NEW ISSUE **RATING:** Moody's "Baa1"
BOOK-ENTRY ONLY (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 Bonds is excludable from gross income for federal income tax purposes under existing law. Interest on the Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax. Interest on the Bonds may be indirectly subject to corporate alternative minimum tax and certain other taxes imposed on certain corporations. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY

$19,500,000
Revenue Bonds
(Whitworth University Project), Series 2012

Dated: Date of Delivery **Maturity: October 1, as shown on inside cover**

The Washington Higher Education Facilities Authority (the "Authority"), a public body corporate and politic and an agency of the State of Washington (the "State"), is issuing its Revenue Bonds (Whitworth University Project), Series 2012 (the "Bonds"), pursuant to an Indenture of Trust dated as of March 1, 2012 (the "Indenture"), between the Authority and U.S. Bank National Association (the "Trustee"). The Bonds are being issued only as fully registered bonds in Authorized Denominations of $5,000 or any integral multiple thereof within a single 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 Bonds, except as described herein. For as long as the Bonds are held in book-entry only form by DTC, the principal of and premium, if any, and interest on the Bonds will be paid by the Trustee to DTC, which is obligated to make payments to its Participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. DTC acts as agent solely for its Participants and not for the beneficial owners of the Bonds or the Authority.

The Authority will lend the proceeds of the Bonds to

WHITWORTH UNIVERSITY

(the "University") pursuant to a Loan Agreement dated as of March 1, 2012 (the "Loan Agreement"), among the Authority, the University and the Trustee for the purpose of providing a portion of the funds required to finance or reimburse the University for costs of design, construction and improvement of facilities located on the University's campus; to capitalize interest on the Bonds; to pay costs of issuing the Bonds; and to fund a debt service reserve fund for the Bonds.

The Bonds will accrue interest from their dated date, payable semiannually on each April 1 and October 1, commencing October 1, 2012, to their respective dates of maturity or earlier redemption.

The Bonds are subject to acceleration of maturity and optional, extraordinary mandatory and mandatory sinking fund redemption prior to maturity at the redemption prices and under the circumstances described herein.

As security for the Bonds, the Authority has conveyed to the Trustee the Trust Estate, which includes 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 obligations of the University under the Loan Agreement constitute a general obligation of the University to which the Pledged Revenues (as described herein) are pledged. The obligations of the University under the Loan Agreement are further secured by a deed of trust on the Deed of Trust Property (as described herein). Subject to the provisions of an intercreditor agreement, the Pledged Revenues and the Deed of Trust Property also secure the obligations of the University under a loan agreement pursuant to which the Authority issued $63,720,000 aggregate principal amount of Revenue and Refunding Revenue Bonds (Whitworth University Project), Series 2009. In addition, the University has reserved the right to incur additional debt and encumber the Pledged Revenues and the Deed of Trust Property, all as described herein.

The Bonds are not and never shall become general obligations of the Authority but are special, limited obligations payable by the Authority solely from the Revenues and the other security pledged in the Indenture for such purpose. The Bonds and the interest thereon do not and never shall constitute a debt or an indebtedness or an obligation of the Authority, the State of Washington, 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 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 Bonds. The 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 Bonds be payable out of any funds or properties other than those specifically pledged therefor. The Authority has no taxing power.

The Bonds have *not* been designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code.

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

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the opinion of Pacifica Law Group LLP, Seattle, Washington, Bond Counsel, as to the validity of the Bonds, the exclusion of interest on the Bonds from gross income for federal income tax purposes and the approval of certain other matters for the Authority. Certain legal matters will be passed upon for the University by its counsel, Koegen Edwards LLP, Spokane, Washington, and for the Underwriter by its counsel, Foster Pepper PLLC, Seattle, Washington. It is expected that the Bonds will be available for delivery in New York, New York, through the facilities of DTC, or to the Trustee on behalf of DTC by Fast Automated Securities Transfer (FAST), on or about March 1, 2012.

PiperJaffray

February 16, 2012

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY

$19,500,000
Revenue Bonds
(Whitworth University Project), Series 2012

Maturity Dates, Principal Amounts, Interest Rates, Yields and CUSIP Numbers

Due October 1	Principal Amount	Interest Rate	Yield	Price	CUSIP No.+
2013	$250,000	3.00%	1.58%	102.211	939781L81
2014	260,000	3.00	1.79	103.040	939781L99
2015	270,000	3.00	2.10	103.089	939781M23
2016	275,000	4.00	2.33	107.218	939781M31
2017	290,000	4.00	2.56	107.445	939781M49
2018	300,000	4.00	2.94	106.300	939781M56
2019	310,000	3.00	3.19	98.727	939781M64
2020	320,000	3.25	3.44	98.596	939781M72
2021	330,000	3.50	3.66	98.714	939781M80
2022	345,000	4.00	3.83*	101.408	939781M98

$2,000,000 Term Bonds due October 1, 2027
Interest Rate: 5.00% - Yield 4.30%* - Price: 105.674 - CUSIP No.+: 939781N63

$2,565,000 Term Bonds due October 1, 2032
Interest Rate: 5.00% - Yield 4.60%* - Price: 103.194 – CUSIP No.+: 939781N71

$3,310,000 Term Bonds due October 1, 2037
Interest Rate: 5.25% - Yield 4.90%* - Price: 102.754 - CUSIP No.+: 939781N89

$8,675,000 Term Bonds due October 1, 2046
Interest Rate: 5.25% - Yield 4.95%* - Price: 102.354 – CUSIP No.+: 939781P20

* Calculated to the par call date of April 1, 2022.

+ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided for the convenience of bondholders and none of the Authority, the University or the Underwriter makes any representation with respect to such numbers or undertakes any responsibility for their accuracy. The CUSIP numbers are subject to being changed after the issuance of the Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority, the University or the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and, if given or made, such 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 offer, solicitation or sale of the Bonds by any person in any jurisdiction in which such offer, solicitation or sale is not authorized or in which the person making such offer, solicitation or sale is not qualified to do so or to any person to whom it is unlawful to make such offer, solicitation or sale.

The information set forth herein has been obtained from the Authority, the University, DTC and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Authority, except with respect to the information under "INTRODUCTION – The Authority," "THE AUTHORITY" and "MATERIAL LITIGATION – The Authority," or the Underwriter. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information set forth in this Official Statement in accordance with, and as part of, its responsibility 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.

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, the University or any other parties described herein since the date as of which such information is presented.

Information on web site addresses set forth in this Official Statement is not incorporated into this Official Statement and cannot be relied upon to be accurate as of the date of this Official Statement, nor can any such information be relied upon in making investment decisions regarding the Bonds.

Statements in this Official Statement that are not historical information are forward-looking statements within the meaning of the federal securities laws. These forward-looking statements include the discussions of the University's expectations regarding the operation of the University and other matters. In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. Although the University believes that its expectations regarding future events are based on reasonable assumptions within the scope of its knowledge, the University can give no assurance that its goals will be achieved or that its expectations regarding future developments will be realized. The forward-looking statements in this Official Statement—including those set forth in Appendix A—are subject to risks and uncertainties that could cause the actual results to differ materially from those expressed or implied by these statements.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

In connection with the offering of the Bonds, the Underwriter may over allot or effect transactions that stabilize or maintain the market price of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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OFFICIAL STATEMENT

$19,500,000
WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY
Revenue Bonds
(Whitworth University Project), Series 2012

INTRODUCTION

The purpose of this Official Statement, including the cover page and the attached appendices, is to set forth certain information in connection with the sale by the Washington Higher Education Facilities Authority (the "Authority") of its Revenue Bonds (Whitworth University Project), Series 2012, in the aggregate principal amount of $19,500,000 (the "Bonds").

Purpose

The Bonds are being issued under an Indenture of Trust (the "Indenture") dated as of March 1, 2012, between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), to make a loan (the "Loan") pursuant to a Loan Agreement (the "Loan Agreement") dated as of March 1, 2012, among the Authority, Whitworth University, a Washington nonprofit corporation (the "University"), and the Trustee, the proceeds of which will be used (1) to finance or reimburse the University for costs of (a) constructing a 14,000 square foot addition to the HUB Dining Hall, (b) constructing a 30,000 square foot, two-story Recreation Center located on the north side of campus, (c) designing a student residence hall and (d) various infrastructure development and repair projects (collectively, the "Project Facilities"), (2) to capitalize interest on the Bonds, (3) to pay certain costs of issuing the Bonds to provide such financing and (4) to fund the Debt Service Reserve Fund for the Bonds to the Debt Service Reserve Requirement (collectively, the "Project"). See "ESTIMATED SOURCES AND USES OF FUNDS."

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 private, nonprofit, coeducational, residential liberal arts higher education institution affiliated with the Presbyterian Church. The University was founded in 1890 as Whitworth College and was moved to its present campus in Spokane, Washington in 1914. The University is located on an approximately 224-acre campus in suburban north Spokane, Washington, and currently serves more than 2,800 students. The University is governed by a Board of Trustees. See "THE UNIVERSITY," Appendix A – "SELECTED INFORMATION CONCERNING WHITWORTH UNIVERSITY" and Appendix B – "AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY."

Security and Sources for Payment

The 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 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, and the Authority's rights, title and interest in, to and under an Amended and Restated Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing dated as of March 1, 2012 (the "Deed of Trust"), on the Deed of Trust Property. See Appendix C – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS –The Deed of Trust" for a description of the Deed of Trust Property. Subject to the provisions of an Intercreditor Agreement (defined below), the Pledged Revenues and the Deed of Trust Property also secure the obligations of the University under a loan agreement pursuant to which the Authority issued $63,720,000 aggregate principal amount of Revenue and Refunding Revenue Bonds (Whitworth

University Project), Series 2009 (the "2009 Bonds"), currently outstanding in the aggregate principal amount of $61,915,000.

A portion of the Deed of Trust Property may be released from the lien of the Deed of Trust upon satisfaction of certain conditions, without Bondholder consent. See "SECURITY FOR THE BONDS" and Appendix C – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – The Loan Agreement – Negative Pledge" and "– The Deed of Trust."

The University's obligations under the Loan Agreement are evidenced by a promissory note (the "Note"). Under the Note 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 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 Bonds. See Appendix C – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – The Loan Agreement – Loan; Payments" and "– The Indenture – Establishment of Funds and Accounts." In certain circumstances, the University may be required to make monthly payments to the Trustee equal to one-sixth of the interest payment coming due on the next succeeding Interest Payment Date and one-twelfth of the principal and mandatory sinking fund payments, if any, becoming due on the next October 1, in lieu of the semi-annual payments described above. See "SECURITY FOR THE BONDS – Certain Covenants of the University – *Debt Service Coverage Test – Monthly Debt Service Deposit.*"

The obligations of the University under the Loan Agreement constitute a general obligation of the University to which the Pledged Revenues are pledged. See "SECURITY FOR THE BONDS" and Appendix C – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – The Loan Agreement." Pursuant to the Indenture, the Trustee will establish, maintain and hold in trust a separate fund designated as the "Debt Service Reserve Fund." On the date of issuance of the Bonds, the Debt Service Reserve Fund will be funded with proceeds of the Bonds at the Debt Service Reserve Requirement applicable on that date. See "ESTIMATED SOURCES AND USES OF FUNDS," "SECURITY FOR THE BONDS – Debt Service Reserve Fund" and Appendix C – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – The Indenture." The obligations of the University under the Loan Agreement are further secured by a lien granted under the Deed of Trust.

Pursuant to the Intercreditor Agreement dated as of March 1, 2012 (the "Intercreditor Agreement"), among the Trustee, U.S. Bank National Association, as trustee under the indenture pursuant to which the 2009 Bonds were issued, and U.S. Bank National Association, as collateral agent thereunder, the pledge of the Pledged Revenues and the Deed of Trust Property (together, the "Collateral") with respect to the Authority's obligations under the Loan Agreement are on parity with the pledge of the Collateral that secures the repayment of the 2009 Bonds. The Intercreditor 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 Bonds and the 2009 Bonds. All parties to the Intercreditor Agreement will share in the Collateral on a pooled basis on the terms and conditions described in the Intercreditor Agreement. See "SECURITY FOR THE BONDS – Existing Obligations" and "– Intercreditor Agreement."

The Bonds are not and never shall 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 Bonds and the interest thereon do not and never shall 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 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 Bonds. The 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 Bonds be payable out of any funds or properties other than those specifically pledged therefor. The Authority has no taxing power.

Additional Information

Included in this Official Statement is information concerning the Authority, the University, the sources of payment for the Bonds and the expected uses of proceeds of the Bonds, together with summaries of the terms of the Bonds and certain provisions of the Indenture, the Loan Agreement, the Deed of Trust and certain documents related thereto. All references herein to agreements or documents are qualified in their entirety by the definitive forms thereof, copies of which are available for inspection at the corporate trust office of the Trustee at 1420 Fifth Avenue, 7th Floor, Seattle, Washington 98101, Attention: Corporate Trust Services.

THE BONDS

General

The Bonds will be dated as of their date of initial delivery, will be issued in denominations of $5,000 or any integral multiple thereof within a single maturity (each, an "Authorized Denomination"), and will bear interest from their dated date (or the most recent date to which interest has been paid thereon) until the Bonds mature or are duly called for redemption prior to maturity. Interest on the Bonds will be payable semiannually on each April 1 and October 1, commencing October 1, 2012 (each, an "Interest Payment Date"). Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will bear interest at the rates, and will mature on the dates and in the amounts set forth on the inside front cover of this Official Statement.

Payments on the Bonds

The Bonds initially will be held in fully immobilized form by The Depository Trust Company ("DTC"), acting as depository pursuant to the terms and conditions set forth in the Letter of Representations between the Authority and DTC. For so long as the Bonds are registered in the name of Cede & Co., or its registered assigns, as nominee of DTC, payment of principal of, premium, if any, and interest on the Bonds will be made at the place and in the manner provided in the Letter of Representations. DTC is obligated to remit such payments to its participants for subsequent disbursement to beneficial owners of the Bonds. See "THE BONDS – Book-Entry Only System" and Appendix F – "BOOK-ENTRY SYSTEM."

If the Bonds are no longer held in fully immobilized form, the principal of, premium, if any, and interest on each Bond will be payable upon the presentation and surrender of such Bond, when due, at the Principal Office of the Bond Registrar. Payment of interest on each Bond will be made to the Registered Owner thereof as specified on the records of the Bond Registrar on the Record Date with respect to such Interest Payment Date irrespective of the cancellation of such Bond upon any transfer or exchange thereof subsequent to such Record Date and prior to such Interest Payment Date, unless the Authority shall default in the payment of interest due on such Interest Payment Date. Each interest payment of each Bond will be paid (a) by check or draft mailed first-class mail to such Registered Owner on the Interest Payment Date at his address as it appears on the Bond Register on the Record Date or, at the option of any Registered Owner, (b) by wire transfer to an account designated in writing by such Registered Owner prior to the Record Date with an acknowledgement that the then-applicable wire fee of the Trustee will be deducted from the wire, or (c) by Automatic Clearinghouse Transfers at no cost to the Registered Owner in next day funds if such Registered Owner shall have requested in writing a payment by such method and shall have provided the Bond Registrar with an account number in a bank within the United States and other necessary information for such purposes prior to the Record Date. In the event of any default in the payment of interest, such defaulted interest shall be payable to the Registered Owner of such Bond on a Special Record Date for the payment of such defaulted interest established by notice mailed by or on behalf of the Authority to Registered Owners.

Redemption Provisions

Optional Redemption. The Bonds maturing on or before October 1, 2021, are not subject to optional redemption prior to their maturity. The Bonds maturing on or after October 1, 2022, are subject to redemption on any day on or after April 1, 2022, at the option and direction of the University, in whole or in part, at a price of par plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption. The Bonds scheduled to mature on October 1, 2027, are subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption on October 1 in the years and amounts as follows:

Bonds Scheduled to Mature on October 1, 2027

Years	Principal Amounts
2023	$ 360,000
2024	380,000
2025	400,000
2026	420,000
2027 [1]	440,000

[1] Stated Maturity.

The Bonds scheduled to mature on October 1, 2032, are subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption on October 1 in the years and amounts as follows:

Bonds Scheduled to Mature on October 1, 2032

Years	Principal Amounts
2028	$ 465,000
2029	485,000
2030	510,000
2031	540,000
2032 [1]	565,000

[1] Stated Maturity.

The Bonds scheduled to mature on October 1, 2037, are subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption on October 1 in the years and amounts as follows:

Bonds Scheduled to Mature on October 1, 2037

Years	Principal Amounts
2033	$ 595,000
2034	625,000
2035	660,000
2036	695,000
2037 [1]	735,000

[1] Stated Maturity.

The Bonds scheduled to mature on October 1, 2046, are subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption on October 1 in the years and amounts as follows:

Bonds Scheduled to Mature on October 1, 2046

Years	Principal Amounts
2038	$ 775,000
2039	815,000
2040	860,000
2041	905,000
2042	955,000
2043	1,005,000
2044	1,060,000
2045	1,120,000
2046 (1)	1,180,000

(1) Stated Maturity.

In the event that Bonds have been redeemed other than by mandatory sinking fund payments, the mandatory sinking fund redemptions will be reduced proportionately with any remaining amounts in Authorized Denominations.

Extraordinary Mandatory Redemption. The Bonds are subject to extraordinary mandatory redemption prior to maturity at the request and direction of the University, in whole at any time, or in part on any Interest Payment Date, at a redemption price of 100% of the principal amount thereof, plus accrued interest to the redemption date, in an aggregate amount not to exceed any proceeds of insurance or a condemnation award with respect to Project Facilities financed or refinanced with proceeds of the Bonds and transferred to the Trustee in accordance with the Loan Agreement. Pursuant to the Loan Agreement, so long as (1) the University has not defaulted on its obligations under the Loan Agreement and (2) an Act of Bankruptcy of the University has not occurred, the University is to hold all proceeds of insurance or condemnation awards received with respect to Project Facilities financed or refinanced with proceeds of the Bonds in amounts equal to the lesser of $100,000 or 5% of the face amount of the Bonds and, within 180 days of the loss, is to determine with notice to the Trustee and the Authority either (a) that such proceeds will be used to construct, repair or replace capital facilities of the University or reimburse the University therefor or (b) that an amount will be paid to the Trustee for deposit in the Debt Service Fund as a prepayment of the Note and applied to the extraordinary mandatory redemption of a corresponding amount of Bonds.

The Bonds are further subject to extraordinary mandatory redemption in whole or in part, on February 1, 2015, unless such date is extended in accordance with the Loan Agreement, in an amount equal to the Loan proceeds (plus any interest earnings thereon) remaining in the Project Account at the close of business on December 15, 2014 (or the fifteenth day of the second month preceding the month in which any extension of such date set for redemption ends).

Notice of Redemption. Notice may be given on a conditional basis if redemption is subject to the scheduled closing of refunding bonds. For so long as the Bonds are held in book-entry form by DTC or its nominee, notices of redemption will be given by the Trustee solely in accordance with the Letter of Representations. See "THE BONDS – Book-Entry System" and Appendix F – "BOOK-ENTRY SYSTEM."

If the Bonds are no longer held in fully immobilized form by DTC, the Trustee is required to give notice of redemption by first-class mail, postage prepaid, not less than 20 days and not more than 60 days prior to the date fixed for redemption, to the Authority and the Registered Owner of each 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 such notice, will affect the validity of the proceedings for redemption.

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

Partial Redemption. All or a portion of any Bond may be redeemed, but only in a principal amount equal to an Authorized Denomination. In the event of a partial extraordinary mandatory redemption or optional redemption, the maturity of Bonds up to the allocable amount will be selected from Outstanding maturities on a pro rata basis unless other instructions are given by the University. If Bonds of a particular maturity are redeemed in part, the particular Bonds to be redeemed shall be selected randomly. If any certificated Bond is to be redeemed in part, it must be surrendered to the Bond Registrar and the Authority will execute and the Bond Registrar will authenticate and deliver a new Bond or Bonds of Authorized Denominations of the same maturity and in the aggregate principal amount of the unredeemed Bond to the owner thereof.

Purchase of Bonds. The Authority, at the direction of the University, may acquire Bonds in the open market from amounts on deposit in the Debt Service Fund or from other available funds of the University. All Bonds so purchased by the Authority are to be cancelled.

Book-Entry System

As to any Bond, the Registered Owner thereof will be deemed and regarded as the absolute owner thereof for all purposes. For so long as any Bonds are held in fully immobilized form, DTC, its successor or any substitute depository appointed by the Authority, as applicable, will be deemed to be the Registered Owner for all purposes under the Indenture and all references to Registered Owners, Bondowners, Owners or the like will mean DTC or its nominees and will not mean the owners of any beneficial interests in the Bonds.

The Bonds will initially be held in fully immobilized form by DTC acting as depository pursuant to the terms and conditions set forth in the Letter of Representations. **Neither the Authority, the University nor the Trustee will have any responsibility or obligation to DTC Participants or the persons for whom they act as nominees with respect to the 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 Bonds, or any notice which is permitted or required to be given to Registered Owners under the Indenture** (except such notice as is required to be given by the Authority or the Trustee to DTC). See Appendix F – "BOOK-ENTRY SYSTEM."

DEBT SERVICE SCHEDULE

Fiscal Year Ending	Outstanding 2009 Bonds			The Bonds			Total [(1)]
June 30	Principal	Interest	Total	Principal	Interest	Total	
2012	$ 920,000	$ 3,375,306	$ 4,295,306	–	–	–	$ 4,295,306
2013	960,000	3,337,706	4,297,706	–	$ 1,040,555	$ 1,040,555	5,338,261
2014	1,000,000	3,298,506	4,298,506	$ 250,000	956,763	1,206,763	5,505,269
2015	1,040,000	3,257,706	4,297,706	260,000	949,113	1,209,113	5,506,819
2016	1,090,000	3,209,656	4,299,656	270,000	941,163	1,211,163	5,510,819
2017	1,145,000	3,153,781	4,298,781	275,000	931,613	1,206,613	5,505,394
2018	1,200,000	3,098,156	4,298,156	290,000	920,313	1,210,313	5,508,469
2019	1,255,000	3,041,350	4,296,350	300,000	908,513	1,208,513	5,504,863
2020	1,320,000	2,978,544	4,298,544	310,000	897,863	1,207,863	5,506,406
2021	1,385,000	2,910,053	4,295,053	320,000	888,013	1,208,013	5,503,066
2022	1,460,000	2,837,150	4,297,150	330,000	877,038	1,207,038	5,504,188
2023	1,535,000	2,760,403	4,295,403	345,000	864,363	1,209,363	5,504,766
2024	1,620,000	2,679,556	4,299,556	360,000	848,463	1,208,463	5,508,019
2025	1,705,000	2,594,353	4,299,353	380,000	829,963	1,209,963	5,509,316
2026	1,795,000	2,502,422	4,297,422	400,000	810,463	1,210,463	5,507,884
2027	1,895,000	2,403,253	4,298,253	420,000	789,963	1,209,963	5,508,216
2028	2,000,000	2,298,575	4,298,575	440,000	768,463	1,208,463	5,507,038
2029	2,110,000	2,188,119	4,298,119	465,000	745,838	1,210,838	5,508,956
2030	2,225,000	2,071,616	4,296,616	485,000	722,088	1,207,088	5,503,703
2031	2,355,000	1,942,641	4,297,641	510,000	697,213	1,207,213	5,504,853
2032	2,495,000	1,800,172	4,295,172	540,000	670,963	1,210,963	5,506,134
2033	2,650,000	1,649,038	4,299,038	565,000	643,338	1,208,338	5,507,375
2034	2,810,000	1,488,650	4,298,650	595,000	613,594	1,208,594	5,507,244
2035	2,980,000	1,318,569	4,298,569	625,000	581,569	1,206,569	5,505,138
2036	3,155,000	1,142,297	4,297,297	660,000	547,838	1,207,838	5,505,134
2037	3,335,000	959,766	4,294,766	695,000	512,269	1,207,269	5,502,034
2038	3,530,000	766,688	4,296,688	735,000	474,731	1,209,731	5,506,419
2039	3,735,000	562,359	4,297,359	775,000	435,094	1,210,094	5,507,453
2040	3,950,000	346,219	4,296,219	815,000	393,356	1,208,356	5,504,575
2041	4,180,000	117,563	4,297,563	860,000	349,388	1,209,388	5,506,950
2042	–	–	–	905,000	303,056	1,208,056	1,208,056
2043	–	–	–	955,000	254,231	1,209,231	1,209,231
2044	–	–	–	1,005,000	202,781	1,207,781	1,207,781
2045	–	–	–	1,060,000	148,575	1,208,575	1,208,575
2046	–	–	–	1,120,000	91,350	1,211,350	1,211,350
2047	–	–	–	1,180,000	30,975	1,210,975	1,210,975
Total [(1)]	**$62,835,000**	**$66,090,172**	**$128,925,172**	**$19,500,000**	**$22,640,861**	**$42,140,861**	**$171,066,034**

(1) Totals may not foot due to rounding.

SECURITY FOR THE BONDS

Pledge Under the Indenture and the Loan Agreement

By means of the Indenture, the Authority will pledge the Trust Estate to the Trustee for purposes of securing the Authority's obligations under the Indenture. The "Trust Estate" includes: (1) the Authority's right, title and interest in the Loan and the Loan Documents (subject to the reservation of certain rights by the Authority); (2) all Revenues (subject to disbursement and application in accordance with the Indenture), which are defined in the Indenture to include (a) 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 (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 (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 reimbursement or indemnification of the Authority and the Trustee); and (3) any and all other property pledged or assigned as and for additional security under the Indenture.

Under the Note 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 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 Bonds. See Appendix C – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – The Loan Agreement – Loan; Payments" and "– The Indenture – Establishment of Funds and Accounts." In certain circumstances, the University may be required to make monthly payments to the Trustee equal to one-sixth of the interest payment coming due on the next succeeding Interest Payment Date and one-twelfth of the principal and mandatory sinking fund payments, if any, becoming due on the next October 1, in lieu of the semi-annual payments described above. See "SECURITY FOR THE BONDS – Certain Covenants of the University – *Debt Service Coverage Test – Monthly Debt Service Deposit.*"

The obligations of the University under the Loan Agreement constitute a general obligation of the University to which the Pledged Revenues are pledged. The Pledged Revenues are comprised of the University's Unrestricted Gross Revenues, excluding any portion thereof derived from the operation of facilities constructed or acquired after November 1, 2009, if such revenues have been specifically pledged to the payment of obligations incurred solely to finance or refinance such new facilities and related improvements (other than through a pledge of Unrestricted Gross Revenues or Pledged Revenues to such obligations). Pledged Revenues may exclude any revenues generated by facilities constructed or acquired after November 1, 2009, which revenues are pledged to obligations incurred to finance such new facilities. Unrestricted Gross Revenues generated from Project Facilities and the facilities financed with the proceeds of the 2009 Bonds (the "2009 Project Facilities"), including any replacements therefor and improvements thereto, may not be excluded from the definition of Pledged Revenues.

The University may encumber its Pledged Revenues by a lien equal to that of its obligations under Loan Agreement upon compliance with certain conditions. See Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – The Loan Agreement – University Covenants." Also see below under "Certain Covenants of the University." Financial tests in the Loan Agreement, including the Debt Service Coverage Test, are not based on the Pledged Revenues. As such, Bondowners should be aware that financial covenant calculations may take into account more or different revenues or assets than are pledged to the payment of the Bonds and/or the University's obligations under the Loan Agreement. Further, future lenders that provide financing for such 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 Bonds. See Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – The Loan Agreement – University Covenants."

The Bonds are not and never shall 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 Bonds and the interest thereon do not and never shall 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 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 Bonds. The 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 Bonds be payable out of any funds or properties other than those specifically pledged therefor. The Authority has no Taxing power.

Deed of Trust

To further secure certain obligations, including its obligations under the Note and the Loan Agreement, the University will execute and deliver the Deed of Trust. The Deed of Trust will place a lien on the University's interest in the Deed of Trust Property. The lien granted by the Deed of Trust is on parity with certain other security interests pursuant to the Intercreditor Agreement including the 2009 Bonds. See Appendix C – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – The Deed of Trust" for a description of the Deed of Trust Property and certain provisions of the Deed of Trust.

The Deed of Trust provides that a portion of the Deed of Trust Property may be released from the lien and security interest of the Deed of Trust in certain circumstances without Bondowner consent. Personal property may also be transferred and become no longer subject to the Deed of Trust without Bondowner consent. In addition, the Deed of Trust provides that the lien of the Deed of Trust may be subordinated in certain limited circumstances. See "CERTAIN OTHER BONDOWNERS' RISKS – Possible Limitations on Enforceability of Obligations and Remedies" and Appendix C – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – The Loan Agreement – Negative Pledge" and "– The Deed of Trust." No appraisal has been made of the Deed of Trust Property. At any time, the value of the Deed of Trust Property could be less than the principal amount of obligations secured thereby.

Existing Obligations

The University entered into an unsecured revolving line of credit with Wells Fargo Bank, National Association for operations (the "Operating Line of Credit") in January, 2011. The Operating Line of Credit is subordinate to the Bonds and the 2009 Bonds. The University's outstanding indebtedness, including the 2009 Bonds, is further described in Appendix A – "SELECTED INFORMATION CONCERNING WHITWORTH UNIVERSITY – Outstanding Indebtedness."

Intercreditor Agreement

Pursuant to the Intercreditor Agreement, the pledge of the Collateral with respect to the Authority's obligations under the Loan Agreement is on parity with the pledge of the Collateral that secures the repayment of the 2009 Bonds. **The Intercreditor 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 Bonds and the 2009 Bonds.** All parties to the Intercreditor Agreement will share in the Collateral on a pooled basis on the terms and conditions described in the Intercreditor Agreement.

Debt Service Reserve Fund

Pursuant to the Indenture, the Trustee will establish and maintain and hold in trust a separate fund designated as the "Debt Service Reserve Fund" for the Bonds and any Additional Bonds issued under the Indenture. On the date of issuance of the Bonds, the Trustee will deposit proceeds of the Bonds into the Debt Service Reserve Fund in an amount required to meet the Debt Service Reserve Requirement applicable on that date. See "ESTIMATED SOURCES AND USES OF FUNDS."

The Debt Service Reserve Fund does not secure payment of the 2009 Bonds, and the debt service reserve fund established for the 2009 Bonds does not secure payment of the Bonds.

The University may, at any time, provide the Trustee with a Debt Service Reserve Fund Credit Facility or a substitute Debt Service Reserve Fund Credit Facility upon the satisfaction of certain conditions. See Appendix C – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – The Indenture – Establishment of Funds and Accounts – Debt Service Reserve Fund."

The value of the Debt Service Reserve Assets is to be maintained at a level at least equal to the Debt Service Reserve Requirement, except as follows: (1) when the Trustee has given a Declaration of Acceleration, or (2) when the Trustee has transferred funds from the Debt Service Reserve Fund to the Debt Service Fund or Rebate Fund. The "Debt Service Reserve Requirement" is an amount equal to the least of (a) 10% of the proceeds of the Bonds; (b) the Maximum Annual Debt Service on the Bonds Outstanding; or (c) 125% of average annual Debt Service for all Bonds Outstanding.

The Authority may issue additional bonds ("Additional Bonds") under the Indenture without the consent of or notice to Bondowners. In the event of the issuance of Additional Bonds under the Indenture, the Debt Service Reserve Fund shall also secure such Additional Bonds. See Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – The Indenture – Additional Bonds; Additional Indebtedness."

The Debt Service Reserve Assets are irrevocably pledged and are to be used by the Trustee, to the extent required, in the following order of priority:

(1) To the extent that money is available in the Debt Service Reserve Fund, such money will be transferred, if necessary, on an Interest Payment Date to the Rebate Fund or the Debt Service Fund, in that order, for the purposes of paying the Rebate Amounts, or interest on and the principal of the Bonds due on such date in the event there is a deficiency in such accounts for such payments. Such transfer is to be made, first, from any available cash or the proceeds from the liquidation of any available investments in the Debt Service Reserve Fund, which transfer will be made, if possible, in sufficient time to prevent the occurrence of an Event of Default under the Indenture and, second, from the proceeds of any draw under any Debt Service Fund Account Credit Facility in sufficient time to prevent the occurrence of an Event of Default under the Indenture. The Trustee must give the Authority and the University prompt notice of any withdrawals from the Debt Service Reserve Fund to pay principal of or interest on the Bonds;

(2) If the University provides the Trustee with a Debt Service Reserve Fund Credit Facility to be substituted for all or a portion of the amount of money or investments in the Debt Service Reserve Fund equal to the amount available for drawing thereunder pursuant to the Indenture, then, upon such substitution, such money and/or investments will immediately be delivered to or applied at the direction of the University;

(3) If the aggregate value of the Debt Service Reserve Assets exceeds the Debt Service Reserve Requirement on any Valuation Date, for transfer of excess money to the Debt Service Fund; provided, however, so long as interest due on the Bonds is payable from amounts on deposit in the Capitalized Interest Account, such excess shall be transferred to the Project Account and expended for Project Costs;

(4) If the aggregate value of the Debt Service Reserve Assets exceeds the Debt Service Reserve Requirement as the result of any redemption or partial defeasance of Bonds, for transfer of excess money to the Debt Service Fund or the escrow account into which a defeasance deposit for the partial redemption is made, all as directed by the University in writing in accordance with the refunding plan for such partial defeasance; and

(5) For transfer to the Debt Service Fund, when the money and liquid assets in the Debt Service Reserve Fund are sufficient (together with funds in the Debt Service Fund) to pay the principal of, premium, if any, and interest on all the Outstanding Bonds, when due, whether by reason of maturity, redemption or acceleration.

If the aggregate value of the Debt Service Reserve Assets on any Valuation Date is less than the Debt Service Reserve Requirement, the University is required to restore the aggregate value of the Debt Service Reserve Assets to the Debt Service Reserve Requirement by taking one or more of the following actions:

(1) Paying or causing to be paid to the Trustee, for deposit into the Debt Service Reserve Fund, money and/or Permitted Investments in an amount sufficient to restore the aggregate value of the Debt Service Reserve Assets to the Debt Service Reserve Requirement within 90 days of the Debt Service Reserve Fund Deficiency Notice;

(2) Providing or causing to be provided to the Trustee, subject to the prior written approval of the Authority, a Debt Service Reserve Fund Credit Facility or substitute Debt Service Reserve Fund Credit

Facility with a stated amount available for drawing thereunder not less than the amount necessary to increase the aggregate value of the Debt Service Reserve Assets to the Debt Service Reserve Requirement; and/or

(3) Causing the amount available for drawing under any Debt Service Reserve Fund Credit Facility previously provided to the Trustee to be increased by the amount necessary to restore the aggregate value of the Debt Service Reserve Assets to the Debt Service Reserve Requirement.

If the Trustee applies amounts held in the Debt Service Reserve Fund in accordance with the Indenture, the University is required to make 12 equal, consecutive, monthly installments to restore the aggregate value of the assets in the Debt Service Reserve Fund to the Debt Service Reserve Requirement.

Immediately upon receipt, the Trustee is to deposit the following into the Debt Service Reserve Fund: (1) all Debt Service Reserve Deposits (including, but not limited to, amounts paid by the University); (2) the proceeds of any drawing under any Debt Service Reserve Fund Credit Facility; and (3) all other money required to be transferred to or deposited in the Debt Service Reserve Fund pursuant to any provision of the Loan Agreement or the Indenture.

See Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – The Indenture – Establishment of Funds and Accounts – Debt Service Reserve Fund" and "– The Loan Agreement – Debt Service Reserve Fund Deposits."

Certain Covenants of the University

The University has agreed to the following covenants for the protection of the Bondowners. For a more detailed description of these and other covenants of the University, see Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – The Loan Agreement – University Covenants" and "– Negative Pledge."

Additional Indebtedness.

General. 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: (a) acquiring goods, supplies or merchandise in the normal course of business, (b) endorsing negotiable instruments received in the normal course of business, (c) having outstanding Indebtedness in existence on the date of the Loan Agreement and disclosed in writing to the Authority and the Trustee (including, but not limited to, the 2009 Bonds), (d) issuing additional Indebtedness which does not exceed an aggregate principal amount of $1,000,000 outstanding at any time, or (e) incurring Short Term Debt (which may have a parity lien with the 2009 Bonds, the Bonds and the University's obligations under both the Loan Agreement executed in connection with the 2009 Bonds (the "2009 Loan Agreement") and the Loan Agreement on Pledged Revenues).

Long Term Debt. In addition, the University may incur additional Indebtedness that is Long Term Debt, whether secured or unsecured (including Indebtedness secured by a pledge of Pledged Revenues on parity with the lien of the 2009 Bonds, the Bonds and the University's obligations under both the 2009 Loan Agreement and the Loan Agreement) and whether or not incurred or issued with the involvement of the Authority, for any legal corporate purpose, if: (a) Income Available for Debt Service for the immediately preceding Fiscal Year, as shown in audited financial statements of the University, or, if the audited financial statements for such Fiscal Year have not been released, as shown in the unaudited financial statements of the University for such Fiscal Year and certified by an authorized representative of the University, is at least equal to 1.25 times Annual Debt Service, (b) the University is in compliance with the Available Asset Test (*i.e.*, as evidenced by a certificate of an authorized representative of the University, the University must have, at the time additional Indebtedness is incurred, Expendable Net Assets in an amount equal to no less than 50% of bonded Indebtedness, taking the additional Indebtedness into account), (c) the Debt Service Coverage Test requirements, described below, will continue to be met and (d) if the Indebtedness is secured by a pledge of Pledged Revenues on a parity of lien with the Bonds and the University's obligations under the Loan Agreement and the 2009 Bonds and the 2009 Loan Agreement, the issuer, trustee, and/or credit enhancer of such Indebtedness holding the lien or security interest being granted will be added as a party to the Intercreditor Agreement.

Refunding. Further, notwithstanding the provisions described above, Indebtedness may be incurred without meeting these requirements, if such Indebtedness is being issued solely for refunding purposes.

Debt Service Coverage Test – Monthly Debt Service Deposits. The University covenants and agrees to comply with the following Debt Service Coverage Test in each Fiscal Year:

(a) Income Available for Debt Service at least equal to 1.00 times Annual Debt Service for such Fiscal Year (i) beginning after the date of issuance of the 2009 Bonds and continuing through the Fiscal Year that is two Fiscal Years after the last of the 2009 Project Facilities is placed in service, and (ii) beginning after the date of issuance of additional Indebtedness that is Long Term Debt pursuant to the provisions described above in "*Additional Indebtedness – Long Term Debt*" under this heading (such as the Bonds) that is issued to finance the acquisition, construction, improvement or rehabilitation of capital facilities of the University (such as the Project Facilities), and continuing through the Fiscal Year that is two Fiscal Years after such new facilities are placed in service; and

(b) in each other Fiscal Year, Income Available for Debt Service of at least 1.25 times Annual Debt Service for such Fiscal Year.

The University is required to deliver to the Trustee, within 30 days after the University's audited financial statements are released (but in no event later than 210 days after the end of the University's Fiscal Year), beginning with the Fiscal Year ending June 30, 2012, a certificate of an authorized representative of the University in the form attached to the Loan Agreement, showing compliance with the Debt Service Coverage Test.

If the University (i) fails to maintain Income Available for Debt Service of at least 1.00 times Annual Debt Service in any Fiscal Year, or (ii) fails to maintain Income Available for Debt Service of at least 1.25 times Annual Debt Service for two consecutive Fiscal Years for which such 1.25 ratio is applicable, the University is required to make monthly debt service payments to the Trustee, in lieu of semi-annual debt service payments described under "INTRODUCTION – Security and Sources of Payment" and "SECURITY FOR THE BONDS – Pledge Under the Indenture and the Loan Agreement," by paying to the Trustee on or before 4:00 p.m. Seattle time on the fifth Business Day of each month, an amount equal to one-sixth of the interest payment coming due on the next succeeding Interest Payment Date and one-twelfth of the principal and mandatory sinking fund payments, if any, coming due on the next October 1. **Failure to satisfy the Debt Service Coverage Test will not constitute a Loan Agreement Default or an Event of Default under the Indenture.**

If the University demonstrates compliance with the Debt Service Coverage Test for two consecutive Fiscal Years, as evidenced by a certificate of an authorized representative of the University, the University may cease making monthly debt service payments and may resume making semi-annual payments of debt service under the Loan Agreement.

Negative Pledge on Core Campus. The University and the Authority agree in the Loan Agreement that 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 those created by the Indenture and the indenture pursuant to which the 2009 Bonds were issued and the Deed of Trust and encumbrances to secure additional Indebtedness that meet certain requirements and Permitted Encumbrances as described in Appendix C – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – The Loan Agreement – Negative Pledge." In addition, the Authority has reserved the right to enter into one or more indentures for its corporate purposes and to issue obligations for such purposes, and the University has reserved the right to incur additional debt and encumber the Pledged Revenues and the Deed of Trust Property. See Appendix C – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – The Loan Agreement – Negative Pledge" and "– Indebtedness; Additional Indebtedness."

The University has further reserved the rights to pledge its property which is not part of the Core Campus or the Deed of Trust Property, to encumber its Pledged Revenues with a lien subordinate to the lien of the Bonds and to secure additional indebtedness and to encumber the Deed of Trust Property by a lien or security interest on a parity with the lien granted under the Deed of Trust upon the satisfaction of certain conditions.

In addition, the University is permitted to release a portion or portions of the Deed of Trust Property (and release any such assets or property secured by the Deed of Trust from such Deed of Trust) with a value not exceeding five percent of the aggregate value of the Deed of Trust Property in any Fiscal Year. The University may release a portion or portions of the Deed of Trust Property with a value of more than five percent of the aggregate value of the Deed of Trust Property in any Fiscal Year so long as the value of the remaining portion of the Deed of Trust Property equal or exceeds 200% of the aggregate principal amount of the outstanding Bonds and other obligations secured by the Deed of Trust. For purposes of this paragraph, value shall be evidenced by a certificate of an authorized representative of the University (based upon the University's review of immediately available insured value and/or assessed value information delivered to the beneficiaries of the Deed of Trust, together with any such request). The University is not limited in its ability to, or prevented from, selling investment assets in the normal course of business.

THE AUTHORITY

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

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 Executive Director of the Higher Education Coordinating Board of the State 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 of 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. Marty Brown, 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 Christine O. Gregoire, Chair	Governor, State of Washington
The Honorable Brad Owen	Lieutenant Governor, State of Washington
Don Bennett	Executive Director, Higher Education Coordinating Board
Manford Simcock	Public Member, Secretary of the Board
Ellen Taussig	Public Member, Treasurer of the Board
Dr. John McVay	Public Member President, Walla Walla University
Tom Johnson	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"), a State agency 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 Finance Director; 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 December 30, 2011, the Authority had issued obligations aggregating $1,576,330,958 in original principal amount. As of December 30, 2011, the Authority had bonds outstanding in the principal amount of $663,995,233.

THE UNIVERSITY

The information under this heading has been provided solely by the University and is believed to be reliable, but has not been verified independently by the Authority or the Underwriter. No representation whatsoever as to the accuracy, adequacy or completeness of such information is made by the Authority or the Underwriter. For additional information regarding the University, please see Appendix A – "SELECTED INFORMATION CONCERNING WHITWORTH UNIVERSITY" and Appendix B – "AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY."

The University is a private, residential liberal arts higher education facility affiliated with the Presbyterian Church (USA), founded in 1890. While primarily an undergraduate institution, the University also offers a variety of masters degrees in education, business, nursing and technology.

The University is located on an approximately 224-acre campus in a suburban setting on the north side of Spokane, Washington. The University currently enrolls more than 2,800 students and is frequently ranked among the top ten regional universities in the West in *U.S. News & World Report*. The University is accredited by the Northwest Commission on Colleges and Universities, and is a member of the Association of American Colleges, the Presbyterian University Union and the Council of Christian Colleges and Universities.

The University is governed by a self-perpetuating Board of Trustees (the "Board") comprised of 33 members serving three-year terms. The Board members include Elected Trustees, Life Trustees and Trustees Emeriti. The terms of approximately one-third of the members expire each year and all officers of the Board are elected annually. The Board holds three regular meetings each year. The University's bylaws require that at least one-sixth and not more than one-third of the members be ordained Presbyterian ministers of Presbyterian Church U.S.A., who are members in good standing of the presbytery of which they are a member.

THE TRUSTEE

The information under this heading has been provided solely by the Trustee and is believed to be reliable, but has not been verified independently by the Authority or the Underwriter. No representation whatsoever as to the accuracy, adequacy or completeness of such information is made by the Authority, the Underwriter or the University.

The Authority has appointed U.S. Bank National Association 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 such duties as are assigned to it under the Indenture, the Loan Agreement and the Intercreditor Agreement. 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 nature, contents, accuracy or completeness of the information set forth in this Official Statement or for the recitals contained in the Indenture or the Bonds (except for the certificate of authentication on each 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 Authority of any of the Bonds authenticated or delivered pursuant to the Indenture or for the use or application of the proceeds of such Bonds by the Authority or the University. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the 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 Bonds, the technical or financial feasibility of the expected uses of proceeds of the Bonds or the investment quality of the 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 Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the issuance of the Bonds are as follows:

Source of Funds:	
Par Amount of Bonds	$19,500,000
Net Original Issue Premium	565,060
Total	$20,065,060
Uses of Funds:	
Deposit to Project Fund	$17,436,780
Deposit to Debt Service Reserve Fund	1,211,350
Deposit to Capitalized Interest Account [(1)]	1,040,555
Underwriter's Discount	102,375
Deposit to Costs of Issuance Fund [(2)]	274,000
Total	$20,065,060

(1) Interest is expected to be capitalized through April 1, 2013.

(2) Includes the initial fees of the Authority and Trustee, financial advisor fees, certain fees of the rating agency and legal fees.

THE PROJECT

The Bonds are being issued to make the Loan to the University, the proceeds of which will be used (1) to finance the construction and improvement of the Project Facilities, (2) to capitalize interest on the Bonds, (3) to pay the costs of issuing the Bonds and (4) to fund the Debt Service Reserve Fund for the Bonds to the Debt Service Reserve Requirement.

The Project Facilities to be financed with the proceeds of the Bonds include a 14,000 square foot addition to the HUB Dining Hall; a 30,000 square foot, two-story recreation center on the north side of the University's campus; design work for a student residence hall; and various infrastructure development and repair projects.

CERTAIN BONDOWNERS' RISKS

The following is a discussion of certain risks that could affect payments to be made with respect to the Bonds. This discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered to be a complete description of all risks that could affect such payments. Prospective purchasers of the Bonds should analyze carefully the information contained in this Official Statement, including the appendices hereto, and additional information in the form of the complete documents summarized herein, copies of which are available as described in this Official Statement.

General

An investment in the Bonds involves certain risks, including the risk of nonpayment of interest or principal due to Bondowners and the risk that the Bonds will be redeemed prior to maturity. The enforceability of the University's obligations pursuant to the Loan Agreement and the Deed of Trust 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 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 FOR THE BONDS." No representation or assurance can be given that University will realize revenues in amounts sufficient to make the payments under the Loan Agreement with respect to the Bonds and also pay its other expenses and obligations. The realization of future revenues is dependent upon, among other things, the capabilities of the management of University and future changes in economic, legal, legislative, regulatory and other conditions that are unpredictable and cannot be determined at this time. The risk of nonpayment or that the 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 Bonds. The 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 Bonds.

Special Obligations

The Bonds are not and never shall 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 Bonds and the interest thereon do not and never shall 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 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 Bonds. The 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 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 Bonds, including those who purchase Bonds at a price in excess of their principal amount or who hold such a Bond trading at a price in excess of par, should consider the fact that the Bonds are subject to redemption at a price equal to their principal amount plus accrued interest in the event such Bonds are redeemed prior to maturity upon optional redemption, mandatory sinking fund redemption or extraordinary redemption. See the description herein under the heading "THE 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 University may incur additional indebtedness on a parity lien with such Bonds and may incur indebtedness on a subordinated basis. See "SECURITY FOR THE 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, 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: (1) the University's ability to achieve enrollment, tuition and fundraising at levels sufficient to consistently enjoy operating surpluses and (2) 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.

Enrollment

The University believes that the strength of its academic programs, faculty and facilities will cause the demand for its educational programs to remain stable; however, no assurance can be given that demand for its educational programs will remain constant. A number of economic, demographic and other circumstances not controllable or presently foreseeable by the University could materially adversely affect its future enrollment and expenses of operation. Declining enrollment would decrease the University's income and adversely impact its ability to meet its obligations under the Loan Agreement, as would any significant increase in its operating costs or its inability to decrease operating costs in the face of declining enrollments. No assurances can be given regarding the University's projected future enrollment or its ability to adequately control its operating costs and expenses.

Tuition

A significant portion of the University's operating revenue is provided through tuition and related fees. Although the University has in the past been able to raise tuition and related fees without adversely affecting enrollment, there can be no assurance that it will continue to be able to do so in the future, or that the increase will be in amounts sufficient to offset expenses. Future tuition increases and any adverse change in enrollment could adversely affect the University's financial position and its results of operations.

Financial Aid

A significant percentage of the University's students receive financial support in the form of federally supported loans and scholarships and grants from the University. There can be no assurance that the amount of federally supported loans or other financial aid will remain stable or increase in the future. If the amount of those loans or other financial aid decreases in the future, there can be no assurance that the University will be able to increase the amount of financial aid provided by it. Changes in the availability of financial aid could likely adversely affect the University's enrollment, and could therefore adversely affect the University's financial position and its results of operations.

Gifts, Grants and Bequests

The University is continuously involved in fund raising activities of various types. Given actual and possible reductions in federal educational and student assistance programs and the increasing cost of operating a quality college, an inability by the University to raise substantial amounts of money from alumni and alumnae and other private sources would have a depressing effect on the University's programs with possible adverse consequences for enrollment and results from operations.

Damage or Destruction

Although the University will be required to obtain certain insurance as set forth in the Loan Agreement, there can be no assurance that the University will not suffer uninsured losses.

Investment Performance and Earnings

The University's various investment accounts include fixed income securities, equity holdings and alternative investments. The past performance and gains in such investments cannot be used as a basis to predict future results. The results in subsequent fiscal years will depend upon the state of general economic conditions and market results of both fixed income and equity securities, which may be held by the University from time to time for its investment purposes.

Other Factors Affecting the Financial Performance of the University

One or more of the following factors or events, or the occurrence of other unanticipated factors or events, could adversely affect the University's operations and financial performance to an extent that cannot be determined at this time:

(1) *Changes in Management*. Changes in key management personnel could affect the capability of the management of the University.

(2) *Future Economic Conditions*. Increased unemployment, adverse economic conditions, changes in the demographics of the service area of the University and the cost and availability of energy, an inability to control expenses in periods of inflation, and difficulty in increasing charges and other fees while maintaining the quality of educational services could all affect the financial performance of the University.

(3) *Competition*. Increased competition from other institutions of higher education could adversely affect the enrollment at or revenues of the University, which could force the University to offer discounted rates, or which could adversely affect the ability of the University to attract faculty or other staff.

(4) *Organized Labor Efforts*. Efforts to organize employees of the University into collective bargaining units could result in adverse labor actions or increased labor costs.

(5) *Environmental Matters*. Legislative, regulatory, administrative or enforcement action involving environmental controls could adversely affect the operation of the facilities of the University. For example, if property of the University is determined to be contaminated by hazardous materials, the University could be liable for significant clean-up costs even if it were not responsible for the contamination.

(6) *Natural Disasters*. The occurrence of natural disasters could damage the facilities of the University, interrupt services or otherwise impair the operations and ability of the University to produce revenues.

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, the Indenture and the Deed of Trust. 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, the Indenture and the Deed of Trust 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 Registered Owners of a majority in aggregate principal amount of Bonds, if the Registered Owners are provided with the benefit of their original lien or the "indubitable equivalent." Further, if the bankruptcy court concluded that such Registered 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 Registered Owners, and (2) subordinate the lien of the Registered 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 Registered Owners might depend on the bankruptcy court's interpretation of the "indubitable equivalent" and "adequate protection" under the then-existing circumstances.

Pledged Revenues may exclude any revenues generated by facilities constructed or acquired after November 1, 2009, which revenues are pledged to obligations incurred to finance such new facilities (although Unrestricted Gross Revenues generated from Project Facilities and the 2009 Project Facilities, including any replacements therefor and improvements thereto, may not be excluded from the definition of Pledged Revenues). Financial tests in the Loan Agreement, including the Debt Service Coverage Test, are not based on the Pledged Revenues. As such, Bondowners should be aware that financial covenant calculations may take into account more or different revenues or assets than are pledged to the payment of the Bonds and/or the University's obligations under the Loan Agreement. Further, future lenders that provide financing for such 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 Bonds. See "SECURITY FOR THE BONDS – Pledge Under the Indenture and the Loan Agreement."

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 Agreement. See "SECURITY FOR THE BONDS."

Deed of Trust Property. Certain personal property is included within the Deed of Trust Property. The Deed of Trust does not prohibit transfers of personal property or require that the University maintain certain levels of personal property. As such, the value of the personal property could be substantially reduced by disposition or otherwise. Further, a portion of the Deed of Trust Property may be released from the lien of the Deed of Trust upon satisfaction of certain conditions, without Bondholder consent. No appraisal has been made of the Deed of Trust Property. At any time, the value of the Deed of Trust Property could be substantially less than the principal amount of obligations secured thereby. The Deed of Trust provides that the lien of the Deed of Trust may be subordinated in certain limited circumstances. The University may incur additional obligations which will be secured by the Deed of Trust on parity with the University's obligations under the Loan Agreement.

Amendments to Indenture and Loan Documents

The Indenture and Loan Agreement may be amended with or without the consent of Bondowners. See Appendix C – "CERTAIN DEFINITIONS AND 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."

Environmental Matters

Under the federal Comprehensive Environmental Response, Compensation and Liability Act and under comparable State law, a secured party that takes a deed in lieu of foreclosure, purchases a mortgaged property at a foreclosure sale or operates a mortgaged property may become liable in certain circumstances for the cost of remedial action ("Remedial Action Costs") if hazardous waste or hazardous substances have been released or disposed of on the property. Such Remedial Action Costs could subject all or a portion of the Deed of Trust Property to a lien and reduce or eliminate the amounts otherwise available to pay the owners of the Bonds if such Remedial Action Costs were incurred.

Exemption of Interest from Federal Income Taxes

The University. The possible modification or repeal of certain existing federal income or State tax laws or other loss by the University of the present advantages of certain provisions of the federal income or State tax laws could materially and adversely affect the status of the University. The University has obtained a letter from the Internal Revenue Service (the "IRS") determining it is an exempt organization under Section 501(c)(3) of the Code. As an exempt organization, the University is subject to a number of requirements affecting its operation. The failure of the University to remain qualified as an exempt organization would affect the funds available to University for payments under the Indenture and the Loan Agreement. Also, loss of exempt status as a Section 501(c)(3) organization may adversely affect the status of the Bonds for federal income tax purposes. Failure of the University to comply with certain requirements of the Code, or adoption of amendments to the Code to restrict the use of tax-exempt bonds for facilities such as the Project Facilities, could cause interest on the Bonds to be included in the gross income of Bondholders or former Bondholders for federal income tax purposes retroactive to the date of issuance of the Bonds.

The Bonds. The exemption of interest on the Bonds from federal income taxes is dependent upon continuing compliance by the Authority and the University with the requirements of the Code. If there is a failure to continuously comply with the covenants of the Code, interest on the Bonds could become includible for federal income tax purposes in the gross incomes of the Owners thereof, which includibility in gross income could be retroactive to the date of issuance of the Bonds. Loss of the exclusion of the interest on the Bonds from gross income for federal income tax purposes will not constitute a default under the Indenture and will not give rise to an acceleration or redemption of the Bonds. Consequently, the Trustee may not have remedies available to it to mitigate the adverse economic effects to the Owners of the Bonds resulting from the interest on the Bonds becoming subject to federal income taxation.

If interest on the Bonds becomes so includible in the Owners' gross incomes, the effect will be to reduce the yield on an Owner's Bonds as a result of the federal and, in certain cases, State and local, income tax liability incurred in connection with the receipt of interest on the Bonds. In addition, such loss of tax-exempt status can be expected to have a material adverse effect on the market price of the Bonds. There is no provision for any adjustment to the interest rate borne by the Bonds in the event of any such loss of tax-exempt status, nor is any provision made for the payment of any penalties or premium in such event. As a result, the Owners of the Bonds may be forced to bear the adverse economic consequences of any such loss of tax-exempt status and may not have adequate remedies against the Authority to recover any losses or damages so sustained.

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 Bonds, subject to applicable securities laws. The Underwriter, however, is not obligated to engage in secondary trading or to repurchase any of the Bonds at the request of the owners thereof. No assurance can be given that a market will exist for the resale of the 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 Bonds, or if a secondary market exists, that the 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 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.

Ratings

The lowering or withdrawal of the rating initially assigned to the Bonds could adversely affect the market price and the market for the Bonds. See "RATING."

TAX MATTERS

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the 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 Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the Bonds and the facilities financed with proceeds of the Bonds and certain other matters. The Authority and the University have covenanted to comply with all applicable requirements.

Bond Counsel's opinion 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 Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds, regardless of the date on which the event causing taxability occurs. Bond Counsel has further relied on the opinion of Koegen Edwards LLP, 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 being an organization described in Section 501(c)(3) of the Code and that the facilities financed with the proceeds of the 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 Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 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 Bonds should be aware that ownership of the 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 Bonds. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations such as the 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 Bonds. Owners of the Bonds are advised that, if the IRS does audit the 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 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 Bonds until the audit is concluded, regardless of the ultimate outcome.

Premium

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

Original Issue Discount

The initial public offering price of certain Bonds (the "Original Issue Discount Bonds"), is 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 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 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.

<u>Not</u> Qualified Tax-Exempt Obligations

The Authority has *not* designated the 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 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 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 Bonds. For example, on September 12, 2011, President Obama sent to Congress a legislative proposal entitled the American Jobs Act of 2011 (the "Proposed Act"). On September 13, 2011, Senator Harry Reid introduced the Proposed Act in the Senate (S.1549). The Proposed Act includes a provision that, if enacted as proposed, would limit the amount of exclusions (including tax-exempt interest, such as interest on the Bonds) and deductions that certain high income taxpayers could use to reduce their income tax liability for taxable years beginning after 2012, and accordingly the Proposed Act could affect the market price or marketability of the Bonds. Other 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 Bonds. Prospective purchasers of the 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.

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 Bonds. Public Financial Management, Inc., Seattle, Washington (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 Bonds.

In connection with the Official Statement, the Financial Advisors have relied upon University officials and other sources that have access to relevant data to provide accurate information for the 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 the Official Statement in accordance with accounting standards. The Financial Advisors are independent advisory firms and are not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

UNDERWRITING

The Bonds are being purchased for reoffering by Piper Jaffray & Co., as underwriter (the "Underwriter"). The purchase contract entered into among the Underwriter, the Authority and the University provides that the Underwriter will purchase all of the Bonds, if any are purchased, at a price of $19,962,684.50 (which represents the principal amount of the Bonds, plus a net original issue premium of $565,059.50, less an underwriter's discount of $102,375.00). The Underwriter intends to offer the Bonds to the public initially at the offering prices (or prices corresponding to yields) set forth on the inside front cover of this Official Statement, which offering prices may subsequently change without any requirement of prior notice. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices.

The Underwriter and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the "Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to the Underwriter, including the Bonds. Under the Agreement, the Underwriter will share with Pershing LLC a portion of the fee or commission paid to the Underwriter.

INDEPENDENT AUDITOR'S REPORT

The financial statements of the University for the years ended June 30, 2011 and 2010, included in Appendix B to this Official Statement, have been audited by Baker Tilly Virchow Krause, LLP, independent public accountants, as indicated in its report thereon. Baker Tilly Virchow Krause, 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. Baker Tilly Virchow Krause, 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 Advisor, Underwriter's counsel and Bond Counsel are contingent upon the issuance and sale of the Bonds. From time to time, Bond Counsel serves as counsel to the Underwriter in connection with transactions other than the issuance of the Bonds. None of the members or other officers of the Authority have interests in the issuance of the Bonds that are prohibited by applicable law.

RATING

Moody's Investors Service, Inc., has assigned the Bonds a rating of "Baa1." Such rating reflects only the views of the rating agency at the time the rating is given, and the Authority makes no representation as to the appropriateness of the rating. An explanation of the significance of such rating may be obtained only from the rating agency. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward, suspended or withdrawn entirely by the applicable rating agency, if, in its judgment, circumstances so warrant. Any such downward revision, suspension or withdrawal may have an adverse effect on the market price of the Bonds.

MATERIAL LITIGATION

The Authority

There is no pending litigation currently restraining or enjoining the issuance, sale or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings under which they are to be issued. Neither the creation, organization or existence, nor the title of the present members or other officers of the Authority to their respective offices, is being contested. There is no litigation pending which in any manner questions the right of the Authority to issue the Bonds and apply the proceeds in accordance with the provisions of the Act, the Indenture and the Loan Agreement.

The University

There is no controversy or litigation of any nature now pending or, to the knowledge of the University, threatened, against the University restraining or enjoining the issuance, sale or delivery of the Bonds or in any way contesting or affecting the validity of the Bonds or any proceedings of the University in connection with the issuance, sale or delivery thereof, the pledge or application of money or security provided for the repayment of the Bonds, or the existence or powers of the University. There is no litigation of any nature pending, or to the knowledge of the University, threatened, which, if decided adversely to the University, could materially adversely affect the operations or financial condition of the University.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds by the Authority are subject to the approving legal opinion of Pacifica Law Group LLP, Seattle, Washington, Bond Counsel. The form of the opinion of Bond Counsel is included as Appendix D of this Official Statement. Bond Counsel has reviewed this Official Statement only to confirm that the portions of it describing the Bonds and the authority to issue them conform to the Bonds and the applicable laws under which they are issued.

Certain legal matters will be passed upon by Koegen Edwards LLP, Spokane, Washington, as counsel to the University and by Foster Pepper PLLC, Seattle, Washington, Counsel to the Underwriter. Any opinion of Underwriter's counsel will be rendered solely to the Underwriter, will be limited in scope, and cannot be relied upon by investors.

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 Loan Agreement to provide the following information as described below:

(1) Annual Financial Information;

(2) Audited Financial Statements, if any; and

(3) Listed Event Notices.

The University shall while any Bonds are Outstanding provide the Annual Financial Information to U.S. Bank National Association, as agent of the University and Authority (the "Agent"), on or before January 1 of each year (the "Submission Date"), beginning in 2013, and the Agent shall provide to the MSRB, such Annual Financial Information on or before January 15 beginning in 2013 (the "Report Date") while any Bonds are Outstanding or, if not received by the Agent by the Submission Date, then within five Business Days of its receipt by the Agent. The University shall include with each submission of Annual Financial Information to the Agent a written representation addressed to the Agent to the effect that the Annual Financial Information is the Annual Financial Information required by this undertaking and that it complies with the applicable requirements of the Loan 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 Agent 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 Agent and the Agent provides to the MSRB the Annual Financial Information by specific reference to documents available to the public on the MSRB's internet website or filed with the Securities and Exchange Commission.

If not provided as part of the Annual Financial Information, the University shall provide the Audited Financial Statements to the Agent when and if available while any Bonds are Outstanding and the Agent shall then promptly provide the MSRB with such Audited Financial Statements.

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 Agent with notice and instructions regarding disclosure of that event.

Within five Business Days of obtaining such knowledge the Trustee is to notify the University whenever, in the course of performing its duties as Trustee under the Indenture, it identifies an occurrence which may require the University to provide a Listed Event Notice pursuant to the Loan Agreement; provided that failure of the Trustee to so notify the University shall not constitute a breach by the Trustee of any of its duties and responsibilities under the Indenture or the Loan Agreement.

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 Agent along with instructions to file such Notice. If the University determines that an event is not required to be disclosed as a Listed Event then the University shall so notify the Agent in writing and instruct the Agent not to report the occurrence. If the Agent has been provided with a written notice describing a Listed Event, and is instructed by the University to report the occurrence of such Listed Event, the 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.

The Agent shall, without further direction or instruction from the University, provide in a timely manner to the MSRB notice of any failure while any Bonds are Outstanding by the 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 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 Agent shall be entitled conclusively to rely on the University's written representation made pursuant to the Loan Agreement.

If the University provides to the Agent information relating to the University or the Bonds, which information is not designated as a Listed Event Notice, and directs the Agent to provide such information to information repositories, the Agent will provide such information in a timely manner to the Authority and the MSRB.

The following are the definitions of the capitalized terms used under this heading and not otherwise defined in this Official Statement.

"Agent" means U.S. Bank National Association, its successors and assigns, acting as Agent for the University and the Authority.

"Annual Financial Information" means the financial information (which shall be based on financial statements prepared in accordance with generally accepted accounting principles ("GAAP")) or operating data with respect to the University, provided at least annually, of the type included in Appendix A to this Official Statement under the headings identified in Appendix E.

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

"Listed Event" means any of the following events, if material, with respect to the Bonds:

(a) Principal and interest payment delinquencies;

(b) Non-payment related defaults, if material;

(c) Unscheduled draws on debt service reserves reflecting financial difficulty;

(d) Unscheduled draws on credit enhancements reflecting financial difficulty;

(e) Substitution of credit or liquidity providers, or their failure to perform;

(f) 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 Bonds, or other material events affecting the tax status of the Bonds;

(g) Modifications to rights of Bondholders, if material;

(h) Bond calls, if material, and tender offers;

(i) Defeasances;

(j) Release, substitution, or sale of the property securing repayment of the Bonds, if material;

(k) Rating changes;

(l) Bankruptcy, insolvency, receivership or similar event of the University. For purposes of this (l), any such event will 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 confirmation 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;

(m) 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

(n) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

"Listed Event Notice" means written or electronic notice of a Listed Event.

The continuing obligation of the University to provide Annual Financial Information, Audited Financial Statements and Listed Event Notices and the Agent's obligations described above will terminate immediately once the Bonds are no longer Outstanding. The provisions described above may be amended or waived pursuant to certain conditions set forth in the Loan Agreement, provided that (i) if the amendment or waiver relates to the provisions regarding the University's undertaking to provide Annual Financial Information, Audited Financial Statements and Listed Event Notices, or the definition of "Audited Financial Statements," it may only be made in connection with a change in circumstances that arises from a change in legal requirements, law, or the identity, nature or status of an obligations person with respect to the Bonds, or the type of business conducted; (ii) the undertaking, as amended or taking into account such waiver would have complied with the rule at the time or original issuance of the Bonds, after taking to account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iii) the amendment or waiver is either (a) approved by the Registered Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Loan Agreement with the consent of the Registered Owners, or (b) does not, in the opinion of nationally recognized Bond Counsel, materially impair the interests of the Registered Owners or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of the Loan Agreement relating to the University's continuing disclosure obligation, the University is to describe the amendment or waiver in the next Annual Financial Information and 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 or waiver relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change is to be given in the same manner as for a Material Event, 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.

Any failure by the University to perform in accordance with the above provisions will not constitute a "Loan Agreement Default." Neither the Authority nor the Agent has any power or duty to enforce the above provisions; however, the holders of the Bonds within the meaning of the Rule may enforce these provisions.

The University has not failed to comply with its continuing disclosure obligations with respect to any of its obligations.

The Authority will comply with any ongoing disclosure requirements with respect to the Bonds that may be imposed upon it in the future by the Securities Exchange Commission or any other regulatory body.

MISCELLANEOUS

All of the summaries or descriptions of provisions of the Indenture, the Loan Agreement, the Deed of Trust and other documents are made subject to all of the provisions of law and such documents, and these summaries do not purport to be complete statements of such provisions. Reference is hereby made to such documents for further information in connection therewith. Copies of the aforementioned documents may be obtained from the Trustee in Seattle, Washington.

Appendices A and B contain certain information with respect to the University. The information contained in such appendices has been furnished by the University, and the Authority makes no representations or warranties whatsoever with respect to the information contained in such appendices.

The agreements of the Authority with the Bondowners are fully set forth in the Indenture. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Any statements herein involving matters of opinion or estimates, whether or not expressly so stated, are intended merely as such and not as representations of fact. This Official Statement has been approved by the Authority and the University.

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY

By: /s/ Kim Herman
Executive Director

WHITWORTH UNIVERSITY

By: /s/ Brian L. Benzel
Vice President for Finance and Administration

APPENDIX A

SELECTED INFORMATION CONCERNING WHITWORTH UNIVERSITY

Whitworth University ("Whitworth") is a private, residential liberal arts higher education institution affiliated with the Presbyterian Church (U.S.A.), founded in 1890 and located in a suburban setting on the north side of Spokane, Washington. The 224-acre wooded campus is less than 15 minutes by public transportation from downtown Spokane, the metropolitan hub of the Inland Northwest and the largest city in the northern U.S. between Seattle and Minneapolis. While primarily serving traditional undergraduate students, Whitworth also offers a variety of degree programs designed for working adults as well as masters-level programs in education, business, nursing and theology.

Whitworth was originally founded as Whitworth College by Rev. George Whitworth in western Washington but was relocated to its present campus in Spokane in 1914. Whitworth has been on a positive trajectory for the past two decades as reflected in a 620 percent increase in freshman applications, 72 percent growth in total enrollment, record highs in retention, and graduation rates that are well above national averages, more than $100 million in campus improvements and steadily increased financial support from alumni and friends of Whitworth. The name of the institution was changed to "Whitworth University" in 2007 to reflect the additions of schools of education and business as well numerous graduate programs.

Whitworth serves more than 2,800 undergraduate and graduate students from throughout the United States and beyond. Whitworth has been ranked among the top ten regional universities in the West in *U.S. News & World Report's* rankings of best universities and best values for nine consecutive years.

Whitworth's mission is to provide its diverse student body an education of the mind and heart, equipping its graduates to honor God, follow Christ and serve humanity. This mission is carried out by a community of Christian scholars committed to excellent teaching and the integration of faith and learning.

Accreditation

Whitworth is accredited by the Northwest Commission on Colleges and Universities. The most recent reaccreditation took place in 2010. Whitworth is also a member of the Association of American Colleges, the Presbyterian University Union and the Council of Christian Colleges and Universities. It is on the approved list of the National Council on Church-Related Universities. Whitworth is affiliated with the Synod of Alaska-Northwest of the Presbyterian Church (U.S.A.).

Whitworth's academic programs of study are approved by the Higher Education Coordinating Board's State Approving Agency (HECB/SAA) for enrollment of persons eligible to receive educational benefits under Titles 10 and 38 of the United States Code.

Whitworth's Department of Music is accredited by the National Association of Schools of Music (NASM-2004). Programs in the School of Education are accredited by the National Council for Accreditation of Teacher Education (NCATE 2011). The Intercollegiate Center for Nursing Education, of which Eastern Washington University, Whitworth and Washington State University are members, is approved by the Washington State Board of Nursing and the National League of Nursing. The Athletic Training Program is accredited by the Commission on Accreditation of Athletic Training Education (CAATE 2010).

Governance

Whitworth is governed by a self-perpetuating Board of Trustees (the "Board") comprised of members serving three-year terms that consists of "Elected Trustees," "Life Trustees" and "Trustees Emeriti." The terms of approximately one-third of the members expire each year, and all officers of the Board are elected annually. The Board has three regular meetings per year. The bylaws of Whitworth require that at least one-sixth and not more than one-third of the members shall be ordained Presbyterian ministers of Presbyterian Church (U.S.A.), who are members in good standing of the presbytery of which they are a member.

Board Members (continued)

Curtis R. Estes	Financial Representative, Northwestern Mutual Financial Network, Los Angeles, California
William C. Fix	Investment Manager, William C. Fix Investments, Spokane
Kathleen A. Goodrich	Co-General Presbyter, Yellowstone Presbytery, Bozeman, Montana
Gary J. Hopkins	President/CEO, George C. Hopkins Construction, Glendale, California
Michael J. Keenan	CEO/President, MD Office Solutions, Inc., Rancho Santa Fe, California
Brian W. Kirkpatrick	Executive Vice President/CFO, CRISTA Ministries, Seattle, Washington
Andrea J. Lairson	Attorney, Redmond, Washington
Augustus Lee	Chief Learning & Education Officer, Integware, Fort Collins, Colorado
James Munyon	President/CEO, AIB International, Manhattan, Kansas
Dr. David G. Myers	John Dirk Werkman Professor of Psychology, Hope College, Holland, Michigan
Walter M. Oliver	Senior Vice President for Human Resources/Administration, General Dynamics, Falls Church, Virginia
Rev. Gayle B. Parker	President, Compelling Communications, Inc., Phoenix, Arizona
Mark E. Poe	President/CEO, Poe Asphalt Paving, Inc., Clarkston, Washington
Dr. Jennifer Ratcliffe	Owner and Medical Director, Advanced Fertility Associates Medical Group, Santa Rosa, California
J. David Robblee	CEO, Six Robblees', Inc., Seattle, Washington
Kenneth M. Roberts	President/CEO, Ken Roberts Investment Management, Spokane, Washington
Judi Shupper	Community Volunteer, La Cañada, California
Rev. Dr. James M. Singleton	Senior Pastor, First Presbyterian Church, Colorado Springs, Colorado
Jan Morrow Skaggs	Community Volunteer, Austin, Texas
Stuart Stiles	Board Chair, International Assistance Programs (IAP), Spokane, Washington
Anne McCullough Storm	Community Volunteer, Newport Beach, California
Arthur E. Symons, Jr.	Founder, Symons Frozen Foods, Inc., Centralia, Washington
Dr. Beck A. Taylor	President, Whitworth University, Spokane, Washington
Jason Thackston	Vice President, Energy Delivery, Avista Corporation, Spokane, Washington

Officers

President. Dr. Beck A. Taylor assumed his duties as the 18th president of Whitworth in July 2010. He came to Whitworth from Samford University in Birmingham, Alabama, where he served as dean and professor of economics for the Brock School of Business. He previously served as associate dean for research and faculty development for the Hankamer School of Business at Baylor University in Waco, Texas, where he was also the W. H. Smith Professor of Economics. As dean of Samford's Brock School of Business, Dr. Taylor helped to lead the rapid transformation of the business school to build a $100 million endowment for the school and led the Brock School to establish eight new academic programs and the school's honors program. The Brock School's entrepreneurship program was recognized in 2010 as the nation's top emerging program by the U.S. Association for Small Business and Entrepreneurship.

Dr. Taylor received his bachelor's degree from Baylor University with majors in economics and finance, and his master's and Ph.D. in economics from Purdue University in West Lafayette, Indiana. In 2002, he was appointed as a visiting scholar by Harvard University and spent one year in residence at the Harvard Graduate School of Education.

As a scholar, Dr. Taylor has published more than two dozen studies in economics journals. Illustrating his diverse research interests and his connections to the social sciences, Dr. Taylor has also published articles on his research in public health and child developmental psychology.

Dr. Taylor is a member of numerous professional and academic organizations including the American Economic Association, Beta Gamma Sigma (international honor society for business programs), Omicron Delta Epsilon (international economics honor society), Beta Alpha Psi (honor society for Financial Information students and professionals), and Association of Christian Economists. Dr. Taylor has served as a business consultant for dozens of organizations and served as a director for the NASDAQ-listed Goldleaf Financial Solutions, Inc. (Norcross, Georgia; sold in 2009). He currently serves on the boards of Whitworth, U.S. Bank Advisory Board, Greater Spokane, Inc. Board, and Thrive by Five Washington Board. Thrive by Five Washington is a public private partnership created in 2006 by Washington Governor Christine Gregoire's Washington Learns Initiative and the Bill and Melinda Gates Foundation's decision to launch an early learning initiative in Washington state to advance development and learning of children from birth to age five.

Provost and Executive Vice President. Dr. Michael K. Le Roy, Provost and Executive Vice President, has led the academic division since July 2005. Dr. Le Roy has been appointed as the future President of Calvin College and will be leaving Whitworth as of June 30, 2012. Prior to becoming Provost, Dr. Le Roy was a Professor of Political Science at Whitworth. Dr. Le Roy was a professor in the department of political science and international relations at Wheaton College from 1994 to 2002 and served in a visiting appointment at the College William and Mary in Williamsburg, Virginia, prior to his appointment at Wheaton.

Dr. Barbara Sanders, Professor of Education, will serve as Whitworth's interim Provost, beginning May 28, 2012. It is anticipated that Dr. Sanders will serve in this role through the 2012-13 academic year while Whitworth searches for its next Provost. She served most recently as Whitworth's Associate Provost for Instruction, a position she held for six years. Dr. Sanders has a bachelor's degree in Crop Science from Montana State University (1983), a Master in Teaching from Whitworth (1992) and a Ph.D. in Educational Leadership Curriculum and Instruction from Washington State University (1998).

Vice President for Finance and Administration. Dr. Brian L. Benzel, Vice President for Finance and Administration, began service with Whitworth in July 2007. Prior to assuming his current position, Dr. Benzel had a 35-year career in public education, capped by service as the Superintendent of the Spokane Public Schools from 2001 to 2007. He served as Superintendent of Schools of Edmonds School District No. 15, Edmonds, Washington (1988-1997), and Mead School District No. 354, Spokane, Washington (1984-88). In addition to serving 19 years as a superintendent, Dr. Benzel was the Chief Operating Officer for Seattle Public Schools (1998-2001) and Business Manager for Mead School District (1977-1984). He also served as a research analyst for the Washington State Legislature and was Supervisor of School Apportionment for the Office of the Superintendent of Public Instruction for the State of Washington. He earned a bachelor's degree in Business from Washington State University (1970), a Master of Public Administration from the University of Washington (1972) and a Ph.D. in Educational Leadership from Gonzaga University (1983). Dr. Benzel serves as a consultant to numerous school systems, advises school superintendents and serves as a superintendent search consultant for school boards. He is also active in the community and recently chaired the Mayor's Task Force on Budget Reform for the City of Spokane.

Vice President for Student Life. Dr. Kathleen (Kathy) Harrell Storm has served as Vice President for Student Life since 1992. Dr. Storm has decided to step down from her role as Vice President of Student Life as of July 1, 2012, to return to her prior career in the academic area. Dr. Storm has served as a faculty member (tenured) at Whitworth since 1982. In addition, she served as Acting Associate Dean for Academic Advising during the 1996/97 academic year. Dr. Storm earned her bachelor's degree in Anthropology from Wheaton College, her master's of science degree in Education from Indiana University and her Ph.D. in Clinical Psychology and master's of arts in Theology from Fuller Theological

Seminary. Prior to teaching Psychology at Whitworth, she taught at both Biola University and Pacific Christian University. Dr. Storm is active in a number of higher education organizations.

Dr. Richard (Dick) Mandeville, has been appointed Vice President of Student Life effective July 1, 2012. Dr. Mandeville came to Whitworth in 1990 as Associate Dean of Students and Director of Residence Life. He has served in that role for nearly 22 years. He earned his Ph.D. in college student personnel administration from the University of Northern Colorado. His master's and bachelor's degrees were also earned at the University of Northern Colorado.

Vice President for Institutional Advancement. Dr. Scott A. McQuilkin was named acting Vice President for Institutional Advancement in October 2009, and appointed as the permanent Vice President for Institutional Advancement in November 2010. Dr. McQuilkin was selected Vice President of Institutional Advancement due to his experience in leading fundraising campaigns and deep connection with Whitworth as a student, faculty member and administrator. Prior to his appointment, Dr. McQuilkin led Whitworth's athletic program for 14 years as Director of Athletics. He has also been teaching as a Professor of Kinesiology since 1985. He earned his bachelor's degree in 1984 from Whitworth, his masters of education in 1988 from Whitworth and his Ph.D. in 1995 from The Pennsylvania State University. Dr. McQuilkin has had an extensive career at Whitworth, serving as head baseball coach from 1985-1990, as a professor in the Kinesiology department, heading the department in 1993-95 and 2008-09. He also is a 10-year teaching member of the Core program. During his time at Whitworth he has served as a prime fundraiser for the athletic program at Whitworth and was the corporate board chair of the Spokane YMCA during its successful $40.5 million capital campaign.

Vice President, Admissions and Financial Aid. Mr. Greg Orwig was appointed Vice President, Admissions and Financial Aid in September 2011. Mr. Orwig is in his 13th year at Whitworth, having previously served the institution for a year as chief of staff in the president's office and for 11 years as director of university communications. Before coming to Whitworth, he held positions in public relations at the University of Washington and Texas A&M University-Corpus Christi and as a newspaper reporter in Arizona and Texas. Mr. Orwig holds a bachelor's degree in journalism and Spanish from Whitworth and a Master's in Public Administration from the Daniel J. Evans School of Public Affairs at the University of Washington. Mr. Orwig replaced Mr. Fred R. Pfursich, who, after a 20-year tenure as Vice President, stepped down in September 2011 to become chief enrollment officer at another national liberal arts college.

Academic Information – Undergraduate Programs

Whitworth employs the 4-1-4 academic calendar. The popularity of this calendar lies in its flexibility and potential for innovative and short-run, off-campus courses. Academic credits at Whitworth are awarded on the basis of semester credits. One semester credit is based upon 40 to 45 hours of work by the student inclusive of time spent in the classroom and out. A minimum of 126 semester credits are required for graduation.

In the fall and spring semesters, students enroll in 12 to 17 semester credits for full-time study. During the January term, students generally enroll in only one course; this allows for creative and unusual academic experiences for students and faculty, including the opportunity for many students to travel and study with Whitworth professors in off-campus settings.

Whitworth offers a rigorous general education core, grounded in liberal arts and explored through the lens of Christian faith, that provides an excellent foundation for approximately 50 academic majors located in the School of Education, School of Global Commerce and Management, and the newly formed College of Arts and Sciences. While strengthening intellectual vitality across the campus, Whitworth places special emphasis on supporting interdisciplinary programs and scholarships and on enhancing quality and capacity in biology, chemistry, health sciences and business. Whitworth has been nationally recognized for its programs in education, forensics (debate), intercollegiate athletics, journalism, music and theology.

One of the distinctive features of the undergraduate program and a part of the general education requirement is Whitworth's Core class sequence. Core courses are interdisciplinary, thematic courses designed to acquaint Whitworth students with many historical forces that have shaped societal patterns of thinking, defined community value commitments, and created the options of behavior and decision-making open to people today. All students are required to take three Core classes covering Jewish and Christian worldviews, the rationalist worldview and applied ethics and public policy and world views as part of the general graduation requirements.

Whitworth's dedicated faculty and staff members are unwavering in their commitment to the centrality of Christ and the authority of scripture and in their commitment to the integration of faith and learning. A strong belief that the best education occurs in the context of relationship and community is reflected in maintaining a low student-faculty ratio (13-to-1 using *U.S. News* methodology and 17.5-to-1 using internal methodology). Whitworth recruits and retains diverse, mission-centered staff and faculty members who are supported by competitive compensation and an expanded professional development program that encourages excellence in one's vocation, continuous institutional improvement and the integration of Christian faith in all facets of life.

Whitworth takes pride in its study-abroad opportunities, offering a broad array of long-term and short-term faculty-led and individual study programs. Approximately half the students in each graduating class have participated in some form of study-abroad program while at Whitworth. Students can also study at any of the approximately 130 colleges and universities available through the International Student Exchange Program, of which Whitworth has been an active member since 1987.

Whitworth offers Bachelor of Arts and Bachelor of Science degrees in the following areas:

Department	**Major**
Art	Art BA, Arts Administration BA
Biology	Biology BA, Biology BS
Chemistry	Chemistry BA, Chemistry BS
Communication Studies	Communication BA, Journalism and Mass Communication BA, Speech Communication BA
Economics and Business	Accounting BA, Business Management BA, Economics BA, International Business BA, Marketing BA, Organizational Management BA (Continuing Studies)
The School of Education	Elementary Education BA, Elementary Education BA (Evening Teacher Certification in Continuing Studies)
English	English BA
Health Sciences	Athletic Training BA, Health Sciences BS, Nursing BS
History	American Studies BA, Cross-Cultural Studies (History emphasis) BA, History BA, History/Social Studies BA, International Studies (History emphasis) BA
Kinesiology & Athletics	Kinesiology
Mathematics & Computer Science	Computer Science (Int'l. Software Management) BA, Computer Science (Business) BA, Computer Science (Network Systems) BA, Computer Science BS, Mathematics BA, Mathematics BS, Mathematical Economics BA
Modern Languages	French BA, Spanish BA
Music	Music BA, Music Education BA
Physics	Applied Physics BA, Biophysics BS, Engineering Physics BS, Physics BA, Physics BS
Political Science	Cross-Cultural Studies (Political Science Emphasis) BA, International Studies (Political Science Emphasis) BA, Peace Studies BA, Political Science BA
Psychology	Psychology BA
Sociology	Sociology BA
Theatre	Theatre BA
Theology & Philosophy	Philosophy BA, Theology BA

In addition, Whitworth offers teaching certificates in Elementary and Secondary Education. Whitworth also offers curriculum outlined for those students who wish to continue their education in a variety of specialized fields. The curriculum includes programs for:

Pre-Chiropractic	Pre-MedTech
Pre-Dentistry	Pre-Pharmacy
Pre-Engineering	Pre-Physical Therapy
Pre-Law	Pre-Veterinary
Pre-Medicine	Dual Engineering degree

Graduate Programs

Graduate programs at Whitworth enroll approximately 100 new students yearly and have approximately 200-300 active candidates (head count) at any one time.

Whitworth offers graduate degrees in the following areas:

School/ Department	Level	Program
School of Education	Master of Education	M.Ed. in Educational Administration M.Ed. in Administrative Leadership M.Ed. in Elementary Education M.Ed. in Secondary Education M.Ed. in School Counseling M.Ed. in Community-Agency Counseling
	Master of Arts	MA in School Counseling MA in Community-Agency Counseling
	Master in Teaching	Master in Teaching (MIT)
	Master of Arts in Teaching	MAT in Gifted and Talented MAT in Special Education
School of Global Commerce & Management	Master of Business Administration	MBA MBA in International Management (MBA-IM)
	Master of International Management	Master of International Management (MIM)
Theology Department	Master in Theology	MA in Theology

Whitworth is striving to be the university-of-choice in its market for graduate programs in business, education and theology. Sustained enrollment growth is achieved through innovation in the scope and format of existing programs, and by strategic expansion into academic areas that advance Whitworth's mission and demonstrate high market demand.

Academic Program Expansion – Continuing Studies

Whitworth offers continuing studies programs for adult learners based on a class-by-class enrollment model. Approximately ten years ago Whitworth began offering a cohort model approach to allow adult learners to earn, on an accelerated basis, Bachelors in Liberal Studies, Bachelors of Arts in Organizational Management or Certification and Bachelors of Arts in Elementary Education. In Fall 2009, Whitworth started offering these programs at its first satellite campus at the University District in Spokane, Washington.

These programs have consistently grown over recent years and now enroll over 300 students with program revenues in 2011 of over $3 million. Enrollment has increased at an average rate of 5 percent or more per year since 2009. Whitworth has enhanced the program with the addition of a new Associate Vice President of Enrollment Management and Recruitment for Continuing Studies and Graduate Programs and a Dean of Continuing Studies to ensure quality and develop new programs. This program represents an area of significant additional revenue diversification for Whitworth. Whitworth expects to continue the expansion of program offerings and to pursue strategic development of off-site locations that meet market demand and fit well with Whitworth's educational mission.

Costa Rica Center

In Fall 2010, Whitworth opened its Costa Rica Center, which sits on a 27-acre property in the hills above Costa Rica's central valley. The Costa Rica Center offers a variety of interdisciplinary courses designed to meet general education requirements for students in any major. It is open to students at the beginning or intermediate level of Spanish and is offered every semester to Whitworth sophomores, juniors and seniors. A special January Term Costa Rica program is also available to freshmen who are admitted with honors.

To the north of the Costa Rica Center is Costa Rica's renowned Braulio Carrillo National Park, with dense virgin cloud forest that is home to more than 650 bird and mammal species as well as the 9,534-foot inactive Barva Volcano. To the southwest is the city of Heredia, with a population of approximately 110,000, the main campus of Costa Rica's largest university, and opportunities for family home stays, service learning and cultural activities.

Vision for the Future; Whitworth's 2021 Strategic Plan

In April 2011, the Board adopted a strategic plan that sets forth eight primary goals for the next ten years. Labeled Whitworth 2021, this plan calls for Whitworth to address the following areas:

(1) Engage challenging contemporary issues with intellectual rigor through a Christian lens and integrate faith and learning across the entire curriculum.

(2) Strengthen the intellectual vitality of Whitworth through expanded student-faculty interaction, collaborative learning, faculty scholarship and mentoring and competitive intercollegiate athletics programs.

(3) Prepare Whitworth students to be global citizens through expanded study abroad and increased international experiences on campus.

(4) Demonstrate courageous leadership in an increasingly diverse world, including the strengthening of recruiting and retaining faculty and staff to reflect diversity, and sustaining a commitment to intercultural competency and equipping students.

(5) Elevate a liberal arts education as essential and relevant to all majors and careers.

(6) Enhance Whitworth's strengths in graduate and continuing studies.

(7) Invest in Whitworth's employees and support a culture of continuous improvement.

(8) Exercise diligent stewardship in growing Whitworth's financial and capital resources.

Progress toward achievement of these goals is being measured through the key performance indicators and actionable deadlines which Whitworth's administration is regularly monitoring and reporting to the Board.

Campus and Buildings

Whitworth's campus encompasses approximately 224 acres of property located in suburban north Spokane. The Spokane campus was originally acquired in 1914 and Whitworth has continuously operated at that location since then. The campus has evolved and developed as the academic and student-life programs have grown. The basic layout of the campus continues to reflect the original design with a large treed loop area forming the central focus.

Whitworth's campus includes more than 69 buildings that house and support its academic programs. These buildings include academic, athletic, student housing, administrative and various support services facilities with nearly 935,000 current gross square feet. The campus has approximately 90 developed acres.

Some of the significant buildings on campus include the following:

Weyerhaeuser Hall. Weyerhaeuser Hall opened in Fall 2004 and serves as the main classroom building on campus. Weyerhaeuser Hall includes the latest in teaching and learning technology in its classrooms and core lecture hall and houses a number of academic departments.

Hixson Union Building. The Hixson Union Building ("HUB") was dedicated in 1998. Located in this building are the campus bookstore, post office, café, coffee bar, commercial kitchen and dining hall, lounge areas, conference rooms, student newspaper office and student governance offices. The HUB also includes offices for Career Services and Student Life departments.

The projects being funded with Bond proceeds include the construction of a 14,000 gross square foot addition to the existing HUB dining hall, including a basement and mezzanine dining area. The addition has an elevator, operable wall and large windows to maximize daylight in the space. This project also includes remodeling of the first-floor existing dining hall and kitchen facilities. Construction has begun on this project, and it is expected to be ready for student use in Fall 2012.

Harriet Cheney Cowles Memorial Library. The library's collection contains more than 200,000 books, periodical volumes, volume-equivalents on microfilm, recordings and audiovisual media. The library is a member of the Western Library Network.

Eric Johnston Science Center. Constructed in 1967 and renovated in 1998 and 2011, the Science Center is home for two science departments, Physics and Math/Computer Science, as well as classrooms, Biology and Health Science labs, two greenhouses, an observatory, and an auditorium and lecture hall.

Dixon Hall. Constructed in 1955, Dixon Hall was renovated in 1999 and serves as one of the primary classroom buildings on campus.

Visual Arts Building. This facility was completed in 2008 and construction was funded entirely by donations. The 20,000 gross square-foot building includes an art gallery, six instructional art studios, a computer graphics lab and faculty studio offices.

Duvall Hall. This residence hall for 160 students, completed in 2006, has 20 "pods" of six to ten students living in community with a common living room and restroom facilities.

East Hall. This residence hall for 175 students was completed in 2010 and is a traditional "double loaded corridor" with several study rooms and large gathering spaces for students.

William and Bonnie Robinson Science Hall. This newest science facility was put into service for classes for Fall Term in 2011. Home to Chemistry, Biology and Health Sciences departments, this 63,000 gross square foot building includes 8 teaching labs, 8 research labs, 8 classrooms, 24 offices and state of the art systems and science support space.

Other campus facilities include a music building constructed in 1977 and refurbished in 1995 that houses a recital hall, orchestra room, classrooms, faculty offices and 17 practice rooms with pianos and a piano lab; the Fieldhouse, a gift from C. Davis Weyerhaeuser; the Administration Building that houses offices of the President, Academic Affairs, Business Affairs, Registrar and Financial Aid; and a number of athletic facilities, including the Pine Bowl Football Field and its all-weather track that was installed in

1994, the Scotford Tennis Center (six courts constructed in 2005 and a new air supported dome covering three for all season play), soccer and softball fields constructed in 1998, Merkel Field Baseball Park, a 4.5 acre practice field, and Omache Field, a 5.4 acre intramural field constructed in 2007.

Housing

Whitworth provides housing options for approximately 1,400 students in a variety of residence halls, apartments and residential homes adjacent to the campus. The majority of housing is provided through ten residence halls that offer a blend of male, female, coeducational, single, double, triple, quad, pod or apartment style living. All residence rooms are wired to the campus information network providing an access port for every student. In addition, housing for more than 90 students is provided in neighborhood homes owned by Whitworth. Whitworth follows a five-year rotation cycle of residence hall major renovation, remodeling and repair to assure that all residence halls receive appropriate maintenance and upgrading on a frequent basis.

Semester	Occupancy	Spaces Available	Percent of Capacity
Fall 2007	1,250	1,204	103.8%
Fall 2008	1,247	1,237	102.7
Fall 2009	1,305	1,352	96.5
Fall 2010	1,422	1,388	102.4
Fall 2011	1,298	1,400	92.7

Student Body

Following is Whitworth's headcount enrollment for the last five academic years:

Academic Year	Undergraduate	Weekend or Evening (continuing studies)	Graduate and Unclassified Post-baccalaureates	Total
2007/08	2,053	278	276	2,607
2008/09	2,109	285	280	2,674
2009/10	2,119	334	328	2,781
2010/11	2,303	397	289	2,989
2011/12	2,248	380	258	2,886

Following is Whitworth's full-time equivalent enrollment for the last five academic years:

Academic Year	Undergraduate	Weekend or Evening (continuing studies)	Graduate and Unclassified Post-baccalaureates	Total
2007/08	2,016	183	155	2,354
2008/09	2,079	179	156	2,413
2009/10	2,086	295	178	2,558
2010/11	2,285	246	168	2,699
2011/12	2,229	236	155	2,620

The Fall 2011/12 student body is comprised of students from 37 states, Puerto Rico and 25 foreign nations. The state with the largest percentage of the student body on campus is Washington (66 percent).

Student Admissions

Whitworth received 7,040 applications from prospective students for the 2011/12 academic year. This represents an approximate 9 percent increase from the number of applications Whitworth received for the

2010/11 academic year. The following table sets forth information regarding applications, admissions and enrollments for the last five years:

Undergraduate applications, acceptances and matriculations for the past five years have been:

Academic Year	Applications	Acceptances	Acceptance Rate	Matriculations	Matriculation Rate
2007/08	5,060	2,490	49%	533	21.4%
2008/09	5,481	2,805	51	546	19.5
2009/10	5,870	3,132	53	555	17.7
2010/11	6,465	3,493	54	683	19.6
2011/12	7,040	3,356*	48	523	15.6

* Whitworth anticipated and planned for lower acceptances due to student housing limitations for the 2011/12 academic year.

Graduate applications, acceptances and matriculations for the past five years:

Academic Year	Applications	Acceptances	Matriculations
2007/08	250	180	129
2008/09	261	183	121
2009/10	270	190	142
2010/11	278	193	148
2011/12*	135	119	92

* Fall only, does not include summer.

Degrees awarded for the past five years are as follows:

Academic Year	Undergraduate	Graduate	Total
2006/07	505	102	607
2007/08	549	91	640
2008/09	546	106	652
2009/10	518	129	647
2010/11	575	128	703

Graduation rate for first year students graduating in four years:

Entering Year	4-year Graduation Rate
2003	60.7%
2004	66.9
2005	68.3
2006	64.6
2007	65.8

Retention from first year to second year for the past five years (including transfer students) has been:

Period	Retention Rate
Fall 2006 to Fall 2007	407 or 86.8%
Fall 2007 to Fall 2008	458 or 86.1
Fall 2008 to Fall 2009	476 or 87.2
Fall 2009 to Fall 2010	474 or 85.4
Fall 2010 to Fall 2011	568 or 83.3

Tuition and Fees

Whitworth meets the costs of its educational programs (including faculty salaries, benefits, supplies, utilities and other operating costs) primarily through tuition and fees. The following table lists the schedule of charges for a full-time resident student for the past five years:

Academic Year	Tuition	Fees	Room & Board	Total
2007/08	$25,382	$310	$7,294	$32,986
2008/09	27,100	320	7,700	35,120
2009/10	28,320	330	8,120	36,770
2010/11	29,890	314	8,450	38,354
2011/12	31,830	314	8,918	41,062

Whitworth maintains competitive tuition pricing through comparison with several peer schools in both the Northwest and on a national basis.

Financial Aid

Approximately 90 percent of the undergraduate student body receives some form of financial assistance. The following table shows Whitworth's total student assistance programs for all students, graduate and undergraduate, for the last five academic years:

Source	2006-07	2007-08	2008-09	2009-10	2010-11	Projected 2011-12
State funds	$ 2,148,096	$ 2,246,280	$ 2,385,861	$ 2,521,530	$ 2,712,303	$ 2,654,989
Federal funds	1,928,998	1,334,389	2,281,423	3,602,857	3,757,416	3,678,501
Whitworth funds	17,167,396	19,176,946	22,043,422	25,071,721	28,589,519	30,294,269
Stafford & Plus	11,734,595	11,811,333	16,606,918	18,436,975	20,533,366	20,932,675
Total	$32,979,085	$34,568,948	$43,317,624	$49,633,083	$55,592,604	$57,560,434

Percentage of head count receiving:

Financial aid	75.90%	79.40%	90.90%	93.89%	91.50%	89.85%
GSL or FELP	51.90%	50.90%	61.00%	62.90%	64.40%	64.80%

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

Faculty

The following table reflects the number of full-time and part-time faculty (excluding adjunct faculty) for the past five academic years, together with the number of tenured full-time faculty members. No unions represent members of the faculty.

Fall	Tenured Full-Time	Other Full-Time	Part-Time	Total
2007	67	65	6	138
2008	63	73	6	142
2009	68	75	5	148
2010	74	74	5	153
2011	71	79	6	156

There are approximately 415 non-faculty full-time employees of Whitworth, including administrators and support staff.

No unions represent Whitworth's employees, and relations with the employees are considered by the administration to be good.

Pension Plan

Whitworth provides a defined contribution plan for the benefit of substantially all faculty, staff and administrative personnel. All costs relating to this plan are being funded currently. Whitworth contributes a fixed percentage of each participant's salary to the plan. Whitworth's contribution to this plan was approximately $1,873,000 for fiscal year 2011 and $1,826,000 in fiscal year 2010. There is no unfunded liability for this plan. See Appendix B – "AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY – Note 12."

Whitworth also provides a medical premium post-retirement benefit for employees hired prior to 1991 and who retire from Whitworth. The periodic service cost for fiscal year 2011 was $740,621, all of which has been paid. Whitworth accrued a total of $2,655,376 of deferred benefit costs as of June 30, 2011. Whitworth includes the expected annual expense from this liability in its annual projected budget. See Appendix B – "AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY – Note 12."

Investments

Whitworth's income on long-term investments contributes to the support of operations. Investments consist of Endowment Funds, deposits held by the Trustees for outstanding indebtedness and miscellaneous investments. See Appendix B – "AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY – Note 6."

The carrying value of Whitworth's investments for the past five fiscal years is set forth below:

Year*	Value of Investments
2007	$ 98,236,461
2008	101,133,276
2009	73,658,538
2010	97,904,938
2011	109,444,850

*As of June 30.

Endowment

Whitworth considers its endowed assets to include donor restricted, Board designated and various other assets, such as marketable securities, perpetual trusts held by others, cash surrender value of expected life insurance proceeds, selected fixed assets and certain notes receivable. Donor restricted endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized. While the Board designated endowment funds are established by the Board for the same purposes as donor restricted funds, any portion of these funds may be expended upon proper action by the Board. Endowment income and net gain on sale of securities are distributed over the individual endowment funds utilizing a unitized method in compliance with appropriate restrictions.

Whitworth's endowment consists of: (1) internally managed resources which are fully controlled by the Board's Endowment Committee (the "Endowment Committee"); and (2) externally managed outside trusts, the investment of which is not under the purview of the Endowment Committee. The internally managed portion of the endowment as of June 30, 2011, was $79,901,345. The externally managed portion of the endowment as of the same period was $19,345,804 for a total endowment value of $99,247,149.

The Endowment Committee meets quarterly and the Chair of the Endowment Committee receives monthly reports on the pool investment activity and rebalancing recommendations from Whitworth's investment advisor, Wurts and Associates.

As of June 30, 2009, Whitworth's available endowment funds and funds designated as endowment were combined for investment purposes and were managed by selected investment managers. The Endowment Committee develops, and the Board adopts, policies, guidelines and objectives for the management of these investment assets pursuant to the asset target allocation policy. The asset target allocation policy and the spending rate policy were last updated in October of 2011. The investment managers are charged with the following objectives:

(1) Preserve and enhance real (inflation-adjusted) purchasing power while providing a relatively predictable, stable and constant (in real terms) stream of earnings in line with spending needs.

(2) Measure the endowment performance against applicable indices (net of fees), with results to be evaluated on a moving five-year basis.

(3) Earn an average real annual total rate of return (capital appreciation and current income net of investment management fees and expenses) of at least 8 percent over the long-term.

(4) Out-perform capital market benchmark indices.

The fund is diversified by asset class (e.g., equities, bonds, cash equivalents, real estate, foreign stocks, venture capital and other alternative investments) and within each asset class (e.g., within equities by economic sector, maturity, quality size, etc.). Whitworth's asset allocation as of June 30, 2011, was as follows:

Equities	55.01%
Fixed Income	14.90
Private Equity and Real Assets	18.67
Hedge Funds	11.42

Investment decisions, as deemed appropriate in light of the established guidelines and objectives, are made at the discretion of the investment managers. The Endowment Committee is committed to an active policy of reviewing performance of its investment managers, replacing managers and/or reallocating funds among the managers as performance warrants.

The credit and liquidity crisis in the United States and throughout the global financial system that began in Fall 2008 has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on the investment portfolios of many institutions. Like these institutions, Whitworth's endowment incurred a significant decline in fair market value between June 30, 2008, and June 30, 2009; however, by June 30, 2011, the fund showed a return of 22.5 percent. These total return statistics are based on the performance of the managed endowment as reported by Whitworth's investment advisor.

Year	Value of Endowment
2007	$87,170,938
2008	93,721,326
2009	73,918,669
2010	80,053,249
2011	99,247,147

Gifts and Grants

Gifts and grants revenues received from federal, state and private sources for the past five years have been as follows:

Fiscal Year Ending June 30	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2007	$4,046,740	$1,956,370	$5,055,240	$11,058,350
2008	3,144,543	875,209	3,691,583	7,711,335
2009	2,902,688	2,009,247	1,620,858	6,532,793
2010	3,115,184	2,697,590	1,211,825	7,024,599
2011	2,991,897	1,423,183	3,383,792	7,798,872

Capital Campaign

Whitworth completed its most recent campaign, the *Faith in the Future Campaign*, in 2002, raising more than $62 million ($12 million in excess of a $50 million goal).

Whitworth is currently in the silent phase of a 7-year comprehensive campaign, with a working goal of $90 million, of which $8.5 million was achieved by Fall 2011. Major capital projects will include a new performing arts center, an events center, as well as endowment and programmatic initiatives articulated in the 10-year strategic plan.

Outstanding Indebtedness

As of December 31, 2011, Whitworth had $61,915,000 of outstanding indebtedness, consisting of Washington Higher Education Facilities Authority Revenue and Refunding Revenue Bonds, Series 2009 (the "2009 Bonds"). The 2009 Bonds were issued for the purpose of refinancing outstanding indebtedness and financing construction and plant improvement projects including an $11,000,000 residence hall and a $31,000,000 new science building. These projects have been timely completed and are now being used by students. To see information about the projects to be funded with the Bonds, see "INTRODUCTION – Purpose" in this Official Statement.

Whitworth entered into an unsecured revolving line of credit with Wells Fargo Bank, National Association for operations in January, 2011. Such operating line of credit is subordinate to the 2009 Bonds and the Bonds.

Future Indebtedness

Whitworth does not anticipate incurring any additional indebtedness in the next two years.

Physical Property

The following table reflects Whitworth's investment, on an original cost basis, in plant, with recognition of accumulated depreciation and net investment for the periods indicated:

Investment in Plant

Year Ended June 30	Original Cost	Accumulated Depreciation	Original Cost Less Depreciation
2007	$101,816,919	$48,760,784	$53,056,135
2008	113,501,647	52,873,819	60,627,828
2009	117,352,196	45,297,046	72,055,150
2010	131,197,747	47,392,741	83,805,006
2011	152,446,281	52,419,118	100,027,163

Insurance

Whitworth and its property are covered by a blanket insurance policy. Coverage includes property, business interruption, boiler, comprehensive general liability, automobile liability and workers' compensation. The residence halls are included in the general Whitworth coverage. The policies are generally subject to annual or triennial review and renewal. Separate policies cover inland marine, health services, police professionals, fine arts and director and officer liabilities.

Presentation of Financial Statements

Appendix B sets forth the financial statements of Whitworth for fiscal years ended June 30, 2011 and June 30, 2010, audited by Baker Tilly Virchow Krause LLP ("Baker Tilly"), Certified Public Accountants, from Minneapolis, Minnesota, and prepared in accordance with GAAP. Baker Tilly has consented to the use of such financial statements in this Official Statement, but has not participated in the preparation of this Official Statement and expresses no opinion as to its contents.

Summaries of Unrestricted Activities

The following table sets forth Whitworth's statement of activities (unrestricted portion only) prepared in accordance with GAAP for the fiscal years 2007 through 2011. For more complete information of Whitworth for the fiscal year ended June 30, 2011, see Appendix B of this Official Statement.

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WHITWORTH UNIVERSITY
Statement of Unrestricted Activities
for the years ended June 30

Revenues and Gains	**2007**	**2008**	**2009**	**2010**	**2011**
Tuition and fees, net of institutional financial aid	$31,732,212	$34,779,314	$37,073,563	$37,477,540	$43,410,260
Auxiliary enterprises	9,309,338	9,864,821	10,434,160	11,365,409	12,467,497
Government grants & contracts	938,475	629,073	750,724	750,387	917,880
Private gifts, grants & contracts	3,108,265	2,515,470	2,151,964	2,364,797	2,074,017
Income on investments	2,935,691	2,917,126	1,946,407	1,316,801	1,479,776
Net realized and unrealized gains on investments	7,872,484	3,763,824	(18,128,253)	1,175,487	3,440,848
Change in value of split interest agreements	0	1,144,002	88,390	121,320	43,992
Other	1,600,680	2,050,119	1,847,611	1,940,054	2,138,369
Net assets released from restrictions	2,779,877	6,354,093	2,771,509	3,030,863	2,398,158
Total Revenues and Gains	$60,277,022	$64,017,842	$38,936,075	$59,542,658	$68,370,797
Expenses:					
Instructional	$20,581,630	$21,820,028	$24,016,387	$23,463,160	$24,977,752
Public service	735,785	793,695	813,929	726,574	692,282
Academic support	4,400,024	4,095,131	4,809,271	5,946,069	6,727,029
Student services	6,928,655	7,939,346	9,228,512	9,161,710	9,268,187
Institutional support	8,030,483	9,685,474	9,917,715	10,480,586	10,798,462
Auxiliary enterprises expenditures	8,697,312	9,096,678	9,647,515	10,550,418	11,658,188
Total Expenses	$49,373,889	$53,430,352	$58,433,329	$60,328,517	$64,121,900
Change in net assets before adoption of new Laws and Extraordinary Events	$10,903,133	$10,587,490	($19,497,254)	($785,859)	$4,248,897
Adoption of new FASB Statement No. FASB 158	(2,241,793)	0	0	0	0
Adoption of new UPMIFA Law				(13,451,617)	
Loss on refinancing of debt				(1,615,908)	
Adjustment to prior service cost and actuarial liability for annuities payable				978,141	3,367,352
Change in net unrestricted assets	$ 8,661,340	$10,587,490	($19,497,254)	($14,875,243)	$ 7,616,249
Net unrestricted assets, beginning of fiscal year	$62,291,544	$70,952,884	$81,540,374	$62,043,120	$47,167,877
Net unrestricted assets, end of fiscal year	$70,952,884	$81,540,374	$62,043,120	$47,167,877	$54,784,126

Source: Whitworth.

The following presents Whitworth's budget for fiscal year 2012:

	Budget FY 2011	Budget FY 2012
REVENUES		
Full Time Matriculated Day Tuition	$ 62,643,000	$ 65,674,500
Other Undergraduate Tuition and Fees	1,800,085	1,836,000
Continuing Studies Tuition	3,477,000	4,017,000
Graduate Programs Tuition	2,911,337	2,778,800
Total Tuition and Fees	$ 70,831,422	$ 74,306,300
Institutional Financial Aid Undergraduate	(28,197,788)	(29,422,000)
Institutional Financial Aid Graduate	(218,012)	(255,000)
Total Institutional Financial Aid	**($28,415,800)**	**($29,677,000)**
Net Tuition & Fees	42,415,622	44,629,300
Miscellaneous	597,896	606,200
Endowment	2,072,050	2,197,000
Gift Income	1,464,500	1,289,000
Auxiliary Enterprise	12,811,932	13,022,000
TOTAL REVENUES	**$59,362,000**	**$61,743,500**
EXPENSES		
Instruction	$14,601,002	$15,037,800
Public Service	113,036	161,800
Academic Support	4,478,976	4,186,000
Student Services	5,976,279	6,770,300
Institutional Support		
General Institutional	$ 3,958,308	$ 4,918,000
Administration	1,974,246	1,975,300
Staff Benefits	9,650,739	9,765,800
Advancement	1,773,900	1,882,600
Operation & Maintenance	3,766,487	3,550,600
Auxiliary Enterprise	8,286,588	8,337,700
Transfers - Mandatory for Debt Service	4,904,458	4,853,800
Transfers - Non-mandatory- Insurance Ded. Resv/Other	(122,019)	303,800
TOTAL EXPENSES	**$59,362,000**	**$61,743,500**
Rev. Over/Under- Exp.	**-**	**-**

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY

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WHITWORTH UNIVERSITY

CONSOLIDATED FINANCIAL STATEMENTS
Including Independent Auditors' Report

June 30, 2011 and 2010

WHITWORTH UNIVERSITY

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INDEPENDENT AUDITORS' REPORT

To the President and Board of Trustees
Whitworth University
Spokane, Washington

We have audited the accompanying consolidated statements of financial position of Whitworth University and subsidiaries ("the University") as of June 30, 2011 and 2010 and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Whitworth University and subsidiaries at June 30, 2011 and 2010 and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the financial statements, the State of Washington adopted the Uniform Prudent Management of Institutional Funds Act effective July 1, 2009 and as a result, the manner in which the University classifies donor-restricted endowment funds changed beginning with the year ended June 30, 2010.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
October 10, 2011

WHITWORTH UNIVERSITY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

ASSETS

	2011	2010
Cash and cash equivalents	$ 2,963,619	$ 12,364,418
Receivables		
Student accounts, net of allowance for doubtful accounts of $150,000 in 2011 and $126,000 in 2010	503,859	549,427
Contributions, net	4,019,662	4,854,971
Other	1,540,969	922,657
Inventories	540,300	581,131
Prepaid expenses and other assets	663,061	661,238
Student loans receivable, net	4,333,069	4,483,310
Long-term investments	101,528,305	76,530,654
Deposits held by trustee	7,916,545	21,374,284
Deferred debt acquisition costs	519,280	538,692
Land, buildings and equipment, net	100,027,163	83,805,006
Assets held in trust by others	19,345,804	15,125,639
TOTAL ASSETS	$ 243,901,636	$ 221,791,427

LIABILITIES AND NET ASSETS

	2011	2010
LIABILITIES		
Accounts payable and other liabilities	$ 3,017,490	$ 3,533,534
Accrued payroll and related benefits	5,465,859	8,735,164
Student deposits	1,539,583	1,345,520
Deferred revenue	1,283,021	1,553,591
Asset retirement obligations	807,457	803,276
Accrued interest payable	846,102	854,928
Long-term debt	62,220,942	63,082,986
Annuities payable	11,216,404	9,626,787
Federal student loan funds	3,591,234	3,595,505
Total Liabilities	89,988,092	93,131,291
NET ASSETS		
Unrestricted	54,784,126	47,167,877
Temporarily restricted	31,101,516	21,181,049
Permanently restricted	68,027,902	60,311,210
Total Net Assets	153,913,544	128,660,136
TOTAL LIABILITIES AND NET ASSETS	$ 243,901,636	$ 221,791,427

WHITWORTH UNIVERSITY

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2011
With Comparative Totals for 2010

	2011				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2010 Total
REVENUES, GAINS AND OTHER SUPPORT					
OPERATING REVENUES					
Tuition and fees	$ 72,040,895			$ 72,040,895	$ 62,581,053
Less: Scholarships and grants	(28,630,635)			(28,630,635)	(25,103,513)
Net tuition and fees	43,410,260			43,410,260	37,477,540
Government grants	917,880			917,880	750,387
Contributions and gifts	1,892,746	$ 285,917		2,178,663	2,454,171
Long-term investment income and gains allocated for operations	414,584	1,887,545		2,302,129	2,313,410
Other sources	1,563,517			1,563,517	1,661,479
Investment income	1,065,192	226		1,065,418	957,733
Net gains (losses) on investments	(16,687)	129,840		113,153	80,372
Auxiliary enterprises revenues	12,467,497			12,467,497	11,365,409
	61,714,989	2,303,528		64,018,517	57,060,501
Net assets released from restrictions - operating	2,371,689	(2,371,689)			
Total Operating Revenues, Gains and Other Support	64,086,678	(68,161)		64,018,517	57,060,501
OPERATING EXPENSES					
Program expenses					
Instruction	24,977,752			24,977,752	23,463,160
Public service	692,282			692,282	726,574
Academic support	6,727,029			6,727,029	5,946,069
Student services	9,268,187			9,268,187	9,161,710
Auxiliary enterprises	11,658,188			11,658,188	10,550,418
Support expenses					
Institutional support	10,798,462			10,798,462	10,480,586
Allocable expenses					
Operation and maintenance of plant	4,250,135			4,250,135	4,703,868
Interest	2,225,072			2,225,072	1,834,105
Unfunded depreciation, amortization, and accretion	5,336,791			5,336,791	5,138,534
Less: Allocated expenses	(11,811,998)			(11,811,998)	(11,676,507)
Total Operating Expenses	64,121,900			64,121,900	60,328,517
Change in Net Assets from Operating Activities	(35,222)	(68,161)		(103,383)	(3,268,016)
NONOPERATING ACTIVITIES					
Long-term investment income and gains, net of amount allocated for operations	3,457,535	8,859,827	$ 4,003,421	16,320,783	3,950,072
Contributions and gifts	181,271	1,137,266	3,383,792	4,702,329	3,820,041
Adjustment to actuarial liability for annuities payable	43,992	18,004	305,358	367,354	371,347
Other sources	574,852		24,121	598,973	297,850
Loss on refinancing of debt					(1,615,908)
Adjustment to prior service cost and actuarial liability for retiree health plan	3,367,352			3,367,352	978,141
Net assets released from restrictions - nonoperating	26,469	(26,469)			
Change in Net Assets from Nonoperating Activities	7,651,471	9,988,628	7,716,692	25,356,791	7,801,543
Change in Net Assets	7,616,249	9,920,467	7,716,692	25,253,408	4,533,527
Net Assets - Beginning of Year	47,167,877	21,181,049	60,311,210	128,660,136	124,126,609
NET ASSETS - END OF YEAR	$ 54,784,126	$31,101,516	$ 68,027,902	$ 153,913,544	$ 128,660,136

See accompanying notes to financial statements.

WHITWORTH UNIVERSITY

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
OPERATING REVENUES				
Tuition and fees	$62,581,053			$ 62,581,053
Less: Scholarships and grants	(25,103,513)			(25,103,513)
Net tuition and fees	37,477,540			37,477,540
Government grants	750,387			750,387
Contributions and gifts	2,264,180	$ 189,991		2,454,171
Long-term investment income and gains allocated for operations	359,068	1,954,342		2,313,410
Other sources	1,661,479			1,661,479
Investment income	957,733			957,733
Net gains (losses) on investments	197,515	(117,143)		80,372
Auxiliary enterprises revenues	11,365,409			11,365,409
	55,033,311	2,027,190		57,060,501
Net assets released from restrictions - operating	2,299,411	(2,299,411)		
Total Operating Revenues, Gains and Other Support	57,332,722	(272,221)		57,060,501
OPERATING EXPENSES				
Program expenses				
Instruction	23,463,160			23,463,160
Public service	726,574			726,574
Academic support	5,946,069			5,946,069
Student services	9,161,710			9,161,710
Auxiliary enterprises	10,550,418			10,550,418
Support expenses				
Institutional support	10,480,586			10,480,586
Allocable expenses				
Operation and maintenance of plant	4,703,868			4,703,868
Interest	1,834,105			1,834,105
Unfunded depreciation, amortization, and accretion	5,138,534			5,138,534
Less: Allocated expenses	(11,676,507)			(11,676,507)
Total Operating Expenses	60,328,517			60,328,517
Change in Net Assets from Operating Activities	(2,995,795)	(272,221)		(3,268,016)
NONOPERATING ACTIVITIES				
Long-term investment income and gains, net of amount allocated for operations	977,972	2,497,717	$ 474,383	3,950,072
Contributions and gifts	100,617	2,507,599	1,211,825	3,820,041
Adjustment to actuarial liability for annuities payable	121,320	3,247	246,780	371,347
Other sources	278,575		19,275	297,850
Loss on refinancing of debt	(1,615,908)			(1,615,908)
Adjustment to prior service cost and actuarial liability for retiree health plan	978,141			978,141
Net assets released from restrictions - nonoperating	731,452	(731,452)		
Change in Net Assets from Nonoperating Activities	1,572,169	4,277,111	1,952,263	7,801,543
Change in net assets before reclassification of net assets	(1,423,626)	4,004,890	1,952,263	4,533,527
Net asset reclassification due to a change in law	(13,451,617)	12,538,793	912,824	
Change in Net Assets	(14,875,243)	16,543,683	2,865,087	4,533,527
Net Assets - Beginning of Year	62,043,120	4,637,366	57,446,123	124,126,609
NET ASSETS - END OF YEAR	$47,167,877	$21,181,049	$ 60,311,210	$ 128,660,136

WHITWORTH UNIVERSITY

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 25,253,408	$ 4,533,527
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation, amortization and accretion	5,336,791	5,138,534
Loss on refinancing of debt		1,615,908
Adjustment to prior service cost and actuarial liability for retiree health plan	(3,367,352)	(978,141)
Actuarial adjustment on annuities payable	(367,354)	(371,347)
Net gains on investments	(17,457,074)	(5,234,343)
Increase (decrease) in allowance on student accounts receivable	24,000	(22,000)
Increase in allowance on contributions receivable	200,000	200,000
Write-off of loan receivable		75,000
Loan cancellations, assignments and write-offs	54,539	105,346
(Increase) decrease in assets		
Student accounts receivable	21,568	33,163
Other receivables	(646,558)	164,478
Inventories, prepaid expenses and other assets	39,008	(319,049)
Contributions receivable for operations	28,246	135,200
Increase (decrease) in liabilities		
Accounts payable, other liabilities and accrued interest payable	519,921	373,223
Accrued payroll and related benefits	98,047	(122,521)
Student deposits	194,063	49,190
Deferred revenue	(270,570)	382,457
Contributions restricted for plant and long-term investment	(4,521,058)	(3,511,168)
Net Cash Flows From Operating Activities	5,139,625	2,247,457
CASH FLOWS FROM INVESTING ACTIVITIES		
Student loans receivable		
Principal repayments	642,502	548,431
Advances	(546,800)	(631,619)
Purchases of land, buildings and equipment	(22,599,558)	(15,563,688)
Drawdowns of deposits held by trustee	13,607,867	18,166,773
Proceeds from sales of long-term investments	14,907,192	12,305,452
Purchases of long-term investments	(23,851,292)	(9,535,007)
Net Cash Flows From Investing Activities	(17,840,089)	5,290,342
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received restricted for plant and long-term investment	5,156,367	2,732,769
Repayments on line of credit		(7,500,000)
Proceeds from issuance of line of credit		2,000,000
Payments on long-term debt	(862,044)	(925,842)
Payments to annuitants	(990,386)	(972,751)
Net change in federal student loan funds	(4,272)	(53,011)
Net Cash Flows From Financing Activities	3,299,665	(4,718,835)
Net Change in Cash and Cash Equivalents	(9,400,799)	2,818,964
CASH AND CASH EQUIVALENTS - Beginning of Year	12,364,418	9,545,454
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,963,619	$ 12,364,418

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Whitworth University, a higher education institution founded in 1890, was incorporated in 1972 as a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code and is located in Spokane, Washington. Whitworth University's primary source of revenue comes from tuition. Other sources of revenue include room and board, gifts, investment earnings, fees and bookstore sales. The financial statements have been prepared on the accrual basis of accounting. The more significant accounting policies are summarized below:

Consolidation - The consolidated financial statements include the accounts of Whitworth University, Whitworth Costa Rica Limited (formed in November 2009), and The Whitworth Foundation (the Foundation), collectively referred to as the "University". The purpose of Whitworth Costa Rica Limited is to provide educational services to Whitworth University students at a campus located in Costa Rica and the purpose of the Foundation is to seek out and obtain deferred gifts to support Whitworth University. See Note 18 for summarized financial information related to these entities. All material transactions and balances between the entities have been eliminated in the consolidated financial statements.

Net Asset Classification - For the purposes of financial reporting, the University classifies resources into three net asset categories pursuant to any donor-imposed restrictions and applicable law. Accordingly, the net assets of the University are classified in the accompanying financial statements in the categories that follow:

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently 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.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met by action of the University and/or the passage of time.

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Revenues from sources other than contributions are generally reported as increases in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets. Income earned on donor restricted funds is initially classified as temporarily restricted net assets and is reclassified as unrestricted net assets when expenses are incurred for their intended purpose.

Contributions, including unconditional promises to give, are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as unrestricted revenues. Contributions of cash or other assets to be used to acquire property and equipment are reported as temporarily restricted revenues; the restrictions are considered to be released at the time such long-lived assets are placed in service.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

In the absence of donor stipulations or law to the contrary, losses on the investments of a donor-restricted endowment fund reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining loss reduces unrestricted net assets. If losses reduce the assets of a donor-restricted endowment fund below the level required by the donor stipulations or law, gains that restore the fair value of the assets of the endowment fund to the required level are classified as increases in unrestricted net assets. Losses on investments of endowment funds created by a board designation of unrestricted funds are classified as reductions in unrestricted net assets.

Tuition and Fees and Auxiliary Revenues - Tuition revenue is recognized in the period the classes are provided. Revenue from auxiliary enterprises is recognized when goods or services are provided. Financial assistance in the form of scholarships and grants that cover a portion of tuition, living and other costs is reflected as a reduction of tuition and fees revenues.

Cash and Cash Equivalents - The University considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents do not include investments the University has both the ability and intent to hold long-term.

Student Accounts Receivables - Student accounts receivables include amounts due to the University for tuition and fees. An allowance for doubtful accounts is recorded annually based on historical experience and management's evaluation of receivables at the end of each year. Bad debts are expensed when deemed uncollectible. Recoveries of student accounts previously written-off are recorded when received. Receivables are generally unsecured.

Inventories - Student bookstore and supply inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

Deposits Held by Trustee - Deposits held by trustee include amounts restricted for construction and debt service as required by the trust indentures. The assets are comprised of cash equivalents and government bonds.

Deferred Debt Acquisition Costs - Certain costs related to the issuance of debt have been deferred and are being amortized over the term of the debt issue. Accumulated amortization approximated $34,000 and $13,600 at June 30, 2011 and 2010, respectively.

Land, Buildings and Equipment - Land, buildings, improvements and equipment are recorded at cost at the date of acquisition or at fair value at the date of gift, less accumulated depreciation. Normal repair and maintenance expenses are charged to operations as incurred. The University capitalizes land, buildings, and equipment expenditures in excess of $5,000. Title to land and buildings is principally in the name of the University.

Buildings, improvements, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	30 to 40 years
Building and other improvements	5 to 30 years
Equipment	5 to 8 years

Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and the resulting gains or losses are reflected in the statement of activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Impairment of Long-Lived Assets - The University reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Assets Held in Trust by Others - The University has been designated as beneficiary of several trusts managed by outside foundations. Some of these trusts generate income that is distributed to the University on a periodic basis. Those trusts are generally invested in marketable securities, real estate, or contracts collateralized by real estate.

Deferred Revenue - Certain revenue related to summer and fall courses and programs is deferred and recognized as revenue in the same period expenses are recognized. Students are generally billed for courses and programs prior to the start of the course or program.

Asset Retirement Obligations - The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the cost of the retirement obligation is capitalized by increasing the carrying value of the related asset. Over time, the liability is accreted to its present value each year and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statement of activities. The University reviews its estimates annually and adjusts the recorded liability as needed.

Substantially all of the University's asset retirement obligations relate to estimated costs to remove asbestos from campus facilities. The estimate of the losses that are probable for asbestos removal was calculated using the expected cash flow approach and based on an inventory of the University's long-lived assets combined with an estimate of the current market prices to remove the asbestos. The University utilized a credit-adjusted risk-free rate to discount the asset retirement obligation.

Changes in the accrual for asset retirement obligations during the years ended June 30, 2011 and 2010 are as follows:

	2011	2010
Balance, Beginning of the year	$ 803,276	$ 741,068
Abatements	(61,815)	
Accretion expense	65,996	62,208
Balance, End of the year	$ 807,457	$ 803,276

Federal Student Loan Funds - Funds provided by the United States government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the government and are included as liabilities in the statements of financial position. Revenues from other government grants are recognized as they are earned in accordance with the agreement. Any funding received before it is earned is recorded as a refundable advance. Expenses incurred before cash is received are recorded as receivables.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Income Tax Status - The Internal Revenue Service has determined that the University and the Foundation are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, any unrelated business income may be subject to taxation. Donations to the University and Foundation are tax deductible. Whitworth Costa Rica Limited is a taxable corporation for purposes of Costa Rican income tax law.

The University follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the University for uncertain tax positions as of June 30, 2011 and 2010. The University's tax returns are subject to review and examination by federal authorities. The tax returns for the current year as well as fiscal years 2008 through 2010 are open to examination by federal authorities.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments - The carrying amounts of cash and cash equivalents (money market funds and certificates of deposit), accounts receivable, other receivables, accounts payable and student deposits approximate fair value because of the short term maturity of these financial instruments.

A reasonable estimate of the fair value of the receivables from students under government loan programs and grants refundable to the government for student loans could not be made because the notes receivable are not saleable and can only be assigned to the U.S. government or its designee. The fair value of receivables under institutional loan programs approximates carrying value.

The carrying amounts of the actuarial liability for trusts and annuities payable are based on life expectancies, quoted market prices, and the applicable discount rates in effect at the time the agreements were received by the University. The fair value of bonds payable approximates $71,000,000 and $72,000,000 at June 30, 2011 and 2010, respectively

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Estimates of fair value involve assumptions and estimation methods that are uncertain and, therefore, the estimates could differ from actual results.

Investments in real estate are carried at lower of cost or market.

The fair values for investments and other financial instruments recorded at fair value on a recurring basis are included in Note 2.

Fund-Raising and Advertising Expenses - Fund-raising expenses totaled $3,173,000 and $3,299,000 for the years ended June 30, 2011 and 2010, respectively. Advertising costs are expensed when incurred.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Reclassifications - Certain prior year amounts have been reclassified to conform with the June 30, 2011 financial statement presentation. These reclassifications, however, had no effect on total net assets or change in net assets.

NOTE 2 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The University follows the accounting guidance on fair value measurements. Fair value is defined in the guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which is based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2011:

	Total	Level 1	Level 2	Level 3
ASSETS				
Equity securities	$ 6,437,597	$ 6,437,597		
Fixed income securities	10,168,938	9,338,366	$ 830,572	
Mutual funds	50,235,681	50,235,681		
Equity index fund	7,551,460		7,551,460	
Global fixed income	6,268,480		6,268,480	
Alternative investments				
Funds of funds	18,140,559			$ 18,140,559
Private equity funds	2,220,263			2,220,263
Assets held in trust by others	19,345,804			19,345,804
Total	$ 120,368,782	$ 66,011,644	$ 14,650,512	$ 39,706,626

NOTE 2 - FAIR VALUE OF FINANCIAL INSTRUMENTS (cont.)

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2010:

	Total	Level 1	Level 2	Level 3
ASSETS				
Equity securities	$ 9,289,665	$ 9,289,665		
Fixed income securities	10,772,626	10,772,626		
Mutual funds	29,496,728	29,496,728		
Equity index fund	8,674,411		$ 8,674,411	
Global fixed income	4,636,047		4,636,047	
Alternative investments				
Funds of funds	15,953,113			$ 15,953,113
Private equity funds	1,485,167			1,485,167
Assets held in trust by others	15,125,639			15,125,639
Total	$ 95,433,396	$ 49,559,019	$ 13,310,458	$ 32,563,919

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Equity securities - Investments in equity securities are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available.

Fixed income securities - Investments in fixed income securities are comprised of U.S. Treasury notes and corporate bonds and notes. U.S. Treasury notes and preferred stock are classified as Level 1 if they trade with sufficient frequency and volume to enable the University to obtain pricing information on an ongoing basis. Corporate bonds are classified as Level 2 based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Mutual funds - Mutual funds are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

Equity index fund - The equity index fund is classified as Level 2 based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Global fixed income - The global fixed income securities are classified as Level 2 based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Alternative investments - Investments in funds of funds and private equity funds for which there is no readily determinable fair value are classified as Level 3 as the valuation is based on significant unobservable inputs. In cases where the investee has provided its investors with a net asset value per share that has been calculated in accordance with the AICPA Audit and Accounting Guide, *Investment Companies*, the University has estimated its fair value by using the net asset value provided by the investee as of December 31 or March 31, adjusted for cash receipts, cash disbursements, significant known valuation changes in market values of publicly held securities contained in the portfolio and security distributions through June 30.

NOTE 2 - FAIR VALUE OF FINANCIAL INSTRUMENTS (cont.)

Assets held in trust by others - The University's beneficial interest in irrevocable split interest agreements held or controlled by a third party are classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). The fair values are measured at the present value of the future distributions the University expects to receive over the term of the agreements.

While the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table presents a reconciliation of the statement of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2011:

	Balances June 30, 2010	Net realized and unrealized gains included in change in net assets	Purchases, sales, issuances and settlement, net	Net transfers in (out) of Level 3	Balances June 30, 2011
Assets					
Funds of funds	$ 15,953,113	$ 2,196,131	$ (8,685)		$ 18,140,559
Private equity funds	1,485,167	298,265	436,831		2,220,263
Assets held in trust by others	15,125,639	4,068,336	151,829		19,345,804
Total	$ 32,563,919	$ 6,562,732	$ 579,975	$ -	$ 39,706,626

The amount of total gains for the period included in change in net assets attributable to the change in unrealized gains relating to Level 3 financial instruments still held at June 30, 2011.	$ 6,562,732

NOTE 2 - FAIR VALUE OF FINANCIAL INSTRUMENTS (cont.)

The following table presents a reconciliation of the statement of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2010:

	Balances June 30, 2009	Net realized and unrealized gains (losses) included in change in net assets	Purchases, sales, issuances and settlement, net	Net transfers in (out) of Level 3	Balances June 30, 2010
Assets					
Funds of funds	$ 15,254,217	$ 187,704	$ 511,192		$ 15,953,113
Private equity funds	1,460,793	(36,647)	61,021		1,485,167
Assets held in trust by others	14,711,495	415,813	(1,669)		15,125,639
Total	$ 31,426,505	$ 566,870	$ 570,544	$ -	$ 32,563,919

The amount of total gains for the period included in change in net assets attributable to the change in unrealized gains or losses relating to Level 3 financial instruments still held at June 30, 2010.	$ 279,909

The fair value of certain funds has been estimated using the Net Asset Value ("NAV") as reported by the management of the fund. The accounting guidance allows for the use of the NAV as a "practical expedient" estimating the fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the University's interest in the fund. If the University does not know when it will have the ability to redeem its investment or it does not have the ability to redeem its investment at NAV per share in the near term, the investments are categorized as Level 3 instruments. The University generally considers a redemption period of 90 days or less to be considered near term.

NOTE 2 - FAIR VALUE OF FINANCIAL INSTRUMENTS (cont.)

The following table lists the investments in alternative investments by major category:

	Funds of Funds				
	Hedge Funds	Commodities	Real Assets	Limited Partnerships	Private Equity
Fair value, June 30, 2011	$6,178,153	$2,809,684	$5,582,815	$3,569,907	$2,220,263
Significant Investment Strategy	Low correlation to standard markets indexes	Low correlation to standard markets indexes	Fund of funds vehicle through which clients can invest in private equity real estate fund or income producing real properties	The fund of funds vehicle expects to invest in partnerships or other commingled funds with portfolio manager that invest in high yield securities, public and private debt, bank loans, trade claims, equity or other distressed obligations	Direct investment in private companies to create gains
Remaining Life	Indefinite	Indefinite	Minimum of 10 years	Minimum of 16 years	1 years
Dollar Amount of Unfunded Commitments	Open	Open	$1,823,475	$3,630,085	$1,425,000
Timing to Draw Down Commitments	N.A.	N.A.	3 to 5 years	3 to 5 years	3 to 5 years
Redemption Terms	One year lock-up period; after that quarterly or annually	Quarterly	With 90 days advance notice	Not Allowed	Not Allowed
Redemption Restrictions	N.A	N.A	As liquidity becomes available after redemption request	N.A.	N.A.
Redemption Restrictions in Place at Year End	N.A	N.A	N.A.	N.A.	N.A.

NOTE 3 - RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Permanently restricted net assets consist of the following at June 30:

	2011	2010
Endowment funds	$ 60,689,982	$ 54,087,302
Student loan funds	1,004,133	980,006
Annuity, life income and similar funds	6,333,787	5,243,902
	$ 68,027,902	$ 60,311,210

Temporarily restricted net assets consist of the following at June 30:

	2011	2010
Gifts and other unexpended revenues and gains available for:		
Scholarships, instruction and other departmental support	$ 427,372	$ 650,584
Acquisition of buildings and equipment	2,724,737	1,849,732
Earnings not yet appropriated for spending	27,692,857	18,442,187
Annuity, life income and similar funds	256,550	238,546
	$ 31,101,516	$ 21,181,049

Unrestricted restricted net assets consist of the following at June 30:

	2011	2010
For current operations	$ 4,092,628	$ 1,946,391
Plant	37,568,129	35,479,617
Endowment funds - board designated	10,864,310	7,523,761
Annuity, life income and similar funds	2,259,059	2,218,108
	$ 54,784,126	$ 47,167,877

NOTE 4 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows during the years ended June 30:

	2011	2010
Acquisition of land, building and equipment	$ 26,469	$ 731,452
Scholarships, instruction and other departmental support	2,371,689	2,299,411
	$ 2,398,158	$ 3,030,863

These assets were reclassified to unrestricted net assets.

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are included in the consolidated financial statements as contributions receivable and revenue of the appropriate net asset category. Receivables are recorded net of a discount to reflect the estimated present value of the expected future cash flows to be received. Contributions receivable include the following unconditional promises to give at June 30:

	2011	2010
Unrestricted - completed construction projects	$ 2,499,475	$ 2,216,028
Temporarily restricted		
Current scholarships, departmental programs and activities	36,483	78,898
Building construction and remodeling	2,052,229	2,974,552
Permanently restricted - Endowment for scholarships and departmental programs and activities	343,755	350,703
Gross unconditional promises to give	4,931,942	5,620,181
Less: Allowance for uncollectible promises	(400,000)	(200,000)
Less: Unamortized discount	(512,280)	(565,210)
Net contributions receivable	$ 4,019,662	$ 4,854,971

Amounts due in:	
Within one year	$ 1,476,362
One to five years	3,343,080
Greater than five years	112,500
	$ 4,931,942

Promises due in more than one year were discounted at interest rates ranging between 3.3% and 5.0% at June 30, 2011 and 2010. Promises due in less than one year were not discounted.

Amounts due from members of the Board of Trustees were approximately $4,120,000 and $4,390,000 as of June 30, 2011 and 2010, respectively. For the years ended June 30, 2011 and 2010, contributions from members of the Board of Trustees were approximately $3,042,000 and $3,546,000, respectively.

NOTE 6 - LONG TERM INVESTMENTS AND DEPOSITS HELD BY TRUSTEE

The following summarizes the University's investments and deposits held by trustee at June 30:

	2011	2010
Cash and short-term investments	$ 3,771,958	$ 11,008,786
Equity securities	6,437,597	9,289,665
Fixed income securities	10,168,938	10,772,626
Mutual funds	50,235,681	29,496,728
Other investments		
Equity index fund	7,551,460	8,674,411
Global fixed income	6,268,480	4,636,047
Funds of funds		
Hedge funds	6,178,153	7,680,293
Commodities	2,809,684	1,871,965
Real estate investments	5,582,815	3,768,876
Limited partnerships	3,569,907	2,631,979
Private equity funds	2,220,263	1,485,167
Notes receivable, collateralized by real estate at 6% to 10%	211,846	229,021
Notes receivable - other	497,000	497,735
Real estate	885,600	2,902,586
Annuity contracts	8,775	8,992
Single premium life insurance policy	133,003	129,558
Cash surrender value of life insurance policies, net of loans	2,913,690	2,820,503
	$ 109,444,850	$ 97,904,938

Long-term investments and deposits held by trustee are allocated as follows at June 30:

	2011	2010
Long-term investments	$ 101,528,305	$ 76,530,654
Deposits held by trustee	7,916,545	21,374,284
	$ 109,444,850	$ 97,904,938

Investments, in general, are subject to various risks, including credit, interest and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Through the University's investment in other investments, the University is indirectly involved in investment activities such as securities lending, trading in futures, forward contracts and other derivative products. Derivatives are used to adjust portfolio risk exposure. While these instruments may contain varying degrees of risk, the University's risk with respect to such transactions is limited to its respective capital balance in each investment. These interests have varying degrees of liquidity.

NOTE 7 - LIFE INSURANCE POLICIES

The University and Foundation have received gifts of several life insurance policies and are designated as both the owner and beneficiary of these life insurance policies. At June 30, 2011 and 2010, the insurance coverage aggregated approximately $6,082,600 and $6,079,500, respectively, and the cash surrender value totaled $2,913,690 and $2,820,503, respectively. Premium payments are required to be made by the donor or the University to continue coverage to the maturity dates.

NOTE 8 - CONSTRUCTION IN PROGRESS

At June 30, 2011, the following projects were in progress:

	Costs to Date	Estimated Completion Date	Funding Source
Science Building	$ 29,613,006	9/30/2011	Debt and gifts
Various other campus projects	882,600	8/31/2012	Operations
	$ 30,495,606		

Remaining commitments on signed construction contracts approximate $3,500,000 as of June 30, 2011.

Subsequent to June 30, 2011, the University entered into a construction contract of approximately $3,800,000 for the expansion of the Hixson Union Building. This project will provide additional space for student dining services and other university activities in fall 2012.

NOTE 9 - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment and the related accumulated depreciation amounts are as follows at June 30, 2011:

	Beginning Balance	Additions	Deductions	Ending Balance
Land	$ 5,561,315			$ 5,561,315
Buildings	85,777,265	$ 2,189,189		87,966,454
Buildings and other improvements	15,460,670	190,001		15,650,671
Equipment	12,074,563	994,407	$ (296,735)	12,772,235
Construction in progress	12,323,934	18,642,881	(471,209)	30,495,606
	131,197,747	22,016,478	(767,944)	152,446,281
Less: Accumulated Depreciation for:				
Buildings	(32,971,232)	(3,415,441)		(36,386,673)
Buildings and other improvements	(7,189,809)	(1,520,995)		(8,710,804)
Equipment	(7,231,700)	(386,676)	296,735	(7,321,641)
Total Accumulated Depreciation	(47,392,741)	(5,323,112)	296,735	(52,419,118)
	$ 83,805,006	$ 16,693,366	$ (471,209)	$ 100,027,163

NOTE 9 - LAND, BUILDINGS AND EQUIPMENT (cont.)

Land, buildings and equipment and the related accumulated depreciation amounts are as follows at June 30, 2010:

	Beginning Balance	Additions	Deductions	Ending Balance
Land	$ 3,043,023	$ 2,518,292		$ 5,561,315
Buildings	74,200,213	11,577,052		85,777,265
Buildings and other improvements	14,134,875	1,501,951	$ (176,156)	15,460,670
Equipment	13,922,355	982,119	(2,829,911)	12,074,563
Construction in progress	12,051,729	9,721,385	(9,449,180)	12,323,934
	117,352,195	26,300,799	(12,455,247)	131,197,747
Less: Accumulated Depreciation for:				
Buildings	(29,730,789)	(3,240,443)		(32,971,232)
Buildings and other improvements	(6,204,037)	(1,161,928)	176,156	(7,189,809)
Equipment	(9,362,219)	(699,392)	2,829,911	(7,231,700)
Total Accumulated Depreciation	(45,297,045)	(5,101,763)	3,006,067	(47,392,741)
	$ 72,055,150	$ 21,199,036	$ (9,449,180)	$ 83,805,006

During the year ended June 30, 2010, the University conducted an analysis of all fully depreciated assets and discharged those that were no longer in use for a total of approximately $3,000,000.

NOTE 10 - LONG-TERM DEBT

The University had the following long-term debt outstanding at June 30:

	2011	2010
Revenue Bonds - 2009 Series	$ 62,835,000	$ 63,720,000
Discount on 2009 Series Revenue Bonds	(614,058)	(637,014)
	$ 62,220,942	$ 63,082,986

Revenue Bonds Payable - In November 2009, the University entered into a loan and security agreement with the Washington Higher Education Facilities Authority for the Authority to sell Series 2009 Revenue and Refunding Bonds in the amount of $63,720,000 and loan the proceeds to the University. The bonds were issued for the purpose of refinancing the Series 1998, Series 2001 and Series 2006 bonds and for construction and plant improvement projects. These projects include a new residence hall at an estimated cost of approximately $11,000,000 and a new science building at an estimated cost of approximately $31,000,000. The outstanding principal balances on the Series 1998 bonds and Series 2001 bonds were paid in full and retired during 2010 using the proceeds of the Series 2009 Bonds. With respect to the Series 2006 bonds, proceeds from the Series 2009 bonds were placed in an escrow account held to defease the bonds in October 2027. The balance in the escrow account, which is not recorded on the University's statement of financial position, at June 30, 2011 was $12,712,001. The outstanding balance on the Series 2006 bonds, which is not recorded on the University's statement of financial position, was $11,850,000 at June 30, 2011.

NOTE 10 - LONG-TERM DEBT (cont.)

Interest is payable on the Series 2009 bonds semi-annually on each October 1 and April 1 at rates ranging from 4.000% to 5.875%. Serial bonds are payable in amounts ranging from $920,000 to $1,320,000 on October 1, 2011 through October 1, 2019. Term bonds in the amounts of $7,705,000, $10,025,000, $13,290,000, and $21,885,000 are due October 1, 2024, 2029, 2034, and 2040, respectively. The term bonds are subject to annual sinking fund payments on October 1, in the years 2020 to 2040, in amounts varying from $1,385,000 to $4,180,000.

The University has pledged its unrestricted revenues and property of the core campus located in Spokane, Washington (see Note 9) to the repayment of its obligations under the loan agreement. As a condition of the issuance of the 2009 Revenue Bonds, the University has agreed to certain covenants for the protection of bond owners, including maintaining in each fiscal year income available for debt service at least equal to 1.00 times annual debt service for such fiscal year beginning after the date of issuance of the bonds and continuing through the fiscal year that is two fiscal years after the last of the new facilities is placed in service, and 1.25 times annual debt service in each other fiscal year.

Deposits with trustee include proceeds from the Series 2009 bonds held for the following purposes at June 30:

	2011	2010
Debt service reserve fund	$ 4,250,545	$ 4,351,057
Holdback account	450,000	450,000
Construction project account	3,216,000	16,573,227
	$ 7,916,545	$ 21,374,284

The approximate principal and sinking fund payment requirements for all long-term debt for the five years subsequent to June 30, 2011 are:

Year Ended June 30	Principal
2012	$ 920,000
2013	960,000
2014	1,000,000
2015	1,040,000
2016	1,090,000

NOTE 11 - SPLIT INTEREST AGREEMENTS

The University's investment portfolio contains split interest agreements held by the Foundation. Under a split interest agreement, a donor makes an initial gift to a trust or directly to the Foundation, in which the University has a beneficial interest but is not the sole beneficiary. The terms of some agreements do not allow donors to revoke their gifts. The time period covered by the agreement is expressed either as a specific number of years (or in perpetuity) or as the remaining life of an individual or individuals designated by the donor. The assets are invested and administered by the Foundation and distributions are made to a beneficiary or beneficiaries during the term of the agreement. At the end of the agreement's term, the remaining assets covered by the agreement are distributed to or retained by either the University or another beneficiary or beneficiaries.

Most of the Foundation's agreements consist of irrevocable charitable remainder trusts and charitable gift annuities. Donors may impose restrictions on the University's use of all or a portion of any assets received. The Foundation recognizes a liability for estimated distributions to beneficiaries under these annuity agreements. The Foundation used the applicable discount rates in effect at the time the agreements were received by the Foundation in calculating the present values.

The University maintains separate reserve funds adequate to meet future payments under its charitable gift annuity contracts as required by governing states' laws. The total amount held in separate reserve funds was $1,500,107 and $1,091,901, respectively, as of June 30, 2011 and 2010.

NOTE 12 - EMPLOYEE BENEFIT PLANS

The University provides a defined contribution plan for the benefit of substantially all faculty and administration personnel. All costs relating to this plan are being funded currently. The University contributes a fixed percentage of each participant's salary to the plan. The University's contribution to this plan was approximately $1,873,000 and $1,826,000 in 2011 and 2010, respectively.

In addition to providing retirement benefits, the University pays a portion of the premiums for certain health care benefits provided to selected retired employees who reach retirement age while working for the University. Effective June 1, 2002, certain retired employees are required to contribute a portion of the cost of their medical insurance coverage. The University accrues for these benefits over the service lives of the employees rather than expense the cost of premiums as they are paid. The plan is unfunded, and the accrued postretirement benefit obligation is included in accrued payroll and related benefits on the statements of financial position.

The University measures postretirement plan obligations as of June 30.

In December 2010, the University changed the medical insurance plan provider under its postretirement benefit plan to help reduce the costs of healthcare. This change substantially reduced the cost of premiums per employee and future liabilities associated with the payment of such costs.

In addition, on June 1, 2011, the University became part of a Voluntary Employee Benefit Association (VEBA) in order to help fund the costs of healthcare for employees who have met certain eligibility requirements.

NOTE 12 - EMPLOYEE BENEFIT PLANS (cont.)

The following is a reconciliation of the benefit obligation and the value of plan assets at June 30:

	2011	2010
Change in projected benefit obligation		
Benefit obligation at July 1	$ 6,022,728	$ 7,000,869
Interest cost	401,278	336,085
Service cost	183,367	163,444
Actuarial gain	(3,773,108)	(1,321,224)
Estimated benefits paid	(178,889)	(156,446)
Projected benefit obligation at June 30	$ 2,655,376	$ 6,022,728
Change in plan assets		
Fair value of plan assets at July 1	$ -	$ -
Employer contribution	192,494	161,219
Participant contribution	54,964	59,952
Actual benefits paid	(247,458)	(221,171)
Fair value of plan assets at June 30	$ -	$ -
Funded status		
Underfunded status at June 30	$ (2,655,376)	$ (6,022,728)
Amounts recognized in the statements of financial position consist of:		
Noncurrent assets	$ -	$ -
Current liabilities	87,000	250,000
Noncurrent liabilities	2,568,376	5,772,728
Net amount recognized	$ 2,655,376	$ 6,022,728
Amounts not recognized as components of net periodic benefit cost consist of:		
Unrecognized prior service cost	$ (297,110)	$ (396,146)
Unrecognized net (gain) or loss	(2,320,211)	1,675,726
Unrecognized net transition obligation	128,737	160,921
Net amount not recognized	$ (2,488,584)	$ 1,440,501
Net periodic post retirement benefit expense for the year ended June 30 is comprised of the following:		
Service cost	$ 183,367	$ 163,444
Interest cost	401,278	336,085
Amortization of unrecognized net loss	155,976	139,820
Net periodic benefit cost	$ 740,621	$ 639,349

NOTE 12 - EMPLOYEE BENEFIT PLANS (cont.)

The University expects to contribute approximately $190,000 to its postretirement plan in 2012. These payments have been estimated based on the same assumptions used to measure the University's benefit obligation. Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Year Ending June 30:		
2012	$	87,883
2013		87,358
2014		96,455
2015		94,376
2016		104,257
2017 - 2021		531,975

The estimated interest cost, service cost, net loss and expected benefits paid for the year ended June 30, 2012, and the estimated benefit obligation at June 30, 2012 are as follows:

Change in projected benefit obligation		
Benefit obligation at July 1, 2011	$	2,655,376
Interest cost		138,245
Service cost		59,806
Actuarial gain		(215,183)
Expected benefits paid		(71,855)
Projected benefit obligation at June 30, 2012	$	2,566,389

The above assumptions and calculations are based on information as of June 30, 2011 and 2010, the measurement dates for the Plan. The accrued benefit cost represents the full obligation for the retirees and the current service cost for eligible employees at June 30, 2011. An 11% rate of increase in the per capita costs of covered health care benefits was initially assumed, decreasing 0.5% per year to an ultimate level of 5% beginning in 2018. Discount rates of 5.75% and 6.00% were used to determine the accumulated postretirement benefit obligation for 2011 and 2010, respectively.

Increasing the assumed health care cost trend rate by one percentage point would increase the accumulated post-retirement benefit obligation as of June 30, 2011, to approximately $2,907,000 and the aggregate of the service and interest cost components of net periodic post-retirement benefit costs for 2011 to approximately $863,000.

It is reasonably possible that changes in these estimates could occur in the near term and that actual results could differ from these estimates and could have a material impact on the financial statements.

NOTE 13 - CREDIT QUALITY OF STUDENT LOANS RECEIVABLE

The University issues uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. Student loans receivable are carried at the amount of unpaid principal less an estimate for doubtful accounts. 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. At June 30, 2011 and 2010, student loans represented 1.78% and 2.02% of total assets, respectively.

NOTE 13 - CREDIT QUALITY OF STUDENT LOANS RECEIVABLE (cont.)

At June 30, 2011 and 2010 student loans consisted of the following:

	2011	2010
Federal government programs	$ 4,046,243	$ 4,145,045
Institution programs	631,146	684,630
	4,677,389	4,829,675
Less allowance for doubtful accounts:		
Beginning of year	(346,365)	(346,365)
Write-offs	2,045	
End of year	(344,320)	(346,365)
Student loans receivable, net	$ 4,333,069	$ 4,483,310

Funds advanced by the Federal government of $3,591,234 and $3,595,505 at June 30, 2011 and 2010, respectively, are ultimately refundable to the government and are classified as liabilities in the statement of financial position.

After a student is no longer enrolled in an institution of higher education and after a grace period, interest is charged on student loans receivable and is recognized as it is charged. Student loans receivable through the loan programs are considered to be past due if a payment is not made within 30 days of the payment due date, at which time, late charges are charged and recognized. The Federal Perkins Loan Program receivables may be assigned to the U.S. Department of Education. Students may be granted a deferment, forbearance, or cancellation of their student loan receivable based on eligibility requirements defined by the U.S. Department of Education.

A student loan receivable is considered to be delinquent if any portion of the receivable balance is outstanding for more than 60 days after the billing date. At June 30, 2011 and 2010, the following amounts were past due under student loan programs:

	Amounts Past Due			
	Less than 240 days	Less than 2 years	More than 2 years	Total
June 30,				
2011	$ 49,222	$ -	$ 222,305	$ 271,527
2010	61,552	8,383	175,431	245,366

NOTE 14 - ENDOWMENTS

The University's endowment consists of approximately 240 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the governing board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The State of Washington adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective July 1, 2009. As a result of adopting the provisions of UPMIFA, the University reclassified $12,538,793 of unrestricted net assets into temporarily restricted net assets which represents the amount of accumulated net gains in existence at June 1, 2009 that had not yet been appropriated for spending by the University's governing board. In addition, the University reclassified $912,824 of unrestricted net assets into permanently restricted net assets which represents the amount of unrestricted net assets that under the University's interpretation of UPMIFA should be classified as permanently restricted net assets.

The University's governing board has interpreted the State of Washington enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the University to appropriate for expenditure or accumulate so much of an endowment fund as the University determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Trustees. As a result of this interpretation, the University has not changed the way permanently restricted net assets are classified. See Note 1 for further information on net asset classifications.

The remaining portion of the fund, which consists of earnings and gains/losses from the investment of such funds net of expenditures, is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the endowment fund
(2) The purposes of the University and the endowment fund
(3) General economic conditions
(4) The possible effect of inflation or deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the University
(7) The investment policy of the University

The following table summarizes endowment net asset composition by type of fund as of June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 27,692,857	$ 60,689,982	$ 88,382,839
Board-designated endowment funds	10,864,310			10,864,310
Total endowment net assets	$ 10,864,310	$ 27,692,857	$ 60,689,982	$ 99,247,149

NOTE 14 - ENDOWMENTS (cont.)

The following table summarizes endowment net asset composition by type of fund as of June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (741,079)	$ 18,442,187	$ 54,087,302	$ 71,788,410
Board-designated endowment funds	8,264,840			8,264,840
Total endowment net assets	$ 7,523,761	$ 18,442,187	$ 54,087,302	$ 80,053,250

Change in endowment net assets for June 30, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2010	$ 7,523,761	$ 18,442,187	$ 54,087,302	$ 80,053,250
Investment return:				
Investment income (net of fees of $450,000)	115,200	626,465		741,665
Net appreciation - realized and unrealized	3,343,199	9,994,321	4,003,421	17,340,951
Total investment return	3,458,399	10,620,786	4,003,421	18,082,616
Contributions	9,308	235,244	2,545,297	2,789,849
Transfers in and matured deferred gifts	287,426	282,185	53,962	623,563
Appropriation of endowment assets for expenditure	(414,584)	(1,887,545)		(2,302,129)
Endowment net assets, June 30, 2011	$ 10,864,310	$ 27,692,857	$ 60,689,982	$ 99,247,149

Change in endowment net assets for June 30, 2010 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2009	$ 19,794,950	$ 3,374,245	$ 50,753,921	$ 73,923,116
Net asset reclassification based on change in law	(13,451,617)	12,538,793	912,824	
Endowment net assets after reclassification	6,343,333	15,913,038	51,666,745	73,923,116
Investment return:				
Investment income (net of fees of $365,000)	50,816	513,803		564,619
Net appreciation - realized and unrealized	402,743	3,920,818	474,383	4,797,944
Total investment return	453,559	4,434,621	474,383	5,362,563
Contributions		22,201	563,430	585,631
Transfers in and matured deferred gifts	1,085,937	26,669	1,382,744	2,495,350
Appropriation of endowment assets for expenditure	(359,068)	(1,954,342)		(2,313,410)
Endowment net assets, June 30, 2010	$ 7,523,761	$ 18,442,187	$ 54,087,302	$ 80,053,250

NOTE 14 - ENDOWMENTS (cont.)

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original value of the gifts contributed to each endowment fund. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were zero and approximately $741,000 as of June 30, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the governing board. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

Return Objectives and Risk Parameters - The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the governing board, the endowment assets are invested in a manner that is intended to produce results that exceed 4.5% spending rate plus the rate of inflation as measured by the Consumer Price Index (CPI) for urban consumers while assuming a moderate level of investment risk. The University expects its endowment funds, over time, to provide an average annual rate of approximately 8% to 9% annually. Actual returns in any year may vary from this amount.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, 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 targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The University has a policy of appropriating for distribution each year 4.5% of its endowment fund's average fair value over the prior three years through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average of 4% to 5% annually. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

As of July 1, 2011, the University modified its spending policy to a model that includes the Higher Education Price Index (HEPI) which requires annual adjustments based on changes in the costs of education.

NOTE 15 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the University to concentrations of credit risk consist principally of cash and cash equivalents, receivables and investments. Cash and cash equivalents in excess of federally insured limits are subject to the usual risks of balances in excess of those limits. The majority of the University's cash and cash equivalents are on deposit with a single bank. Investments are diversified in order to limit credit risk. Student notes and receivables are due from a variety of sources concentrated primarily in the northwestern United States. In addition, the University's students receive a substantial amount of support from state and federal student financial assistance programs which are subject to audit by governmental agencies. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the University's programs and activities.

NOTE 16 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Supplemental cash flow information for June 30 is as follows:

	2011	2010
Interest paid (net of capitalized interest)	$ 2,233,898	$ 1,260,471
Capitalized interest	1,177,508	948,484
Noncash investing and financing activities		
Construction in progress included in accounts payable	1,086,771	2,131,562
Summary of bond issue		
Proceeds from bond issue		$ 63,720,000
Discount		(654,231)
Reserve funds used for principal and interest payments on retired bonds		1,577,525
Funds deposited to escrow account for construction projects		(35,190,000)
Funds deposited to escrow account used for principal and interest payments on retired bonds		(24,600,388)
Funds deposited to escrow account for debt service reserves		(4,299,656)
Deferred debt acquisition costs paid from bond proceeds		(553,250)

NOTE 17 - ALLOCATION OF EXPENSES

Expenses by natural classification for the years ended June 30 were as follows:

	2011	2010
Salaries and related costs	$ 28,825,160	$ 27,859,999
Benefits	7,100,952	6,777,507
Travel, professional development and cultivation	2,209,367	1,696,688
Materials and supplies	2,666,805	2,640,005
Maintenance of facilities and equipment	3,325,148	2,707,942
Utilities, insurance and taxes	3,545,425	3,363,130
Postage, print shop, board bill, general services	8,734,321	8,199,722
Interest	2,225,072	1,834,105
Depreciation, amortization and accretion	5,336,791	5,138,534
Other expenses	152,859	110,885
Total operating expenses	$ 64,121,900	$ 60,328,517

APPENDIX C

CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS

The following statements are brief summaries of certain provisions of the principal documents executed in connection with the issuance of the 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 or the Loan Agreement 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.

"*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 Bonds, and its successors and assigns.

"*Authority Fee*" means, with respect to the Bonds, 0.10% per annum of the Outstanding principal amount of the 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 Bonds.

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

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

"*Bond Closing*" means the date upon which there is an exchange of the Bonds for the proceeds representing the purchase of the 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 Bond shall be registered on books of the Bond Registrar kept for that purpose in accordance with the terms of the Indenture.

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

"*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, to the extent applicable to the Bonds. All references in the Indenture 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.

"Core Campus" means the real property described in the map on the inside back cover page of this Official Statement.

"*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, the Trustee, or the issuer of a Debt Service Reserve Fund Credit Facility) 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 Bonds during the period of computation.

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

"*Debt Service Reserve Fund Credit Facility*" means an irrevocable and unconditional letter of credit, insurance policy or surety bond, the terms of which meet, or by the delivery date of such credit facility will meet, the requirements of the Indenture and which have been approved by the Authority, in writing prior to its execution and delivery, issued by a bank, insurance company or other financial institution, which is acceptable to the Authority, having a long-term credit rating of "AAA" by S&P and "Aaa" by Moody's at the time of issuance of such credit facility, which credit facility names the Trustee as the beneficiary thereunder; provided, that any such credit facility must (a) have a term equal to the remaining term of the Bonds unless otherwise approved by the Authority; (b) be issued by a monoline municipal bond insurance company or a subsidiary thereof, unless otherwise approved by the Authority; (c) provide that the bank, insurance company or other financial institution providing such credit facility must notify the Trustee, the University and the Authority, no less than 30 days in advance of the expiration of the credit facility of its intention not to renew or extend such credit facility to the extent that the Authority consents to a term less than the remaining term of the Bonds as provided in (a) above; (d) permit the Trustee to make a drawing thereunder to fund the Debt Service Reserve Fund no later than the last Business Day prior to the earlier of (1) the expiration date of such credit facility and (2) the date the proceeds of such drawing will be needed to fund the Debt Service Reserve Fund; (e) provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of drawings or claims paid.

"*Debt Service Reserve Fund Deficiency Notice*" means the notice which the Trustee is required to give the University and the Authority pursuant to the Indenture if the value of the Debt Service Reserve Assets is less than the Debt Service Reserve Requirement on any Valuation Date applicable thereto.

"*Debt Service Reserve Assets*" means as of any calculation date collectively, the money or securities on deposit in the Debt Service Reserve Fund (which shall not include interest accrued on such securities or market premium until received) and the stated amount available for drawing under any Debt Service Reserve Fund Credit Facility.

"*Debt Service Reserve Deposits*" means any payment required to be made by the University to the Trustee for deposit into the Debt Service Reserve Fund, from time to time, as required pursuant to the Loan Agreement.

"*Debt Service Reserve Requirement*" means as of any calculation date an amount equal to the least of (a) 10% of the proceeds of the Bonds; (b) the Maximum Annual Debt Service on the Bonds Outstanding; or (c) 125% of average annual debt service for all Bonds Outstanding; provided, however, that the dollar amount required shall not be greater than the maximum amount permitted by the Code, including applicable regulations thereunder, to be allocated to a bond reserve account from bond proceeds without requiring a balance to be invested at a restricted yield.

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

"Deed of Trust" means the Amended and Restated Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing, dated as of March 1, 2012, and delivered by the University as grantor to a trustee for the benefit of (1) the Trustee, as beneficiary and secured party, securing the Note and the obligations of the University under the Loan Agreement and (2) certain other secured parties named therein.

"Deed of Trust Property" means the property on the University's campus in Spokane, Washington, subject to the Deed of Trust.

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

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

"Environmental Indemnity Agreement" means the Amended and Restated Environmental Indemnification and Release Agreement dated as of March 1, 2012, by the University in favor of the Authority, the Trustee and certain other parties named therein.

"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.

"Environmental Requirement" means any Environmental Law, or any other applicable agreement or restriction (including any condition or requirement imposed by any third party or insurance or surety company), now or hereafter in effect, which relates to any matters addressed by any Environmental Law, Hazardous Material or the prevention of any unsafe or hazardous condition resulting from or related to the Release of any Hazardous Material.

"*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.

"*Expendable Net Assets*" means Unrestricted Net Assets plus Temporarily Restricted Net Assets less Net Investment in Plant (with Net Investment in Plant equal to Net Property, Plant and Equipment, as shown on the University's financial statements, less related Long Term Debt).

"*Fiscal Year*" means the fiscal year of the University, initially the period from July 1 through June 30 of each year.

“*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 Material*” means any substance, material, element, compound, waste or chemical, whether solid, liquid or gaseous, which is defined, listed, classified or otherwise regulated in any way under any Environmental Laws, or any other such substances or conditions (including mold and other mycotoxins or fungi) which may create any unsafe or hazardous condition or pose any threat to health and safety; provided, however, that references to use, storage or generation of “Hazardous Material” shall not include use, storage or generation of materials that are commonly legally used, stored or generated (and in amounts commonly legally used, stored or generated) as a consequence of using the Deed of Trust Property for its permitted business purposes, but only so long as the use, storage or generation of such materials are in full compliance with all Environmental Requirements.

“*Holdback Account*” means the Account of such name created within the Project Fund by the Indenture.

“*Income Available for Debt Service*” means the sum of amounts shown as Change in Net Assets under the column “Unrestricted” (or such similarly captioned column) on the University’s financial statements, plus depreciation, amortization and interest expense incurred by the University during such period (plus any payments paid on interest rate hedge agreements relating to University indebtedness during such period, minus any receipts on interest rate hedge agreements relating to University indebtedness during such period (excluding any termination or other extraordinary payments on such interest rate hedge agreements)) (each as determined in accordance with GAAP), but excluding any realized or unrealized gain or loss resulting from changes in the valuation of investment securities or interest rate hedge agreements.

“*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 generally accepted accounting principles 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 Agreement*” means the Intercreditor Agreement dated as of March 1, 2012, as such agreement may be amended from time to time.

“*Interest Payment Date*” means (a) April 1 and October 1 of each year, commencing October 1, 2012, and (b) any other date upon which interest on the Bonds is due and payable, whether by maturity, acceleration, prior redemption, or otherwise.

“*Issuance Costs*” means all costs and expenses of issuance of the 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 Bonds;

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

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

(e) costs of printing the preliminary official statement and the official statement with respect to the Bonds;

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

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

"*Lien Escrow Account*" means the Account of such name created within the Project Fund by the Indenture.

"Loan" means the loan by the Authority to the University pursuant to the Loan Agreement in the aggregate principal amount of not to exceed $19,500,000, 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 March 1, 2012, 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 Deed of Trust, the Environmental Indemnity Agreement, the Tax Certificates and the Note.

"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 Debt Service Coverage Test, Expendable Net Assets and Annual Debt Service, (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 underwriter or provide refunding Indebtedness shall be assumed to become due and payable on the terms provided in such written commitment for such refunding 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 Services, and its successors and assigns.

"Note" means the promissory note executed by the University in favor of the Authority and assigned to the Trustee to evidence the Loan.

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

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

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

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

In determining whether the Registered Owners of a requisite aggregate principal amount of Outstanding Bonds have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of the Indenture, Bonds which are known by the Trustee to be owned by the University, the Authority, or any other obligor on the 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. 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 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 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.

"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. Under the Loan Agreement, "Pledged Revenues" means Unrestricted Gross Revenues, excluding any portion thereof derived from the operation of facilities constructed or acquired after November 1, 2009, if such revenues have been specifically pledged to the payment of obligations incurred solely to finance or refinance such new facilities and related improvements (other than through a pledge of Unrestricted Gross Revenues or Pledged Revenues to such obligations). Pledged Revenues may exclude any revenues generated by facilities constructed or acquired after November 1, 2009, which revenues are pledged to obligations incurred to finance such new facilities. Unrestricted Gross Revenues generated from Project Facilities and the 2009 Project Facilities, including any replacements therefor and improvements thereto, may not be excluded from the definition of Pledged Revenues.

"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 Bonds and any exchange, transfer or surrender of the 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 Account" means the Account of such name within the Project Fund created by the Indenture.

"Project Facilities" means the facilities constructed and/or improved with proceeds of the Bonds, as further described in the Loan Agreement.

"*Project Fund*" means such Fund created by the Indenture.

"*Rating Agency*" means Moody's, or its successors and assigns or, if 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 Bonds.

"*Rating Agency Surveillance Fee*" means the annual fee, if any, of the Rating Agency to maintain a rating on any of the 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 Bonds that is invested at a Yield materially higher than the Yield on the Bonds does not exceed 10% of the proceeds of the 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 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 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.

"*Release*" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, seeping, migrating, dumping or disposing of any Hazardous Material (including the abandonment or discarding of barrels, drums, tanks and other similar containers, containing any Hazardous Material) into the indoor or outdoor environment in material violation of any Environmental Requirement.

"*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 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 Replacement Reserve Fund.

"*Resolution*" means Resolution No. 12-01, duly adopted and approved by the Authority on February 2, 2012, authorizing, *inter alia*, the issuance and sale of the 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 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 Bond, including amounts used to pay underwriter's discount or compensation and accrued interest other than pre-issuance accrued interest. Sale Proceeds also includes amounts derived from the sale of a right that is associated with any Bond and that is described in Section 1.148-4 of the Regulations.

"*Short Term Debt*" means (a) Indebtedness maturing or payable by its terms less than one year from the date of incurrence and which may not be extended beyond one year at the option of the University, or (b) Indebtedness that does not satisfy (a), if, by its terms, the outstanding amount of such Indebtedness must be reduced to zero for a period of at least five consecutive days during each Fiscal Year.

"*Special Record Date*" means, with respect to the payment of any defaulted interest on the 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.

"*Temporarily Restricted Net Assets*" means the University's Temporarily Restricted Net Assets as reported on the University's audited statement of financial position.

"*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 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 Bonds) in accordance with the letter agreement dated January 25, 2012, between the Trustee and the University as amended from time to time, with respect to the payment of all fees and expenses.

"*2009 Bonds*" means the Authority's Revenue and Refunding Revenue Bonds (Whitworth University Project), Series 2009 issued pursuant to an Indenture of Trust dated as of November 1, 2009 and outstanding in the principal amount of $61,915,000.

"*Underwriter*" means Piper Jaffray & Co., as underwriter for the Bonds.

"*University*" means Whitworth 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 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 (i) 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 the payment of operating expenses of the University and (ii) any gifts, grants, devises, bequests or contributions received by any foundation or other legal entity created by but separate from the University.

"*Unrestricted Net Assets*" means the University's Unrestricted Net Assets as reported on the University's audited statement of financial position, plus to the extent not already included in such Unrestricted Net Assets or Temporarily Restricted Net Assets, (a) the fair market value of amounts held in the Debt Service Reserve Fund with respect to the Bonds, (b) the fair market value of any other reserve fund held by a trustee with respect to Long Term Debt not including the Bonds (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 (c) any gifts, grants, bequests, donations and contributions which have been both received by the University and pledged to the repayment of Long Term Debt.

"*Valuation Date*" means fifteen Business Days prior to April 1 and October 1 of each year and any day on which the Trustee applies any funds in the Debt Service Reserve Fund as provided in Section 306(c) of the Indenture.

"*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.

THE INDENTURE

General

The Indenture sets forth the terms of the Bonds, the nature and extent of the security, the various rights of the Bondholders, 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 BONDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Establishment of Funds and Accounts

The Indenture creates a Project Fund, a Cost of Issuance Fund, a Debt Service Fund and a Debt Service Reserve 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 Bonds, the Trustee will deposit a portion of the proceeds received from the sale of the Bonds, together with money, if any, received from the University, sufficient to pay Issuance Costs for the Bonds into the Cost of Issuance Fund, and will deposit the remainder of the Bond proceeds into the Project Fund and Debt Service Reserve Fund.

Accounts of the Project Fund. Proceeds of the Bonds deposited in the Project Account of the Project Fund will be disbursed pursuant to Funding Requisitions in substantially the form attached as an exhibit to the Loan Agreement. A portion of the proceeds of the Bonds will be deposited in the Capitalized Interest Account of the Project Fund and amounts equal to scheduled interest payments on the Bonds beginning on October 1, 2012 will be wired from the Capitalized Interest Account on or before each Interest Payment Date to pay interest on the Bonds until the earlier of (1) completion of construction or (2) an amount equal to $1,040,555.21 has been disbursed from the Capitalized Interest Account for such purpose. Amounts remaining in the Capitalized Interest Account after completion of construction shall be transferred to the Project Account and expended for Project Costs other than capitalized interest on the Bonds.

Notwithstanding the foregoing, amounts will be retained in the Holdback Account of the Project Account until receipt of confirmation from the Authority that an arbitrage rebate spending exception has been met with respect to the Bonds. Following receipt of such confirmation, amounts in the Holdback Account shall be transferred to the Project Account and may be requisitioned and disbursed. If a spending exception from arbitrage rebate cannot be met, upon direction from the Authority, the Trustee shall transfer the amount necessary to pay any Rebate

Amount from the Holdback Account to the Rebate Fund. Following disbursement of all amounts in the Holdback Account, such Holdback Account is to be closed. Amounts, if any, remaining in the Project Fund on December 15, 2014 shall be transferred to the Debt Service Fund on February 1, 2015 (unless those dates are extended pursuant to the Loan Agreement) and used to redeem Bonds. Unless there has been an extension of the prepayment date as provided in the Loan Agreement, no Funding Requisition will honored after December 15, 2014.

Furthermore, amounts will be retained in the Lien Escrow Account of the Project Fund pursuant to the terms of an Escrow Agreement, dated as of March 1, 2012, between the University and the Trustee, as escrow agent, and acknowledged by First American Title Company (the "Escrow Agreement") until earlier of (a) receipt by the Trustee, as escrow agent, and First American Title Company of lien waivers provided by the University covering the construction period up to and including March 1, 2012 from all subcontractors on the portion of the Project consisting of an addition and improvements to the HUB Building located on the University's campus, or (b) termination of the Lien Escrow Account on June 1, 2012. Following receipt of such waivers, or termination of the Escrow Agreement, as applicable, and based solely on the occurrence on such events, amounts in the Lien Escrow Account shall be transferred by the Trustee to the Project Account and may be requisitioned and disbursed as set forth in this section. Following the disbursement of all amounts in the Lien Escrow Account, the Lien Escrow Account shall be closed.

Cost of Issuance Fund. Money on deposit in the Cost of Issuance Fund will be applied to pay Issuance Costs. Any money remaining in the Cost of Issuance on the 180th day following Bond Closing is to be transferred to the Project Account of the Project Fund 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 shall 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 Note including amounts on deposit with the Trustee pursuant to the Loan Agreement or the Indenture; (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 Bonds, including amounts on hand in the Debt Service Reserve Fund, in that order of priority, in an amount sufficient to pay the principal of, and premium, if any, and interest becoming due and payable on the Bonds on the next Interest Payment Date, at scheduled maturity, upon acceleration or by prior redemption. Money on deposit in the Debt Service Fund is to be applied solely to pay principal of, premium, if any and interest becoming due and payable on the Bonds on the next Interest Payment Date, at scheduled maturity, upon acceleration or by prior redemption.

Debt Service Reserve Fund. On the Bond Closing, the Trustee will deposit into the Debt Service Reserve Fund an amount required to meet the Debt Service Reserve Requirement. The University may, at any time, provide the Trustee with a Debt Service Reserve Fund Credit Facility or a substitute Debt Service Reserve Fund Credit Facility if the following conditions are satisfied:

(1) The Trustee, the Authority and the University receive an opinion of Counsel acceptable to the Authority and the University, in form and substance satisfactory to each of them, as to the due authorization, execution, delivery and enforceability of the Debt Service Reserve Fund Credit Facility in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of the Debt Service Reserve Fund Credit Facility is not a domestic entity, an opinion of foreign counsel to the same effect in form and substance satisfactory to the Trustee, the Authority and the University;

(2) The Trustee, the Authority and the University receive an opinion of Counsel acceptable to each of them, in form and substance satisfactory to the Authority and the University, to the effect that payments under such Debt Service Reserve Fund Credit Facility will not constitute voidable preferences under Section 547 of the Federal Bankruptcy Code by or against the Authority, the University or any other account party under the Debt Service Reserve Fund Credit Facility;

(3) The Trustee, the University and the Authority receive an opinion of Bond Counsel, in form and substance satisfactory to the Authority and the University, to the effect that substitution of such Debt Service Reserve Fund Credit Facility will not cause the interest on any Bonds to become includable in gross income for federal income taxation purposes;

(4) The Debt Service Reserve Fund Credit Facility states that the obligation of the University to reimburse the issuer of the Debt Service Reserve Fund Credit Facility for any fees or expenses or claims or drawings under such Debt Service Reserve Fund Credit Facility is subordinate to the payment of (A) debt service on the Bonds, and (B) any Debt Service Reserve Deposits; and

(5) The aggregate value of the Debt Service Reserve Assets must equal the Debt Service Reserve Requirement immediately upon such substitution.

If the Trustee receives notice that (i) the revolving reinstatement feature (with respect to a Debt Service Reserve Fund Credit Facility) is suspended or terminated; or (ii) the issuer of the Debt Service Reserve Fund Credit Facility defaults in its payment obligations thereunder, the Trustee is to immediately notify the University and the Authority in writing of the occurrence of such event and request that the University make or cause to be made the Debt Service Reserve Deposit(s) required pursuant to the Loan Agreement, which may be made from the proceeds of a drawing or demand for payment under the Debt Service Reserve Fund Credit Facility.

If there is an insufficiency of funds in the Debt Service Fund to make any required payment of principal of or interest on any Bonds and the Trustee is holding a Debt Service Reserve Fund Credit Facility in lieu of funds in the Debt Service Reserve Fund, the Trustee will first use cash available therein, if any, and then notify the Authority and make a drawing under the Debt Service Reserve Fund Credit Facility in an amount necessary to make up the insufficiency, which drawing is to be made at least three days prior to the date of such required principal or interest payment on the Bonds, and in any case in sufficient time to prevent the occurrence of an Event of Default under the Indenture; and the proceeds of such drawing are to be deposited into the Debt Service Reserve Fund for application as provided in the Indenture.

On the last Business Day permitted prior to the expiration of any Debt Service Reserve Fund Credit Facility, the Trustee is to make a drawing of the full amount available thereunder, and deposit the proceeds of such drawing into the Debt Service Reserve Fund; provided, however, that the Trustee will not make a drawing if, not later than the Business Day preceding the last Business Day permitted for such drawing prior to the expiration of such Debt Service Reserve Fund Credit Facility, a substitute Debt Service Reserve Fund Credit Facility, money and/or Permitted Investments equal, in the aggregate, to the Debt Service Reserve Requirement have been delivered to the Trustee for deposit in the Debt Service Reserve Fund or such drawing is not required to make the final payment on the Bonds.

Immediately upon receipt, the Trustee is to deposit the following into the Debt Service Reserve Fund: (i) all Debt Service Reserve Deposits (including, but not limited to, amounts paid by the University); (ii) the proceeds of any drawing under any Debt Service Reserve Fund Credit Facility; and (iii) all other money required to be transferred to or deposited in the Debt Service Reserve Fund pursuant to any provision of the Loan Agreement or the Indenture.

The value of the Debt Service Reserve Assets is to be maintained at a level at least equal to the Debt Service Reserve Requirement, except as follows: (i) when the Trustee has given a Declaration of Acceleration, or (ii) when the Trustee has transferred funds from the Debt Service Reserve Fund to the Debt Service Fund or the Rebate Fund.

If the Trustee applies funds held in the Debt Service Reserve Fund for the purposes described in item (1) of the next paragraph, or if the value of the Debt Service Reserve Assets is less than the Debt Service Reserve Requirement on any Valuation Date for any reason other than for the purpose described in item (5) of the next paragraph, the Trustee will mail a written Debt Service Reserve Fund Deficiency Notice to the University and the Authority, no later than the Business Day following the date of such application or such Valuation Date, as applicable and shall also provide notice electronically to the University and the Authority.

The Debt Service Reserve Assets are irrevocably pledged and are to be used by the Trustee, to the extent required, in the following order of priority:

(1) To the extent that money is available in the Debt Service Reserve Fund, such money will be transferred, if necessary, on an Interest Payment Date to the Rebate Fund, or the Debt Service Fund, in that order, for the purposes of paying the Rebate Amounts, or interest on and the principal of the Bonds due on such date in the

event there is a deficiency in such accounts for such payments; provided, that such transfer will be made, first, from any available cash or the proceeds from the liquidation of any investments in the Debt Service Reserve Fund, which transfer will be made, if possible, in sufficient time to prevent the occurrence of an Event of Default under the Indenture and, second, from the proceeds of any draw under any Debt Service Reserve Fund Credit Facility in sufficient time to prevent the occurrence of an Event of Default under the Indenture; and provided further, that the Trustee must give the Authority and the University prompt notice of any withdrawals from the Debt Service Reserve Fund to pay principal or interest on the Bonds;

(2) If the University provides the Trustee with a Debt Service Reserve Fund Credit Facility to be substituted for all or a portion of the amount of money or investments in the Debt Service Reserve Fund equal to the amount available for drawing thereunder pursuant to the Indenture, then, upon such substitution, such money and/or investments will immediately be delivered to or applied at the direction of the University;

(3) If the aggregate value of the Debt Service Reserve Assets exceeds the Debt Service Reserve Requirement on any Valuation Date, for transfer of excess money to the Debt Service Fund; provided, however, so long as interest due on the Bonds is payable from amounts on deposit in the Capitalized Interest Account, such excess shall be transferred to the Project Account and expended for Project Costs;

(4) If the aggregate value of the Debt Service Reserve Assets exceeds the Debt Service Reserve Requirement as the result of any redemption or partial defeasance of Bonds, for transfer of excess money to the Debt Service Fund or the escrow account into which a defeasance deposit for the partial redemption is made, all as directed by the University in writing in accordance with the refunding plan for such partial defeasance; and

(5) For transfer to the Debt Service Fund, when the money and liquid assets in the Debt Service Reserve Fund are sufficient (together with funds in the Debt Service Fund) to pay the principal of, premium, if any, and interest on all the Outstanding Bonds, when due, whether by reason of maturity, redemption or acceleration.

Rebate Fund. If the Trustee receives amounts determined in accordance with the Tax Certificates or the Indenture, 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 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 Bonds will be deemed to refer to the Bonds and any Additional Bonds. The University may incur additional indebtedness and may grant liens to secure such additional indebtedness without the consent of or notice to the Bondowners. The Authority is not precluded from issuing additional bonds having a subordinate lien on the Trust Estate or separately secured under a different indenture, regardless of the effect of such issuance on the ratings of the Bonds.

In the event that the University at any time notifies the Authority and the Trustee that the University intends to grant a security interest or lien, or to otherwise encumber the Pledged Revenues granted to the Authority under the Loan Agreement, the Trustee is to cooperate by entering into one or more intercreditor agreements as may be necessary or desirable, to evidence the requested parity of lien, so long as such parity of lien is permitted under the Loan Agreement.

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 Bonds or the time of payment of any interest thereon without the consent of the Owners of all Outstanding 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 Bonds are Outstanding, except as permitted under the Loan Documents, the pledge and assignment created by the Indenture and in the Intercreditor Agreement. The Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

Tax Covenants

The Authority will not use or knowingly permit the use of any proceeds of the 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 Bonds being treated as an obligation not described in Section 103(a) of the Code. So long as any of the Bonds remain Outstanding, money on deposit with the Trustee under the Indenture, whether derived from proceeds of the sale of the Bonds or from any other source, will not knowingly be used in a manner which will cause the 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 the federal income tax exemption for interest payments on the 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 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 that such certificate is due and will provide notice to the Authority if such certificate is not received within 10 days after the due date. During the period in which amounts are on deposit in the Project Fund, the Trustee will report to the Authority and the University on a semiannual basis, commencing six months after the Bond Closing, the amount of the disbursements made by the Trustee from the Project Fund in order to provide documentation of an exemption from the requirement to pay the Rebate Amount.

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 Bond when the same has become due and payable;

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

(3) Any material representation or warranty made by the Authority in the Indenture or the 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 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 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

If any Event of Default shall have occurred and be continuing, the principal of all Outstanding Bonds, and the interest accrued thereon, may be subject to acceleration as follows: (1) the Trustee, in its sole discretion, may declare the principal of all Outstanding Bonds and the interest accrued thereon to be due and payable immediately after the occurrence of any Event of Default; or (2) the Trustee shall declare the principal of all Outstanding Bonds and the interest accrued thereon to be due and payable immediately after the occurrence of any Event of Default at the written request of the Owners of not less than 51% in aggregate principal amount of Outstanding Bonds.

Any acceleration of the 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 Bonds will become due and payable on the Acceleration Date (which will not be later than 30 days after the date of the Declaration of Acceleration), together with all interest accrued on such Outstanding 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 the same effect as a notice of redemption, except that (1) 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 (2) interest will cease to accrue on the 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 Bonds.

Any acceleration of the 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 Bonds, with interest on such overdue principal and the rate(s) borne by the respective 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 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 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 Bonds, commence and prosecute appropriate legal or equitable proceedings, to compel the Authority to perform such obligations, or take action as authorized in the Indenture.

Upon the occurrence of an Event of Default described 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 Bonds, proceed forthwith by suit(s) at law or in equity or by any other appropriate remedy to enforce payment of the Bonds; to enforce application to such payment of the funds, revenues and income appropriated thereto by the Indenture, the Intercreditor Agreement, and by the Bonds; to enforce the assigned rights of the Authority under the Loan Agreement, the Deed of Trust and the Note; the enforce the security interests granted in the Loan Agreement, the Deed of Trust, the Intercreditor Agreement and the Note 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 Bonds. Notwithstanding the foregoing, the Trustee need not proceed upon any such written request by the Owners of the Outstanding 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.

The Indenture provides that the Trustee shall not be required to foreclose on the Deed of Trust or bid at any foreclosure sale if, in the Trustee's reasonable judgment, such action would subject it to personal liability, expense or loss, including the cost of investigation, removal or other remedial action with respect to the environmental condition of the Project; the Trustee shall not be required to take any action with respect to Project Facilities that could cause it to be considered an "owner" or "operator" within the meaning of CERCLA, as amended, or any other statute dealing with hazardous substances; and the Trustee shall have to authority to manage or operate the Project Facilities, except as necessary to exercise remedies upon default.

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 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 Bonds then Outstanding. Nothing in the Indenture, however, affects or impairs the right of any Bondowner to enforce the payment of the principal and Purchase Price of, and premium, if any, and interest on, any Bonds at and after the maturity thereof.

Termination of Proceedings

In case the Trustee or the Owners of the 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 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 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 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 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 Bonds then Outstanding approve such waiver. Notwithstanding any provisions of the Indenture to the contrary, any declaration made at the request of the Bondowners of 51% or more in aggregate principal amount of the Bonds then Outstanding shall not be waived except as it may be annulled pursuant 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 may 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 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 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.

If at any time the Authority requests the Trustee to enter into any such Supplemental Indenture for any of the purposes allowed by the Indenture, the Trustee will, at the request of the Authority and upon being indemnified to its satisfaction with respect to costs, cause notice of the proposed execution of such Supplemental Indenture to be given to the Bondowners in substantially the manner provided in the Indenture with respect to redemption of Bonds. Such notice (which the Authority will prepare) shall briefly set forth the nature of the proposed Supplemental Indenture and state that copies thereof are on file at the Principal Office of the Trustee for inspection by all Bondowners. If, within 60 days or such longer period as prescribed by the Authority following the mailing of such notice, the Registered Owners of 51% or more of the aggregate principal amount of Bonds then Outstanding at the time of the execution of any such Supplemental Indenture have consented to and approved the execution thereof as provided in the Indenture, no Registered Owner of any Bond will have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. The Authority has the right to extend from time to time the period within which such consent and approval may be obtained from Bondowners.

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 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 Bonds remain Outstanding, the consent of the Registered Owners of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds. No such modification or amendment may (a) extend the fixed maturity of any 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 Bond so affected, or (b) reduce the aforesaid percentage of the aggregate principal amount of Bonds then Outstanding the consent of the Registered Owners of which is required to effect any such modification or amendment, or (c) except as otherwise expressly provided in the Indenture or the Loan Agreement, either 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, without the consent of the Bondowners of all of the 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, and, when signed by the parties to the Indenture 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 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 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 Bonds from gross income for federal income tax purposes; or

(8) to provide for the issuance of Additional Bonds or additional indebtedness as described in the 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 Bond on any collateral securing the Bonds as expressly provided, and to the extent permitted, in the Indenture, the Loan Agreement, the Deed of Trust, the Intercreditor 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 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 Loan Agreement regarding continuing disclosure obligations of the University 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 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.

If at any time the Authority and the University request the consent of the Trustee to any such proposed amendment, change or modification of the Loan Documents, the Trustee will, at the request of the Authority and upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given to Bondowners in the same manner as provided by the Indenture with respect to redemption of Bonds; provided, that the Trustee will not be required to consent to any amendment that affects its rights or responsibilities under the Indenture or the Loan Documents. Such notice (which will be prepared by either the University or the Authority) will briefly set forth the nature of such proposed amendment, change or modification and state that copies of the instruments modifying the same are on file with the Trustee for inspection by all Bondowners. If, within 60 days, or such longer period as prescribed by the Authority, following the mailing of such notice, the owners of 51% or more of the aggregate principal amount of Bonds then Outstanding at the time of the execution of any such amendment, change or modification have consented to and approved the execution thereof as provided in the Indenture, no Bondowner will have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the University, the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof, or the Trustee from consenting thereto. The Authority has the right to extend from time to time the period within which such consent and approval may be obtained from Bondowners. Upon the execution of any such amendment, change or modification as in the Indenture permitted and provided, the Loan Documents will be and be deemed to be modified, changed and amended in accordance therewith.

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 may 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 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 Note, or (b) a reduction in the amount of any payment or in the total amount due under the Note without the consent of the Bondowners of all 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 Bonds at the times and in the manner stipulated therein, and if the Authority has observed all the covenants and promises in the 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 Bonds provided for in the Indenture).

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 Bonds and the University agrees to repay the Loan in the amounts and at the times necessary to pay amounts due on the Bonds.

Except as otherwise described in "Debt Service Coverage Test" below, the University will pay, in accordance with the Note, in the repayment of the Loan, to the Trustee until the principal of, premium (if any) and interest on the Bonds has 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 Bonds on such Interest Payment Date until such time as the principal amount of 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 Bonds on such Interest Payment Date until such time as all principal of and interest on the Outstanding 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 Bonds are subject to optional and mandatory redemption.

Debt Service Reserve Fund Deposits

If the aggregate value of the Debt Service Reserve Assets on any Valuation Date is less than the Debt Service Reserve Requirement, the University will restore the aggregate value of the Debt Service Reserve Assets to the Debt Service Reserve Requirement by taking one or more of the following actions:

(1) Paying or causing to be paid to the Trustee, for deposit into the Debt Service Reserve Fund, money and/or Permitted Investments in an amount sufficient to restore the aggregate value of the Debt Service Reserve Assets to the Debt Service Reserve Requirement within 90 days of the Debt Service Reserve Fund Deficiency Notice;

(2) Providing or causing to be provided to the Trustee, subject to the prior written approval of the Authority, a Debt Service Reserve Fund Credit Facility or substitute Debt Service Reserve Fund Credit Facility with a stated amount available for drawing thereunder not less than the amount necessary to increase the aggregate value of the Debt Service Reserve Assets to the Debt Service Reserve Requirement; and/or

(3) Causing the amount available for drawing under any Debt Service Reserve Fund Credit Facility previously provided to the Trustee to be increased by the amount necessary to restore the aggregate value of the Debt Service Reserve Assets to the Debt Service Reserve Requirement.

If the Trustee applies amounts held in the Debt Service Reserve Fund in accordance with the Indenture, the University will pay the amount necessary to restore the aggregate value of such assets to the Debt Service Reserve Requirement by making 12 equal, consecutive, monthly installments, the first such installment to be due on the fifth Business Day of the first month following an application by the Trustee of amounts in the Debt Service Reserve Fund; and the remainder of such installments to be due on the fifth day of the 11 successive calendar months thereafter.

If the University restores the aggregate value of the Debt Service Reserve Fund to the Debt Service Reserve Requirement as described in (2) or (3) above, the amount or increased amount available for drawing under any such Debt Service Reserve Fund Credit Facility must be effective no later than the fifth Business Day following receipt of a Debt Service Reserve Fund Deficiency Notice by the University.

If a Debt Service Reserve Fund Credit Facility has been delivered to the Trustee in lieu of funding all or part of the Debt Service Reserve Requirement, the University will:

(1) Make the following payments to the Trustee for deposit into the Debt Service Reserve Fund:

(A) If the Trustee notifies the University that it has received notice from the issuer of the Debt Service Reserve Fund Credit Facility that it will not be renewed or extended, an amount sufficient to cause the value of the cash and Permitted Investments on deposit in the Debt Service Reserve Fund to equal the Debt Service Reserve Requirement, such amounts to be paid in equal installments on not less than a semiannual basis over the remaining term of the Debt Service Reserve Fund Credit Facility is replaced by a substitute Debt Service

Reserve Fund Credit Facility meeting all of the requirements of the Indenture of the University receives and delivers to the Trustee a binding commitment from an issuer of such substitute Debt Service Reserve Fund Credit Facility on or before the date such deposit is required to be made; or

(B) If (i) the issuer of the Debt Service Reserve Fund Credit Facility has defaulted in its payment obligations thereunder, (ii) the issuer of the Debt Service Reserve Fund Credit Facility has become Insolvent, or (iii) the revolving feature of the Debt Service Reserve Fund Credit Facility allowing amounts available thereunder to be reinstated to the extent of any reimbursement of draws or claims paid has been suspended or terminated: an amount sufficient to cause the aggregate value of the cash and Permitted Investments on deposit in the Debt Service Reserve Fund to equal the Debt Service Reserve Requirement, such amount to be paid in equal installments on not less than a monthly basis, over a one-year term beginning on the date of notice to the University of such event, unless such Debt Service Reserve Fund Credit Facility is replaced by a substitute Debt Service Reserve Fund Credit Facility meeting all the requirements of the Indenture within 30 days of the date of the occurrence of such default, or condition of insolvency or suspension or termination of reinstatement privilege; and

(2) Pay to the issuer of such Debt Service Reserve Fund Credit Facility, within the time frames required thereby or by any reimbursement or similar agreement related thereto, amounts necessary to reimburse such issuer for draws made thereunder, at such times and in such places as may be necessary to permit such issuer to reinstate such Debt Service Reserve Fund Credit Facility in a timely manner.

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 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 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 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 pledge and assignment created by the Indenture and the Deed of Trust, encumbrances to secure additional Indebtedness that meet the requirements summarized in (3) below and 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 sewer 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, the 2009 Loan Agreement and the Deed of Trust;

(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) any liens on new facilities and revenues generated from such facilities (other than Project Facilities, the 2009 Project Facilities, replacements therefor and improvements thereto) constructed or acquired after November 1, 2009, which liens are pledged to obligations (other than Additional Bonds or Indebtedness having a parity lien on the Pledged Revenues with the University's obligations under the Loan Agreement and/or the Bonds) incurred to finance such new facilities.

(3) The University may secure additional Indebtedness and encumber the Deed of Trust Property by a lien or security interest which is on a parity basis with the lien thereon granted under the Deed of

Trust, upon satisfaction of the conditions summarized under “Indebtedness; Additional Indebtedness” below with respect to the issuance of additional Indebtedness.

(4) Subject to the limitations set forth in (1), (2) and (3) above, 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 and the Deed of Trust Property as described under “Indebtedness; Additional Indebtedness” below. 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 or the Deed of Trust Property and to encumber its Pledged Revenues with a lien subordinate to the lien of the Bonds.

(5) The University may release the lien granted under the Deed of Trust on a portion or portions of the Deed of Trust Property (and release any such assets or property secured by the Deed of Trust from such Deed of Trust) with a value not exceeding five percent of the aggregate value of the Deed of Trust Property in any Fiscal Year. The University may release the lien granted under the Deed of Trust on a portion or portions of the Deed of Trust Property with a value more than five percent of the aggregate value of the Deed of Trust Property in any Fiscal Year so long as the value of the remaining portion of the Deed of Trust Property equals or exceeds 200% of the aggregate principal amount of the outstanding Bonds and other obligations secured by the Deed of Trust. For purposes of this provision, value shall be evidenced by a certificate of an authorized representative of the University (based upon the University’s review of the most recently available insured value and/or assessed value information delivered to the beneficiaries of the Deed of Trust together with any such request). The University shall not be limited in its ability to, or prevented from, selling investment assets in the formal course of managing such investments.

Indebtedness; Additional Indebtedness

(1) Except as provided in (2) and (3) below, the University will not issue, incur, assume, create or have outstanding any Indebtedness; provided, however, that the foregoing shall not 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, but not limited to the 2009 Bonds);

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

(E) Short Term Debt which may be issued on parity of lien with the 2009 Bonds, the Bonds and the University’s obligations under the 2009 Loan Agreement and the Loan Agreement on Pledged Revenues.

(2) The University may issue, incur, assume or create additional Indebtedness that is Long Term Debt, whether unsecured or secured (including Indebtedness secured by a pledge of Pledged Revenues on parity of lien with the 2009 Bonds, the Bonds and the University’s obligations under the 2009 Loan Agreement and the Loan Agreement) and whether or not incurred or issued with the involvement of the Authority, for any legal corporate purpose, and notwithstanding the prohibitions in (1) above or as summarized in “Negative Pledge” above, only so long as:

(A) Income Available for Debt Service for the immediately preceding Fiscal Year, as shown in audited financial statements of the University, or, if the audited financial statements for such Fiscal Year are not available, as shown in the unaudited financial statements of the University for such Fiscal Year and certified by an authorized representative of the University, was at least equal to 1.25 times Annual Debt Service;

(B) the University complies with the Available Asset Test;

(C) the covenants described in "Debt Service Coverage Test" below, will continue to be met; and

(D) if the Indebtedness is secured by a pledge of Pledged Revenues on a parity of lien with the Bonds and the University's obligations under the Loan Agreement and the 2009 Bonds and the 2009 Loan Agreement, the issuer, trustee, and/or credit enhancer of such Indebtedness holding the lien or security interest being granted will be added as a party to the Intercreditor Agreement.

For purposes of this provision, "Available Asset Test" means the University must have, at the time additional Indebtedness is incurred, Expendable Net Assets in an amount equal to no less than 50% of bonded Indebtedness, taking the additional Indebtedness into account. The amount of Expendable Net Assets will be evidenced by a certificate of an authorized representative of the University.

(3) Additional Indebtedness may be incurred without meeting the tests set forth above, to the extent that such Indebtedness is being issued solely for refunding purposes.

Debt Service Coverage Test

The University covenants and agrees, for so long as any Bonds are Outstanding, to maintain in each Fiscal Year (the "Debt Service Coverage Test"):

(1) Income Available for Debt Service at least equal to 1.00 times Annual Debt Service for such Fiscal Year (A) beginning after the date of Bond Closing and continuing through the Fiscal Year that is two Fiscal Years after the last of the 2009 Project Facilities is placed in service, and (B) beginning after the date of issuance of additional Indebtedness that is Long Term Debt issued pursuant to the provisions described in paragraph (2) under "Indebtedness; Additional Indebtedness" above (such as the Bonds), that is issued to finance the acquisition, construction, improvement or rehabilitation of capital facilities of the University (such as the Project Facilities) and continuing through the Fiscal Year that is two Fiscal Years after such facilities are placed in service; and

(2) In each other Fiscal Year, Income Available for Debt Service of at least 1.25 times Annual Debt Service for such Fiscal Year.

If (as demonstrated by a certificate of an authorized representative of the University), the University (A) fails to maintain Income Available for Debt Service of at least 1.00 times Annual Debt Service in any Fiscal Year, or (B) fails to satisfy the Debt Service Coverage Test provided for in (1)(B) above for two consecutive Fiscal Years during the time that such ratio is in effect, the University shall, in lieu of semi-annual debt service payments described in "Loan; Payments" above, pay to the Trustee on or before 4:00 p.m. Seattle time on the fifth Business Day prior to the first day of each month, an amount equal to one-sixth of the interest payment coming due on the next succeeding Interest Payment Date and one-twelfth of the principal and mandatory sinking fund payments, if any, coming due on the next October 1. Failure to satisfy the Debt Service Coverage Test shall not constitute a Loan Agreement Default.

Once the University has demonstrated compliance with the Debt Service Coverage Test for two consecutive Fiscal Years, as evidenced by a certificate of an authorized representative of the University provided to the Trustee within 30 days after the University's audited financial statements are released (but in no event later than 210 days after the end of the University's Fiscal Year) in the form attached to the Loan Agreement, payments of interest, principal and mandatory sinking fund payments shall resume being made by the University on a semi-annual basis as described in "Loan; Payments" above.

Insurance and Condemnation Proceeds

So long as (a) the University has not defaulted on its obligations under the Loan Agreement and (b) an Act of Bankruptcy of the University has not occurred, the University shall hold all proceeds of insurance or condemnation awards received with respect to Project Facilities financed with proceeds of the Bonds in amounts of the lesser of $100,000 or 5% of the face amount of the Bonds and shall, within 180 days of the loss, determine with notice to the Trustee and the Authority either (i) that such proceeds will be used to construct, repair or replace capital facilities of the University or reimburse the University therefor, or (ii) that an amount shall be paid to the Trustee for deposit in the Debt Service Fund as a prepayment of the Note and applied to the extraordinary mandatory redemption of a corresponding amount of Bonds.

The University shall pay to the Trustee the proceeds of insurance or condemnation awards received in amounts in excess of the lesser of $100,000 or 5% of the face amount of the Bonds in the event of an involuntary loss or the substantial destruction of facilities of the University financed with proceeds of the Bonds. The Trustee shall hold the proceeds of insurance or other compensation in the Project Fund. Within 60 days of the event giving rise to the loss or destruction, the University shall notify the Trustee and the Authority, in writing, whether such amounts will be used to construct, repair or replace capital facilities of the University and the University shall, within 270 days of the receipt of such amounts, commence to use such amounts for such purposes; and such amounts shall be disbursed for the restoration of such facilities or the construction or acquisition of other capital facilities of the University within 18 months after the date of the notice from the University referred to above unless such date is extended at the request of the University upon receipt of an opinion of Bond Counsel to the effect that the exclusion from gross income of interest on the Bonds will not be affected by such extension. If the University has determined not to restore such facilities, the proceeds of insurance or other compensation shall be used by the Trustee as a prepayment of principal of the Note and applied for the extraordinary mandatory redemption of the Bonds in accordance with the Indenture.

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

(1) The University has covenanted and agreed that, so long as any of the 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 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 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. So long as the Bonds secured by the Deed of Trust are Outstanding, the University shall maintain title insurance in an amount not less than the amount necessary to defease all Outstanding Indebtedness secured by the Deed of Trust.

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 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.

Loan Agreement Defaults

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

(1) Monetary Defaults. Subject to the provisions of the Loan Agreement regarding notice and 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 Note, 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 (except for the Debt Service Coverage Test) or the Deed of Trust, 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 section has determined that such default is curable and the University is then taking steps reasonably calculated to cure such default. Failure to satisfy the Debt Service Coverage Test shall not constitute a Loan Agreement Default, however, failure to make a remedial monthly debt service payment as required by the Loan Agreement, shall constitute a Loan Agreement Default as described in (1) above.

(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.

(E) The occurrence of an event of default under the Deed of Trust.

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 Note 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 or Debt Service Reserve Fund replenishment, 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 Bonds, from which the Trustee will make disbursements solely to provide for the payment of principal of and interest on the Note when due and the reasonable and necessary costs of operation of the University’s facilities. Notwithstanding the foregoing, pursuant to the 2009 Loan Agreement, the rights and remedies of the Authority and the Trustee under the Loan Agreement and under the 2009 Loan Agreement upon the occurrence of a Loan Agreement Default shall be governed by and subject to the Intercreditor Agreement so long as it shall be in full force and effect.

(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, as assignee of the Authority (but not the Authority), may pursue all remedies of a secured creditor under the applicable laws of the State.

(D) 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.

(E) 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 Note, 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 Note.

(F) The Trustee, in its own right and as assignee of the Authority may take any action in law or equity which appears necessary or desirable to enforce the security provided by, or enforce any provision of, the Indenture in accordance with the provisions thereof, or exercise the remedies available under the Deed of Trust.

(G) 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 Note with respect to:

(i) tax exemption of the Bonds;

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

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

(iv) receipts of reports and notices.

(H) 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 under the Deed of Trust and all remedies of a secured creditor under the applicable laws of the State.

THE DEED OF TRUST

The Amended and Restated Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing dated as of March 1, 2012 (the "Deed of Trust") is a deed of trust, security agreement, assignment of leases and rents and fixture filing from the University, as grantor to First American Title Insurance Company of Washington, as deed of trust trustee, for the benefit of U.S. Bank National Association, as trustee with respect to the 2009 Bonds (the "2009 Bond Trustee") and the Bonds (the "2012 Bond Trustee," and, together with the "2009 Bond Trustee," the "Beneficiaries").

The Deed of Trust secures the following "Secured Obligations": (i) payment when due of principal and interest under the Promissory Note dated November 4, 2009 ("2009 Note") made by the University in favor of the Authority, and assigned under the Indenture relating to the 2009 Bonds (the "2009 Indenture"), and all modifications, amendments, extensions, renewals and substitutions to or for the 2009 Note; (ii) payment when due of principal and interest under the Note and all modifications, amendments, extensions, renewals and substitutions to or for the Note; (iii) payment when due of principal and interest under future notes ("Future Notes") made by the University in favor of the Authority, and assigned to bond trustees under indentures for additional bonds; and (iv) the payment and performance of the Other Obligations, as defined below.

The "Other Obligations" include payment and performance of all covenants and obligations of the University under the 2009 Loan Agreement, the Loan Agreement, and any future loan agreements executed in connection with Future Notes, among the University, the Authority and bond trustees, and all modifications, amendments, extensions, renewals and substitutions to or for the foregoing instruments and agreements.

The Deed of Trust does not secure the obligations of the University under the Environmental Indemnity Agreement.

Under the Deed of Trust, the University irrevocably grants, transfers, conveys and assigns to the deed of trust trustee, in trust with power of sale, all of the University's right, title, claim and interest in the Deed of Trust Property. The Deed of Trust Property includes:

(1) The "Land," consisting of the real property described on Exhibit A to the Deed of Trust, all present and future rights to the alleys, streets and roads adjoining or abutting the real property, and all present and future easements, access, air and development rights, minerals and oil, gas and other hydrocarbon substances, water, water rights, water stock and all other rights, privileges and appurtenances attaching to the real property, but subject to any presently existing interests in favor of the University's counterparties under certain vendor agreements described on Exhibit B to the Deed of Trust. The "Land" includes the University's Core Campus in Spokane, Washington, including the following facilities identified on the map on the inside back cover page of this Official Statement: Aquatics Center/Scotford Fitness Center, Arend Hall, Baldwin-Jenkins Hall, Ballard Hall, Biology/Chemistry Building, Boppell Hall, Cowles Auditorium, Dixon Hall, Duvall Hall, East Hall, Eric Johnston Science Center. Fieldhouse (a portion thereof), Facilities Services, Graves Gym, Harriet Cheney Cowles Memorial Library, Hendrick Hall, Hixson Union Building, Lied Center for the Visual Arts, Lindaman Center, McEachran Hall, McMillan Hall, Music Building, Omache Field, Pine Bowl, Schumacher Hall – Health/Counseling Center, Seeley G. Mudd Chapel (G. Mudd Chapel), Stewart Hall, Village (Akili, Tiki and Shalom), Warren Hall, Westminster Hall, Weyerhaeuser Hall and William P. and Bonnie V. Robinson Science Hall.

(2) The "Improvements," consisting of all present and future buildings, fixtures and other improvements located on the Land and used in the ownership, development, operation or maintenance of the Land and Improvements (but subject to any presently existing interests in favor of the University's counterparties under certain vendor agreements described on Exhibit B to the Deed of Trust); including all heating, cooling, air-conditioning, ventilating, refrigerating, plumbing, generating, power, lighting, laundry, maintenance, incinerating, lifting, cleaning, fire prevention and extinguishing, security and access control, cooking, gas, electric and communication fixtures, equipment and apparatus; all engines, motors, conduits, pipes, pumps, tanks, ducts, compressors, boilers, water heaters and furnaces; all ranges, stoves, refrigerators and other appliances; all escalators and elevators, baths, sinks, cabinets, partitions, mantels, built-in mirrors, window shades, blinds, screens, awnings, storm doors, windows and sash; all carpeting, underpadding, floor covering, paneling, and draperies; all furnishings of public spaces, halls and lobbies; all shrubbery and plants; and all other fixtures now or hereafter specifically described in any Uniform Commercial Code Financing Statement executed by the University in favor of the Beneficiaries. All such items shall be deemed part of the Land and not severable wholly or in part without material injury to the freehold. The Land and Improvements are collectively referred to as the "Real Property;"

(3) The "Personal Property," consisting of all present and future tangible and intangible personal property acquired in the ownership, development, operation or maintenance of the Real Property (but excluding any, grants, devises, bequests and contributions designated by the University to a specific purpose inconsistent with the Deed of Trust or prohibiting any hypothecation of such property, or any property subject to similar prohibitions, whether by grant from the United States of America or the State, 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); including all furniture, furnishings, equipment, supplies and other goods, wherever located, whether in the possession of the University, warehousemen, bailee or any other person (including without limitation any and all artwork and books); all site plans, plats, plans and specifications, work drawings, surveys, engineering reports, test borings, market surveys and other similar work products; all permits, licenses, franchises, trademarks and trade names; all contract rights (including all architectural, construction, engineering, consulting and management contracts, all insurance policies and unearned premiums thereon, and all performance, payment, completion and other surety bonds); all claims, causes of action, judgments, property tax and other refunds or rebates, liens, warranties, accounts receivable, escrow accounts, bank accounts, deposits (including tax, insurance and other reserves), instruments, documents of title, general intangibles (including goodwill) and business records; and all other property now or hereafter specifically described in any Uniform Commercial Code Financing Statement executed by the University in favor of the Beneficiaries;

(4) The "Leases," consisting of all present and future leases, subleases and other agreements for the occupancy or use of any portion of the Real Property, and all guarantees of the tenants' performances under the Leases;

(5) The "Rents," consisting of all present and future rents, issues, profits, income, royalties and other revenues from the Real Property, Personal Property and Leases; including minimum, additional, percentage and deficiency rents, advance rents, security deposits and other deposits under the Leases, liquidated damages, parking revenues and common area maintenance charges; and

(6) The "Proceeds" from the Real Property, Personal Property, Leases and Rents.

To the extent any item or items described above within the definition of Deed of Trust Property also falls within the definition of "Unrestricted Gross Revenues" (as that term is defined in the 2009 Indenture and the Indenture), then (i) such item or items, the lien on which may be perfected only by a filing in the applicable real estate records, will be conclusively deemed, for all purposes associated with the loans from the Authority to the University under the 2009 Loan Agreement and the Loan Agreement (including intercreditor arrangements among various lenders to the University) (the "Loans"), to be Property and for all such purposes will be excluded from the definition of Unrestricted Gross Revenues and (ii) such item or items, the lien on which may (but need not exclusively) be perfected by the filing of a Uniform Commercial Code financing statement or the lien on which cannot be perfected by a filing in the applicable real estate records, will be conclusively deemed, for all purposes associated with the loans (including intercreditor arrangements among various lenders to the University), to be Unrestricted Gross Revenues and for all such purposes will be excluded from the definition of Property.

The lien of the Deed of Trust on personal property or fixtures will be subordinate to the lien of any lender providing purchase money financing for such personal property or fixtures to be located on the Land, and the Beneficiaries shall execute all such instruments or documents of subordination as may be reasonably requested by the University to further evidence or effectuate such subordination. The Beneficiaries may charge the University a customary processing fee in connection with any request from the University for execution of an instrument or document of subordination and the University shall pay any reasonable legal fees and expenses incurred by the Beneficiaries.

The occurrence of a Loan Agreement Default shall constitute an Event of Default under the Deed of Trust (upon the occurrence of which the remedies described in the Deed of Trust and Loan Agreement may be exercised in accordance with the terms of the Deed of Trust, the 2009 Loan Agreement and the Loan Agreement).

At any time after an Event of Default, the Beneficiaries and the deed of trust trustee will each have the following rights and remedies exercisable in accordance with the terms of the Deed of Trust, the Loan Agreement and any intercreditor arrangements:

(1) With or without notice, to declare all Secured Obligations immediately due and payable;

(2) With or without notice, and without releasing the University from any Secured Obligation, and without becoming a mortgagee in possession, to cure any breach or Event of Default of the University and, in connection therewith, to enter upon the Deed of Trust Property and do such acts and things as the Beneficiaries or the deed of trust trustee deem necessary or desirable to protect the security of the Deed of Trust, including without limitation: (i) to appear in and defend any action or proceeding purporting to affect the security of the Deed of Trust or the rights or powers of the Beneficiaries or the deed of trust trustee under the Deed of Trust; (ii) to pay, purchase, contest or compromise any encumbrance, charge, lien or claim or lien which, in the sole judgment of either the Beneficiaries or the deed of trust trustee, is or may be senior in priority to the Deed of Trust, the judgment of the Beneficiaries or the deed of trust trustee being conclusive as between the parties to the Deed of Trust; (iii) to obtain insurance; (iv) to pay any premiums or charges with respect to insurance required to be carried under the Deed of Trust, the 2009 Loan Agreement, or the Loan Agreement; or (v) to employ counsel, accountants, contractors and other appropriate persons;

(3) To apply to a court of competent jurisdiction for and obtain appointment of a receiver of the Deed of Trust Property as a matter of strict right and without regard to the adequacy of the security for the

repayment of the Secured Obligations, the existence of a declaration that the Secured obligations are immediately due and payable, or the filing of a notice of default, and the University consents to such appointment;

(4) To enter upon, possess, manage and operate the Deed of Trust Property or any part thereof, to take and possess all documents, books, records, papers and accounts of the University or the then owner of the Deed of Trust Property, to make, terminate, enforce or modify leases of the Deed of Trust Property upon such terms and conditions as the Beneficiaries deem proper, to make repairs, alterations and improvements to the Deed of Trust Property as necessary, the deed of trust trustee's or Beneficiaries' sole judgment, to protect or enhance the security of the Deed of Trust;

(5) To commence and maintain an action or actions to foreclosure the Deed of Trust under the power of sale granted in the Deed of Trust. Prior to sale under the power of sale granted in the Deed of Trust, the deed of trust trustee shall record and give all notices required by law, after which the Deed of Trust Property may be sold upon such terms and conditions as may be specified by the Beneficiaries and permitted by applicable law. The deed of trust trustee may postpone any sale by public announcement at the time and place designated for the sale. If the Land and Improvements include separate lots or parcels, the Beneficiaries may designate their order of sale or elect to sell them as a whole. The Personal Property may be sold separately or as a whole at the same time and place as a sale of any Land or Improvements or at different times and places. The University and the holder of any subordinate lien on any portion of the Deed of Trust Property waive any right to require the marshaling of assets or to otherwise direct the order in which any of the Deed of Trust Property is sold. The deed of trust trustee shall be acting as the agent of the Beneficiaries if directed to sell any Personal Property. Upon any sale, the deed of trust trustee shall execute and deliver to the purchaser a deed or bill of sale conveying the Deed of Trust Property sold, without any covenant or warranty, express or implied. The recitals in the deed of trust trustee's deed indicating that the sale was conducted in compliance with all the requirements of law shall be presumptive evidence of compliance;

(6) To commence and maintain an action or actions in any court of competent jurisdiction to foreclose the Deed of Trust as a mortgage or to obtain specific enforcement of the covenants of the University under the Deed of Trust, and the University has agreed that such covenants shall be specifically enforceable by injunction or any other appropriate equitable remedy and that for the purposes of any suit brought under this subparagraph, the University waives the defense of laches and any applicable statute of limitations; or

(7) Upon sale of the Deed of Trust Property at any judicial or non-judicial foreclosure, the Beneficiaries may credit bid (as determined by Beneficiaries in their sole and absolute discretion) all or any portion of the Secured Obligations. In determining such credit bid, the Beneficiaries may, but are not obligated to, take into account all or any of the following: (i) appraisals of the Deed of Trust Property as such appraisals may be discounted or adjusted by Beneficiaries in their sole and absolute underwriting discretion; (ii) expenses and costs incurred by the Beneficiaries with respect to the Deed of Trust Property prior to foreclosure; (iii) expenses and costs which the Beneficiaries anticipate will be incurred with respect to the Deed of Trust Property after foreclosure, but prior to resale, including without limitation, costs of structural reports and other due diligence, costs to carry the Deed of Trust Property prior to resale, costs of resale (e.g., commissions, attorneys' fees, and taxes), costs of any hazardous materials clean-up and monitoring, costs of deferred maintenance, repair, refurbishment and retrofit, costs of defending or settling litigation affecting the Deed of Trust Property, and lost opportunity costs (if any), including the time value of money during any anticipated holding period by the Beneficiaries; (iv) declining trends in real property values generally and with respect to properties similar to the Deed of Trust Property; (v) anticipated discounts upon resale of the Deed of Trust Property as a distressed or foreclosed property; (vi) the fact of additional collateral (if any), for the Secured Obligations; and (vii) such other factors or matters that the Beneficiaries (in their sole and absolute discretion) deems appropriate. In regard to the above, the University acknowledges and agrees that: (w) the Beneficiaries are not required to use any or all of the foregoing factors to determine the amount of its credit bid; (x) the provisions of the Deed of Trust summarized in this section do not impose upon the Beneficiaries any additional obligations that are not imposed by law at the time the credit bid is made; (y) the amount of the Beneficiaries' credit bid need not have any relation to any loan-to-value ratios previously discussed between the University and the Beneficiaries; and (z) the Beneficiaries' credit bid may be (at the Beneficiaries' sole and absolute discretion) higher or lower than any appraised value of the Deed of Trust Property.

With respect to the Personal Property, the Beneficiaries shall have all of the rights under and remedies of a secured party under the Uniform Commercial Code and all other rights and remedies provided in the Secured Obligations, the Other Obligations and the Deed of Trust or by law or equity, including the right to cause the

Personal Property to be sold by deed of trust trustee under the power of sale granted by the Deed of Trust. In exercising their remedies, the Beneficiaries may proceed against the Land and Improvements and Personal Property separately or together and in any order whatsoever. The Personal Property may be sold at any one or more public or private sales as permitted by applicable law. The Beneficiaries will give the University ten days' prior written notice of the time and place of any public or private sale of the Personal Property, which notice the University agrees is commercially reasonable.

After deducting all costs, fees and expenses of the deed of trust trustee, and of the Deed of Trust, including, without limitation, cost of evidence of title and attorneys' fees in connection with sale and costs and expenses of sale and of any judicial proceeding wherein such sale may be made, the deed of trust trustee shall apply all proceeds of any foreclosure sale: (a) to payment of all sums expended by the Beneficiaries under the terms of the Deed of Trust and not then repaid, with accrued interest; (b) to payment of all other Secured Obligations in such order as the Beneficiaries may determine in their sole discretion; and (c) the remainder, if any, to the person or persons legally entitled thereto. All sums received by the Beneficiaries, less all costs and expenses incurred by Beneficiaries or any receiver, including, without limitation, attorneys' fees, shall be applied in payment of the Secured Obligations in such order as the Beneficiaries shall determine in their sole discretion; provided, however, the Beneficiaries shall have no liability for funds not actually received by the Beneficiaries.

Notwithstanding anything in the Deed of Trust to the contrary, the rights and remedies of the Beneficiaries under the Deed of Trust are governed by and subject to the terms and conditions of the Intercreditor Agreement, as well as possible future additional secured parties as grantees of security interests therein upon the delivery of Future Notes and the amendment of the Deed of Trust to include new bond trustees under indentures for additional bonds as beneficiaries, as such Intercreditor Agreement may be modified, amended, extended, renewed or substituted from time to time.

As contemplated by the 2009 Loan Agreement and the Loan Agreement, upon the written request to the Beneficiaries, the University is entitled to release the lien granted under the Deed of Trust on a portion or portions of the Deed of Trust Property with a value not exceeding 5% of the aggregate value of the Deed of Trust Property in any Fiscal Year. Upon written request to the Beneficiaries, the University shall be entitled to release the lien granted under the Deed of Trust on a portion or portions of the Deed of Trust Property with a value more than five percent of aggregate value of the Deed of Trust Property in any Fiscal Year, so long as the value of the remaining Deed of Trust Property equals or exceeds 200% of the aggregate principal amount of the outstanding 2009 Bonds, the Bonds and the other Secured Obligations. For purposes of this provision, value shall be evidenced by a certificate of an authorized representative of the University (based upon the University's review of the most recently available insured value and/or assessed value information delivered to the Beneficiaries together with any such request).

The University has heretofore executed and delivered to certain Beneficiaries a deed of trust (the "Original Deed of Trust") to secure certain currently outstanding indebtedness described therein (the "previously secured indebtedness") owed to such Beneficiaries. The Secured Obligations include, without limitation, the previously secured indebtedness. The University has agreed that, notwithstanding the execution and delivery of the Deed of Trust, the liens and security interests created and provided for by the Original Deed of Trust for the benefit and security of such previously secured indebtedness remain in full force and effect, it being specifically understood and agreed that the liens and security interests created and provided for by the Deed of Trust, to the extent the same secure the previously secured indebtedness, shall constitute and be a continuation of the liens and security interests in favor of the Beneficiaries, which exist under the Original Deed of Trust as security for the previously secured indebtedness. Nothing contained in the Deed of Trust or any financing statements executed in connection therewith will affect or impair the validity or priority of the liens and security interests created and provided for by the Original Deed of Trust as to the previously secured indebtedness. However, to the extent that the Original Deed of Trust is inconsistent with any terms of the Deed of Trust, the Original Deed of Trust is to such extent deemed amended and the Deed of Trust shall govern and control over any such provisions of the Original Deed of Trust which are inconsistent with the provisions the Deed of Trust.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

March _____, 2012

Washington Higher Education Facilities Authority
Seattle, Washington

Piper Jaffray & Co.
Seattle, Washington

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

Re: Washington Higher Education Facilities Authority
Revenue Bonds (Whitworth University Project), Series 2012 - $19,500,000

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 (Whitworth University Project), Series 2012 in the aggregate principal amount of $19,500,000 (the "Bonds") for the purpose of making a loan (the "Loan") to Whitworth University, a Washington nonprofit corporation (the "University"), in accordance with a Loan Agreement dated as of March 1, 2012 (the "Loan Agreement"), among the Authority, the University and U.S. Bank National Association (the "Trustee"). The Loan is being made for the purpose of providing funds (1) to finance the construction and improvement of facilities located on the University's campus in Spokane, Washington, as described in Exhibit A of the Loan Agreement, (2) to capitalize interest on the Bonds, (3) to pay the costs of issuing the Bonds, and (4) to fund a debt service reserve fund to the Debt Service Reserve Requirement (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 Bonds.

The 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 February 2, 2012 (the "Resolution"), and an Indenture of Trust dated as of March 1, 2012 (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 Bonds are dated March 1, 2012, are fully registered, and mature on the dates and bear interest from their date at the rates per annum set forth in the Bonds and the Indenture. Interest on the Bonds is payable on April 1 and October 1 of each year commencing October 1, 2012, and shall be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are subject to redemption prior to their stated maturity as provided in the Indenture.

The Bonds are special limited obligations of the Authority. The principal of, redemption premium, if any, and interest on the 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 Bonds. The Bonds also are secured by a Deed of Trust on certain property of the University.

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

The Authority has not designated the 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 Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 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 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

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY
REVENUE BONDS
(WHITWORTH UNIVERSITY PROJECT), SERIES 2012

Annual 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 February 16, 2012 Official Statement (the "Official Statement"). Refer to your annual reports for updates filed by Whitworth University (the "University"). (Check one)

Yes ☐ No ☐ If yes, please indicate name and title.

The University is accredited by the Northwest Association of Schools & Colleges. It also has professional accreditation or approval from the following organizations: Association of American Colleges; National Council for Accreditation of Teacher Education; National Association of Schools of Music; Washington State Board of Nursing; National League of Nursing; and Commission on Accreditation of Athletic Training Education.

c) Please describe any new litigation, or a material result in a litigation since the date of the last report.

____
____
____
____

d) Please describe any significant sale, destruction or loss of real property or other material assets since the date of the last report.

Please update the following information for the most recent academic or fiscal year, as appropriate. A copy of the table as it 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:

Student Body

Student Admissions

Tuition and Fees

Financial Aid

Faculty

Investments

Endowment

Gifts and Grants

Physical Property

Summaries of Unrestricted Activities

e) *Please attach a copy of your most recent financial statements.*

f) *Please review Section 8.15(d)(4) of the Loan Agreement dated as of March 1, 2012 by and among the University, the Washington Higher Education Facilities Authority 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 Section 8.15(d)(2) of the Loan Agreement.

WHITWORTH UNIVERSITY, a Washington nonprofit corporation

By ________________________________
Authorized Officer

APPENDIX F

BOOK-ENTRY SYSTEM

The information set forth below concerning the book-entry only system has been provided by DTC and has not been independently confirmed or verified by the Authority, the University or the Underwriter. No representation is made by the Authority, the University or the Underwriter as to the accuracy or adequacy of such information or as to the absence of any material adverse change in such information subsequent to the date hereof, or that the information set forth below or incorporated herein by reference is correct as of any time subsequent to the date hereof. Neither the information on DTC's website, nor any links to other websites residing on DTC's website, is part of this Official Statement, nor should any such information be relied upon to make investment decisions regarding the Bonds.

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity Bonds, and will be deposited with DTC.

2. DTC, the world's largest 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 a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts

such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. 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 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 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 Trustee and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

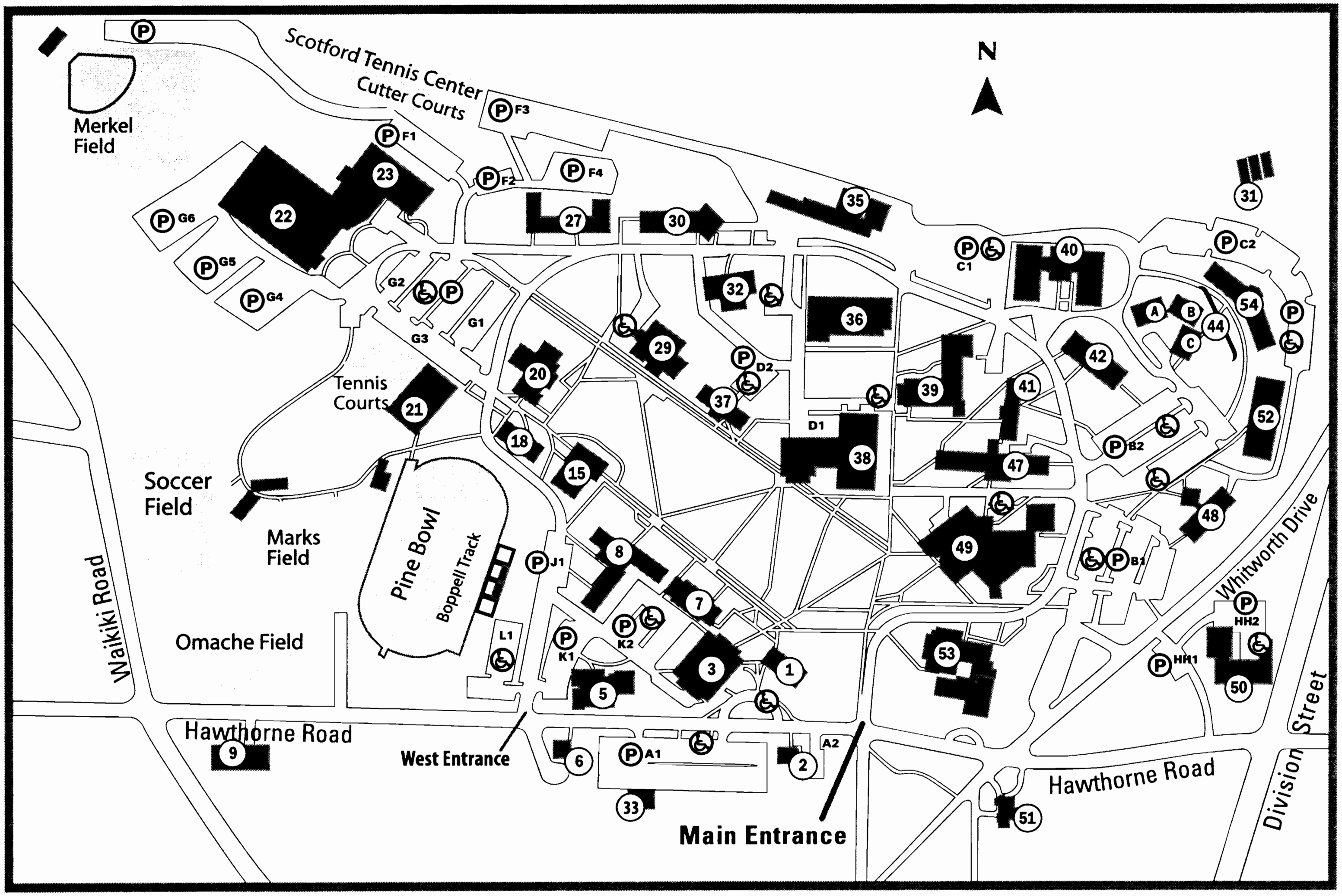
7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

10. The Authority may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

Whitworth University Campus



Arend Hall 47
Aquatics Center/Scotford Fitness Center 23
Auld House - Human Resources 6
Baldwin-Jenkins Hall 40
Ballard Hall 18
Boppell Hall 48
Cornerstone Building/Shalom Theme House 9
Cowles Auditorium 3
Dixon Hall 7
Duvall Hall 52
East Hall 54
Eric Johnston Science Center 39
Facilities Services 35
Fieldhouse 22

Graves Gym 21
Harriet Cheney Cowles Memorial Library 38
Hawthorne Hall 50
Hendrick Hall 41
Hill House 33
Hixson Union Building (HUB) 49
Lied Center for the Visual Arts 30
Lindaman Center 37
MacKay Hall – Admissions 2
McEachran Hall – Administration 1
McMillan Hall 20
Music Building 5
Pirates Cove Shelter 31
Robinson Science Hall 36

Robinson Science Hall 36
Schumacher Hall – Health/Counseling Center 32
Seeley G. Mudd Chapel 15
Stewart Hall 42
Village (Akili) 44A
Village (Tiki) 44B
Village (Shalom) 44C
Warren Hall 8
Westminster Hall 27
Weyerhaeuser Hall 29
Whitworth Presbyterian Church 53
- Parking - .... P
- Disabled Parking - ....

WHITWORTH

AN EDUCATION OF MIND AND HEART