76,289,328	$ 59,160,624	$ 43,096,142	$ 31,721,349	$ 5,967,951
Investments*	179,328,340	152,177,429	153,835,862	126,069,591	118,882,885
Deposits with Bond Trustees	13,210,134	13,390,817	14,068,470	15,059,363	14,075,426

Source: Audited financial statements of the University.
*Includes beneficial interests in trusts for all periods presented.

Cash and cash equivalents are comprised of highly liquid bank demand deposits and money market funds. The University has substantially improved its cash balance over the past five years, stemming largely from cash provided by operations.

The Investment Committee of the Board of Trustees oversees the University's Investments. The primary component within Investments is the pooled endowment fund, which represents approximately 85% of the Investments balance in each of the years presented above. The pooled endowment fund is largely invested in actively managed assets, and generates earnings used primarily for scholarship, endowed faculty positions and other restricted purposes. The target asset allocation for the pooled endowment fund, as set forth in the University's Board of Trustee approved Investment Policy, is 54% equities (including domestic small, mid and large cap, international small, mid, and large cap, and emerging markets), 21% fixed income (including domestic, international, and high yield), 15% alternative investments (including venture capital, private equity, absolute return, and others funds) and 10% real assets (including real estate funds).

Deposits with Bond Trustees are largely comprised of debt service reserve funds for the 2009A Bonds, 2009B Bonds, and 2010A Bonds. Amounts are invested in yield restricted fixed income securities.

The one-year total net return on the University's pooled endowment fund for the periods indicated are as follows:

POOLED ENDOWMENT FUND TOTAL RETURN
ONE YEAR RETURN AS OF JUNE 30

	2013	2012	2011	2010	2009
Pooled Endowment Funds	13.7%	(0.4%)	24.2%	10.9%	(20.1%)

Source: The University.

As of October 31, 2013, the University's pooled investment fund was up approximately 7.8% since May 31, 2013. This data is based upon data supplied by investment managers, and does not include current valuations from some alternative asset categories that are not priced on a monthly basis.

Property, Plant, and Equipment

Property, plant, and equipment assets acquired by gift or bequest are stated at market value at the date of acquisition. In accordance with accounting principles generally accepted in the United States of America applicable to colleges and universities, the University began charging depreciation against its Property, Plant, and Equipment effective during the 1995-96 fiscal year.

The following table sets forth the Property, Plant, and Equipment of the University at the end of each of the last five fiscal years for which audited financial statements are available.

PROPERTY, PLANT, AND EQUIPMENT
As of May 31

	2013	2012	2011*	2010	2009
Land	$ 6,827,355	$ 6,827,355	$ 6,827,355	$ 6,827,355	$ 6,827,355
Buildings and Improvements	266,814,399	265,661,241	263,095,524	260,393,593	236,838,173
Construction in Progress	18,939,867	2,008,906	1,116,608	809,484	14,544,055
Equipment and Furniture	23,934,976	24,471,054	24,362,746	48,224,014	45,957,176
Library Books and Artwork	8,148,110	7,792,856	7,660,656	7,441,767	7,216,650
Subtotal	324,664,707	306,761,412	303,062,889	323,696,213	311,383,409
Accumulated Depreciation	(95,770,221)	(88,647,650)	(82,189,758)	(99,986,009)	(91,105,787)
Property Plant and Equipment, Net	$228,894,486	$218,113,762	$220,873,131	$223,710,204	$220,277,622

Source: Audited financial statements of the University.
*During 2011, the University identified equipment and furniture no longer being used. As a result, $26,638,000 in Property, Plant, and Equipment and associated Accumulated Depreciation were eliminated. There was no impact on Property, Plant, and Equipment, net or other Statement of Financial Position accounts.

The University currently maintains a full complement of insurance coverages as described herein, although these coverages may change from time to time. *See* APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—THE LOAN AGREMENT—Insurance." These coverages currently include blanket property and extra expense coverages in the amount of $370 million, general and excess liability coverages totaling $22 million, educator's legal liability in the amount of $20 million and certain professional liability coverage. In addition, the University secures automobile coverage, crime coverage, workers compensation coverage and assorted accident coverages.

Bondholders' Risks

For a discussion of Bondholders' Risks, see "RISK FACTORS" and "ABSENCE OF MATERIAL LITIGATION—The University" in the Official Statement.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY

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Report of Independent Auditors and
Consolidated Financial Statements
With Supplementary Information for

The Corporation of Gonzaga University

May 31, 2013 and 2012

MOSS-ADAMS LLP

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REPORT OF INDEPENDENT AUDITORS

President and Board of Trustees
The Corporation of Gonzaga University

Report on Financial Statements

We have audited the accompanying consolidated financial statements of The Corporation of Gonzaga University (a Washington nonprofit corporation), which comprise the consolidated statements of financial position as of May 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

REPORT OF INDEPENDENT AUDITORS
(continued)

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Corporation of Gonzaga University as of May 31, 2013 and 2012, and the statements of activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The unrestricted operating expenses combined by natural expenditure schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Moss Adams LLP

Spokane, Washington
August 30, 2013

THE CORPORATION OF GONZAGA UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	(in thousands) May 31, 2013	2012
Cash and cash equivalents	$ 76,289	$ 59,160
Accounts and interest receivable, net	10,023	9,733
Inventories and prepaid expenses	4,049	4,631
Contributions receivable, net	23,061	9,540
Student loans receivable, net	14,913	15,344
Deposits with bond trustees	13,210	13,391
Investments	171,510	144,422
Beneficial interests in trusts	7,818	7,755
Property, plant, and equipment, net	228,894	218,114
Total assets	$ 549,767	$ 482,090

LIABILITIES AND NET ASSETS

	2013	2012
LIABILITIES		
Accounts and other payables	$ 18,661	$ 12,096
Accrued salaries, taxes, and benefits	16,336	14,912
Deferred revenues	11,311	11,123
Split-interest agreement obligations	5,958	4,998
Federal student loan program	11,062	11,074
Obligation under interest rate swaps	6,744	7,820
Notes and bonds payable	135,445	132,101
Total liabilities	205,517	194,124
NET ASSETS		
Unrestricted	149,547	132,479
Temporarily restricted	107,441	73,333
Permanently restricted	87,262	82,154
Total net assets	344,250	287,966
Total liabilities and net assets	$ 549,767	$ 482,090

See accompanying notes.

	(in thousands) Year Ended May 31, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues				
Student tuition and fees, net	$ 210,907	$ -	$ -	$ 210,907
Less institutional financial aid	(73,398)	-	-	(73,398)
	137,509	-	-	137,509
Contributions	3,871	7,060	-	10,931
Government grants and contracts	1,881	-	-	1,881
Investment gain (loss) used for operations	(189)	5,780	-	5,591
Investment income used for operations	247	-	-	247
Auxiliary enterprises	25,244	-	-	25,244
Organized activities	3,531	-	-	3,531
Other sources	6,096	27	-	6,123
	178,190	12,867	-	191,057
Net assets released from restrictions	12,678	(12,678)	-	-
Total operating revenues	190,868	189	-	191,057
Operating Expenses				
Instruction	74,680	-	-	74,680
Libraries	5,921	-	-	5,921
Student services	11,425	-	-	11,425
Organized activities	18,612	-	-	18,612
General administrative and institutional	33,921	-	-	33,921
Operation and maintenance of plant	10,445	-	-	10,445
Scholarships and student aid	1,577	-	-	1,577
Auxiliary enterprises	21,707	-	-	21,707
Total operating expenses	178,288	-	-	178,288
Increase in net assets from operations	12,580	189	-	12,769
Nonoperating Activities				
Contributions for acquisition of capital assets	-	18,332	-	18,332
Contributions to endowment funds	-	248	4,736	4,984
Gain on disposal of equipment	52	-	-	52
Investment gain, net of amounts used for operations	2,134	12,798	42	14,974
Investment income, net of amounts used for operations	281	2,767	24	3,072
Change in value of interest rate swaps	1,076	-	-	1,076
Change in value of split interest agreements	-	586	439	1,025
Net assets released from restrictions	995	(995)	-	-
Transfers	(50)	183	(133)	-
Total nonoperating activities	4,488	33,919	5,108	43,515
Increase in net assets	17,068	34,108	5,108	56,284
Net assets at beginning of year	132,479	73,333	82,154	287,966
Net assets at end of year	$ 149,547	$ 107,441	$ 87,262	$ 344,250

THE CORPORATION OF GONZAGA UNIVERSITY
CONSOLIDATED STATEMENTS OF ACTIVITIES

	(in thousands) Year Ended May 31, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues				
Student tuition and fees, net	$ 205,490	$ -	$ -	$ 205,490
Less institutional financial aid	(69,833)	-	-	(69,833)
	135,657	-	-	135,657
Contributions	3,411	3,846	-	7,257
Grants and contracts	2,466	-	-	2,466
Investment gain used for operations	95	4,119	-	4,214
Investment income used for operations	232	245	-	477
Auxiliary enterprises	27,420	-	-	27,420
Organized activities	3,417	-	-	3,417
Other sources	6,073	92	-	6,165
	178,771	8,302	-	187,073
Net assets released from restrictions	8,210	(8,210)	-	-
Total operating revenues	186,981	92	-	187,073
Operating Expenses				
Instruction	73,340	-	-	73,340
Libraries	5,848	-	-	5,848
Student services	10,102	-	-	10,102
Organized activities	18,584	-	-	18,584
General administrative and institutional	31,958	-	-	31,958
Operation and maintenance of plant	10,305	-	-	10,305
Scholarships and student aid	1,306	-	-	1,306
Auxiliary enterprises	25,731	-	-	25,731
Total operating expenses	177,174	-	-	177,174
Increase in net assets from operations	9,807	92	-	9,899
Nonoperating Activities				
Contributions for acquisition of capital assets	-	660	-	660
Contributions to endowment funds	-	50	6,425	6,475
Loss on disposal of equipment	(13)	-	-	(13)
Investment gain (loss), net of amounts used for operations	(1,768)	(9,499)	137	(11,130)
Investment income, net of amounts used for operations	292	2,065	39	2,396
Change in value of interest rate swaps	(4,503)	-	-	(4,503)
Change in value of split interest agreements	-	269	(220)	49
Net assets released from restrictions	1,092	(1,092)	-	-
Transfers	(925)	383	542	-
Total nonoperating activities	(5,825)	(7,164)	6,923	(6,066)
Increase (decrease) in net assets	3,982	(7,072)	6,923	3,833
Net assets at beginning of year	128,497	80,405	75,231	284,133
Net assets at end of year	$ 132,479	$ 73,333	$ 82,154	$ 287,966

See accompanying notes.

	(in thousands) Years Ended May 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 56,284	$ 3,833
Adjustments to reconcile increase in net assets to net cash from operating activities		
Depreciation and amortization	9,104	8,945
Provision for uncollectible receivables	144	92
Loss (gain) on disposal of fixed assets	(52)	13
Contributions restricted for long-term purposes	(23,316)	(7,135)
Interest and dividends restricted for long-term investment	(3,319)	(2,873)
Net realized and unrealized loss (gain) on long-term investments	(20,565)	6,916
Change in value of interest rate swaps	(1,076)	4,503
Change in value of split interest agreements	(1,025)	(49)
Change in assets and liabilities		
Receivables	(1,814)	1,370
Inventories and prepaid expenses	637	1,227
Accounts payable and other obligations	3,430	922
Accrued salaries, taxes, and benefits	1,424	3,245
Deferred revenues	188	(2,604)
Net cash from operating activities	20,044	18,405
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant, and equipment	(16,351)	(5,851)
Proceeds from sale of property and equipment	52	12
Proceeds from sale of investments	12,677	21,344
Purchase of investments	(17,576)	(22,625)
Issuance of student loans receivable	(1,829)	(1,807)
Repayment of student loans receivable	2,074	1,862
Reduction in deposits with bond trustees	181	677
Net cash used by investing activities	(20,772)	(6,388)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term purposes	10,272	5,525
Proceeds from contributions for split interest agreements	1,481	624
Proceeds from issuance of bonds	9,294	-
Payment of bond issuance costs	(244)	-
Payments on notes and bonds	(5,950)	(4,663)
Payments on split-interest agreements	(303)	(287)
Interest and dividends restricted for long-term investment	3,319	2,873
Net change in student loan liability	(12)	(25)
Net cash from financing activities	17,857	4,047
NET CHANGE IN CASH AND CASH EQUIVALENTS	17,129	16,064
CASH AND CASH EQUIVALENTS, beginning of year	59,160	43,096
CASH AND CASH EQUIVALENTS, end of year	$ 76,289	$ 59,160
SUPPLEMENTAL DISCLOSURES		
Interest paid (net of $12 and $-0- for 2013 and 2012, respectively, of capitalized interest)	$ 6,700	$ 6,674
Noncash acquisition of property, plant, and equipment	3,135	135
Noncash gifts of investments and property, plant, and equipment	329	1,997

See accompanying notes.

Note 1 – Organization

Gonzaga University (University) is an independent, coeducational higher education institution founded in 1887 by the Society of Jesus. The University was incorporated in the state of Washington in 1894 as a tax-exempt charitable organization located in Spokane, Washington. The primary source of revenue is generated from tuition from the undergraduate, graduate (including online programs), and law programs through the schools of Arts & Sciences, Business, Engineering & Applied Science, Education, Nursing & Human Physiology, Professional Studies, and Law. Other sources of revenue include room and board, gifts, investment earnings, fees, and bookstore commissions and sales.

In June 2012, the University outsourced the operation of the bookstore. The University receives commission revenue from the outsourced provider and no longer maintains inventory, generates sales, or incurs costs of sales and other operating expenses for the bookstore. For the year ended May 31, 2013, auxiliary enterprises revenue includes the sale of the bookstore inventory to the outsource provider as well as commission revenue; auxiliary enterprise expense includes the book value of inventory sold to the outsource provider.

Note 2 – Summary of Significant Accounting Policies

The accounting policies of the University reflect practices common to universities and colleges and conform to accounting principles generally accepted in the United States of America (GAAP). The more significant policies are summarized below.

Basis of presentation – The accompanying consolidated financial statements have been prepared in accordance with GAAP with net assets, revenues, expenses, gains, and losses classified into three categories based on the existence or absence of externally (donor) imposed restrictions. The net assets of the University are classified and defined as follows:

Unrestricted net assets – Net assets are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board. All revenues, expenses, gains, and losses that are not changes in temporarily or permanently restricted net assets are considered unrestricted.

Temporarily restricted net assets – Net assets are subject to donor-imposed restrictions that will be met by actions of the University or the passage of time. This includes gifts as well as income and net gains and losses accruing on those gifts, whose use by the University is subject to donor-imposed stipulations.

(IN THOUSANDS)

Note 2 – Summary of Significant Accounting Policies (continued)

Permanently restricted net assets – Net assets are subject to donor-imposed restrictions that are permanently maintained by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes. This includes gifts, trusts, and contributions that by donor restriction require the corpus be invested in perpetuity.

Consolidation – The consolidated financial statements include the accounts of Gonzaga University, the Law School Foundation (Foundation), and Immobiliare Gonzaga Srl. The purpose of the Foundation is to provide additional revenue, endowment, and related income to the University's Law School. Immobiliare Gonzaga Srl. is an Italian corporation formed to purchase and remodel a classroom/administration building used in the University's Florence, Italy, program. All significant inter-entity transactions and balances have been eliminated. The summarized statements of financial position for these entities are as follows:

	For the Year ended May 31, 2013				
	Gonzaga University	Law School Foundation	Immobiliare Gonzaga Srl.	Inter-entity Elimination	Consolidated Total
Assets	$ 530,981	$ 17,569	$ 5,835	$ (4,618)	$ 549,767
Liabilities	$ 205,045	$ 3	$ 5,087	$ (4,618)	$ 205,517
NET ASSETS					
Unrestricted	145,552	3,247	748	-	149,547
Temporarily restricted	99,878	7,563	-	-	107,441
Permanently restricted	80,506	6,756	-	-	87,262
Total net assets	325,936	17,566	748	-	344,250
Total liabilities and net assets	$ 530,981	$ 17,569	$ 5,835	$ (4,618)	$ 549,767

(IN THOUSANDS)

Note 2 – Summary of Significant Accounting Policies (continued)

	For the Year ended May 31, 2012				
	Gonzaga University	Law School Foundation	Immobiliare Gonzaga Srl.	Inter-entity Elimination	Consolidated Total
Assets	$ 465,457	$ 15,237	$ 5,908	$ (4,512)	$ 482,090
Liabilities	$ 193,622	$ 4	$ 5,010	$ (4,512)	$ 194,124
NET ASSETS					
Unrestricted	128,741	2,840	898	-	132,479
Temporarily restricted	67,562	5,771	-	-	73,333
Permanently restricted	75,532	6,622	-	-	82,154
Total net assets	271,835	15,233	898	-	287,966
Total liabilities and net assets	$ 465,457	$ 15,237	$ 5,908	$ (4,512)	$ 482,090

Cash and cash equivalents – Cash and cash equivalents consist of cash balances and short-term, highly liquid investments with original maturities at the date of purchase of 90 days or less. Amounts also include money market mutual funds, all of which comply with Rule 2a-7 of the Investment Company Act of 1940, which seeks to limit the risk of money market funds. The University holds cash and cash equivalents at several major financial institutions, which during the course of the year may exceed the amounts insured by the Federal Depository Insurance Corporation. Cash and cash equivalents amounts related to donor-restricted endowment funds are reported as investments.

Included in cash and cash equivalents are assets restricted for investment in property, plant, and equipment of $5,539 and $451 as of May 31, 2013 and 2012, respectively.

Deposits with Bond Trustees – Amounts consist of debt service and debt service reserve funds held in investments as permitted under the Washington Higher Education Facilities Authority (Authority or WHEFA) documents. The funds are restricted to the purpose designated in the bond documents. These investment securities are exposed to various interest rate, market, and credit risks, and changes in risks could possibly materially affect the consolidated financial statements.

Investments – The University manages its investments by using external investment managers. These investment managers invest the University's funds in various financial instruments in accordance with Board approved investment policies.

Note 2 – Summary of Significant Accounting Policies (continued)

Investments (continued) – The University's investments are recorded in the consolidated financial statements at fair value. Total return on investments, including unrealized and realized gains or losses, as well as all dividends, interest, and other investment income, is shown in the consolidated statements of activities. Investment income is reported as an increase in unrestricted, temporarily restricted, or permanently restricted net assets, depending on donor-imposed restrictions on the use of the income. Investments gifted to the University are recorded at the fair value at the date of gift.

Investments are exposed to various risks, such as interest rate, market, foreign currency, credit, and regulatory risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect total net assets and the amounts reported in the consolidated statements of financial position.

Split-interest agreements – The University is the irrevocable beneficiary of the income or the residual interest of assets in charitable trusts held by outside trustees. The University recognizes an asset for its beneficial interest in the outside trust as a contribution at fair value, which is measured as the present value of the estimated expected future benefits to be received. The contribution revenue recognized is classified as an increase in either temporarily or permanently restricted net assets based on the time or use restrictions placed by the donor upon the University's beneficial interest in the trust. Periodic adjustments to the beneficial interest to reflect changes in the fair value, life expectancy, and discount rate are recognized as change in value of split-interest agreements.

The University has legal title, as trustee, to irrevocable charitable remainder trusts and also receives contributions in connection with charitable gift annuity contracts. Actuarial methods are used to record these annuities and trusts using discount rates ranging from 4% to 6%. When a gift is received, the present value of future expected payments to the beneficiaries is recorded as a liability based upon life expectancy tables and discount rate assumptions and the remainder is recorded as a contribution. Annuity and trust assets are reported at fair value and included within investments on the consolidated statements of financial position. Investment returns, beneficiary payments, and direct costs of funds management are charged to the liability accounts, with periodic adjustments made between the liability and the net assets to record actuarial gains or losses resulting from changes in fair value and life expectancy.

The University maintains separate reserve funds adequate to meet future payments under its charitable gift annuity contracts as required by state laws. The total investments held in separate reserve funds were $3,339 and $2,035 as of May 31, 2013 and 2012, respectively. The amount included in split-interest agreement obligations to meet future payments under gift annuity contracts was $1,740 and $1,250 as of May 31, 2013 and 2012, respectively.

Note 2 – Summary of Significant Accounting Policies (continued)

Inventories – Student bookstore (see Note 1) and supply inventories are stated at the lower of cost, using the first-in first-out method, or market.

Accounts and contributions receivable – Accounts receivable from students included in accounts and interest receivable, net, in the consolidated statement of financial position are reported net of an allowance for doubtful accounts. Accounts receivable are written off only when they are deemed to be permanently uncollectible.

Contributions, including unconditional promises to give, are recognized as revenue when the donor's commitment is made. Unconditional promises are recognized at the estimated present value of the future cash flows using discount rates, net of allowances for doubtful accounts. The discounts are computed using a rate that is commensurate with the risks involved and applicable to the years in which the promises are received. Based upon historical pledge payments, history, and current information, an allowance for doubtful accounts is included. Account balances are charged off against the allowance after all means of collection have been exhausted and potential recovery is considered remote. Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted revenue.

Notes receivable – Notes receivable primarily consist of amounts due from students under the University's repayable financial aid programs and are stated net of allowance for doubtful accounts. The notes receivable bear interest ranging from 5% to 6% and are generally repayable to the University over a period not to exceed 10 years.

Property, plant, and equipment – Property, plant, and equipment are stated at cost at the date of acquisition or fair value at the date of donation. The cost of major improvements in excess of $100 and purchases of depreciable items in excess of $5 are capitalized. Normal repair and maintenance expenses and minor equipment costs are expensed as incurred. Depreciation, except for land and artwork, is provided for on a straight-line basis over the estimated useful lives of the respective assets as follows:

Building and improvements	25 - 50 years
Equipment and furniture	3 - 7 years
Library books	10 years

Revenue recognition – Student tuition, fees, and room and board are recognized in the period in which the services are provided. Grant revenue is recognized when the services are provided for performance grants or when the funds are expended for cost-reimbursement grants. Interest income on student loans is recognized when charged.

(IN THOUSANDS)

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue recognition (continued) – Student tuition and fees are reflected net of student marketing and recruiting costs of $5,529 and $5,444 for the years ended May 31, 2013 and 2012, respectively, which represent the amount paid to an unrelated third party for certain of the University's graduate distance learning programs where, from a revenue recognition standpoint, the University is considered an agent in the transaction.

Deferred revenues include amounts received for tuition, fees, certain auxiliary activities, grants, and contracts which have not yet been earned, as well as student deposits.

Foreign operations – The University has a number of graduate and undergraduate programs in foreign countries, primarily Canada and Italy. Gross revenues and expenses of these programs are as follows:

	2013	2012
Canadian program		
Gross revenue	$ 2,992	$ 2,607
Gross expenses	532	680
Florence and other European programs		
Gross revenue	8,946	9,121
Gross expenses	6,017	7,093

Advertising – Costs expensed for the years ended May 31, 2013 and 2012, were $1,385 and $803, respectively.

Fund-raising expenses – Costs related to development and fund-raising are expensed as incurred for years ended May 31, 2013 and 2012, and were $4,041 and $4,195, respectively.

Derivative financial instruments – GAAP establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. All derivatives, whether designated in hedging relationships or not, are reflected on the consolidated statements of financial position at estimated fair value.

Note 2 – Summary of Significant Accounting Policies (continued)

Taxes – The Internal Revenue Service has recognized the University as exempt from tax under the provisions of Section 501(c)(3) of the Internal Revenue Code, except to the extent of unrelated business income under Sections 511 through 515. Unrelated business income tax, if any, is immaterial and, therefore, the consolidated financial statements do not include a provision for federal income tax. The University adheres to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, relating to accounting for uncertain tax positions. ASC 740-10 prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various related matters such as derecognition, interest, penalties, and disclosure requirements. As of May 31, 2013 and 2012, the University had no uncertain tax positions requiring accrual. In addition, the University presently is exempt from Washington State real and personal property taxes pursuant to WAC 458-16-270 on the majority of its educational and other noncommercial properties of the University.

Operating and nonoperating activities – The University's measure of operating activities, presented in the consolidated statements of activities, includes all transactions that are incurred in the course of the normal business operations of the University. Operating expenses are reported by functional categories, after allocating costs for interest on long term indebtedness and depreciation.

Nonoperating activities presented in the consolidated statements of activities include transactions that result from something other than the on-going day-to-day activity of the University.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Reclassifications – Certain reclassifications were made to the 2012 consolidated financial statements to conform to the 2013 presentation. The reclassifications have no effect on the statement in activities or net asset balances as previously reported.

Subsequent events – The University has evaluated subsequent events through August 30, 2013, which is the date the consolidated financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

(IN THOUSANDS)

Note 3 – Accounts and Interest Receivable

Accounts and interest receivable consisted of the following as of May 31:

	2013	2012
Student receivables	$ 968	$ 1,207
Government grants and loan funds	7,730	6,351
Accrued interest receivable	57	76
Short-term receivables	672	1,046
Other receivables	696	1,153
	10,123	9,833
Less allowance for doubtful accounts	(100)	(100)
	$ 10,023	$ 9,733

Note 4 – Contributions Receivable

Contributions receivable, net, at May 31 are expected to be realized in the following periods:

	2013	2012
In one year or less	$ 5,216	$ 10,121
Between one year and five years	10,319	5,538
More than five years	18,540	226
Less present value discounts	(10,825)	(614)
	23,250	15,271
Less allowance for doubtful accounts	(189)	(5,731)
	$ 23,061	$ 9,540

Contributions receivable, net, at May 31 are designated as follows:

	2013	2012
Unrestricted	$ 26	$ 41
Temporarily restricted for financial aid and other	5,033	3,117
Endowment for financial aid and endowed chairs	2,996	2,614
Temporarily restricted for property, plant, and equipment	15,006	3,768
	$ 23,061	$ 9,540

(IN THOUSANDS)

Note 5 – Student Loans Receivable

The University makes uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs and institutional resources.

At May 31, student loans consisted of the following:

	2013	2012
Federal government programs	$ 14,131	$ 14,618
Institutional programs	1,088	1,032
	15,219	15,650
Less allowance for doubtful accounts	(306)	(306)
Student loans receivable, net	$ 14,913	$ 15,344

The University participates in the Perkins and Nursing federal revolving loan programs. The availability of funds for loans under the programs is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the federal government are ultimately refundable to the government. Outstanding loans cancelled under the programs result in a reduction of the funds available for loans and a decrease in the liability to the government. The net liability due to the government was $11,062 and $11,074 at May 31, 2013 and 2012, respectively.

At May 31, 2013 and 2012, the following amounts were past due under all student loan programs:

May 31,	60-89 Days Past Due	90-119 Days Past Due	120-179 Days Past Due	180-729 Days Past Due	730+ Days Past Due	Total Past Due
2013	$ 103	$ 65	$ 69	$ 421	$ 505	$ 1,163
2012	228	42	90	327	459	1,146

Allowances for doubtful accounts are established based on prior collection experience and current economic factors, which in management's judgment could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible.

(IN THOUSANDS)

Note 6 – Investments

Investments at May 31 are as follows:

	2013	2012
At market		
Cash and cash equivalents	$ 879	$ 11,990
Equity securities	88,720	61,299
Fixed income securities	29,532	22,005
Alternatives	40,676	39,568
Split-interest agreements	10,645	8,344
Other	1,058	1,216
	$ 171,510	$ 144,422

Within cash and cash equivalents reported as investments as of May 31, 2012, approximately $10,700 represents Foundation endowment amounts held temporarily as cash until long term investment opportunities were identified. Shortly after May 31, 2012, this amount was invested in equity and fixed income securities.

See Note 14 for unfunded cash commitments and other information associated with alternative investments.

For the years ended May 31 the University's total return on investments and cash and cash equivalents includes:

	2013	2012
Net unrealized and realized gain (loss) on investments held at market	$ 20,565	$ (6,916)
Interest income and dividends	3,319	2,873
Total return on investments and cash and cash equivalents	$ 23,884	$ (4,043)
Amounts withdrawn under spending policy	$ 5,467	$ 4,398

(IN THOUSANDS)

Note 7 – Endowment

The University's endowment consists of approximately 700 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund is summarized as follows:

	As of May 31, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (419)	$ 66,756	$ 87,262	$ 153,599
Board-designated funds	13,735	-	-	13,735
	$ 13,316	$ 66,756	$ 87,262	$ 167,334

	As of May 31, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (1,159)	$ 50,080	$ 82,154	$ 131,075
Board-designated funds	12,060	-	-	12,060
	$ 10,901	$ 50,080	$ 82,154	$ 143,135

Interpretation of relevant law – Under the Washington Uniform Prudent Management of Institutional Funds Act (WUPMIFA), the Board has adopted as policy for donor-restricted endowment funds the requirement to preserve the original fair value of the initial gift and any subsequent gifts (as of the respective gift date), along with any accumulations to the permanent endowment made at the direction of the donor, absent explicit donor stipulations to the contrary. Together, these amounts become the permanently restricted value of the funds. Net endowment earnings that have not been appropriated for expenditure become the temporarily restricted value of the funds.

Note 7 – Endowment (continued)

In accordance with WUPMIFA, the University considers the following factors in making a determination to appropriate or accumulate income from donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the University and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the University
- The investment policies of the University

Return objectives and risk parameters – The University has adopted an investment and spending policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The University's goal for its endowment funds, over time, is to provide an average annualized return of approximately 5% in excess of the Higher Education Price Index (HEPI) over a market cycle of three to five years. To satisfy this goal, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University maintains a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy – The University has a policy of appropriating for expenditure each year based upon a hybrid rate that is the sum of two components:

a) 70% based upon the HEPI for the Pacific Region applied to the prior year endowment spending amount.

b) 30% based upon a rate of 4% to 5% of a three-year rolling average of the fund's total market value, measured quarterly.

Absent donor stipulations to the contrary, the University will not appropriate for expenditure from an endowment fund if such expenditure will result in the fair value of the fund falling below the permanently restricted value of the fund, measured as of May 31 of the fiscal year of appropriation.

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the University is required to retain as a fund of perpetual duration. Deficiencies of this nature reported in unrestricted net assets were $419 and $1,159 as of May 31, 2013 and 2012, respectively.

(IN THOUSANDS)

Note 7 – Endowment (continued)

Changes in endowment net assets are summarized as follows:

	For the Year Ended May 31, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 10,901	$ 50,080	$ 82,154	$ 143,135
Investment return				
Investment income	281	2,767	24	3,072
Net gain (realized and unrealized)	2,618	18,368	481	21,467
Total investment return	2,899	21,135	505	24,539
Contributions	-	248	4,736	4,984
Amount distributed for operating activities	(5,467)	-	-	(5,467)
Transfers	-	276	(133)	143
Released from restriction	4,983	(4,983)	-	-
Net assets, end of year	$ 13,316	$ 66,756	$ 87,262	$ 167,334

	For the Year Ended May 31, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 12,163	$ 57,384	$ 75,231	$ 144,778
Investment return				
Investment income	292	2,065	39	2,396
Net loss (realized and unrealized)	(1,388)	(5,213)	(83)	(6,684)
Total investment return	(1,096)	(3,148)	(44)	(4,288)
Contributions	-	50	6,425	6,475
Amount distributed for operating activities	(4,398)	-	-	(4,398)
Transfers	214	(188)	542	568
Released from restriction	4,018	(4,018)	-	-
Net assets, end of year	$ 10,901	$ 50,080	$ 82,154	$ 143,135

(IN THOUSANDS)

Note 8 – Property, Plant, and Equipment, Net

Components of property, plant, and equipment, net, at May 31 are as follows:

	2013	2012
Land	$ 6,827	$ 6,827
Buildings and improvements	266,814	265,661
Equipment and furniture	23,935	24,471
Artwork	3,166	2,986
Library books	4,982	4,807
Construction in progress	18,940	2,009
	324,664	306,761
Less accumulated depreciation	(95,770)	(88,647)
	$ 228,894	$ 218,114

Note 9 – Bonds and Notes Payable

As of May 31, notes and bonds payable consisted of the following:

	2013	2012
Tax Exempt Bonds issued through the Authority		
Series 2012 A	$ 7,305	$ -
Series 2010 A	33,785	36,590
Series 2009 B	52,660	53,210
Series 2009 A	36,645	37,845
Convertible Rate Bonds issued through the Authority		
Series 2012 B	1,989	-
Other unsecured notes	386	1,613
	132,770	129,258
Unamortized premium	2,675	2,843
	$ 135,445	$ 132,101

Note 9 – Bonds and Notes Payable (continued)

The Series 2012 A bonds have an original issuance of $7,305 and were issued in conjunction with the Series 2012 B bonds as a private placement with a national bank. Interest is variable and calculated monthly based on 70% of one month LIBOR plus 92 basis points, with an effective interest rate of 1.059% as of May 31, 2013. Repayment is based on a 30 year amortization, and the private placement matures in 2022 with a bank option to extend. The bonds are pre-payable without penalty beginning in August 2014.

The Series 2010 A bonds have an original issuance of $42,420. The interest rates are fixed, and range from 2.50% to 5.00% based on the underlying bond maturities. The final maturity is in 2029, and the bonds are callable at par in 2019.

The Series 2009 B bonds have an original issuance of $53,460. The interest rates are fixed, and range from 3.00% to 5.00% based on the underlying bond maturities. The final maturity is in 2029, and the bonds are callable at par in 2019.

The Series 2009 A bonds have an original issuance of $39,845. The interest rates are fixed, and range from 4.00% to 6.25% based on the underlying bond maturities. The final maturity is in 2029, and the bonds are callable at par in 2019.

The Series 2012 B bonds have an original issuance of $3,320, of which $1,331 was undrawn as of May 31, 2013, and were issued in conjunction with the Series 2012 A bonds as a private placement with a national bank. The Series 2012 B bonds were tax exempt at issuance and as of May 31, 2013, and may be converted to taxable at the discretion of the University. Tax exempt interest is variable and calculated monthly based on 70% of one month LIBOR plus 92 basis points, with an effective interest rate of 1.059% as of May 31, 2013. Upon rate conversion, taxable interest is variable and calculated monthly based on one month LIBOR plus 120 basis points. Repayment is based on a 16-year amortization, and the private placement matures in 2022 with a bank option to extend. The bonds are pre-payable without penalty beginning in August 2014.

Other unsecured notes are due in various installments through 2093. The interest rate is 7.75%.

The Tax Exempt Bonds and Convertible Rate Bonds (together, the WHEFA bonds) are secured on a parity basis by a pledge of, and lien on, all unrestricted current fund revenues, as defined in the loan agreement, by a deed of trust on substantially all property and equipment of the University, and the University's interest in certain funds and reserves held by the Bond Trustee.

In relation to the WHEFA bonds, the University has agreed to certain covenants, including covenants to maintain its accredited status, limit its ability to incur additional indebtedness, limit encumbrances on parts of its campus, and maintain certain financial ratios as defined in the related agreements.

(IN THOUSANDS)

Note 9 – Bonds and Notes Payable (continued)

The Series 2009 A, Series 2009 B, and Series 2010 A bonds require a debt service reserve fund, which is funded and included in the University's deposit with the bond trustee. Deposits with bond trustees at May 31 consist of the following:

	2013	2012
Debt service reserve funds	$ 13,114	$ 13,303
Debt service funds	96	88
	$ 13,210	$ 13,391

Scheduled principal payments on notes and bonds payable are as follows:

Years Ending May 31,	Principal
2014	$ 5,430
2015	5,670
2016	5,935
2017	6,210
2018	6,480
Thereafter	103,045
	132,770
Premium	2,675
	$ 135,445

The University also has a $10,000 revolving line of credit agreement with Bank of America that bears interest equal to a prime rate established by Bank of America, which was 3.25% as of May 31, 2013. The revolving line of credit is secured by a parity lien on unrestricted gross revenues and certain deposit and security accounts with Bank of America and U.S. Bank. There were no outstanding advances against the line of credit as of May 31, 2013 and 2012. The line of credit agreement matures on January 31, 2014, and may be extended if agreed to by both parties.

(IN THOUSANDS)

Note 10 – Derivative Instruments and Hedging Activities

In connection with previously refunded WHEFA bonds, the University entered into the following interest rate swap agreements:

Notional Amount on Effective Date	Effective Date	Maturity Date	University Pays	University Receives
$ 35,550	10/1/2014	4/1/2034	4.1195%	67% of one month LIBOR if LIBOR is 3.5% or greater or 77% of one month LIBOR if LIBOR is less than 3.5%
7,325	10/1/2012	4/1/2022	4.1680%	70% of one month LIBOR

In prior years, the University used variable-rate debt to finance the construction and acquisition of property, plant, and equipment. The University entered into interest rate swap agreements (swaps) in order to obtain a synthetic fixed rate and to hedge the risk of changes in interest payments on the bonds caused by changes in the market rates. The swaps are secured on a parity basis with the WHEFA bonds. The above swaps can be terminated by the University at market rates at any time during the term of the swap.

The University does not enter into derivative instruments for any purpose other than cash flow hedging purposes and does not speculate for investment purposes using derivative instruments. The transactions involve both credit and market risk. The notional amounts do not represent direct credit exposure. Direct credit exposure is limited to the net difference between the calculated amounts to be received and paid. If the University's bond rating falls below BBB+ by S&P or Baa1 by Moody's Investor Service (Moody's), the swap counterparty can require the University to post collateral equal to the liability for the University's obligation under the swaps. The University's current credit rating, as provided by Moody's, is A3 with a stable outlook.

The swaps were issued at market terms so they had no fair value at inception. The carrying amount of the swaps has been adjusted to the fair value at the end of the fiscal year. A derivative liability of $6,744 and $7,820 as of May 31, 2013 and 2012, respectively, are shown as an obligation under interest rate swaps on the consolidated statements of financial position.

The effect of derivative instruments on the consolidated statements of activities, shown as change in value of interest rate swaps, was $1,076 and $(4,503) for the years ended May 31, 2013 and 2012, respectively.

(IN THOUSANDS)

Note 11 – Retirement Plans

Retirement benefits are provided to all employees working a minimum of 1,000 hours per year under a 403(b) defined contribution plan (Plan). Beginning the first day of the month following one year of service, eligible employees are required to contribute 5% of their salary and the University contributes 8.5%. All contributions vest immediately. Investment choices are offered through two providers: TIAA-CREF and Fidelity Investments. The University's expense for the Plan was $5,690 and $5,509 for the years ended May 31, 2013 and 2012, respectively.

Voluntary employee contributions and accumulated earnings to the 457(b) plan of $1,626 and $1,289 as of May 31, 2013 and 2012, respectively, are included in investments and accrued benefits payable. By IRS regulations, these funds are considered to be assets of the University until distributed to participants.

Note 12 – Net Assets

The University's net assets were available for the following purposes at May 31:

	2013	2012
Unrestricted		
Available for operations	$ 48,168	$ 36,380
Invested in property, plant, and equipment	75,516	72,470
Board-designated for investment in property, plant, and equipment	12,128	11,569
Board-designated quasi-endowment funds	13,735	12,060
Total unrestricted	$ 149,547	$ 132,479
Temporarily Restricted		
Unappropriated net endowment earnings	$ 66,756	$ 50,080
Property, plant, and equipment	20,857	2,961
Program support	14,057	15,276
Financial aid	3,887	3,454
Academic chairs	1,460	1,186
Student loan program	413	365
Split-interest agreements	11	11
Total temporarily restricted	$ 107,441	$ 73,333

(IN THOUSANDS)

Note 12 – Net Assets (continued)

	2013	2012
Permanently Restricted		
Financial aid	$ 56,494	$ 54,417
Academic chairs	12,762	12,740
Program support	12,900	10,630
Split-interest agreements	4,061	3,326
Student loan program	1,045	1,041
Total permanently restricted	$ 87,262	$ 82,154

Note 13 – Commitments and Contingencies

Commitments – As of May 31, 2013, the University had an outstanding, but not yet payable, purchase commitment in the amount of $5,298 related to the construction of campus facilities.

Operating leases – The University leases certain educational facilities under noncancellable operating leases. Future minimum lease payments are as follows:

Years Ending May 31,	
2014	$ 64
2015	63
2016	63
2017	63
2018	63
Thereafter	851
	$ 1,167

Rental expense for the facilities operating leases amounted to $210 and $196 for the years ended May 31, 2013 and 2012, respectively.

Contingencies – The University is subject to legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, the results of these matters will not have a significant impact on the consolidated financial statements.

Note 13 – Commitments and Contingencies (continued)

Contingencies (continued) – The University receives and expends monies under federal grant programs and is subject to audits by governmental agencies. The University believes that any liabilities resulting from such audits would not have a material impact on the consolidated financial statements of the University.

Note 14 – Fair Value of Financial Instruments

The University is subject to accounting principles that define fair value, establish a framework for measuring fair value, and expand disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques utilized maximize the use of observable inputs and minimize the use of unobservable inputs. Observable inputs are developed based on market data obtained from sources independent of the University. Unobservable inputs reflect the University's own assumptions about market inputs based on its own data.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of three categories in the fair value hierarchy. Assets and liabilities carried under some other method, such as amortized cost, are also disclosed in one of three categories in the fair value hierarchy. Categories are defined as follows:

Level 1 Inputs consist of quoted market prices in active markets for identical assets or liabilities the University has the ability to access at the measurement date.

Level 2 Inputs consist of valuations other than quoted prices included in Level 1 that are observable by the University for the related asset or liability.

Level 3 Inputs consist of unobservable valuations related to the asset or liability.

Transfers between the levels are recognized on the actual date of the transaction or circumstance that caused the transfer.

(IN THOUSANDS)

Note 14 – Fair Value of Financial Instruments (continued)

The following tables present assets and liabilities that are measured at fair value on a recurring basis at May 31, 2013 and 2012.

	May 31, 2013			
	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 76,289	$ 76,289	$ -	$ -
Deposits with bond trustees				
Money market funds	233	233	-	-
U.S. government and agency obligations	12,977	12,977	-	-
Investments				
Cash and cash equivalents	879	879	-	-
Equity securities				
Mutual funds, index funds, and other managed funds				
Domestic	43,883	40,310	3,573	-
International	35,622	26,424	9,198	-
Direct ownership - public and privately held stock	9,215	7,518	820	877
Fixed income securities				
Mutual funds and index funds				
Domestic	21,576	21,576	-	-
International	2,484	2,484	-	-
Corporate bonds	2,576	2,576	-	-
U.S. government and agency obligations	2,896	2,896	-	-
Alternatives				
Managed diversified global multi-asset partnership	16,583	-	-	16,583
Private equity limited partnership investments				
Private credit	2,068	-	-	2,068
Diversified funds of funds	10,125	-	-	10,125
Real estate funds	11,244	-	-	11,244
Other funds	656	-	-	656
Assets held under split interest agreements				
Cash and cash equivalents	490	490	-	-
Equity mutual funds	6,197	6,197	-	-
Equity- direct ownership	579	579	-	-
Fixed income mutual funds	3,379	3,379	-	-
Other	1,058	425	633	
Beneficial interests in trusts	7,818	-	-	7,818
Total assets	$ 268,827	$ 205,232	$ 14,224	$ 49,371
Obligation under interest rate swaps	$ (6,744)	$ -	$ (6,744)	$ -
Total liabilities	$ (6,744)	$ -	$ (6,744)	$ -

(IN THOUSANDS)

Note 14 – Fair Value of Financial Instruments (continued)

	May 31, 2012			
	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 59,160	$ 59,160	$ -	$ -
Deposits with bond trustees				
Money market funds	227	227	-	-
U.S. government and agency obligations	13,164	13,164	-	-
Investments				
Cash and cash equivalents	11,990	11,990	-	-
Equity securities				
Mutual funds, index funds, and other managed funds				
Domestic	31,468	28,670	2,798	-
International	25,077	25,077	-	-
Direct ownership - public and privately held stock	4,754	2,950	876	928
Fixed income securities				
Managed mutual funds				
Domestic	12,555	12,555	-	-
High yield	4,297	4,297	-	-
International	4,813	4,813	-	-
Corporate bonds	340	340	-	-
Alternatives				
Managed diversified global multi-asset partnership	14,811	-	-	14,811
Private equity limited partnership investments				
Private credit	2,574	-	-	2,574
Diversified funds of funds	10,765	-	-	10,765
Real estate funds	10,563	-	-	10,563
Other funds	855	-	-	855
Assets held under split interest agreements				
Cash and cash equivalents	417	417	-	-
Equity mutual funds	4,351	4,351	-	-
Equity- direct ownership	529	529	-	-
Fixed income mutual funds	3,047	3,047	-	-
Other	1,216	410	806	-
Beneficial interests in trusts	7,755	-	-	7,755
Total assets	$ 224,728	$ 171,997	$ 4,480	$ 48,251
Obligation under interest rate swaps	$ (7,820)	$ -	$ (7,820)	$ -
Total liabilities	$ (7,820)	$ -	$ (7,820)	$ -

For the year ended May 31, 2013, $8,500 of aggregate Level 1 equity mutual fund and index fund securities were sold and used to purchase a Level 2 managed international equity fund. There were no significant transfers between Level 1 and Level 2 for the year ended May 31, 2012.

Note 14 – Fair Value of Financial Instruments (continued)

The University uses the following methods and significant assumptions to estimate fair value:

- Assets characterized as Level 1 are valued using active market exchange values at the last reported sales price.

- Domestic and international managed equity funds characterized as Level 2 are valued using the fund managers respective net asset values, derived from active market exchange values of the underlying fund investments at the last reported sales price.

- Privately held stock characterized as Level 2 is valued using the market approach based on recent sales transactions. Privately held stock characterized as Level 3 is valued based on the net asset value of the investment, which approximates market value.

- Alternative investments consist primarily of investments that are not readily marketable or redeemable, and are characterized as Level 3. Investments in this category, which are managed externally, are valued utilizing the most current information provided by the fund managers using the net asset value per share of the respective fund as a practical expedient to estimate the fair value of the University's interest in the respective fund. The University reviews and evaluates the net asset values provided by our fund managers and agrees with the valuation methods and assumptions used in determining the fair value of alternative investments.

- Beneficial interests in trusts characterized as Level 3 represent a beneficial interest in the future cash flows of nine different trusts, measured under the income approach, involving a discounted cash flow analysis based on the expected annuity payments to be made over the remaining life of each respective beneficial interest, utilizing a risk-free rate adjusted for the inherent risk of the assets held in trust and the risk of nonperformance. The primary unobservable inputs for beneficial interests in trusts are the applicable discount rates, which range from 3.1% to 4.0%, and applicable life expectancies, which range from 6 to 26 years. A 1% increase in each of the underlying discount rates would decrease the fair value by approximately $750. A 1% decrease in each of the underlying discount rates would increase the fair value by approximately $1,090. The sensitivity associated with changes in life expectancies is not quantified.

- Other investments characterized as Level 2 are primarily real property assets valued using tax assessed values, which approximate market values.

- Interest rate swaps characterized as Level 2 are valued using estimates of the related LIBOR rates and the BMA municipal swap index rates during the term of the swap agreements.

(IN THOUSANDS)

Note 14 – Fair Value of Financial Instruments (continued)

Following is a reconciliation of activity for the years ended May 31, 2013 and 2012, of assets characterized as Level 3.

	Privately Held Stock	Managed Diversified Global Multi-Asset Partnership	Private Credit	Diversified Funds of Funds
Balance, May 31, 2011	$ 950	$ 15,180	$ 710	$ 10,264
Realized gains (losses)	-	(289)	51	327
Unrealized gains (losses)	(22)	(80)	28	617
Return of capital/transfers to income	-	-	(264)	(693)
Purchases/capital calls	-	-	2,049	250
Balance, May 31, 2012	928	14,811	2,574	10,765
Realized gains	-	139	108	931
Unrealized gains (losses)	(51)	1,633	304	(454)
Return of capital/transfers to income	-	-	(1,282)	(1,117)
Purchases/capital calls	-	-	364	-
Balance, May 31, 2013	$ 877	$ 16,583	$ 2,068	$ 10,125

	Real Estate Funds	Other Funds	Beneficial Interests in Trusts	Total
Balance, May 31, 2011	$ 8,366	$ 1,002	$ 5,639	$ 42,111
Realized gains	533	480	576	1,678
Unrealized gains (losses)	1,664	(110)	(204)	1,893
Return of capital/transfers to income	-	(553)	1,744	234
Purchases/capital calls	-	36	-	2,335
Balance, May 31, 2012	10,563	855	7,755	48,251
Realized gains	678	274	-	2,130
Unrealized gains (losses)	1,131	(230)	80	2,413
Return of capital/transfers to income	(1,128)	(247)	(17)	(3,791)
Purchases/capital calls	-	4	-	368
Balance, May 31, 2013	$ 11,244	$ 656	$ 7,818	$ 49,371

(IN THOUSANDS)

Note 14 – Fair Value of Financial Instruments (continued)

Realized and unrealized net gains on Level 3 assets of $4,621 and $4,001 for the years ended May 31, 2013 and 2012, respectively, are reported in the consolidated statements of activities as a component of nonoperating investment gain (loss), net of amounts used for operations. Net unrealized gains included in the consolidated statements of activities for Level 3 assets still held at May 31, 2013, are $2,043.

Redemption, funding commitments, restrictions, and other information associated with the nature and valuation of applicable Level 2 and Level 3 investments are as follows. As of May 31, 2013, it is not probable that any of the investments listed below will be sold or transferred for amounts that differ from the recorded fair value.

	Fair Value at May 31, 2013	Unfunded Cash Commitments	Redemption Frequency (if Eligible)	Redemption Notice Period	Investment Strategies and Other Restrictions
Managed mutual funds (Level 2)					
Domestic	$ 3,573	$ -	Monthly	10 days prior to month end	(a)
International	9,198	-	Monthly	15th day of the prior	(b)
Managed diversified global multi-asset partnership (Level 3)	16,583	-	(c)	(c)	(c)
Private equity limited partnership investments (Level 3)					
Private credit	2,068	1,978	(d)	n/a	(d)
Diversified fund of funds	10,125	1,612	(e)	n/a	(e)
Real estate funds	11,244	-	(f)	(f)	(f)
Other funds	656	56	(g)	n/a	(g)
	$ 53,447	$ 3,646			

a) The investment in the fund can be redeemed given proper notice, unless any withdrawal would have a materially adverse effect on the fund. The fund's investment objective is to achieve long-term capital appreciation by investing in a portfolio of small and medium capitalization companies defined as companies whose market capitalizations fall within the range of the Russell 2500 Index at the time of purchase.

b) The investment in the fund can be redeemed given proper notice, unless any withdrawal would have a materially adverse effect on the fund. The fund's investment objective is to achieve long-term capital appreciation by investing in a portfolio of primarily international and, to a lesser extent, emerging market companies.

Note 14 – Fair Value of Financial Instruments (continued)

c) The University may receive up to 5% of its capital account balance in the fund as an automatic annual distribution. Currently, the University has elected to retain this 5% of its capital balance in the fund. The University may change this election annually, and the election must be made in the first quarter of the calendar year preceding the first calendar year to which the distribution applies, and amounts will be distributed within 90 days of the end of the calendar year, or within 10 business days after the fund's audited financial statements for the year are completed.

For distributions in excess of the automatic annual distribution, the University may request the withdrawal of all or a portion of its capital account, with a minimum withdrawal of at least $1,000, on the last day of any calendar year by providing a withdrawal request at any time during the fourth quarter of the preceding calendar year. The amount requested to be withdrawn will be apportioned between the liquid portion and limited liquidity portion of the University's capital account, as determined based on the liquidity attributes of the underlying fund investments. The fund will make a distribution within 30 days after the effective withdrawal date in an amount not less than 90% of the liquid portion, with the remaining liquid portion amount paid subsequent to the fund's financial statement audit. For withdrawal amounts attributable to the limited liquidity portion, distributions will be made within 45 days after the realization or deemed realization of assets held in that account. Distributions may be made in cash or in fund assets (or both). The fund general partner can also suspend the rights of the University and other limited partners to make withdrawals or receive distributions for all or part of any period of market disruption. The fund general partner may also limit withdrawals such that they do not exceed 15% of the liquid subaccount balance.

The fund's objective is to manage and grow long-term capital with equity-like annual returns of 10-12% over time, with lower than average risk, with investments in fixed income, public equities, absolute return strategies, real assets and private equity.

d) This category includes two private credit funds, including a mezzanine debt fund and a special opportunities fund. Each fund is nonredeemable and can be sold only on the secondary market as long as the respective fund general partner receives an opinion from counsel that such a transfer is not in violation of certain sanctions of the Securities Act, Investment Company Act, and/or federal tax laws. Distributions are received through the liquidation of the underlying assets of the funds. It is estimated the underlying assets of the funds will be liquidated between 2014 and 2024.

e) This category includes four private equity funds, with underlying investments in domestic equity, buyout, venture capital, and private equity funds. Each fund has the objective to generate capital appreciation at a rate in excess of that historically generated by investments in publically traded equity securities. The funds can only be redeemed through the liquidation of underlying assets, and as underlying assets are liquidated, distributions are received. It is estimated that the underlying assets of the illiquid funds will be liquidated between 2014 and 2024.

Note 14 – Fair Value of Financial Instruments (continued)

f) This category includes two real estate funds that are primarily invested in U.S. commercial and residential real estate. Investments representing approximately 50% of the investments in this category can be redeemed with at least 90 days notice, as liquid assets in the fund permits. The remaining portion of real estate funds can only be redeemed through liquidation of the underlying assets. It is estimated that the underlying assets of the illiquid funds will be liquidated in 2015.

g) This category includes two private equity funds, with underlying investments in healthcare companies and other privately-held entities with potential for significant growth in revenue and earnings. Each fund is nonredeemable and can be sold only on the secondary market as long as the respective fund general partner receives an opinion from counsel that such a transfer is not in violation of certain sanctions of the Securities Act, Investment Company Act, and/or federal tax laws. It is estimated that the underlying assets of the funds will be liquidated between 2014 and 2024.

The following methods and assumptions were used to estimate the fair value of each class of financial assets and liabilities that are disclosed, but not carried at fair value:

Notes receivable (Level 2) – Carrying value approximates fair value for notes receivable, which are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms subject to significant restriction as to their transfer or disposition.

Contributions receivable (Level 2) – Carrying value approximates fair value based on the present value of expected future cash flows, less an allowance for collectability.

WHEFA bonds and notes payable (Level 2) – Fair values are determined using future cash flows discounted at a rate of interest currently offered for debt with similar remaining maturities. The fair value and carrying value of the WHEFA bonds payable at May 31, 2013, were approximately $144,415 and $135,059, respectively. The fair value and the carrying value of the WHEFA bonds payable at May 31, 2012, were approximately $144,065 and $130,488, respectively. The fair value of bonds and notes payable to banks (including the line of credit agreement, Series 2012 A Bonds, and Series 2012 B Bonds) approximates the carrying value.

Valuation limitations – The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. In addition, while the University believes that its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

(IN THOUSANDS)

Note 15 – Related Parties

Contributions receivable and contributions revenue includes amounts due from members of the Board as listed below:

	2013	2012
Contributions receivable, net	$ 12,618	$ 2,087
Contributions revenue	14,693	311

The University has numerous banking relationships with a bank of which the chairman and CEO is a member of the Board.

Note 16 – Subsequent Events

In June 2013, the University entered into a purchase commitment in the amount of $53,677 related to the design and construction of campus facilities.

UNRESTRICTED OPERATING EXPENSES COMBINED BY NATURAL EXPENDITURE (IN THOUSANDS)

The University's unrestricted operating expenses in the statements of activities are combined by natural expenditures as of May 31 as follows.

	2013	2012
Salaries	$ 84,700	$ 81,442
Benefits	25,974	25,276
Meetings, travel, and memberships	10,307	10,076
Scholarships and student aid	1,577	1,190
Depreciation	8,915	8,770
Dining expenses	7,958	8,192
Occupancy, telephone, utilities, and insurance	8,218	8,189
Interest and fees on debt	7,070	7,081
Materials, supplies, printing, and postage	6,191	6,271
Professional fees and contracted services	5,026	4,884
Bookstore cost of goods sold (see Note 1)	626	3,613
Maintenance and rentals	3,465	3,558
Library materials	2,107	2,184
Advertising, promotion, and recruitment	1,444	845
Other expenses	4,710	5,603
	$ 178,288	$ 177,174

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS

The following statements are a brief summary of certain provisions of the principal documents executed in connection with the issuance of the 2013 Bonds that have not been described elsewhere in this Official Statement. The summary does not purport to be complete and reference is made to the actual documents available from the Trustee for a full and complete statement of the provisions thereof.

CERTAIN DEFINITIONS

The following are definitions set forth in the Indenture and used in this Official Statement. Such terms as are not defined herein shall have the meanings assigned to them in the Loan Documents.

"Acceleration Date" means the date specified in a Declaration of Acceleration pursuant to the Indenture.

"Account" means any one or more of the separate special trust accounts created by the Indenture, and shall include any subaccount or subaccounts included in such account.

"Act" means Laws of 1983, Ch. 169, codified at chapter 28B.07 RCW, as amended.

"Act of Bankruptcy" means notice to the Trustee of a filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the University, under any applicable bankruptcy, insolvency or similar in effect on the date of issuance or thereafter.

"Annual Debt Service" means the amount of scheduled principal of (including mandatory sinking fund payments) and interest on Long Term Debt in the most recent Fiscal Year. Scheduled principal shall be the amount of required principal reductions on Long Term Debt according to the amortization schedule in effect for the applicable debt.

"Audited Financial Statements" means the University's annual financial statements, prepared in accordance with GAAP, which financial statements shall have been audited by a firm of independent certified public accountants.

"Authority" means the Washington Higher Education Facilities Authority, a public body corporate and politic and an agency of the state of Washington, the issuer of the 2013 Bonds, and its successors and assigns.

"Authority Fee" means, with respect to the 2013 Bonds, 0.06% per annum of the Outstanding principal amount of the 2013 Bonds on July 1 (after taking into account any principal payment made or to be made on such July 1) or such lesser amount as may be determined by the Authority from time to time, payable in annual installments on each July 1 in advance; provided, that the first payment (for accrual to the next annual payment date) shall be made on Bond Closing for the 2013 Bonds.

"Authority Tax Certificate" means the No Arbitrage Certificate dated as of the Bond Closing for the 2013A Bonds executed by the Authority and the exhibits thereto.

"Authorized Denomination" means $5,000 or any integral multiple thereof within a single series and maturity.

"Bond Closing" means the date upon which there is an exchange of the 2013 Bonds for the proceeds representing the purchase price of the 2013 Bonds by the initial purchasers thereof.

"Bond Counsel" means an attorney at law or a firm of attorneys of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions, who is or are selected by the Authority and is or are duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

"Bond Register" means the registration books required to be maintained pursuant to the Indenture.

"Bond Registrar" means the party so appointed pursuant to the Indenture, initially U.S. Bank National Association.

"Bondowner" or *"Owner"* or *"Registered Owner"* means the person or persons in whose name or names a 2013 Bond shall be registered on the Bond Register.

"Bond Year" means each one-year period that ends at the close of business on the day in the calendar year that is selected by the University. The first and last Bond Years may be short periods. If no day is selected by the University before the earlier of the final maturity of the 2013A Bonds or the date that is five years after the Bond Closing, each Bond Year ends on each anniversary of the Bond Closing and on the final maturity of the 2013A Bonds.

"Bullet Indebtedness" means any Indebtedness designated as such in writing by the University to the Trustee upon the incurrence of such Indebtedness, the aggregate principal amount of which becomes due and payable, either at maturity, by mandatory redemption, or by written requirement for the exercise by the University of optional redemption, in any Fiscal Year in an amount that constitutes 25% or more of the initial aggregate principal amount of such Indebtedness.

"Business Day" means any day other than (i) a Saturday or a Sunday, or (ii) a day on which commercial banks in the city (or cities) in which are located the Principal Office(s) of the Trustee, Bond Registrar or any other paying agents are authorized or required by law or executive order to close.

"Code" means the Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or Internal Revenue Service. All references herein to sections, paragraphs or other subdivisions of the Code or the regulations promulgated thereunder shall be deemed to be references to correlative provisions of any predecessor or successor code or regulations promulgated thereunder.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement between the University and U.S. Bank National Association, acting solely in its capacity as dissemination agent, dated as of December 1, 2013, as such agreement may be amended from time to time.

"Core Campus" means the real property described in the map attached to the Loan Agreement, except the following buildings and associated real property: (a) Building JH, Jesuit House and Chapel; (b) new buildings constructed on currently unimproved land, e.g., the proposed Performing Arts Center, or on land currently undeveloped or being used for other purposes; and (c) real property described on the map that is not presently owned by the University including those designated as Buildings BEA, BW, KC, MD, MX, RI, SAL, SAR and ST on the map.

"Cost of Issuance Fund" means such Fund created by the Indenture.

"Counsel" means an attorney at law or a firm of attorneys (who may be an employee of or counsel to the Authority, the University or the Trustee) duly admitted to the practice of law before the highest court of any state of the United States of America or of the District of Columbia.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the 2013 Bonds during the period of computation.

"Debt Service Coverage Ratio" means, with respect to any Long Term Debt for any period, Annual Debt Service with respect to such Long Term Debt for such period divided by Unrestricted Gross Revenues for such period.

"Debt Service Fund" means such Fund created by the Indenture.

"Declaration of Acceleration" means the written notice of the acceleration of the principal of the 2013 Bonds and the interest accrued thereon, given by the Trustee as provided in the Indenture.

"Default" or *"Event of Default"* means an occurrence or event specified in and defined by the Indenture.

"Determination of Taxability" means and shall be deemed to have occurred on the first to occur of the following:

(i) on that date when the University files any statement, supplemental statement or other tax schedule, return or document which discloses that an Event of Taxability shall have in fact occurred;

(ii) the delivery of written notice to the Authority, the Trustee and the University by a Bondowner or any former Bondowner declaring that an Event of Taxability has occurred on a specified date, and describing the Event of Taxability, such notice to become effective 30 days after the giving of the same unless prior thereto the University shall have delivered to the Trustee and any such Bondowner or former Bondowner, at the sole cost and expense of the University, an opinion from a nationally recognized bond counsel satisfactory to the Trustee to the effect that interest on the 2013A Bonds is excluded from gross income for federal income tax purposes; or

(iii) on that date when the University shall receive notice from the Bondowner or any former Bondowner that the Internal Revenue Service (or any other government official or agency exercising the same or a substantially similar function from time to time) has assessed as includable in the gross income of such Bondowner or such former Bondowner the interest on the 2013A Bonds due to the occurrence of an Event of Taxability;

provided, however, no Determination of Taxability shall occur under subparagraph (ii) or (iii) hereunder unless the University has been afforded the opportunity, at its expense, to contest any such assessment, and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined; *provided further, however,* that upon demand from the Bondowner or former Bondowner, the Authority shall promptly reimburse, but solely from payments made by the University, such Bondowner or former Bondowner for any payments, including any taxes, interest, penalties or other charges, such Bondowner (or former Bondowner) shall be obligated to make as a result of the Determination of Taxability.

"DTC" means The Depository Trust Company, New York, New York.

"Environmental Laws" means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to Hazardous Materials to which the University or any property owned by the University is subject.

"Event of Taxability" means a (i) change in law or fact or the interpretation thereof, or the occurrence or existence of any fact, event or circumstance (including, without limitation, the taking of any action by the University, or the failure to take any action by the University, or the making by the University of any misrepresentation herein or in any certificate required to be given in connection with the issuance, sale or delivery of the 2013A Bonds) which has the effect of causing interest paid or payable on the 2013A Bonds to become includable, in whole or in part, in the gross income of the Bondowner or any former Bondowner for federal income tax purposes or (ii) the entry of any decree or judgment by a court of competent jurisdiction, or the taking of any official action by the Internal Revenue Service or the Department of the Treasury, which decree, judgment or action shall be final under applicable procedural law, in either case, which has the effect of causing interest paid or payable on the 2013A Bonds to become includable, in whole or in part, in the gross income of the Bondowner or any former Bondowner for federal income tax purposes with respect to the 2013A Bonds.

"Exempt Person" means a state or local governmental unit or an organization exempt from federal income taxation under Section 501(a) of the Code by reason of being described in Section 501(c)(3) of the Code.

"Existing Obligations" means (a) the 2009 Bonds, (b) an interest rate swap transaction between the University and Bank of America, N.A. under an ISDA Master Agreement dated as of May 24, 2006, evidenced by a confirmation dated June 28, 2007, for a transaction with an effective date of October 1, 2012, and (c) unless and until terminated, the 2007B Swap.

"Expendable Net Assets" means the Unrestricted Net Assets, plus any portion of the University's assets designated as "Quasi-Endowment" by its Board of Trustees, plus net endowment gains shown as Temporarily Restricted Net Assets on the University's Audited Financial Statements.

"FDIC" means the Federal Deposit Insurance Corporation.

"Fiscal Year" means the fiscal year of the University, initially the period from June 1 through May 31 of each year.

"Fitch" means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and, if such corporation 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 designated by the University by notice to the Trustee.

"Fund" means any one or more of the separate special trust funds created by the Indenture.

"GAAP" means the generally accepted accounting principles applicable to colleges and universities.

"Government Obligations" means noncallable, direct, general obligations of the United States of America (including the obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or any obligations unconditionally guaranteed as to the full and timely payment of principal and interest by the full faith and credit of the United States of America. Obligations guaranteed as to payment of interest only are Government Obligations only with respect to such interest payments.

"Hazardous Materials" means dangerous, toxic or hazardous pollutants, contaminants, chemicals, waste, materials or substances (as defined in Environmental Laws), also any urea formaldehyde, polychlorinated biphenyls, asbestos, radioactive materials, explosives, carcinogens and petroleum products, or any other waste, material, substance, pollutant or contaminant the improper storage, disposal or release of which would subject the person so storing, disposing or releasing (or the owner of the property on which

such action occurs) to any damages, penalties or liabilities under any applicable law, regulation, requirement or rule.

"Indebtedness" means any obligation of the University for the payment of money to any Person, including without limitation (i) indebtedness for money borrowed, (ii) purchase money obligations, (iii) leases evidencing the acquisition of capital assets, (iv) reimbursement obligations, provided, however, that reimbursement obligations supporting credit or liquidity facilities shall not constitute Indebtedness until such time as a reimbursement payment becomes due and payable under the agreement entered into in connection with such reimbursement obligations, and (v) guarantees, but excluding (a) obligations under contracts for supplies, services and pensions allocable to current operating expenses during the current or future Fiscal Years in which the supplies are to be delivered, the services rendered, or the pensions paid, (b) rentals payable in the current or future Fiscal Years under leases not intended to evidence the acquisitions of capital assets and not required to be included under GAAP and (c) bonds or other indebtedness which have been legally defeased in accordance with their authorizing documents or are payable from any separate foundation.

"Indenture Act" means the Trust Indenture Act of 1939 (Act of August 3, 1939, 53 Stat. 1149, 15 U.S.C., Secs. 77aaa-77bbbb), as amended.

"Intercreditor and Collateral Agency Agreement" means the Fourth Amended and Restated Intercreditor and Collateral Agency Agreement dated as of December 1, 2013, as such agreement may further be amended from time to time.

"Interest Payment Date" means (a) April 1 and October 1 of each year, commencing April 1, 2014, or (b) any other date upon which interest on the 2013 Bonds of a series is due and payable, whether by maturity, acceleration, prior redemption, or otherwise.

"Issuance Costs" means all costs and expenses of issuance of the 2013 Bonds, including, but not limited to:

(a) underwriter's discount or fee;

(b) counsel fees and expenses, including bond counsel, underwriter's counsel, Authority's counsel and University's counsel, as well as any other specialized counsel fees incurred in connection with the issuance of the 2013 Bonds;

(c) financial advisor fees and expenses incurred in connection with the issuance of the 2013 Bonds;

(d) initial fees and expenses of the Trustee, including Trustee counsel fees and expenses, in connection with the issuance of the 2013 Bonds;

(e) costs of printing the Preliminary Official Statement and the Official Statement with respect to the 2013 Bonds;

(f) publication or copying costs associated with the financing proceedings relating to the 2013 Bonds; and

(g) initial fees and expenses, if any, of the Authority and Rating Agency relating to the 2013 Bonds.

"Issue Price" means "issue price" as defined in Section 1.148-8(c) of the Regulations and, generally, is the aggregate initial offering price to the public (excluding bond houses, brokers and other intermediaries

acting in the capacity of wholesalers or underwriters) at which a substantial amount of each maturity of 2013A Bonds is sold.

"Letter of Representations" means the Blanket Issuer Letter of Representations, signed by the Authority and accepted by DTC with respect to the immobilization of Authority bonds, including the 2013 Bonds.

"Loan" means the loan by the Authority to the University pursuant to the Loan Agreement in the aggregate principal amount of $53,000,000, plus interest thereon, to provide permanent financing for the Project.

"Loan Agreement" means the Loan Agreement among the Authority, the Trustee and the University dated as of December 1, 2013, as it may be supplemented or amended from time to time.

"Loan Agreement Default" means an occurrence or event specified in and defined by the Loan Agreement.

"Loan Documents" means the Loan Agreement, the Tax Certificates, the Continuing Disclosure Agreement and the 2013 Notes.

"Long Term Debt" means Indebtedness with a stated term greater than one year or with a term that may be extended beyond one year at the option of the University. For purposes of calculating the Expendable Net Assets, Annual Debt Service and the Debt Service Coverage Ratio, (i) the outstanding principal amount of any Bullet Indebtedness shall be assumed to become due and payable in equal installments in each Fiscal Year from the date of issuance of such Bullet Indebtedness to the final scheduled maturity of such Bullet Indebtedness (or, if later, the last date to which such Bullet Indebtedness has been authorized by the University to remain outstanding), and to bear interest at the rate for such Bullet Indebtedness, and (ii) any Indebtedness for which the University has received a written commitment from a financial institution to underwrite or provide refunding Indebtedness shall be assumed to become due and payable on the terms provided in such written commitment for such Indebtedness.

"Maximum Annual Debt Service" means the maximum amount of scheduled principal of (including mandatory sinking fund payments) and interest on Long Term Debt payable or accruing in the then-current or any future Fiscal Year.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the University by notice to the Trustee.

"Official Statement" means the official statement for the 2013 Bonds dated December 17, 2013.

"Outstanding" or "2013 Bonds Outstanding" in connection with the 2013 Bonds means, as of the time in question, all 2013 Bonds authenticated and delivered under the Indenture, except:

(a) 2013 Bonds theretofore cancelled or required to be cancelled under the Indenture;

(b) 2013 Bonds which are deemed to have been paid in accordance with the defeasance provisions of the Indenture; and

(c) 2013 Bonds in substitution for which other 2013 Bonds have been authenticated and delivered pursuant to the Indenture.

In determining whether the Registered Owners of a requisite aggregate principal amount of Outstanding 2013 Bonds have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of the Indenture, 2013 Bonds which are known by the Trustee to be owned by the University, the Authority, or any other obligor on the 2013 Bonds, or any affiliate of any one of said entities (for the purpose of this definition, an "affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person) shall be disregarded and deemed not to be Outstanding under the Indenture for the purpose of any such determination. For purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing. 2013 Bonds (in certificated form) so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such 2013 Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the University, the Authority, or any other obligor on the 2013 Bonds, or any affiliate of the foregoing. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of Counsel shall be full protection to the Trustee.

"Paying Agent" means the Trustee, its successors and assigns, unless the Trustee shall designate another entity as Paying Agent, with the consent of the Authority.

"Permitted Investments" means any of the following, to the extent permitted by law for the money held under the Indenture then proposed to be invested therein:

(a) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(1) U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership

(2) Farmers Home Administration (FmHA)
Certificates of beneficial ownership

(3) Federal Financing Bank

(4) Federal Housing Administration Debentures (FHA)

(5) General Services Administration
Participation certificates

(6) Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA - guaranteed mortgage-backed bonds
GNMA - guaranteed pass-through obligations

(7) U.S. Maritime Administration
Guaranteed Title XI financing

(8) U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures - U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(1) Federal Home Loan Bank System
Senior debt obligations

(2) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
Participation Certificates
Senior debt obligations

(3) Federal National Mortgage Association (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations

(4) Student Loan Marketing Association (SLMA or "Sallie Mae")
Senior debt obligations

(5) Resolution Funding Corp. (REFCORP) obligations

(6) Farm Credit System
Consolidated systemwide bonds and notes

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2 (including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other services).

(e) Interest-bearing negotiable certificates of deposit, interest-bearing time deposits, interest-bearing savings accounts or money market deposit accounts issued by or held in any commercial bank, savings and loan association or trust company (including the Trustee and any of their affiliates) whose unsecured short-term obligations are rated in Prime-1 or better by Moody's or A-1 or better by S&P or interest-bearing negotiable certificates of deposit, interest-bearing time deposits, interest-bearing savings accounts or money market deposit accounts issued by or held in any commercial bank, savings and loan association or trust company (including the Trustee and any of their affiliates) which are fully insured by FDIC or collateralized pursuant to the Office of the Comptroller of Currency requirements.

(f) Investment agreements, including guaranteed investment contracts and forward purchase agreements.

(g) Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P.

(h) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

(i) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.

(j) Repurchase Agreements for 30 days or less must follow the following criteria.

Repurchase agreements must provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

(i) Repos must be between the municipal entity and a dealer bank or securities firm:

a. Primary dealers on the Federal Reserve reporting dealer list which are rated "A" or better by S&P and Moody's, or

b. Banks rated "A" or above by S&P and "A3" or above by Moody's.

(ii) The written repo contract must include the following:

a. Securities which are acceptable for transfer are:

(1) Direct U.S. governments, or

(2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC).

b. The term of the repo may be up to 30 days.

c. The collateral must be delivered to the municipal entity, Trustee (if Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

d. Valuation of Collateral:

(1) The securities must be valued weekly, marked-to-market at current market price plus accrued interest, and

(2) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral decreases below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

(iii) A legal opinion must be delivered to the effect that the repo meets guidelines under Washington state law for legal investment of public funds.

"Person" means any natural person, firm, partnership, association, corporation, limited liability company, trust or public body.

"Pledged Revenues" means Unrestricted Gross Revenues to the extent pledged by the University under the Loan Agreement to the payment of amounts owed under the Loan and the Loan Agreement.

"Preliminary Official Statement" means the preliminary official statement for the 2013 Bonds, dated December 5, 2013.

"Principal Office" means (i) when used with respect to the Trustee, the agency office of the Trustee located in Seattle, Washington, at the address designated pursuant to the Indenture, provided that, with respect to the Bond Registrar and payments on the 2013 Bonds and any exchange, transfer or surrender of the 2013 Bonds, means c/o U.S. Bank National Association, 60 Livingston Avenue, St. Paul, Minnesota 55107 or such other or additional offices as may be specified to the Authority and the University with respect to either the Trustee or Bond Registrar; and (ii) when used with respect to any paying agent, means the office of such paying agent as designated by notice given by the Trustee to the Bondowners.

"Project Costs" means, to the extent authorized by the Code and the Act, any and all costs, including financing costs, incurred by the University with respect to the acquisition, design, construction, renovation, improvement, furnishing, equipping and refinancing (provided that refinancing is owed to persons who are not related to the University within the meaning of Section 144(a)(3) of the Code), as the case may be, of the Project Facilities, including, without limitation, any bond insurance premium, costs for site preparation, the planning of facilities and improvements, the acquisition of real property, interests in real property and tangible personal property, the removal or demolition of existing structures, acquisition, refinancing, rehabilitation or construction of housing and other facilities and improvements, and all other work in connection therewith, and all costs of 2013 Bond financing, including, without limitation, the cost of consulting, accounting and legal services, payment of principal of and interest on a construction loan, other expenses necessary or incident to determining the feasibility of the Project, contractors' and University's overhead and supervisors' fees and costs directly allocable to the Project, insurance premiums, costs of surveys and appraisals, administrative and other expenses necessary or incident to the development and the financing thereof (including reimbursement, if any, to any municipality, county or entity for expenditures made, with the approval of the Authority, for the Project), and all other costs approved by Bond Counsel, but excluding in all cases Issuance Costs.

"Project Facilities" means the facilities which are identified in an exhibit to the Loan Agreement and which are to be financed, in whole or in part, from the proceeds of the 2013 Bonds.

"Project Fund" means the Fund of that name established pursuant to the Indenture.

"Rating Agency" means Moody's and/or Fitch, or its successors and assigns or, if either such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized rating agency designated by the Authority, which maintains a rating on any of the 2013 Bonds.

"Rating Agency Surveillance Fee" means the annual fee, if any, of the Rating Agency to maintain a rating on any of the 2013 Bonds.

"Reasonably Required Reserve or Replacement Fund" means any fund described in Section 148(d) of the Code, provided that the amount thereof allocable to the 2013A Bonds that is invested at a Yield materially higher than the Yield on the 2013A Bonds does not exceed 10% of the proceeds of the 2013A Bonds, within the meaning of Section 148(d) of the Code.

"Rebate Amount" means the amount, if any, determined to be payable with respect to the 2013A Bonds by the Authority to the United States of America pursuant to Section 148 of the Code, calculated in accordance with the Tax Certificates.

"Rebate Fund" means the Fund of that name established pursuant to the Indenture.

"Record Date" means, except for payment of defaulted interest, the opening of business on the fifteenth day of the month preceding a scheduled Interest Payment Date. With respect to any payment of defaulted interest, a Special Record Date shall be established by the Trustee in accordance with the Indenture.

"Registered Owner" or *"Bondowner"* or *"Owner"* means the person or persons in whose name or names a 2013 Bond shall be registered on the books of the Bond Registrar kept for that purpose in accordance with the terms of the Indenture.

"Regulations" means the applicable proposed, temporary or final Income Tax Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

"Reserve or Replacement Fund" means any fund described in Section 1.103-13(g) of the Regulations or any amounts replaced by proceeds of the 2013A Bonds within the meaning of Section 148(a)(2) of the Code or any fund described in Section 1.148-8(d)(10) of the Regulations, including a Reasonably Required Reserve or Replacement Fund.

"Resolution" means Resolution No. 13-04, duly adopted and approved by the Authority on December 5, 2013, authorizing, *inter alia*, the issuance and sale of the 2013 Bonds and the execution of the Indenture.

"Revenues" means the amounts pledged under the Indenture to the payment of the principal of, redemption premium, if any, and interest on the 2013 Bonds, including the following: (a) money held in the Funds and Accounts (excluding the Cost of Issuance Fund and the Rebate Fund), together with investment earnings thereon received by the Trustee which the Trustee is authorized to receive, hold and apply pursuant to the terms of the Indenture; and (b) all income, revenues, proceeds, obligations, securities and other amounts received by the Trustee and derived from or in connection with the Loan or the Loan Documents, but excluding amounts payable as the Authority Fee, the Rating Agency Surveillance Fee, the Trustee Fee, the Rebate Amount or the fee for the calculation of the Rebate Amount and the indemnification or reimbursement of the Authority and the Trustee.

"S&P" means Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business, a New York corporation, and its successors and assigns.

"Sale Proceeds" means any amounts actually or constructively received from the sale (or other disposition) of any 2013A Bond, including amounts used to pay underwriter's discount or compensation and accrued interest other than pre-issuance accrued interest. Sale proceeds also include amounts derived from the sale of a right that is associated with any 2013A Bond and that is described in Section 1.148-4 of the Regulations.

"Security Agreement" means the Fourth Amended and Restated Security Agreement dated as of December 1, 2013, as further amended, restated, supplemented or otherwise modified from time to time.

"Special Record Date" means, with respect to the payment of any defaulted interest on the 2013 Bonds, a date fixed by the Trustee pursuant to the Indenture.

"State" means the state of Washington.

"Supplemental Indenture" means any agreement hereafter authorized and entered into between the Authority and the Trustee which amends, modifies or supplements and forms a part of the Indenture.

"Tax Certificates" means the University Tax Certificate and the Authority Tax Certificate.

"Trust Estate" means the property conveyed to the Trustee pursuant to the Granting Clauses of the Indenture.

"Trustee" means U.S. Bank National Association, or any successor trustee or co-trustee appointed in accordance with the terms of the Indenture.

"Trustee Fee" means, with respect to the 2013 Bonds, an amount payable on an annual basis on each October 1 in advance (except that the first payment accrued through the next annual payment date shall be made on Bond Closing for the 2013 Bonds) in accordance with the letter agreement dated May 22, 2013, between the Trustee and the University as amended from time to time, with respect to the payment of all fees and expenses.

"Underwriter" means Merrill Lynch, Pierce, Fenner & Smith Incorporated, as the initial purchaser of the 2013 Bonds.

"University" means The Corporation of Gonzaga University, a Washington nonprofit corporation and an organization described under Section 501(c)(3) of the Code, and its successors and assigns.

"University Representative" means the person or persons at the time designated by the University to act on behalf of the University by written certificate furnished to the Authority and the Trustee containing the specimen signature(s) of such person or persons.

"University Tax Certificate" means the Certificate Regarding Section 501(c)(3) Status and Use of Proceeds executed by the University of even date with the 2013A Bonds.

"Unrestricted Gross Revenues" means all money, fees and tuition (net of institutional financial aid and other discounts or waivers), rates, receipts, rentals, licensing fees, charges, issues and income received or derived by the University, the operation of the University, or its facilities or any other source whatsoever, as reported on the University's Audited Financial Statements of activities, including, without limitation, gifts, bequests, grants, devises, contributions, money received from the operation of the University's business or the possession of its properties, insurance proceeds or condemnation awards, and all rights to receive the same, whether in the form of accounts, accounts receivable, contract rights or other rights, and the proceeds of the same whether now owned or held or hereafter coming into being, but excluding gifts, grants, devises, bequests and contributions designated by the maker to a specific purpose inconsistent with their use for payment of principal of, premium, if any, and interest on Indebtedness or for payment of operating expenses of the University and further excluding any gifts, grants, devises, bequests or contributions received by any foundation or other legal entity created by but separate from the University. For purposes of calculating Unrestricted Gross Revenues with respect to the covenants contained in the Loan Agreement, "Unrestricted Gross Revenues" means the sum of the University's Unrestricted Total Operating Revenues plus the Unrestricted Net Assets Released from Restrictions in the Nonoperating Activities section of the University's Audited Financial Statements – Consolidated Statement of Activities. From and after such time as all of the Existing Obligations have been repaid in full or defeased, are no longer secured under the Intercreditor and Collateral Agency Agreement or their respective governing documents are amended to conform herewith, for purpose of Pledged Revenues, the definition of Unrestricted Gross Revenues will exclude revenues from facilities constructed or acquired after October 1, 2009, which revenues are pledged to obligations (other than bonds or Indebtedness having a parity lien on the Unrestricted Gross Revenues with the University's obligations under the Loan Agreement and/or the 2013 Bonds) incurred to finance such new facilities.

"Unrestricted Net Assets" means the University's Unrestricted Net Assets as reported on the University's audited statement of financial position, less (a) any amounts of Unrestricted Net Assets attributable to fixed assets, and (b) plus (i) the fair market value of any reserve fund held by a trustee with respect to Long Term Debt (but shall not include any other funds held by a trustee with respect to any Long Term Debt including any construction or project fund which does not constitute a debt service reserve), and (ii) any gifts, grants, bequests, donations and contributions which have been both received by the University and pledged to the repayment of Long Term Debt.

"Yield" means yield as determined in accordance with Section 148(h) of the Code, and generally, is the yield which, when used in computing the present worth of all payments of principal and interest to be paid on an obligation produces an amount equal to the Issue Price of such obligation.

"2007B Swap" means the interest rate swap transaction between the University and Bank of America, N.A., under an ISDA Master Agreement dated as of May 24, 2006, evidence by a confirmation dated June 11, 2007 for a transaction with an effective date of October 1, 2014.

"2009 Bonds" means the Authority's Revenue and Refunding Revenue Bonds (Gonzaga University Project), Series 2009.

"2009B Bonds" means the Authority's Refunding Revenue Bonds (Gonzaga University Project), Series 2009B.

"2010A Bonds" means the Authority's Refunding Revenue Bonds (Gonzaga University Project), Series 2010A.

"2012 Bonds" means the 2012A Bonds and the 2012B Bonds.

"2012A Bonds" means the Authority's Revenue Bonds (Gonzaga University Project), Series 2012A.

"2012B Bonds" means the Authority's Revenue Bonds (Gonzaga University Project), Series 2012B.

"2013 Bonds" means the 2013A Bonds and the 2013B Bonds.

"2013 Notes" means the 2013A Note and the 2013B Note.

"2013A Bonds" means one or more of the Revenue Bonds (Gonzaga University Project), Series 2013A of the Authority.

"2013A Note" means the promissory note executed by the University in favor of the Authority and assigned to the Trustee in connection with the issuance of the 2013A Bonds.

"2013A Project Account" means such Account created in the Project Fund under the Indenture.

"2013B Bonds" means one or more of the Taxable Revenue Bonds (Gonzaga University Project), Series 2013B of the Authority.

"2013B Note" means the promissory note executed by the University in favor of the Authority and assigned to the Trustee in connection with the issuance of the 2013B Bonds.

"2013B Project Account" means such Account created in the Project Fund under the Indenture.

THE INDENTURE

General

The Indenture sets forth the terms of the 2013 Bonds, the nature and extent of the security, the various rights of the Bondowners, the rights, duties and immunities of the Trustee and the rights and obligations of the Authority. Certain provisions of the Indenture are summarized below. Other provisions are described in this official statement under the captions "THE 2013 BONDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS."

Termination of Book-Entry System

In the event that DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained; or the Authority determines that the beneficial owners of the 2013 Bonds are able to obtain 2013 Bond certificates, the ownership of 2013 Bonds may be transferred to any person as provided in the Indenture, and the 2013 Bonds shall no longer be held in fully immobilized form. The Authority shall deliver a written request to the Bond Registrar, together with a supply of definitive 2013 Bonds, to issue 2013 Bonds as provided in the Indenture in any Authorized Denomination. Upon receipt of all then Outstanding 2013 Bonds by the Bond Registrar, together with a written request on behalf of the Authority to the Bond Registrar, new 2013 Bonds shall be issued in such denominations and series and registered in the names of such persons as are requested in such a written request. In the event that the 2013 Bonds are no longer held in fully immobilized form, the provisions of the Indenture described below will apply.

Payment of the interest on any 2013 Bonds shall be made only to or on the order of the Bondowner or his/her attorney duly authorized in writing as of the Record Date or, if applicable, Special Record Date established pursuant to the Indenture for such payment.

The registration of ownership of the 2013 Bonds may be transferred only in the Bond Register. Upon surrender for transfer of any 2013 Bonds at the Principal Office of the Bond Registrar duly endorsed for transfer or accompanied by an assignment duly executed, by the Registered Owner or his/her attorney duly authorized in writing, the Authority shall cause to be executed, and the Bond Registrar shall authenticate and deliver in the name of the transferee or transferees, a new 2013 Bond or 2013 Bonds in Authorized Denomination(s) in the aggregate principal amount, series, and maturity shown on the books and records of the Bond Registrar. The 2013 Bonds may be exchanged at the Principal Office of the Bond Registrar for 2013 Bonds of Authorized Denomination(s) and of the same series and maturity in the aggregate principal amount shown on the books and records of the Bond Registrar. The Authority shall cause to be executed and the Trustee shall authenticate and deliver 2013 Bonds which the Registered Owner making the exchange is entitled to receive, bearing numbers not then outstanding. The Bond Registrar shall not be required to transfer or exchange any 2013 Bonds after notice calling such 2013 Bonds for redemption has been given as provided in the Indenture, nor during the period between a Record Date and the next succeeding Interest Payment Date for such 2013 Bonds. The Authority and the Bond Registrar shall not charge Bondowners for any exchange or transfer of 2013 Bonds, except with respect to mutilated, lost, stolen or destroyed 2013 Bonds and except that in each case the Bond Registrar shall require the payment by Bondowners requesting exchange or transfer of any tax or other governmental charge required to be paid with respect thereto.

All notices of redemption shall be sent by first-class mail, postage prepaid, to the Authority and the Registered Owner of each 2013 Bond to be redeemed at the address of such Registered Owner as shown on the Bond Register. Neither the failure of a Bondowner to receive notice by mail nor any defect in any notice so mailed shall affect the validity of the proceedings for such redemption. Such notice shall state the redemption date, the redemption price, the place at which the 2013 Bonds are to be surrendered for payment, that from the redemption date interest on the 2013 Bonds to be redeemed will cease to accrue so long as funds for such payment are available to the Trustee, and, if less than all of the 2013 Bonds Outstanding of a series are to be redeemed, an identification of the 2013 Bonds or portions thereof to be redeemed and, if applicable, that such notice may be rescinded. Any notice mailed as described in this paragraph shall be conclusively presumed to have been duly given, whether or not the Bondowner receives such notice. The Trustee shall provide one additional notice of redemption to Bondowners in the event 2013 Bonds are not presented for payment within 60 days of the date fixed for redemption.

Establishment of Funds and Accounts

The Indenture creates a Project Fund (and within such Fund, the 2013A Project Account, the 2013B Project Account, the Capitalized Interest Account and the Holdback Account), a Cost of Issuance Fund, a Debt Service Fund and, if necessary, a Rebate Fund, all of which are to be held by the Trustee.

On the date of issuance and delivery of the 2013 Bonds, the Trustee will deposit the proceeds received from the sale of the 2013 Bonds, together with money, if any, received from the University, sufficient to pay Issuance Costs for the 2013 Bonds into the Cost of Issuance Fund, and will deposit the remainder of the 2013 Bond proceeds into the 2013A Project Account, the 2013B Project Account, the Capitalized Interest Account and the Holdback Account of the Project Fund.

Project Fund.

(1) 2013A Project Account. Proceeds of the 2013A Bonds deposited into the 2013A Project Account will be held by the Trustee in trust to pay Project Costs and will be applied or disbursed in accordance with the Indenture and the Loan Agreement. Amounts, if any, remaining in the 2013A Project Account on October 15, 2016 will be transferred to the Debt Service Fund on December 1, 2016 (unless those dates are extended pursuant to the Loan Agreement) and used to redeem 2013A Bonds in accordance with the Indenture. Unless there has been an extension of the prepayment date as provided in the Loan Agreement, no Funding Requisition for the 2013A Bonds will be honored after October 15, 2016.

(2) 2013B Project Account. Proceeds of the 2013B Bonds deposited into the 2013B Project Account will be held by the Trustee in trust to pay Project Costs and to pay costs of terminating the 2007B Swap and will be applied or disbursed in accordance with the Indenture and the Loan Agreement. Amounts, if any, remaining in the 2013B Project Account on October 15, 2018 will be transferred to the Debt Service Fund on December 1, 2018 (unless those dates are extended pursuant to the Loan Agreement) and used to redeem 2013B Bonds in accordance with the Indenture. Unless there has been an extension of the prepayment date as provided in the Loan Agreement, no Funding Requisition for the 2013B Bonds will be honored after October 15, 2018.

(3) Capitalized Interest Account. Proceeds of the 2013A Bonds deposited into the Capitalized Interest Account will be held by the Trustee in trust and transferred from the Capitalized Interest Account on or before each Interest Payment Date to the Debt Service Fund to pay all or a portion of the scheduled interest payments on the 2013A Bonds beginning on April 1, 2014, through June 30, 2015. Amounts, if any, remaining in the Capitalized Interest Account after such date shall be transferred to the 2013A Project Account and may be requisitioned and disbursed as set forth in the Indenture.

(4) Holdback Account. Proceeds of the 2013A Bonds deposited in the Holdback Account be retained in the Holdback Account until receipt of confirmation from the Authority that, based solely on the information provided by the Trustee with respect to the dates on which 2013A Bond proceeds have been disbursed, a spending exception from arbitrage rebate has been met with respect to the proceeds of the 2013A Bonds used to finance capital projects. Following such confirmation, amounts in the Holdback Account will be transferred to the 2013A Project Account and may be requisitioned and disbursed as set forth in the Indenture. If a spending exception from arbitrage rebate cannot be met, upon direction from the

Authority, the Trustee will transfer the amount necessary to pay any Rebate Amount from the Holdback Account to the Rebate Fund. Any excess funds on deposit in the Holdback Account will thereafter be transferred to the 2013A Project Account and may be requisitioned and disbursed as set forth in the Indenture. All earnings on the Holdback Account will be transferred to and retained in the 2013A Project Account. Following the disbursement of all amounts in the Holdback Account, such Holdback Account shall be closed.

Upon completion of such disbursements, the Trustee will close the Project Fund and the accounts therein.

Cost of Issuance Fund. Money on deposit in the Cost of Issuance Fund will be applied to pay Issuance Costs. Any proceeds of the 2013A Bonds or the 2013B Bonds remaining in the Cost of Issuance on the 180th day following Bond Closing is to be transferred to the 2013A Project Account or the 2013B Project Account, respectively, and may be requisitioned and disbursed as set forth in the Indenture and the Cost of Issuance Fund will be closed. The Cost of Issuance Fund may be reopened if required upon the issuance of Additional Bonds and closed again by the 90th day thereafter.

Debt Service Fund. The Trustee is to deposit into the Debt Service Fund (i) money, if any, representing accrued interest at Bond Closing; (ii) money received with respect to principal and interest from the University under the 2013 Notes including amounts on deposit with the Trustee pursuant to the Loan Agreement; (iii) investment earnings on the money therein; and (iv) any other Revenues collected by the Trustee and available to pay principal of or interest on the 2013 Bonds, including amounts transferred from the Cost of Issuance Fund, in an amount sufficient to pay the principal of, and premium, if any, and interest becoming due and payable on the 2013 Bonds on the next Interest Payment Date. Money on deposit in the Debt Service Fund is to be applied solely to pay principal of, and premium, if any and interest becoming due and payable on the 2013 Bonds on the next Interest Payment Date, at scheduled maturity, upon acceleration or by prior redemption.

Rebate Fund. If the Trustee receives amounts determined in accordance with the Tax Certificates, the Trustee is to establish a Rebate Fund and deposit such amounts therein. The Trustee is to withdraw such amounts to pay the Rebate Amount required to be paid to the United States of America in accordance with the Tax Certificates.

Additional Bonds; Additional Indebtedness

Without the consent of or notice to the Bondowners, the Authority may issue additional bonds ("Additional Bonds") having a parity of lien on the Trust Estate at the request of the University with prior written confirmation from the Rating Agency that the rating on the 2013 Bonds will not be reduced or withdrawn solely as a result of the issuance of any such Additional Bonds. If Additional Bonds are issued pursuant to the Indenture, all references in the Indenture to the 2013 Bonds will be deemed to refer to the 2013 Bonds and any Additional Bonds. Nothing in the Indenture precludes the Authority from issuing additional bonds having a subordinate lien on the Trust Estate or which are separately secured under a different indenture, regardless of the effect of such issuance on the ratings of the 2013 Bonds.

Authority Covenants

The Authority has covenanted:

In General: That it will observe and perform all the covenants, conditions and requirements of the Indenture.

No Extension: That it will not directly or indirectly extend or assent to the extension of maturity of any 2013 Bonds or the time of payment of any interest thereon without the consent of the Owners of all Outstanding 2013 Bonds.

Other Liens: That it will not create, or knowingly permit the creation of, any pledge, lien, charge or other encumbrance upon the Trust Estate or the Loan Documents while any of the 2013 Bonds are Outstanding, except as permitted under the Loan Documents and in the Intercreditor and Collateral Agency Agreement.

Tax Covenants

The Authority will not use or knowingly permit the use of any proceeds of the 2013A Bonds or any other funds of the Authority, directly or indirectly, in any manner, and will not take or permit to be taken any other action or actions, which would result in any of the 2013A Bonds being treated as an obligation not described in Section 103(a) of the Code. So long as any of the 2013A Bonds remain Outstanding, money on deposit with the Trustee under the Indenture, whether derived from proceeds of the sale of the 2013A Bonds or from any other source, will not knowingly be used in a manner which will cause the 2013A Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and any regulations proposed or promulgated thereunder; provided, however, that the Authority and the Trustee will rely upon certain certificates of the University as to arbitrage. The Authority will pay, or cause to be paid, from amounts provided by the University, the Rebate Amount, if any, to the United States of America at the times and in the amounts necessary to meet the requirements of the Code to maintain federal income tax exemption for interest payments on the 2013A Bonds, in accordance with the Tax Certificates. Within 30 days after the end of every fifth Bond Year, and within 55 days after the date on which no 2013A Bonds are Outstanding, the University will cause the Rebate Analyst to deliver to the Trustee and the Authority a certificate stating whether any rebate payment is required to be made, as set forth in the Tax Certificates, and the University will deliver to the Trustee any amount so required to be paid. The Trustee will provide notice to the University, with a copy of the Authority, 30 days prior to the due date of any such certificate is due and will provide notice to the Authority if such certificate is not received within 10 days after the due date.

Defaults; Events of Default

If any of the following events occurs, it is defined as and declared to be and to constitute a Default and an Event of Default:

(1) Failure to make payment of interest upon any 2013 Bond when the same has become due and payable;

(2) Failure to make due and punctual payment of the principal of or premium, if any, on any 2013 Bond, whether at the stated maturity thereof, upon proceedings for redemption thereof, or upon the maturity thereof by declaration;

(3) Any material representation or warranty made by the Authority in the Indenture or the 2013 Bonds is determined by the Trustee to have been untrue when made or any failure by the Authority to observe and perform any covenant, condition or agreement on its part to be observed and performed under the Indenture or the 2013 Bonds, other than as referred to in (1) or (2) above, continues for a period of 60 days after written notice specifying such breach or failure and requesting that it be remedied, is given to the Authority, and the Bondowners by the Trustee or to the Authority and the Trustee or the Registered Owners of not less than a majority in aggregate principal amount of the 2013 Bonds then Outstanding, unless (i) the Trustee agrees in writing to an extension of such time prior to its expiration or (ii) if the breach or failure is such that it cannot be corrected within the applicable period, corrective action is instituted by the Authority within the applicable period and is being diligently pursued; and

(4) the occurrence of any Loan Agreement Default.

Acceleration of Maturity

Upon the occurrence of an Event of Default, the Trustee, in its sole discretion, may declare the principal of all Outstanding 2013 Bonds and the interest accrued thereon to be due and payable immediately upon the occurrence of such Event of Default.

The Trustee is to declare the principal of all Outstanding 2013 Bonds and the interest accrued thereon to be due and payable immediately after the occurrence of any Event of Default described in (1), (2) or (4) under "Defaults; Events of Default" above at the written request of the Owners of not less than 25% in aggregate principal amount of Outstanding 2013 Bonds, or after the occurrence of any Event of Default described in (3) under "Defaults; Events of Default" above at the written request of the Owners of not less than 51% in aggregate principal amount of Outstanding 2013 Bonds.

Any acceleration of the 2013 Bonds and the interest accrued thereon by the Trustee in the circumstances described above will be made by giving to the Authority and the University a Declaration of Acceleration, which Declaration of Acceleration will state that the principal of all Outstanding 2013 Bonds will become due and payable on the Acceleration Date (which shall not be later than 30 days after the date of the Declaration of Acceleration), together with all interest accrued on such Outstanding 2013 Bonds to such Acceleration Date.

Upon giving of any Declaration of Acceleration to the Authority and the University, the Trustee will give written notice of such Declaration of Acceleration and its consequences to the Owners in the same manner and with the same effect as a notice of redemption, except that (i) the notice of acceleration will be mailed no more than two Business Days after the date upon which the Trustee gives the Declaration of Acceleration, and (ii) interest will cease to accrue on the 2013 Bonds after the Acceleration Date (which is to be disclosed in the notice), if amounts are available on such date for the payment of principal of and interest to such date on the 2013 Bonds.

Any acceleration of the 2013 Bonds is subject to the condition that if, at any time after such Declaration of Acceleration and before the Acceleration Date, the Authority or the University deposits with the Trustee a sum sufficient to pay all the overdue principal of and interest on the 2013 Bonds, with interest on such overdue principal at the rate(s) borne by the respective 2013 Bonds, and the reasonable charges and expenses of the Trustee (including those of its Counsel), and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the 2013 Bonds which become due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then the Owners of not less than a majority in aggregate principal amount of Outstanding 2013 Bonds may rescind and annual such declaration and its consequences and waive such default on behalf of all the Owners, by written notice to the Authority, the University and the Trustee; provided that no such rescission and annulment will extend to or affect any subsequent default, or will impair or exhaust any right or power consequent thereon.

Enforcement of Covenants and Conditions

Upon the occurrence of any Event of Default described in (3) under "Defaults; Events of Default" above which has not been waived as permitted by the Indenture, and subject to indemnification provisions of the Indenture, the Trustee may, at its discretion or shall, upon the written request of the Owners of not less than a majority in aggregate principal amount of Outstanding 2013 Bonds, commence and prosecute appropriate legal or equitable proceedings, to compel the Authority to perform such obligations.

Upon the occurrence of any Event of Default which has not been waived as permitted by the Indenture, the Trustee may at its discretion or shall, at the written request of the Owners of not less than a majority in aggregate principal amount of Outstanding 2013 Bonds, proceed forthwith by suit(s) at law or in equity or by any other appropriate remedy to enforce payment of the 2013 Bonds; to enforce application to such payment of the funds, revenues and income appropriated thereto by the Indenture and by the 2013 Bonds; to enforce the assigned rights of the Authority under the Loan Agreement and the 2013 Notes; the enforce the security interests granted in the Loan Agreement and the 2013 Notes in accordance with the applicable laws of the State; to pursue all remedies of a secured creditor under the applicable laws of the State; and to enforce any such other appropriate legal or equitable remedy as the Trustee, being advised by counsel, deems most effectual to protect and enforce any of its rights or any of the rights of the Owners of the 2013 Bonds. Notwithstanding the foregoing, the Trustee need not proceed upon any such written request by the Owners of the Outstanding 2013 Bonds, unless such Owners have offered the Trustee security and indemnity satisfactory to it against fees, costs, expenses and liabilities to be incurred therein or thereby.

Limitation on Rights and Remedies of Bondowners

No Bondowner will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy thereunder unless (1) an Event of Default has occurred of which the Trustee has been notified, (2) the Registered Owners of not less than a majority in aggregate principal amount of 2013 Bonds then Outstanding have made written request to the Trustee, have offered the Trustee reasonable opportunity either to proceed to exercise the powers therein granted or to institute such action, suit or proceeding in its own name, and have offered to the Trustee indemnity satisfactory to the Trustee as provided in the Indenture, and (3) the Trustee shall for a period of 60 days thereafter fail or refuse to exercise the powers therein granted, or to institute such action, suit or proceeding in its own name as Trustee; and such notification, request and offer of opportunity and indemnity are declared in every case to be conditions precedent to the execution of the powers and trusts of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy thereunder. No one or more Bondowners will have any right in any manner whatsoever to enforce any right under the Indenture except in the manner therein provided, and all proceedings at law or in equity are to be instituted, had and maintained in the manner therein provided and for the equal and ratable benefit of the Owners of all 2013 Bonds then Outstanding. Nothing in the Indenture, however, affects or impairs the right of any Bondowner to enforce the payment of the principal of, and premium, if any, and interest on, any 2013 Bonds at and after the maturity thereof.

Termination of Proceedings

In case the Trustee or the Owners of the 2013 Bonds shall have proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adverse to the Trustee or the Owners of the 2013 Bonds, then the Authority, the University, the Trustee and the Bondowners will be restored to their former positions and rights under the Indenture, respectively, and all rights, remedies and powers of the Trustee will continue as if no such proceedings had been taken.

Waivers of Events of Default

The Trustee may, in its discretion, waive any Event of Default under the Indenture and rescind its consequences and shall do so upon the written request of the Bondowners of not less than a majority in aggregate principal amount of all 2013 Bonds then Outstanding; provided, however, that there shall not be waived (a) any Event of Default in the payment of the principal of any Outstanding 2013 Bonds when due (whether at maturity or by redemption or as a result of acceleration) or (b) any Event of Default in the payment when due of the interest on any such 2013 Bonds, unless prior to such waiver and rescission all arrears of interest and all arrears of principal when due, as the case may be, together, in either case, with the money due and owing to the Trustee, including reasonable attorneys' fees paid or incurred, shall have been paid or provided for, and the Bondowners of all 2013 Bonds then Outstanding approve such waiver. Notwithstanding any provisions of the Indenture to the contrary, any declaration of acceleration (described in "Acceleration of Maturity" above) made at the request of the Bondowners of 25% or more in aggregate principal amount of the 2013 Bonds then Outstanding shall not be waived except as they may be annulled pursuant to such provisions of the Indenture. In the case of any such waiver and rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Authority, the Trustee and the Registered Owners will be restored to their former positions and rights under the Indenture, respectively, but no such waiver and rescission will extend to any subsequent or other default, or impair any right consequent thereon. All waivers under the Indenture must be in writing.

Removal of the Trustee; Resignation

Prior to an Event of Default, the Authority may, and upon direction of the University shall, remove the Trustee at any time with or without cause. If an Event of Default has occurred and is then continuing, the Authority shall remove the Trustee only (i) for cause or, (ii) if requested to do so by an instrument or concurrent instruments in writing signed by the Bondowners of not less than a majority in aggregate principal amount of the 2013 Bonds then Outstanding (or their attorneys duly authorized in writing) or (iii) if at any time the Trustee ceases to be eligible in accordance with the Indenture, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation; in each case by giving written notice of such removal to the Trustee, the University and the Authority, as applicable, and the Authority thereupon is required to appoint a successor Trustee by an instrument in writing. The Trustee may at any time resign by giving 60 days' written notice of such resignation to the Authority and the University, by registered or certified mail or by overnight courier service. Upon receiving such notice of resignation, the Authority is required to promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of the Trustee and appointment of a successor Trustee will only become effective upon acceptance of appointment by the successor Trustee.

Indenture Amendments Requiring Consent of Bondowners

The Indenture and the rights and obligations of the Authority, the Bondowners and the Trustee may be modified or amended at any time by a Supplemental Indenture which will become effective when signed by the parties to the Indenture and the written consents of the Registered Owners of 51% or more of the aggregate principal amount of 2013 Bonds Outstanding have been filed with the Trustee; provided, that if such modification or amendment will, by its terms, not take effect so long as any 2013 Bonds remain Outstanding, the consent of the Registered Owners of such 2013 Bonds will not be required and such 2013 Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding 2013 Bonds. No such modification or amendment shall (a) extend the fixed maturity of any 2013 Bond, or reduce the amount of principal thereof or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Registered Owner of each 2013 Bond so affected, or (b) reduce the aforesaid percentage of the aggregate principal amount of 2013 Bonds then Outstanding the consent of the Registered Owners of which is required to effect any such modification or amendment, or (c) permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Bondowners of the lien created by the Indenture upon such Revenues and other assets (except as summarized in subsection (9) under "Indenture Amendments Not Requiring Consent of Bondowners" below and as otherwise expressly provided in the Indenture or the Loan Agreement), without the consent of the Bondowners of all of the 2013 Bonds then Outstanding.

Indenture Amendments Not Requiring Consent of Bondowners

The Indenture and the rights and obligations of the Authority, the Bondowners and the Trustee may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Bondowners, when signed by the parties thereto which amendment will become effective upon execution (or such later date as may be specified in such Supplemental Indenture), but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the 2013 Bonds, or, except as provided in the Indenture, to surrender any right or power therein reserved to or conferred upon the Authority, provided, that no such covenant, agreement, pledge, assignment or surrender will materially adversely affect the interests of the Bondowners;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority may deem necessary or desirable and not inconsistent with the Indenture, and which will not materially adversely affect the interests of the Bondowners;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Indenture Act or any similar federal statute thereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which will not materially adversely affect the interests of the Bondowners;

(4) to modify, amend or supplement the Indenture in any other way which will not materially adversely affect the interests of the Bondowners;

(5) to provide for the delivery of 2013 Bonds in fully certificated form;

(6) to comply with state or federal securities laws;

(7) to modify, amend or supplement the Indenture in any other way necessary to preserve the exclusion of interest on the 2013A Bonds from gross income for federal income tax purposes;

(8) to provide for the issuance of Additional Bonds or additional indebtedness as described in the Indenture; or

(9) to provide for the substitution of the Revenues and Pledged Revenues and all other property and collateral pledged under the Indenture to the Trust Estate, with an obligation issued pursuant to a master trust indenture of the University; provided, that any such substitution shall be accompanied by a Rating Agency conformation of the rating of the 2013 Bonds and an opinion of Bond Counsel that such substitution shall not adversely affect the exclusion from gross income for federal tax purposes of interest on the 2013A Bonds.

Consent of University to Supplemental Indentures

A Supplemental Indenture which adversely affects any rights of the University in any manner not contemplated by the Loan Documents shall not become effective unless and until the University shall have consented in writing to the execution and delivery of such Supplemental Indenture.

Trustee Consent with Respect to Release of Collateral

Upon the request of the University, without the consent of the Bondowners, the Trustee and the Authority shall execute an instrument releasing or subordinating any lien, security interest or encumbrance in favor of the 2013 Bonds on any collateral securing the 2013 Bonds as expressly provided, and to the extent permitted, in the Indenture, the Loan Agreement, the Intercreditor and Collateral Agency Agreement and the other Loan Documents. The Trustee may charge the University a customary processing fee in connection with any request for execution of a document or instrument of subordination and the University is to pay any reasonable legal fees and costs incurred by the Trustee related thereto.

Amendments to Loan Documents Not Requiring Consent of Bondowners

Subject to the provisions of the Indenture requiring delivery of an opinion of Bond Counsel, but without the consent of or notice to any of the Bondowners, the Trustee and the respective parties thereto may enter into any amendment, change or modification of the Loan Documents in connection with (a) carrying out the provisions of the Loan Documents, the Intercreditor and Collateral Agency Agreement or the Indenture, (b) curing any ambiguity or formal defect or omission, (c) adding any additional rights acquired in accordance with the provisions of the Loan Documents, (d) modifying the provisions of the Continuing Disclosure Agreement deemed necessary or advisable, in the opinion of Bond Counsel, in order to comply with the requirements of federal or state securities laws, or (e) any other change therein which is not to the material prejudice of the Trust Estate or the Bondowners of the 2013 Bonds, it being understood that in making a determination under (e) above, the Trustee may rely on the advice of Counsel. The Authority and the Trustee, without the consent of or notice to any of the Bondowners are required to enter into any amendment, change or modification of the Loan Documents as may be necessary, in the opinion of Bond Counsel to comply fully with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated by the Department of the Treasury or the Internal Revenue Service pertaining to obligations issued under Section 145 of the Code.

Amendments to Loan Documents Requiring Consent of Bondowners

Except for the amendment, changes or modifications as provided above in "Amendments to Loan Documents Not Requiring Consent of Bondowners," and subject to the provisions of the Indenture requiring delivery of an opinion of Bond Counsel, neither the Authority nor the University shall enter into any other amendment, change or modification of the Loan Documents without mailing of notice and the written approval or consent of the Bondowners of not less than 51% or more of the aggregate principal amount of 2013 Bonds then Outstanding; provided, however, that nothing in this paragraph or above in "Amendments to Loan Documents Not Requiring Consent of Bondowners" will permit or be construed as permitting (a) an extension of the time of the payment of any amounts payable under the Loan Agreement or the 2013 Notes, or (b) a reduction in the amount of any payment or in the total amount due under the 2013 Notes without the consent of the Bondowners of all 2013 Bonds then Outstanding.

Defeasance

If the Authority pays or causes to be paid, or makes provisions for payment of, the principal of, premium, if any, and interest due or to become due on the 2013 Bonds at the times and in the manner stipulated therein, and if the Authority has observed all the covenants and promises in the 2013 Bonds and in the Indenture to be observed on its part, and pays to the Trustee all money due or to become due according to the provisions of the Indenture, the Indenture and the lien, rights, estate and interests created thereby will cease, terminate and become null and void (except as to any rights of registration, transfer or exchange of 2013 Bonds provided for in the Indenture).

Any 2013 Bond or portions thereof in Authorized Denominations shall, prior to the maturity or redemption thereof, be deemed to be paid and defeased within the meaning of the Indenture when:

(1) payment of the principal of, and premium, if any, on such 2013 Bonds or portion thereof, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the Indenture, or otherwise), either: shall have been made or caused to be made in accordance with the terms of the Indenture or shall have been provided for, by irrevocably depositing with the Trustee, in trust, and irrevocably setting aside exclusively for such payment any combination of money which shall be sufficient to make such payment when due and/or non-prepayable Government Obligations purchased with such money maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient money to make such payment;

(2) the Trustee, not less than five Business Days prior to such defeasance, shall have received a certificate from a firm of certified public accountants to the effect that the money so deposited will be sufficient, without reinvestment, to pay debt service on all 2013 Bonds to be paid with the deposit described in (1) above to the due date thereof;

(3) all necessary and proper fees, compensation and expenses of the Trustee pertaining to the 2013 Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee; and

(4) the Trustee shall have received an opinion of Bond Counsel to the effect that all of the requirements of the Indenture for defeasance have been complied with.

At such time as a 2013 Bond or portion thereof shall be deemed to be paid under the Indenture, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of provisions relating to registration, transfer, exchange, replacement, and nonpresentment and shall be payable only from such money or Government Obligations.

THE LOAN AGREEMENT

Loan; Payments

Under the Loan Agreement, the Authority agrees to make the Loan to the University in an amount equal to the aggregate principal amount of the 2013 Bonds and the University agrees to repay the Loan in the amounts and at the times necessary to pay amounts due on the 2013 Bonds.

The University will pay, in accordance with the 2013A Note and the 2013B Note, in the repayment of the Loan, to the Trustee until the principal of, premium (if any) and interest on the 2013A Bonds and the 2013B Bonds, respectively, have been paid or provision for payment has been made in accordance with the Indenture, the following amounts:

(1) On or before 4:00 p.m. Seattle time on the fifth Business Day immediately before each Interest Payment Date the principal and mandatory sinking fund payments, if any, becoming due on the 2013 Bonds on such Interest Payment Date until such time as the principal amount of 2013 Bonds is paid in full; provided, that such amounts are to take into account amounts on deposit in or to be transferred to the Debt Service Fund representing investment earning and funds held under the Indenture; and

(2) On or before 4:00 p.m. Seattle time on the fifth Business Day immediately before each Interest Payment Date the interest becoming due on the 2013 Bonds on such Interest Payment Date until such time as all principal of and interest on the Outstanding 2013 Bonds is paid in full; provided, that

such amounts are to take into account amounts on deposit in or to be transferred to the Debt Service Fund representing investment earnings on funds held under the Indenture.

Prepayment

The Loan is subject to optional and mandatory prepayment under the Loan Agreement upon the same terms and in the same amounts as the 2013 Bonds are subject to optional and mandatory redemption.

Tax Covenants

The University and Authority covenant that they will not take, or omit to take, any action that will adversely affect the exclusion from gross income for federal income tax purposes of interest paid on the 2013A Bonds, and, in the event of such action or omission, will use all reasonable efforts to cure the effect of such action or omission.

Maintenance, Operation and Use of the Project Facilities

(1) The University will use its best efforts to cause its campus to be maintained in good condition and repair, will maintain, operate and use the Project Facilities, during the useful life thereof, as an integral part of the University's business as a post secondary education institution and will honor all valid restrictions on the uses to which such facilities may be subject so long as the Project Facilities are owned by the University and will not alienate, sell, convey or transfer Project Facilities unless it provides to the Trustee and the Authority an Opinion of Bond Counsel to the effect that such alienation, sale, conveyance or transfer will not cause interest on the 2013A Bonds to be included in the gross income of the Owners thereof for federal income tax purposes.

(2) The University will not use the Project Facilities, during the useful life thereof (irrespective of whether the 2013 Bonds are at the time Outstanding), for sectarian instruction or as a place of religious worship or primarily in connection with any part of the program of any school or department of divinity.

Negative Pledge

(1) The University may encumber its Pledged Revenues by a lien which is equal to the lien thereon made under the Loan Agreement only upon compliance with the conditions of the Loan Agreement with respect to the issuance of additional Indebtedness.

(2) Neither the Authority nor the University may create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Core Campus, except the following permitted encumbrances (the "Permitted Encumbrances"):

(A) undetermined liens and charges incident to construction, renovation or maintenance on the Core Campus and liens and charges incident to construction or maintenance now or hereafter filed of record which are being contested in good faith and have not proceeded to judgment, provided that the University has set aside adequate reserves with respect thereto;

(B) the lien of taxes and assessments that are not delinquent or which are being contested in good faith and have not proceeded to judgment;

(C) easements, exceptions, reservations or other agreements for the purpose of pipelines, conduits, cables, radio, television, telegraph, telephone and power lines, and substations, roads, streets, alleys, highways, equestrian trails, walkways, drainage, irrigation, water and sewage courses, dikes, canals, culverts, laterals, ditches, the removal of water or oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment which in the aggregate do not materially impair the value or the use of such property for the purposes for which is it or may reasonably be expected to be held;

(D) rights reserved to or vested in any municipality or governmental or other public authority to control or regulate or use in any manner any portion of the Core Campus which do not materially impair the use of the Core Campus for the purpose for which it is or may reasonably be expected to be held;

(E) present or future valid zoning laws and ordinances or other valid laws restricting the occupancy, use or enjoyment of real property;

(F) covenants, restrictions and conditions prohibiting use of the Core Campus for sectarian instruction, religious worship or for a school or department of divinity of any religious denomination;

(G) the rights of the Authority and the Trustee under the Loan Agreement;

(H) liens on any property or assets owned by the University existing on the date of the Indenture;

(I) liens on property of a corporation, partnership or other entity existing at the time that such corporation, partnership or other entity is merged into the University, or at the time of a purchase, lease or other acquisition of the property of a corporation, partnership or other entity substantially as an entirety by the University, whether or not any Indebtedness secured by such lien is assumed by the University;

(J) liens arising in connection with bonds relating to workers compensation, unemployment insurance, bids, trade contracts (other than for borrowed money) and leases, arising in connection with appeal on release bonds and incident to the conduct of business or operation of property or assets and not incurred in connection with the obtaining of any advance of credit;

(K) liens arising by operation of law in favor of any lender to the University in the ordinary course of business constituting a banker's lien or right of offset in money of the University deposited with such lender in the ordinary course of business;

(L) liens on property received by the University through gifts, grants or bequests;

(M) any lien in favor of a trustee on the proceeds of an Indebtedness prior to the application thereof;

(N) any lien arising by reason of the escrow established to pay debt service with respect to Indebtedness; and

(O) liens arising in connection with the lease of all or any portion of the University Center or any other facility financed with the proceeds of the 2013B Bonds to any Person.

(3) Subject to the limitations set forth in (1) and (2) above (so long as such subparagraphs apply to the University), the Authority expressly reserves the right in the Loan Agreement to enter into one or more other indentures for any of its corporate purposes, including other programs under

the Act, and reserves the right to issue other obligations for such purposes, and the University reserves the right to incur additional debt and to encumber the Pledged Revenues as described under "Indebtedness; Additional Indebtedness" below (so long as such paragraph applies to the University). Notwithstanding anything in the Loan Agreement to the contrary, the University therein reserves the right to pledge its property which is not a part of the Core Campus and to encumber its Pledged Revenues with a lien subordinate to the lien of the 2013 Bonds.

From and after such time as all of the Existing Obligations, the 2009B Bonds, the 2010A Bonds and the 2012 Bonds have been repaid in full or defeased, are no longer secured under the Intercreditor and Collateral Agency Agreement or their respective governing documents are amended to conform with the Loan Agreement, the provisions of the Loan Agreement summarized in this section will be deleted in its entirety and will no longer apply to the University.

Indebtedness; Additional Indebtedness

(1) Except as provided in (2) below, the University will not issue, incur, assume, create or have outstanding any Indebtedness; provided, however, that the foregoing shall not operate to prevent:

(A) Acquiring goods, supplies or merchandise in the normal course of business;

(B) Endorsing negotiable instruments received in the normal course of business;

(C) Indebtedness in existence on the date of the Loan Agreement disclosed in writing to the Authority and the Trustee, including the Indebtedness relating to the 2009 Bonds, the 2009B Bonds, the 2010A Bonds and the 2012 Bonds; and

(D) Additional Indebtedness that does not exceed an aggregate principal amount of $1,000,000 outstanding at any time.

(2) The University may issue, incur, assume or create additional Indebtedness notwithstanding the prohibitions in (1) above or as described in "Negative Pledge" above, if it shall have provided to the Trustee and the Rating Agency certificates to the effect that upon issuance of such additional Indebtedness and taking such additional Indebtedness into account (but only if such Indebtedness is Long Term Debt), (i) the Debt Service Coverage Ratio (computed using the Unrestricted Gross Revenues as set forth in the Audited Financial Statements for the most recent Fiscal Year) will not be greater than 0.10:1.0: for such Fiscal Year; and (ii) the covenants described in "Debt Covenants" below will continue to be met.

From and after such time as all of the Existing Obligations, the 2009B Bonds, the 2010A Bonds and the 2012 Bonds have been repaid in full or defeased, are no longer secured under the Intercreditor and Collateral Agency Agreement or their respective governing documents are amended to conform with the Loan Agreement, the provisions of the Loan Agreement summarized in this section will be deleted in its entirety and will no longer apply to the University.

Debt Covenants

(1) Expendable Net Asset Ratio. The University has covenanted that as of the last date of each Fiscal Year, it will maintain Expendable Net Assets equal to at least 50% of the aggregate outstanding principal amount of Long Term Debt. Failure to maintain this ratio will constitute an Event of Default under the Loan Agreement if such failure is not caused by general market conditions (as evidenced by an officer's certificate provided by the University to the Trustee stating that such failure is caused by general market

conditions and requesting that such failure not be considered an Event of Default under the Loan Agreement) or cured within the next 60 days.

(2) Debt Service Coverage Ratio. The University will not permit the Debt Service Coverage Ratio to exceed 0.10:1.0.

From and after such time as all of the Existing Obligations, the 2009B Bonds, the 2010A Bonds and the 2012 Bonds have been repaid in full or defeased, are no longer secured under the Intercreditor and Collateral Agency Agreement or their respective governing documents are amended to conform with the Loan Agreement, the provisions of the Loan Agreement summarized in this section will be deleted in its entirety and will no longer apply to the University.

Maintenance of Corporate Existence; Consolidation, Merger, Sale or Transfer Under Certain Conditions

(1) The University has covenanted as agreed that, so long as any of the 2013 Bonds are Outstanding, it will maintain its existence as a nonprofit corporation qualified to do business in the State and will not dissolve, sell or otherwise dispose of all or substantially all of its assets or consolidate with or merge into another corporation. Notwithstanding the foregoing, the University may, without violating the covenants summarized under this heading, consolidate with or merge into another corporation, or sell or otherwise transfer to another corporation all or substantially all of its assets as an entirety and thereafter dissolve, if:

(A) The surviving, resulting or transferee corporation, as the case may be:

(i) qualifies under the Act as a "Participant;"

(ii) assumes in writing, if such corporation is not the University, all of the obligations of the University under the Loan Agreement;

(iii) is not, after such transaction, otherwise in default under any provisions of the Loan Agreement; and

(iv) is an organization described in 501(c)(3) of the Code, or a corresponding provision of the federal income tax laws then in effect;

(B) The Authority and the Trustee have received a certificate of the University to the effect that the covenants under the Loan Agreement will be met after such consolidation, merger, sale or transfer, and

(C) The Trustee and the Authority have received an Opinion of Bond Counsel to the effect that such merger, consolidation, sale or other transfer will not cause interest on the 2013A Bonds to be included in gross income for federal income tax purposes under Section 103 of the Code.

(2) If a merger, consolidation, sale or other transfer is effected, as provided in the Loan Agreement and summarized under this heading, the provisions summarized under this heading shall continue to be in full force and effect, and no further merger, consolidation, sale or transfer may be effected except in accordance with the provisions of the Loan Agreement.

Insurance

So long as any 2013 Bonds remain Outstanding, the University will maintain or cause to be maintained with respect to its campus, with insurance companies or by means of self-insurance, insurance of such type, against such risks and in such amounts as are customarily carried by private universities and universities located in the state of a nature similar to that of the University, which insurance will include property damage, fire and extended coverage, public liability and property damage liability insurance. The University will at all times also maintain worker's compensation coverage as required by the laws of the State. The Trustee has no responsibility for monitoring, reviewing or receiving insurance policies related to any of the insurance required by the Loan Agreement, except for the certificate described below.

The University is required by the Loan Agreement to provide to the Trustee annually no later than 210 days after its Fiscal Year end a certificate from an insurance consultant, independent insurance broker or agent, that the insurance complies with the requirements of the Loan Agreement.

Financial Accounting Matters

The financial terms and covenants, if any, set out in the Loan Documents are based upon GAAP expected to be applicable to the University for the Fiscal year in which the 2013 Bonds are issued and thereafter. If GAAP applicable to the University at any time differs materially from those expectations, the Loan Documents may be amended, without the prior consent of the Bondowners so that the operation of such amended terms and covenants under GAAP actually applicable to the University is consistent, in the opinion of an independent certified public accountant, with the operation of the original financial terms and coven ants of the Loan Agreement as if such expected accounting principles had been applicable.

Definition and Pledge of Unrestricted Gross Revenues

The University acknowledges and agrees in the Loan Agreement that, for so long as the 2013 Bonds remain Outstanding, the term "Unrestricted Gross Revenues," for the purpose of any and all obligations that are to be secured under the Intercreditor and Collateral Agency Agreement, other than the Existing Obligations, shall be defined as provided in Section 1.1 thereof.

Events of Default

Each of the following is a "Loan Agreement Default":

(1) Monetary Defaults. Subject to the provisions of the Loan Agreement regarding notice of default and opportunity to cure, failure by the University to make any required monetary payments to the Trustee or the Authority pursuant to the Loan Agreement, or fees or costs required to be paid to the Trustee under the Loan Documents or to make any payments under the 2013 Notes, including a failure to repay any amounts that have been previously paid but are recovered, attached or enjoined pursuant to any insolvency, receivership, liquidation or similar proceedings, and such failure continues during and after the period specified in the Loan Agreement.

(2) Nonmonetary Defaults.

(A) Receipt by the Trustee of a written notice from the Authority or the University of any failure on the part of the University to perform or observe the duties, provisions or obligations required of it pursuant to the Loan Agreement, other than as set forth in (1) above, if such failure continues for a period of more than 60 days after written notice thereof has been delivered to the University, and the Authority by the Trustee unless the Authority with respect to a nonmonetary default identified in this clause (A) has determined that such default is curable and the University is then taking steps reasonably calculated to cure such default.

(B) Receipt by the Trustee of written notice from the Authority or the University of the inaccuracy of any material representation or warranty made by or on behalf of the University in the Loan Agreement or any related instrument or certificates.

(C) A Declaration of Acceleration is made pursuant to the Indenture.

(D) The occurrence of any Act of Bankruptcy of the University.

Notice of Default; Opportunity to Cure

If an event that would constitute a Loan Agreement Default under (1) of "Events of Default" occurs, the Trustee will within one Business Day of such event provide prompt telephone notice confirmed in writing (which may be by facsimile transmission) to the University and demand a cure thereof (provided, that failure by the Trustee to send such written notice with respect to a failure to make principal and interest payments will not constitute a waiver of or prevent the occurrence of a Loan Agreement Default), and if such event is not cured within two Business Days of the scheduled payment date in the case of principal and interest payments, or the written default notice (in all other cases under (1) of "Events of Default"), then such event will constitute a Loan Agreement Default.

Remedies

Upon the occurrence of any Loan Agreement Default, which has not been cured within any applicable cure period, any one or more of the following steps may be taken:

(1) Acceleration. The Trustee, as assignee of the Authority (but not the Authority) may, or at the written request of the Authority, shall declare the principal of the Loan (if not then due and payable) to be due and payable immediately, and upon any such declaration the principal of the Loan and the 2013 Notes will become and be immediately due and payable, together with all interest accrued thereon to the date of such acceleration, anything in the Loan Agreement to the contrary notwithstanding. However, if at any time after the Loan has been declared immediately due and payable and before any judgment or decree for the payment of money due has been obtained or entered, every default in the observance or performance of any covenant, condition or agreement contained in the Loan Agreement shall be made good or be secured to the satisfaction of the Trustee or provision made therefor in a manner satisfactory to the Trustee, then and in every such case, the Trustee, by written notice to the University and the Authority may waive such Loan Agreement Default, and may rescind and annul such declaration and its consequences, but no such waiver, rescission or annulment will extend to or affect any subsequent Loan Agreement Default or impair any right incident thereto; provided, however, that it is understood and agreed that a Declaration of Acceleration made pursuant to the Indenture shall constitute an acceleration of the Loan without further action by the Trustee, and that such automatic acceleration of the Loan may only be waived or cured by waiver or cure of the Declaration of Acceleration pursuant to the Indenture.

(2) Additional Remedies.

(A) Upon the occurrence of a Loan Agreement Default described in (1) under "Events of Default" above, resulting from a failure to make a required monetary payment with respect to principal or interest, the University must transfer all Pledged Revenues then on hand immediately to the Trustee or an affiliate of the Trustee that is a member of the Federal Reserve Bank, and the University will transfer all Pledged Revenues received thereafter immediately, upon receipt, to the Trustee. The Trustee (or its affiliate) will hold all Pledged Revenues so transferred in a separate segregated trust fund for the benefit of the 2013 Bonds, from which the Trustee will make disbursements solely to provide for the payment of principal of and interest on the 2013 Notes when due and the reasonable and necessary costs of operation of the University's facilities.

(B) The Authority and/or the Trustee, as assignee of the Authority, may have access to and inspect, examine and make copies of the books and records (except student records and any other materials made private or confidential by federal or State law or regulation) and any and all accounts, data and income tax and other tax revenues of the University.

(C) The Trustee, in its own right and as assignee of the Authority, may proceed to protect and enforce its rights in equity or at law, either in mandamus or for the specific performance of any covenant or agreement contained in the Loan Agreement, or for the enforcement of any other appropriate legal or equitable remedy, as the Trustee, being advised by counsel, may deem most effectual to protect and enforce any of its rights or interests under the Loan Agreement.

(D) The Trustee, as assignee of the Authority (but not the Authority) may proceed to enforce its rights in equity or at law, either in mandamus or for the specific performance of any covenant or agreement contained in the 2013 Notes, or for the enforcement of any other appropriate legal or equitable remedy as the Trustee, being advised by counsel, may deem most effectual to protect and enforce any of its rights or interests under the 2013 Notes.

(E) The Authority may proceed to protect and enforce its rights in equity or at law, either in mandamus or for the specific performance of any covenant or agreement contained in the Loan Agreement or in the other Loan Documents, or for the enforcement of any other appropriate legal or equitable remedy, as the Authority, being advised by counsel, may deem most effectual to protect and enforce any of its concurrent or reserved rights or interests under the Loan Agreement and under the 2013 Notes with respect to:

(i) tax exemption of the 2013A Bonds;

(ii) the payment of the Authority Fee or Trustee Fee;

(iii) indemnifications and reimbursements due to the Authority; and

(iv) receipts of reports and notices.

(F) The Trustee, as assignee of the Authority (but not the Authority), shall, pursuant the Loan Agreement, at the direction of the Authority, or may, with the written consent of the Authority, pursue all remedies of a secured creditor under the applicable laws of the State.

APPENDIX D

FORMS OF APPROVING OPINIONS OF BOND COUNSEL

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December 20, 2013

Washington Higher Education Facilities Authority
Seattle, Washington

U.S. Bank National Association, as Trustee
Seattle, Washington

Merrill Lynch, Pierce, Fenner & Smith
Incorporated
New York, New York

Re: Washington Higher Education Facilities Authority
Revenue Bonds (Gonzaga University Project), Series 2013A - $33,000,000

Ladies and Gentlemen:

We have examined the Constitution and laws of the State of Washington (the "State") and a certified transcript of the proceedings taken by the Washington Higher Education Facilities Authority (the "Authority") in the matter of the issuance by the Authority of its Revenue Bonds (Gonzaga University Project), Series 2013A in the aggregate principal amount of $33,000,000 (the "2013A Bonds") for the purpose of making a loan (the "Loan") to The Corporation of Gonzaga University, a Washington nonprofit corporation (the "University"), in accordance with a Loan Agreement dated as of December 1, 2013 (the "Loan Agreement"), among the Authority, the University and U.S. Bank National Association (the "Trustee"). The Loan is being made for the purposes of (1) providing a portion of the funds to finance the planning, design, construction, installation, acquisition and equipping of the new University Center facility located on the University's campus; (2) making additional capital improvements to the University's facilities; (3) paying a portion of interest on the 2013A Bonds; and (4) paying certain expenses incurred in connection with the issuance of the 2013A Bonds (collectively, the "Project"). The Authority has executed a No Arbitrage Certificate and the University has executed a Certificate Regarding Section 501(c)(3) Status and Use of Proceeds, each of even date herewith (together, the "Tax Certificates") regarding, among other things, the use and investment of the proceeds of the 2013A Bonds.

The 2013A Bonds have been authorized pursuant to Chapter 169, Laws of Washington, 1983 (chapter 28B.07 RCW), as amended (the "Act"), a resolution of the Authority adopted December 5, 2013 (the "Resolution"), and an Indenture of Trust dated as of December 1, 2013 (the "Indenture"), between the Authority and the Trustee. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Indenture.

The 2013A Bonds are dated December 20, 2013, are fully registered, and mature on the dates and bear interest from their date at the rates per annum set forth in the 2013A Bonds and the Indenture. Interest on the 2013A Bonds is payable on April 1 and October 1 of each year commencing April 1, 2014, and shall be calculated on the basis of a 360-day year of twelve 30-day months. The 2013A Bonds are subject to redemption prior to their stated maturity as provided in the Indenture.

The 2013A Bonds are special limited obligations of the Authority. The principal of, redemption premium, if any, and interest on the 2013A Bonds are payable solely from and secured by a pledge of certain moneys, securities and earnings held in the funds and accounts created under the Indenture and pledged to the 2013A Bonds. Simultaneously with the issuance of the 2013A Bonds, the Authority is issuing its Taxable Revenue Bonds (Gonzaga University Project), Series 2013B under the terms of the Indenture.

We have examined executed counterparts of the Loan Agreement, the Indenture, the Tax Certificates and such other documents, rules, regulations or other matters as we have deemed relevant in arriving at the opinion stated below. We have also relied on the opinion of Koegen Edwards LLP, counsel to the University, to the effect that the University is exempt from tax pursuant to Section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code") by virtue of being an organization described in Section 501(c)(3) of the Code and that the facilities being financed with the proceeds of the 2013A Bonds are not being used in an unrelated trade or business of the University within the meaning of Section 513(a) of the Code.

Based on the foregoing, it is our opinion that, under existing law:

1. The 2013A Bonds have been duly authorized, executed and delivered, constitute legal, valid and binding special obligations of the Authority in accordance with their terms and are entitled to the benefits and security provided by the Indenture.

2. The Indenture creates the valid pledge of and lien on the Revenues, other money and securities, funds, accounts, guarantees, insurance and other items held by the Trustee under the Indenture, which it purports to create to secure and/or support the principal of, redemption premium, if any, and interest on the 2013A Bonds, subject in all cases to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

3. The 2013A Bonds are not a debt of the State or of any political subdivision of the State or any municipal corporation or other subdivision of the State. Neither the State nor any municipal corporation or other political subdivision of the State, other than the Authority, is liable on the 2013A Bonds. The 2013A Bonds are not a debt, indebtedness or the borrowing of money within the meaning of any limitation or restriction on the issuance of bonds contained in the Constitution of the State.

4. Interest on the 2013A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining adjusted current earnings. The opinion set forth in this paragraph is subject to the condition that the Authority and the University comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2013A Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority and the University have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the 2013A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2013A Bonds.

The Authority has not designated the 2013A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the 2013A Bonds. Owners of the 2013A Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2013A Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

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.

With respect to the opinions expressed herein, the enforceability of rights and obligations under the 2013A Bonds, the Indenture, the Resolution, the Tax Certificates and the Loan Agreement and against the assets pledged by the Indenture are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

PACIFICA LAW GROUP LLP

December 20, 2013

Washington Higher Education Facilities Authority
Seattle, Washington

Merrill Lynch, Pierce, Fenner & Smith
Incorporated
New York, New York

U.S. Bank National Association, as Trustee
Seattle, Washington

Re: Washington Higher Education Facilities Authority
Taxable Revenue Bonds (Gonzaga University Project), Series 2013B - $20,000,000

Ladies and Gentlemen:

We have examined the Constitution and laws of the State of Washington (the "State") and a certified transcript of the proceedings taken by the Washington Higher Education Facilities Authority (the "Authority") in the matter of the issuance by the Authority of its Taxable Revenue Bonds (Gonzaga University Project), Series 2013B in the aggregate principal amount of $20,000,000 (the "2013B Bonds") for the purpose of making a loan (the "Loan") to The Corporation of Gonzaga University, a Washington nonprofit corporation (the "University"), in accordance with a Loan Agreement dated as of December 1, 2013 (the "Loan Agreement"), among the Authority, the University and U.S. Bank National Association (the "Trustee"). The Loan is being made for the purposes of (1) providing a portion of the funds to finance the planning, design, construction, installation, acquisition and equipping of the new University Center facility located on the University's campus; (2) making additional capital improvements to the University's facilities; (3) financing a payment in connection with the termination of a certain interest rate swap agreement; and (4) paying certain expenses incurred in connection with the issuance of the 2013B Bonds (collectively, the "Project").

The 2013B Bonds have been authorized pursuant to Chapter 169, Laws of Washington, 1983 (chapter 28B.07 RCW), as amended (the "Act"), a resolution of the Authority adopted December 5, 2013 (the "Resolution"), and an Indenture of Trust dated as of December 1, 2013 (the "Indenture"), between the Authority and the Trustee. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Indenture.

The 2013B Bonds are dated December 20, 2013, are fully registered, and mature on the dates and bear interest from their date at the rates per annum set forth in the 2013B Bonds and the Indenture. Interest on the 2013B Bonds is payable on April 1 and October 1 of each year commencing April 1, 2014, and shall be calculated on the basis of a 360-day year of twelve 30-day months. The 2013B Bonds are subject to redemption prior to their stated maturity as provided in the Indenture.

The 2013B Bonds are special limited obligations of the Authority. The principal of, redemption premium, if any, and interest on the 2013B Bonds are payable solely from and secured by a pledge of certain moneys, securities and earnings held in the funds and accounts created under the Indenture and pledged to the 2013B Bonds. Simultaneously with the issuance of the 2013B Bonds, the Authority is issuing its Revenue Bonds (Gonzaga University Project), Series 2013A under the terms of the Indenture.

We have examined executed counterparts of the Loan Agreement, the Indenture and such other documents, rules, regulations or other matters as we have deemed relevant in arriving at the opinion stated below. We have also relied on the opinion of Koegen Edwards LLP, counsel to the University, to the effect that the University is exempt from tax pursuant to Section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code") by virtue of being an organization described in Section 501(c)(3) of the Code.

Based on the foregoing, it is our opinion that, under existing law:

1. The 2013B Bonds have been duly authorized, executed and delivered, constitute legal, valid and binding special obligations of the Authority in accordance with their terms and are entitled to the benefits and security provided by the Indenture.

2. The Indenture creates the valid pledge of and lien on the Revenues, other money and securities, funds, accounts, guarantees, insurance and other items held by the Trustee under the Indenture, which it purports to create to secure and/or support the principal of, redemption premium, if any, and interest on the 2013B Bonds, subject in all cases to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

3. The 2013B Bonds are not a debt of the State or of any political subdivision of the State or any municipal corporation or other subdivision of the State. Neither the State nor any municipal corporation or other political subdivision of the State, other than the Authority, is liable on the 2013B Bonds. The 2013B Bonds are not a debt, indebtedness or the borrowing of money within the meaning of any limitation or restriction on the issuance of bonds contained in the Constitution of the State.

4. Interest on the 2013B Bonds is not excludable from gross income for federal income tax purposes.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the 2013B Bonds. Owners of the 2013B Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2013B Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

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.

With respect to the opinions expressed herein, the enforceability of rights and obligations under the 2013B Bonds, the Indenture, the Resolution and the Loan Agreement and against the assets pledged by the Indenture are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

PACIFICA LAW GROUP LLP

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

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FORM OF
CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of December 1, 2013 (this "Disclosure Agreement"), is executed and delivered by and between The Corporation of Gonzaga University (the "University"), and U.S. Bank National Association, acting solely in its capacity as dissemination agent, Seattle, Washington (the "Dissemination Agent"), in connection with the issuance by the Washington Higher Education Facilities Authority (the "Authority") Revenue Bonds (Gonzaga University Project), Series 2013A (the "2013A Bonds") and Taxable Revenue Bonds (Gonzaga University Project), Series 2013B (the "2013B Bonds," and together with the 2013A Bonds, the "2013 Bonds") in the aggregate principal amount of $53,000,000. The 2013 Bonds are being issued by the Authority pursuant to an Indenture of Trust, dated as of December 1, 2013 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

Section 1. Purpose of Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the University and the Dissemination Agent for the benefit of the Registered Owners of the 2013 Bonds (for such purpose beneficial owners of the 2013 Bonds shall also be considered Registered Owners of the 2013 Bonds) and to assist Merrill Lynch, Pierce, Fenner & Smith Incorporated, the initial purchaser of the 2013 Bonds (the "Underwriter"), in complying with paragraph (b)(5) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) (the "Rule").

Section 2. Defined Terms. Capitalized terms used but not otherwise defined in this Disclosure Agreement shall have the meanings assigned thereto in the Indenture.

"Annual Financial Information" means the financial information (which shall be based on financial statements prepared in accordance with GAAP, or operating data with respect to the University, provided at least annually, of the type included in the Official Statement; which Annual Financial Information may, but is not required to, include Audited Financial Statements. Such operating data should include current information of the type included in Appendix A of the Official Statement under the headings "Faculty and Staff," including the table thereunder entitled "Faculty Summary," "FINANCIAL CONDITION OF THE UNIVERSITY—Summary Statement of Unrestricted Activities," "—Comments on the University's Financial Condition—Student Tuition and Fee Revenues," including the table thereunder entitled "Tuition Rates, Room and Board," "—Financial Aid Programs," including the table thereunder entitled "Financial Aid Programs," "—Student Enrollment," including the tables thereunder entitled "Enrollment and Degrees," "Application Pool," and "Retention Rates and Graduation Rates of Incoming Freshmen," "—Cash and Investments," including the tables thereunder entitled "Cash and Investments" and "Pooled Endowment Fund Total Return," and "—Property, Plant, and Equipment," including the table thereunder entitled "Property, Plant, and Equipment," and shall be in substantially the form set forth in Exhibit A attached hereto.

"Audited Financial Statements" means the University's annual financial statements, prepared in accordance with GAAP, which financial statements shall have been audited by a firm of independent certified public accountants.

"Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2013 Bonds (including persons holding bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2013 Bonds for federal income tax purposes.

"Dissemination Agent" initially means U.S. Bank National Association, as dissemination agent under this Disclosure Agreement, its successors and assigns.

"EMMA" means the Electronic Municipal Market Access system operated by the MSRB and the primary portal for complying with the continuing disclosure requirements of the Rule.

"Fiscal Year" means the fiscal year of the University, which as of the date hereof is the period from June 1 through May 31 of each year.

"GAAP" means the generally accepted accounting principles applicable to colleges and universities in the United States of America.

"Indenture" means the Indenture of Trust, dated as of December 1, 2013, between the Authority and the Trustee, as it may be amended from time to time.

"Listed Event" means any of the following events with respect to the 2013 Bonds:

(i) Principal and interest payment delinquencies;
(ii) Non-payment related defaults, if material;
(iii) Unscheduled draws on debt service reserves reflecting financial difficulty;
(iv) Unscheduled draws on credit enhancements reflecting financial difficulty;
(v) Substitution of credit or liquidity providers, or their failure to perform;
(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2013A Bonds, or other material events affecting the tax status of the 2013A Bonds;
(vii) Modifications to rights of Bondholders, if material;
(viii) 2013 Bond calls, if material, and tender offers;
(ix) Defeasances;
(x) Release, substitution or sale of property securing repayment of the 2013 Bonds, if material;
(xi) Rating changes;
(xii) Bankruptcy, insolvency, receivership or similar event of the University. For purposes of this clause (xii), any such event shall be considered to have occurred when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the University in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the University, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the University;
(xiii) The consummation of a merger, consolidation, or acquisition involving 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 relating to any such actions, other than pursuant to its terms, if material; and
(xiv) Appointment of a successor or additional trustee or paying agent or the change of the name of a trustee or paying agent, if material.

"Listed Event Notice" means written or electronic notice of a Listed Event.

"Loan Agreement" means the Loan Agreement by and among the University, the Authority, and the Trustee dated as of December 1, 2013, as it may be amended from time to time.

"MSRB" means the Municipal Securities Rulemaking Board, its successors and assigns.

"Official Statement" means the official statement for the 2013 Bonds dated December 17, 2013.

"Participating Underwriter" means the Underwriter as the initial purchaser of the 2013 Bonds.

"Registered Owner" or "Bondowner" or "Owner" means the person or persons in whose name or names a 2013 Bond shall be registered on books of the bond registrar kept for that purpose in accordance with the terms of the Indenture.

"Report Date" shall have the meaning given in Section 3(b) herein.

"Repository" means EMMA and any successor thereto.

"SEC" means the Securities and Exchange Commission, its successors and assigns.

"Submission Date" shall have the meaning given in Section 3(b) herein.

"Trustee" means U.S. Bank National Association, and its successors and assigns.

"2013 Bonds" or "Bonds" mean, collectively, the 2013A Bonds and the 2013B Bonds.

"2013A Bonds" mean the Revenue Bonds (Gonzaga University Project), Series 2013A of the Authority.

"2013B Bonds" mean the Taxable Revenue Bonds (Gonzaga University Project), Series 2013B of the Authority.

"University Representative" means the person or persons at the time designated by the University to act on behalf of the University in connection with this Disclosure Agreement.

Section 3. Provision of Annual Financial Information; Audited Financial Statements; and Listed Event Notices.

(a) The University, as an "obligated person" within the meaning of the Rule, undertakes to provide the following information as provided in this Disclosure Agreement:

(i) Annual Financial Information;

(ii) Audited Financial Statements, if any; and

(iii) Listed Event Notices.

(b) (i) The University shall provide the Annual Financial Information to the Dissemination Agent, on or before January 1 of each year (the "Submission Date"), beginning in 2015; and the Dissemination Agent shall provide to the Authority and to the MSRB such Annual Financial Information on or before February 1 of each year beginning in 2015 (the "Report Date") or, if not received by the Dissemination Agent by the Submission Date, then within five Business Days of its receipt by the Dissemination Agent.

The University shall include with each submission of Annual Financial Information to the Dissemination Agent and the Authority a written representation addressed to the Dissemination Agent and the Authority to the effect that the Annual Financial Information is the Annual Financial Information required by this Disclosure Agreement and that it complies with the applicable requirements of this Disclosure Agreement.

The University may adjust the Submission Date and the Report Date if the University changes its Fiscal Year by providing written notice of the change of Fiscal Year and the new Submission Date and Report Date to the Dissemination Agent, the Authority and the MSRB; provided that the new Report Date shall be no later than seven months after the end of the new Fiscal Year and the new Submission Date shall be no later than 30 days prior to the Report Date, and provided further that the period between the final Report Date relating to the former Fiscal Year and the initial Report Date relating to the new Fiscal Year shall not exceed one year in duration. It shall be sufficient if the University provides to the Dissemination Agent and the Authority and the Dissemination Agent provides to the MSRB the Annual Financial Information by specific reference to documents previously provided to the MSRB or filed with the SEC and, if such a document is a final official statement within the meaning of the Rule, available from the MSRB.

(ii) If not provided as part of the Annual Financial Information, the University shall provide the Audited Financial Statements to the Dissemination Agent when and if available and the Dissemination Agent shall then promptly provide the Authority and the MSRB with such Audited Financial Statements.

(iii) (1) Whenever the University obtains knowledge of the occurrence of a potential Listed Event, the University shall, within five Business Days of obtaining such knowledge and in any event no more than eight Business Days after the occurrence of such event, determine if such event is in fact a Listed Event that is required by the Rule to be disclosed and provide the Dissemination Agent with notice and instructions pursuant to subsections (3) or (4) below, as applicable.

(2) The Dissemination Agent shall, within five Business Days of obtaining such knowledge, notify the University whenever the Dissemination Agent identifies an occurrence which may require the University to provide a Listed Event Notice pursuant to this Disclosure Agreement; provided, that the failure of the Dissemination Agent so to notify the University shall not constitute a breach by the Dissemination Agent of any of its duties and responsibilities under the Indenture or hereunder.

(3) If the University has determined that a Listed Event is required to be disclosed then the University shall prepare a Listed Event Notice and provide the same to the Dissemination Agent along with instructions to file the same pursuant to subsection (5).

(4) If the University determines that an event is not required to be disclosed as a Listed Event then the University shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (5).

(5) If the Dissemination Agent has been provided with a written notice describing a Listed Event pursuant to subsection (1) of this section or otherwise, and is instructed by the University to report the occurrence of such Listed Event, the Dissemination Agent shall, within two Business Days of its receipt of such written notice and in any event no more than ten Business Days after the occurrence of the Listed Event, file the notice with the MSRB and send a copy to the University and the Authority.

(iv) If by five Business Days prior to the Submission Date specified above the Dissemination Agent has not received a copy of the Annual Financial Information, the Dissemination Agent will contact the University to determine if the University is in compliance with this section. If the Dissemination Agent is unable to verify that the Annual Financial Information has been provided to the MSRB by the Submission Date, the Dissemination Agent shall, without further direction or instruction from the University, provide in a timely manner to the MSRB notice in substantially the form attached hereto as

Exhibit B of any failure by the Dissemination Agent to provide to the MSRB Annual Financial Information on or before the Report Date (whether caused by failure of the University to provide such information to the Dissemination Agent, by the Submission Date or for any other reason). For the purposes of determining whether information received from the University is Annual Financial Information, the Dissemination Agent shall be entitled conclusively to rely on the University's written representation made pursuant to clause (b)(i) of this section.

(v) If the University provides to the Dissemination Agent information relating to the University or the 2013 Bonds, which information is not designated as a Listed Event Notice, and directs the Dissemination Agent to provide such information to information repositories, the Dissemination Agent shall provide such information in a timely manner to the Authority and the MSRB.

Section 4. EMMA. The SEC has designated the EMMA system operated by the MSRB as the nationally recognized municipal securities information repository and the exclusive portal for complying with continuing disclosure requirements of the Rule. All notices, financial information and operating data required by this undertaking to be provided to the MSRB, or any successors to its functions, 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. Until otherwise designated by the MSRB or the SEC, any information or notices submitted to the MSRB in compliance with the Rule are to be submitted through the EMMA system, which as of the date hereof is located at www.emma.msrb.org.

Section 5. Dissemination Agent. U.S. Bank National Association, Seattle, Washington, shall serve as the dissemination agent under the terms of this Disclosure Agreement (the "Dissemination Agent"). The University shall send all information required by Section 3 hereof to the Dissemination Agent.

The University agrees to pay any reasonable costs incurred by the Dissemination Agent as a result of disseminating information to any requesting Registered or Beneficial Owners of the 2013 Bonds. The University may discharge the Dissemination Agent or any successor Dissemination Agent with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time by providing at least thirty (30) days written notice to the University and the Authority.

Nothing in this Disclosure Agreement shall be construed to require the Dissemination Agent to interpret or provide an opinion concerning the information made public. If the Dissemination Agent receives a request for an interpretation or opinion, the Dissemination Agent may refer such request to the University for response.

The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and in addition to any and all rights of the Dissemination Agent to reimbursement, indemnification and other rights pursuant to the Rule or under law or equity, the University agrees to indemnify and hold harmless the Dissemination Agent and its respective officers, directors, employees and agents from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including attorney fees) which such indemnified party may incur by reason of or in connection with the Dissemination Agent's performance under this Disclosure Agreement; provided that the University shall not be required to indemnify the Dissemination Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Dissemination Agent in such disclosure of information hereunder. The obligations of the University under this section shall survive resignation or removal of the Dissemination Agent and payment of the 2013 Bonds. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the University, the Bondholder or any other party.

Section 6. Termination of Reporting Obligations. The continuing obligation hereunder of the University to provide Annual Financial Information, Audited Financial Statements and Listed Event Notices and the Dissemination Agent's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the 2013 Bonds. If such termination occurs prior to the final maturity of the 2013 Bonds, the University shall give notice of such termination in the same manner as for a Listed Event under Section 3(b)(iii)(5). If the University's obligations under the Loan Agreement are assumed in full by some other entity in accordance therewith, such Person shall be responsible for compliance with this Disclosure Agreement relating thereto in the same manner as if it were the University and the University shall have no further responsibility hereunder with respect thereto.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the University and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the University, provided that the Dissemination Agent shall be not be obligated to enter into any amendment increasing or affecting its duties or obligations) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the definitions of "Annual Financial Information" or "Listed Event," or to the provisions of Section 3, 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 2013 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of Bond Counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2013 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 Owners of the 2013 Bonds in the same manner as provided in the Indenture for amendments to the Loan Documents with the consent of Owners, or (ii) does not, in the opinion of nationally recognized Bond Counsel, materially impair the interests of the Owners or Beneficial Owners of the 2013 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the University shall describe such amendment in the next Annual Financial Information, 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, (i) notice of such change shall be given in the same manner as for a Listed Event as described above, and (ii) the Annual Financial Information 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 8. Default. In the event of a failure of the University or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and at the request of the Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding 2013 Bonds, shall) or any Holder or Beneficial Owner of the 2013 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the University or the Dissemination Agent, as the case may be, to comply with their respective obligations under this Disclosure Agreement. Upon any such default, the Trustee is required to promptly notify (and confirm in writing) the Authority of such event but the Authority has no duties pursuant to this Disclosure Agreement as a result of being so notified. A default under this Disclosure Agreement shall not be deemed an event of default under the Indenture or Loan Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the University or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 9. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 10. Severability. If any portion of this Disclosure Agreement shall be held invalid or inoperative, then, so far as is reasonable and possible (i) the remainder of this Disclosure Agreement shall be considered valid and operative, and (ii) effect shall be given to the intent manifested by the portion held invalid or inoperative.

Section 11. Other Instruments. The University and the Dissemination Agent covenant and agree that they will execute such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out this Disclosure Agreement.

Section 12. Captions, Titles, and Headings. The captions, titles, and headings used in this Disclosure Agreement are for convenience only and shall not be construed in interpreting this Disclosure Agreement.

Section 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

If to the Authority:

Washington Higher Education Facilities Authority
Bond #87, Gonzaga University
1000 Second Avenue, Suite 2700
Seattle, Washington 98104-1046
Attention: Director – Finance
Telephone: (206) 464-7139
Facsimile: (206) 587-5113

If to the University:

The Corporation of Gonzaga University
502 E. Boone Avenue
Spokane, Washington 99258-0096
Attention: Vice President for Finance
Telephone: (509) 313-6140
Facsimile: (509) 313-5199

With a copy to:

Koegen Edwards LLP
Bank of America Financial Center
601 W. Riverside Ave., Suite 1700
Spokane, Washington 99201
Telephone: (509) 747-4040
Facsimile: (509) 747-4545

If to the Dissemination Agent:

U.S. Bank National Association
1420 Fifth Avenue, 7th Floor
Seattle, Washington 98101
Attention: Corporate Trust Services
Telephone: (206) 344-4681
Facsimile: (206) 344-4630

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

IN WITNESS WHEREOF, we have set our hands as of the date set forth above.

THE CORPORATION OF GONZAGA UNIVERSITY,
a Washington nonprofit corporation

By ____
Charles J. Murphy, Vice President for Finance

U.S. BANK NATIONAL ASSOCIATION, as
Dissemination Agent

By ____
Deborah Kuykendall, Vice President

EXHIBIT A

FORM OF CONTINUING DISCLOSURE ANNUAL REPORT

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE BONDS (GONZAGA UNIVERSITY PROJECT), SERIES 2013A
and
TAXABLE REVENUE BONDS (GONZAGA UNIVERSITY PROJECT), SERIES 2013B

Report For Period Ending ________________

Operating Data

Non-Financial

Please answer each of the following questions:

(a) Has there been a change in the name and titles of officers since the last annual report? (Check one)
Yes ☐ No ☐ If yes, please indicate name and title.

(b) Has there been a change in accreditation since the last annual report? See description below contained in the Official Statement dated December 17, 2013 (the "Official Statement"). Refer to your annual reports for updates filed by The Corporation of Gonzaga University (the "University"). (Check one)
Yes ☐ No ☐ If yes, please describe.

The University is accredited by the Northwest Association of Schools & Colleges. It also has professional accreditation or approval from the following organizations: American Assembly of Collegiate Schools of Business; American Bar Association; Association of American Law Schools; Commission of Colleges/Northwest Association of Schools and Colleges; Accrediting Board for Engineering & Technology; National Council for Accreditation of Teacher Education; Council on Accreditation of Nurse Anesthetist Education Programs; American Assembly of Collegiate Schools of Business; and National League of Nursing.

(c) Please describe any new litigation, or a material result in a litigation since the date of the last report.

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(d) Please describe any significant sale, destruction or loss of real property or other material assets since the date of the last report.

Please attach a copy of the University's most recent financial statements.

Please update the following information for the most recent academic or fiscal year, as appropriate. A copy of the tables, as they appeared in the Official Statement, is included for your reference, but, only the data for the most recent academic or fiscal year (as appropriate) needs to be included in your annual report:

"Faculty and Staff" (including the table thereunder entitled "Faculty Summary")

FINANCIAL CONDITION OF THE UNIVERSITY—

Summary Statement of Unrestricted Activities

Comments on the University's Financial Condition—Student Tuition and Fee Revenues (including the table thereunder entitled "Tuition Rates, Room and Board")

Financial Aid Programs (including the table thereunder entitled "Financial Aid Programs")

Student Enrollment (including the tables thereunder entitled "Enrollment and Degrees," "Application Pool," and "Retention Rates and Graduation Rates of Incoming Freshmen")

Cash and Investments (including the tables thereunder entitled "Cash and Investments" and "Pooled Endowment Fund Total Return")

Property, Plant, and Equipment" (including the table thereunder entitled "Property, Plant, and Equipment"

Listed Events

Please review the Continuing Disclosure Agreement dated as of December 1, 2013 between the University and U.S. Bank National Association and either confirm that no Listed Event has occurred or describe any Listed Event that has occurred since the date of the last report.

The University hereby certifies that the financial and operating information contained herein is the information required by the Continuing Disclosure Agreement.

THE CORPORATION OF GONZAGA UNIVERSITY,
a Washington nonprofit corporation

By ____
Authorized Officer

EXHIBIT B

CONTINUING DISCLOSURE UNDERTAKING NOTICE:
ANNUAL FINANCIAL INFORMATION

Relating to the

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE BONDS (GONZAGA UNIVERSITY PROJECT), SERIES 2013A
and
TAXABLE REVENUE BONDS (GONZAGA UNIVERSITY PROJECT), SERIES 2013B

CUSIP Nos. ____

It has come to attention of U.S. Bank National Association, as dissemination agent (the "Agent") of The Corporation of Gonzaga University (the "University") that certain required Annual Financial Information of the University for the period ending _______________was not timely filed with the Municipal Securities Rule Making Board ("MSRB").

[The undersigned has been informed by the University that it anticipates that the required Annual Financial Information will be filed on the MSRB's Electronic Municipal Market Access system ("EMMA") by ______________, 20___.]

Terms not otherwise defined herein shall have the meanings set forth in the Continuing Disclosure Agreement by and between the University and U.S. Bank National Association, as Dissemination Agent, dated as of December 1, 2013, relating to the above referenced Bonds.

Notice dated: _____________, 20___.

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

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BOOK-ENTRY SYSTEM

THE INFORMATION PROVIDED IN THIS APPENDIX F HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE AUTHORITY, THE UNIVERSITY, THE UNDERWRITER OR THE TRUSTEE AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE OF THIS OFFICIAL STATEMENT.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2013 Bonds. The 2013 Bonds 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 2013 Bond certificate will be issued for each maturity of the 2013 Bonds, in the aggregate principal amount of such 2013 Bonds, and will be deposited with DTC.

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: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. **Neither the information on these websites, nor on any links from them, is part of this Official Statement, and such information cannot be relied upon to be accurate as of the date of this Official Statement, nor should any such information be relied upon to make investment decisions regarding the 2013 Bonds.**

Purchases of the 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2013 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2013 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2013 Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. BENEFICIAL OWNERS WILL NOT RECEIVE CERTIFICATES REPRESENTING THEIR OWNERSHIP INTERESTS IN THE 2013 BONDS, EXCEPT IN THE EVENT THAT USE OF THE BOOK-ENTRY SYSTEM FOR THE 2013 BONDS IS DISCONTINUED.

To facilitate subsequent transfers, all 2013 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as requested by an authorized representative of DTC. The deposit of the 2013 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2013 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2013 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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 2013 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2013 Bonds, such as redemptions, tenders, defaults and proposed amendments to the 2013 Bond documents. For example, Beneficial Owners of 2013 Bonds may wish to ascertain that the nominee holding the 2013 Bonds 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 the notices be provided directly to them. THE AUTHORITY, THE UNIVERSITY, THE UNDERWRITER AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT OR INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE 2013 BONDS.

Redemption notices shall be sent to DTC. If less than all of the 2013 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2013 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 the 2013 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2013 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on payment dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, 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 the Authority or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to any 2013 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2013 Bond certificates are required to be printed and delivered as described in the Indenture.

The Authority may decide to discontinue use of the system of book-entry-only transfers of 2013 Bonds through DTC (or a successor securities depository). In that event, 2013 Bond certificates will be printed and delivered to DTC as described in the Indenture.

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

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WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY • REVENUE BONDS, SERIES 2013A AND TAXABLE REVENUE BONDS, SERIES 2013B (GONZAGA UNIVERSITY PROJECT)

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