NEW ISSUE **RATING: Standard & Poor's "BBB"**
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.

$10,000,000
WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY
Revenue Bonds
(Pacific Lutheran University Project), Series 2014

Dated: Date of Delivery **Due: November 1, as shown on the inside front 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 (Pacific Lutheran University Project), Series 2014 (the "Bonds"), pursuant to an Indenture of Trust dated as of July 1, 2014 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (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

PACIFIC LUTHERAN UNIVERSITY

(the "University") pursuant to a Loan Agreement dated as of July 1, 2014 (the "Loan Agreement"), among the Authority, the University and the Trustee for the purposes of providing a portion of the funds (1) to finance renovations, additions and improvements to University residence halls, including Stuen Hall, Ordal Hall and South Hall, and to other University facilities located on its campus near Tacoma, Washington in unincorporated Pierce County (the "Project Facilities"), and (2) to pay the costs of issuing the Bonds (collectively, the "Project").

The Bonds will accrue interest from their dated date, payable semiannually on each May 1 and November 1, commencing November 1, 2014, to their respective dates of maturity or earlier redemption, calculated on the basis of a 360-day year of twelve 30-day months.

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 its full faith and credit are pledged, including specifically the Unrestricted Revenues, and the University's interests, if any, in the Project Fund and the Debt Service Fund (each as defined herein). Subject to the provisions of an intercreditor agreement, the Unrestricted Revenues also secure existing obligations of the University. The University has reserved the right to incur additional debt and encumber the Unrestricted Revenues, 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 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 will 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 will 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 will 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 Gordon Thomas Honeywell LLP, Tacoma, Washington, and its special counsel Hillis Clark Martin & Peterson P.S., Seattle, 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 July 9, 2014.

George K. Baum & Company

Dated: June 26, 2014

$10,000,000
WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY
Revenue Bonds
(Pacific Lutheran University Project), Series 2014

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

$5,800,000 Term Bonds due November 1, 2041
Interest Rate: 4.625% - Yield: 4.830% - Price: 96.901% - CUSIP No. [+]: 939781R93

$4,200,000 Term Bonds due November 1, 2044[*]
Interest Rate: 5.250% - Yield: 4.850% - Price: 102.702% - CUSIP No. [+]: 939781S27

[+] 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 provided in this Official Statement are included for convenience of the holders and potential holders of the Bonds. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance and delivery of the Bonds.

[*] Priced to par call date of November 1, 2022.

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, except with respect to the information under "UNDERWRITING" and the following sentence. 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.

TABLE OF CONTENTS

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OFFICIAL STATEMENT

$10,000,000
WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY
REVENUE BONDS
(PACIFIC LUTHERAN UNIVERSITY PROJECT), SERIES 2014

INTRODUCTION

This Introduction does not purport to be complete and reference is made to the body of this Official Statement, the Appendices and the documents referred to herein for more complete statements with respect to the matters summarized. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in Appendix C hereto and in the hereinafter defined Indenture and Loan Agreement.

The purpose of this Official Statement, including the cover page, the inside front cover 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 $10,000,000 aggregate principal amount of its Revenue Bonds (Pacific Lutheran University Project), Series 2014 (the "Bonds").

The Bonds

The Bonds are being issued pursuant to Chapter 169, Laws of Washington, 1983 (Chapter 28B.07 RCW), as amended, a resolution of the Authority, and an Indenture of Trust (the "Indenture") dated as of July 1, 2014, between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds will mature on the dates and at the principal amounts and bear interest at the rates per annum set forth on the inside front cover of this Official Statement. The Bonds will be dated their date of issue, are issuable as fully registered bonds, in book-entry form only, in denominations of $5,000 or any integral multiple thereof within a single maturity and are redeemable as set forth in the Indenture and as summarized herein. See "THE BONDS – Redemption Provisions." Interest on the Bonds is payable on November 1, 2014, and on each May 1 and November 1 thereafter (each, an "Interest Payment Date") until their maturity or prior redemption. The Bonds will be issued in book-entry form only. Principal or redemption price of and interest on the Bonds is payable by the Trustee to The Depository Trust Company ("DTC"), which will in turn remit such principal, redemption price and interest to the DTC participants, which in turn are required to remit such principal, redemption price and interest to the beneficial owners of the Bonds.

Purpose

The Bonds are being issued to provide funds to make a loan (the "Loan") pursuant to a Loan Agreement (the "Loan Agreement") dated as of July 1, 2014, among the Authority, Pacific Lutheran University, a Washington nonprofit corporation (the "University"), and the Trustee, to provide a portion of the funds required (1) to finance renovations, additions and improvements to University residence halls, including Stuen Hall, Ordal Hall and South Hall, and to other University facilities located on its campus near Tacoma, Washington in unincorporated Pierce County (the "Project Facilities"), and (2) to pay the costs of issuance of the Bonds to provide such financing (collectively, the "Project").

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

Founded in 1890 by Norwegian immigrants, Pacific Lutheran University (the "University") is a nonprofit, coeducational, privately endowed university offering undergraduate liberal arts, professional and graduate degrees to approximately 3,500 students. The University's campus is located in the Parkland neighborhood near Tacoma, Washington, on a 156-acre campus in unincorporated Pierce County.

See Appendix A – "SELECTED INFORMATION CONCERNING THE UNIVERSITY" and Appendix B – "AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY FOR THE YEARS ENDED MAY 31, 2013 AND MAY 31, 2012."

Security and Sources of Payment

The Bonds are special, limited obligations of the Authority, and are payable from and are secured by a pledge of, and lien on, all Revenues (as defined in the Indenture), subject to disbursement and application in accordance with the Indenture. The Authority has conveyed the Trust Estate (as defined in the Indenture) to the Trustee as security for the Bonds, 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. See "SECURITY FOR THE BONDS."

The obligations of the University under the Loan Agreement constitute a general obligation of the University to which its full faith and credit are pledged, including specifically the Unrestricted Revenues, and the University's interests, if any, in the Project Fund and the Debt Service Fund. The University's obligations under the Loan Agreement are evidenced by a promissory note (the "Note") executed by the University in favor of the Authority and assigned to the Trustee. 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, mandatory sinking fund payments, if any, and interest becoming due on the Bonds on such Interest Payment Date, until such time as all principal of and interest on the Bonds is paid in full. 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 "SECURITY FOR THE BONDS" and 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 connection with the issuance of the Bonds, U.S. Bank National Association, in its capacities as trustee under the Indenture of Trust pertaining to the 2006 Bonds (as hereinafter defined), as Collateral Agent, and as the Trustee for the Bonds, will enter into an Intercreditor Agreement dated as of July 1, 2014 (the "Intercreditor Agreement"). Pursuant to the Intercreditor Agreement, the pledge of the Unrestricted Revenues with respect to the University's obligations under the Loan Agreement is on parity with the pledge of the Unrestricted Revenues that secures the repayment of the 2006 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 Unrestricted Revenues on parity with the Bonds. All parties to the Intercreditor Agreement will share in the Unrestricted Revenues on a parity basis on the terms and conditions described in the Intercreditor Agreement. See "SECURITY FOR THE BONDS – 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 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: Global 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 May 1 and November 1, commencing November 1, 2014 (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 from the Authority to 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 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 by 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, (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 will 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 are subject to redemption on any day on or after November 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 in the years 2041 and 2044, are subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption on November 1 in the years and amounts as follows:

Bonds Scheduled to Mature on November 1, 2041

Year (November 1)	Principal Amounts
2037	$1,055,000
2038	1,105,000
2039	1,160,000
2040	1,210,000
2041[(1)]	1,270,000

(1) Stated Maturity.

Bonds Scheduled to Mature on November 1, 2044

Years	Principal Amounts
2042	$1,325,000
2043	1,400,000
2044[(1)]	1,475,000

(1) Stated Maturity.

In the event that the 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 the proceeds of the Bonds and transferred to the Trustee in accordance with the Loan Agreement.

The Bonds are subject to extraordinary mandatory redemption prior to maturity in whole or in part, on July 1, 2017, unless such date is extended in accordance with the Loan Agreement, after provision of notice in accordance with the Indenture, in an amount equal to the Loan proceeds (plus any interest earnings thereon) remaining in the Project Account at the close of business on May 15, 2017 (or the fifteenth day of the second month preceding the month in which any extension of such date set for redemption ends).

The Bonds are subject to extraordinary mandatory redemption prior to maturity in whole as soon as practicable following receipt by the Trustee of a written notice from the Authority, the University or Bond Counsel of a Determination of Taxability, or in whole or in part, as soon as practicable, in order to prevent a Determination of Taxability (in the amount determined by Bond Counsel to be necessary to preserve the tax-exemption of interest on Bonds which will remain Outstanding thereafter, if any); provided, that such redemption shall only occur if the funds to redeem the Bonds are available for such use.

Notice of Redemption. For so long as the Bonds are held in book-entry form by DTC, its successor or any substitute depository appointed by the Authority, as applicable, 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." Notices of optional redemption may be given on a conditional basis. Any notice of redemption may be rescinded by written notice given to the Trustee by the University Representative no later than five Business Days prior to the date specified for redemption. The Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner, and to the same Persons, as notice of such redemption was given pursuant to the Indenture.

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, premium, if any, or interest on such Bonds, or unless the redemption was conditioned upon receipt of funds which were not received or the issuance of refunding bonds which were not issued or rescinded, 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 partial optional redemption, the maturity of Bonds up to the allocable amount shall be selected pro rata unless other written instructions are given by the University. Within each maturity, the particular Bonds to be redeemed shall be selected randomly. Upon surrender of any Bond for redemption in part, the Authority shall execute and the Bond Registrar shall authenticate and deliver to the owner thereof a new Bond or Bonds of Authorized Denominations of the same maturity and in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

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. **None of the Authority, the University, the Trustee or the Bond Registrar 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, the Trustee or the Bond Registrar to DTC). See Appendix F – "BOOK-ENTRY SYSTEM."

SECURITY FOR THE BONDS

Security Under the Indenture

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 (excluding 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 (excluding 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.

Security Under the Loan Agreement

Loan Payments. Under the Note and the Loan Agreement, the University is required to deliver to the Trustee, on or before 4:00 p.m. Seattle time on the fifth Business Day immediately before each Interest Payment Date, an amount equal to the principal and mandatory sinking fund payments, if any, and interest on the Bonds, becoming due on that Interest Payment Date, until such time as all principal of and interest on the Bonds is paid in full. 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."

General Obligation; Unrestricted Revenues. The obligations of the University under the Loan Agreement constitute a general obligation of the University to which its full faith and credit are pledged, including specifically the Unrestricted Revenues, and the University's interests, if any, in the Project Fund and the Debt Service Fund. Under the Indenture, "Unrestricted Revenues" means "for any period, the unrestricted revenues of the University as shown on its financial statements for such period, adjusted by (a) subtracting each of the following (to the extent included in unrestricted revenues): (i) financial aid and tuition or fee discounts for such period, (ii) unrealized gains or losses on investments for such period, (iii) any pledges by donors made in such period but not actually collected in such period, and (iv) any gifts, grants, bequests, donations and contributions for such period designated at the time of making thereof by the donor or maker as being for specific purposes inconsistent with the payment of principal of or interest on the general obligation indebtedness of the University (and the income therefrom for such period to the extent so designated), and (b) adding each of the following (to the extent not already included in unrestricted revenues): (i) net assets released from temporary restrictions in such period, and (ii) any donations actually collected in such period, but for which pledges were recorded as unrestricted revenues for a prior period."

Additional Indebtedness. Subject to the provisions described in the following paragraph, the University expressly retains and reserves the right to incur additional Indebtedness from time to time and to encumber the Unrestricted Revenues, whether for the purpose of securing such additional Indebtedness or for any other lawful or corporate purposes, with liens, security interests, or other encumbrances on a parity with, or subordinate to, the lien created by the Loan Agreement and under the Indenture. In addition, nothing in the Loan Agreement is intended to restrict the University's right (i) to grant security interests or liens in, or to otherwise encumber any of its assets other than Unrestricted Revenues, (ii) to incur additional Indebtedness on an unsecured basis, or (iii) subject to the limitations set forth in the Loan Agreement and described in the following paragraph, to secure any obligation or Indebtedness by a pledge, lien, charge, or other encumbrance upon the Unrestricted Revenues senior to the pledge and assignment securing the repayment of the Loan, so long as such pledge, lien, charge or encumbrance constitutes a Permitted Encumbrance.

Notwithstanding the provisions described in the preceding paragraph, the University may incur Long Term Debt (x) in an aggregate amount in excess of $1,000,000 and (y) secured by a pledge of and security interest in

Unrestricted Revenues that is on parity with the pledge and security interest created under the Indenture only upon satisfaction of one of the following conditions:

(i) the University delivers to the Trustee a certificate of an authorized officer demonstrating that the Coverage Ratio is at least 1.20 when including all outstanding Long Term Debt of the University and the proposed Long Term Debt to be issued; or

(ii) the University delivers to the Trustee a certificate of an authorized officer certifying that the proposed Long Term Debt to be issued will not be rated less than BBB (by S&P or Fitch) or Baa2 (by Moody's); or

(iii) such proposed Long Term Debt to be issued is to be incurred for the purpose of refunding outstanding Long Term Debt secured by a pledge of and security interest in Unrestricted Revenues that is on a parity with the pledge and security interest created under the Loan Agreement and Debt Service on the refunding Long Term Debt in any Fiscal Year does not exceed Debt Service on the Long Term Debt being refunded by more than $5,000.

Negative Pledge. Pursuant to the Loan Agreement, the University covenants not to create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Unrestricted Revenues senior to the pledge and assignment created under the Loan Agreement except for Permitted Encumbrances. See Appendix C – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – The Loan Agreement – Negative Pledge; Security for Additional Indebtedness."

Rate Covenant. The University covenants in the Loan Agreement to charge and collect in each Fiscal Year tuition and fees sufficient to produce in each Fiscal Year a Coverage Ratio equal to or greater than 1.00 with respect to all then-outstanding Long Term Debt of the University, and not less than 1.10 for any two consecutive Fiscal Years. Upon failure by the University to comply with the rate covenant provided for in the preceding sentence, the University shall immediately engage an Independent Consultant to make recommendations as to a revision of the rates, fees and charges of the University, or the methods of operation of the University, to increase the Coverage Ratio to at least 1.10 for subsequent Fiscal Years (or, if in the judgment of the Independent Consultant, the attainment of such level is impracticable, to the highest practicable level). Copies of the recommendations of the Independent Consultant shall be filed with the Trustee and the Authority. The University shall, promptly upon its receipt of such recommendations, subject to applicable requirements or restrictions imposed by law, revise its rates, fees and charges or its methods of operation or collections and shall take such other actions as shall be in conformity with such recommendations. If the University complies in all material respects with the reasonable recommendations of the Independent Consultant with respect to its rates, fees, charges and methods of operation or collection, the University will be deemed to have complied with the covenants described in the first sentence of this paragraph, notwithstanding that the Coverage Ratio is less than 1.10 for any two consecutive Fiscal Years and/or less than 1.00. **The University may achieve a coverage ratio of less than 1.00 without causing an Event of Default.**

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.

Intercreditor Agreement

Pursuant to the Intercreditor Agreement, the pledge of the Unrestricted Revenues with respect to the University's obligations under the Loan Agreement will be on parity with the pledge of the Unrestricted Revenues that secures the repayment of the Authority's Revenue and Refunding Revenue Bonds (Pacific Lutheran University), Series 2006, issued pursuant to an Indenture of Trust dated as of December 1, 2006, as amended, and currently outstanding in an aggregate principal amount of $54,495,000 (the "2006 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 Unrestricted Revenues on parity with the Bonds.** All parties to the Intercreditor Agreement will share in the Unrestricted Revenues on a parity basis on the terms and conditions described in the Intercreditor Agreement.

U.S. Bank National Association will serve as the initial collateral agent under the Intercreditor Agreement (the "Collateral Agent"). The Intercreditor Agreement provides that the Collateral Agent will act solely at and in accordance with the written direction of all the Secured Creditors (defined in the Intercreditor Agreement), which includes the bond trustees for the 2006 Bonds, the Bonds, and other secured creditors that may be added from time to time in accordance with the Intercreditor Agreement. None of the Secured Creditors, including the Trustee, will have the right to direct the Collateral Agent to take any action required to be taken in accordance with the Intercreditor Agreement without the written consent of the other Secured Creditors. Each Secured Creditor, including the Trustee, agrees in the Intercreditor Agreement that it will have recourse to the Collateral (defined in the Intercreditor Agreement as the Unrestricted Revenues, and specifically excluding money held in funds and accounts as part of the trust estates created under the Indentures of Trust relating to the 2006 Bonds and the Bonds) only through the Collateral Agent, and that it will have no independent recourse to the Collateral. The provisions of the Intercreditor Agreement may limit the availability of remedies with respect to the Collateral upon the occurrence of an Event of Default.

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ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for each fiscal year ending May 31, the amounts required to be made available for the payment of the principal of and interest due on the Bonds and the 2006 Bonds.

Fiscal Year Ending	Other Long Term Debt			The Bonds			Total Debt
May 31	Principal	Interest	Total±	Principal	Interest§	Total±	Service±
2015§	$1,330,000	$2,483,213	$3,813,213	--	$396,431	$396,431	$4,209,643
2016	1,400,000	2,414,963	3,814,963	--	488,750	488,750	4,303,713
2017	1,470,000	2,343,213	3,813,213	--	488,750	488,750	4,301,963
2018	1,545,000	2,267,838	3,812,838	--	488,750	488,750	4,301,588
2019	1,625,000	2,188,588	3,813,588	--	488,750	488,750	4,302,338
2020	1,710,000	2,105,213	3,815,213	--	488,750	488,750	4,303,963
2021	1,795,000	2,017,588	3,812,588	--	488,750	488,750	4,301,338
2022	1,890,000	1,925,463	3,815,463	--	488,750	488,750	4,304,213
2023	1,985,000	1,828,588	3,813,588	--	488,750	488,750	4,302,338
2024	2,085,000	1,726,838	3,811,838	--	488,750	488,750	4,300,588
2025	2,195,000	1,619,838	3,814,838	--	488,750	488,750	4,303,588
2026	2,300,000	1,516,088	3,816,088	--	488,750	488,750	4,304,838
2027	2,400,000	1,415,106	3,815,106	--	488,750	488,750	4,303,856
2028	2,505,000	1,308,606	3,813,606	--	488,750	488,750	4,302,356
2029	2,615,000	1,197,425	3,812,425	--	488,750	488,750	4,301,175
2030	2,730,000	1,081,369	3,811,369	--	488,750	488,750	4,300,119
2031	2,855,000	960,081	3,815,081	--	488,750	488,750	4,303,831
2032	2,980,000	833,332	3,813,331	--	488,750	488,750	4,302,081
2033	3,115,000	698,513	3,813,513	--	488,750	488,750	4,302,263
2034	3,260,000	555,075	3,815,075	--	488,750	488,750	4,303,825
2035	3,410,000	405,000	3,815,000	--	488,750	488,750	4,303,750
2036	3,565,000	248,063	3,813,063	--	488,750	488,750	4,301,813
2037	3,730,000	83,925	3,813,925	--	488,750	488,750	4,302,675
2038	--	--	--	$1,055,000	464,353	1,519,353	1,519,353
2039	--	--	--	1,105,000	414,403	1,519,403	1,519,403
2040	--	--	--	1,160,000	362,025	1,522,025	1,522,025
2041	--	--	--	1,210,000	307,219	1,517,219	1,517,219
2042	--	--	--	1,270,000	249,869	1,519,869	1,519,869
2043	--	--	--	1,325,000	185,719	1,510,719	1,510,719
2044	--	--	--	1,400,000	114,188	1,514,188	1,514,188
2045	--	--	--	1,475,000	38,719	1,513,719	1,513,719
Total±	$54,495,000	$33,223,919	$87,718,919	$10,000,000	$13,285,424	$23,285,424	$111,004,343

± Numbers may not add due to rounding.
§ Represents debt service remaining to be paid as of the date of issuance of 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	$10,000,000
University Contribution	55,000
Net Original Issue Discount	(66,258)
Total	$9,988,742
Uses of Funds:	
Deposit to Project Fund	$9,735,498
Underwriter's Discount	52,500
Deposit to Cost of Issuance Fund(1)	200,744
Total	$9,988,742

(1) Includes the initial fees of the Authority and Trustee, financial advisor fees for the University and the Authority, certain fees of the rating agencies and legal fees.

PLAN OF FINANCE

General

The Bonds are being issued to make the Loan to the University, the proceeds of which will be used to provide a portion of the funds (1) to finance the construction and improvement of the Project Facilities, and (2) to pay costs of issuing the Bonds.

The University anticipates that money from gifts, grants, donations and internally generated funds will be used to pay for Project costs not paid from Bond proceeds. Appendix A – "SELECTED INFORMATION CONCERNING THE UNIVERSITY."

Project Facilities

The University will use proceeds of the Loan to finance a portion of the costs of renovations, additions and improvements to University residence halls, including Stuen Hall, Ordal Hall and South Hall, and to other University facilities located on its campus near Tacoma, Washington in unincorporated Pierce County. See Appendix A – "SELECTED INFORMATION CONCERNING THE UNIVERSITY – Campus and Facilities" for additional information regarding the Project Facilities and funding sources.

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 Chair, or the Chair's designee, of the Washington Student Achievement Council and four public members, one of whom must be 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. David Schumacher, Director of the State Office of Financial Management has been so designated. The Authority's elected secretary presides in the Chair's absence. The current members of the Authority are as follows:

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

The administration and overall operation of the Authority is the responsibility of its Executive Director, Kim Herman. Mr. Herman is also the Executive Director for the Washington State Housing Finance Commission (the "Housing Finance Commission"), an instrumentality of the State that is empowered to issue nonrecourse revenue bonds to finance housing and nonprofit facilities in the State. The Authority contracts with the Housing Finance Commission for Mr. Herman's and his staff's services, including those of Paul Edwards, Deputy Director; Robert D. Cook, Senior 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 April 30, 2014, the Authority had issued obligations aggregating $1,900,235,958 in original principal amount. As of April 30, 2014, the Authority had bonds outstanding in the principal amount of $795,829,883.48.

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: Global 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.

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 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 the 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 the 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, on a subordinated basis or, upon compliance with certain conditions, on a senior 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.

The University may achieve a coverage ratio of less than 1.00 without causing an Event of Default. See "SECURITY FOR THE BONDS – Security Under the Loan Agreement – *Rate Covenant.*"

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 affect 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*. Failure to reach successful agreement with collective bargaining units or additional 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 and the Indenture. These remedies, in certain respects, may require judicial action which is often subject to discretion and delay. Under existing law, certain of the remedies specified in the Loan Agreement and the Indenture may not be readily available or may be limited. A court may decide not to order the specific performance of these covenants.

Security Interest in Unrestricted Revenues. The effectiveness of the Loan Agreement and the security interest in the Unrestricted Revenues granted therein may be limited by a number of factors, including but not limited to: (1) commingling of Unrestricted 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 Unrestricted 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 Unrestricted Revenues converted to cash and not in the possession of the Trustee; (7) claims that might arise under Washington law with respect to the attachment, perfection, and priority interest in Unrestricted Revenues, including whether appropriate financing or continuation statements are or have been 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 Unrestricted 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.

In addition, the University may incur additional obligations to which its Unrestricted Revenues are pledged in accordance with the terms of the Loan Agreement, the Indenture and the Intercreditor Agreement. See "SECURITY FOR THE BONDS."

Intercreditor Agreement. The Intercreditor Agreement provides that the Collateral Agent will act solely at and in accordance with the written direction of all the Secured Creditors, which includes the bond trustees for the 2006 Bonds, the Bonds, and other secured creditors that may be added from time to time in accordance with the Intercreditor Agreement. None of the Secured Creditors, including the Trustee, will have the right to direct the Collateral Agent to take any action required to be taken in accordance with the Intercreditor Agreement without the written consent of the other Secured Creditors. Each Secured Creditor, including the Trustee, agrees in the Intercreditor Agreement that it will have recourse to the Collateral (defined in the Intercreditor Agreement as the Unrestricted Revenues, and specifically excluding money held in funds and accounts as part of the trust estates created under the Indentures of Trust relating to the 2006 Bonds and the Bonds) only through the Collateral Agent, and that it will have no independent recourse to the Collateral. The provisions of the Intercreditor Agreement may limit the availability of remedies with respect to the Collateral upon the occurrence of an Event of Default.

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."

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 the 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 give rise to extraordinary mandatory redemption of the Bonds as described in "THE BONDS – Redemption Provisions – *Extraordinary Mandatory Redemption*."

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. 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 one or both of the ratings initially assigned to the Bonds could adversely affect the market price and the market for the Bonds. See "RATINGS."

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 Hillis Clark Martin & Peterson P.S., special counsel to the University, to the effect that the University is exempt from federal income tax pursuant to Section 501(a) of the Code by virtue of being an organization described in Section 501(c)(3) of the Code and that, to such counsel's knowledge, 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 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.

Not 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, 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.

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.

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. Prager & Co., San Francisco, California (the "University's Financial Advisor" and, together with the Authority's Financial Advisor, the "Financial Advisors"), serves as financial advisor to the University in connection with the issuance of the 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 George K. Baum & Company, 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 $9,881,242.00 (which represents the principal amount of the Bonds, less a net original issue discount of $66,258.00, less an underwriter's discount of $52,500.00). 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.

INDEPENDENT AUDITOR'S REPORT

The financial statements of the University as of and for the years ended May 31, 2012, and May 31, 2013, included in Appendix B to this Official Statement have been audited by Baker Tilly Virchow Krause, LLP, independent auditors, as stated in their report appearing therein. Baker Tilly Virchow Krause, LLP, the University's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Baker Tilly Virchow Krause, LLP also has not performed any procedures relating to this Official Statement.

CONFLICTS OF INTEREST

Some or all of the fees of the Underwriter, the Financial Advisors, Underwriter's counsel and Bond Counsel are contingent upon the issuance and sale of the 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.

RATINGS

Standard & Poor's Rating Services (the "Rating Agency") has assigned the Bonds a rating of "BBB" with a negative outlook. 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 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 for the University by Gordon Thomas Honeywell LLP, Tacoma Washington, as its counsel, and by Hillis Clark Martin & Peterson P.S., Seattle, Washington, as its special counsel, and certain legal matters will be passed upon for the Underwriter 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

Undertaking to Provide Continuing Disclosure

The University will enter into an undertaking for the benefit of the holders of the Bonds (the "Continuing Disclosure Agreement"), to provide certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities and Exchange Act of 1934. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and the other terms of the Continuing Disclosure Agreement, including termination, amendment and remedies, are set forth in Appendix E.

Past Compliance with Continuing Disclosure Undertakings

The University previously entered into an undertaking under the Rule with respect to the 2006 Bonds. In connection with the preparation of this Official Statement, the University discovered that it had failed to timely report changes in the ratings of the 2006 Bonds as required by the undertaking entered into in connection with such bonds. The University subsequently filed a notice regarding the rating changes and a notice regarding the failure to submit such information. During the previous five years, the University has otherwise complied in all material respects with the provisions of its continuing disclosure undertaking.

MISCELLANEOUS

All of the summaries or descriptions of provisions of the Indenture, the Loan Agreement and other documents are made subject to all of the provisions of law and such documents, and such summaries or descriptions 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

PACIFIC LUTHERAN UNIVERSITY

By: /s/ Sheri Jeanne Tonn
Sheri Jeanne Tonn, Treasurer & Vice President, Finance and Operations

By: /s/ Bradley D. Tilden
Bradley D. Tilden, Secretary, Board of Regents

APPENDIX A

SELECTED INFORMATION CONCERNING THE UNIVERSITY

The information in this appendix 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.

General

Based in unincorporated Pierce County in the suburban Parkland neighborhood near Tacoma, Washington, on a 156-acre woodland campus, Pacific Lutheran University ("PLU" or the "University") offers approximately 3,500 students a blend of academically rigorous liberal arts and professional programs. Founded in 1890 by Norwegian pioneers, PLU is a private university affiliated with the Evangelical Lutheran Church in America ("ELCA"). The University offers three pathways to academic distinction: global education and service to the world; robust student-faculty collaborative research and creative projects; and helping students discern meaning and purpose in their lives.

PLU is a member of The New American Colleges and Universities, a national consortium of 22 medium-sized (2,000-7,500 students) independent colleges and universities dedicated to the purposeful integration of liberal education, professional studies, and civic engagement. PLU combines a strong commitment to teaching in a highly personalized liberal arts residential environment with a diverse array of professional and graduate programs. Faculty and professional staff at PLU share a vision that links scholarship, teaching, and service in fulfilling its mission. PLU seeks to blend the classroom and community, coordinating theoretical and experiential learning through undergraduate and graduate research, professional practice and internships, and community economic and social development projects in the local region.

The first American university to have study away classes on all seven continents simultaneously, PLU is also the first private university on the West Coast to receive the prestigious Senator Paul Simon Award for Campus Internationalization. A 2013 honoree on President Obama's Higher Education Community Service Honor Roll, PLU hosts an Emmy Award-winning Media Lab, and KPLU, an Edward R. Murrow Award-winning public radio station. The PLU Army Reserve Officer Training Corps (ROTC) department won the 2012-13 MacArthur Award, its third in four years. Students have the opportunity to participate in more than 100 clubs and activities, including 19 varsity athletic teams in the Northwest Conference of NCAA Division III.

The University consistently ranks among the top 15 in *U.S. News & World Report*'s Best Universities in the West and was recently named 2nd in the West for Best Colleges for Veterans. It also ranks in the top four percent of Master's Universities nationwide by *Washington Monthly College Guide*. The University has produced 100 Fulbright Scholars since 1975, and ranks third in the nation among small colleges and universities for the number of Peace Corps volunteers it produces.

PLU is noted for its commitment to diversity, justice and sustainability. For its documented record on sustainability, the University was recognized in 2013 with a Gold award from the

Association for the Advancement of Sustainability in Higher Education (AASHE). Also, for more than 30 years, PLU has been internationally known for its Holocaust studies program, which now includes the endowed Kurt Mayer Chair in Holocaust Studies, the annual Powell-Heller Holocaust Education Conference, and beginning in Fall 2014, PLU will be one of only a handful of universities nationwide that offer a minor in Holocaust and Genocide Studies.

Another of the hallmarks of PLU is its nationally acclaimed School of Arts and Communication. Recent alumni are performing and creating on Broadway (Next to Normal), TV (Glee, The Mentalist, NCIS:LA), film (The Lord of the Rings), as well as on stages and concert halls around the world (such as the Metropolitan Opera) and news and media organizations throughout the Pacific Northwest region.

The University offers 44 majors and 54 minors, as well as graduate and professional programs in business administration, creative writing, education, finance, marketing research, marriage and family therapy, and nursing.

Campus and Facilities

The University's l56-acre campus has 41 major buildings and over 1.3 million square feet of building space. Campus buildings include ten residence halls, the Morken Center for Learning and Technology, the Mary Baker Russell Music Center, Rieke Science Center, the Hauge Administration Building, the Mortvedt Library, the Olson Auditorium, the Memorial Gymnasium, the Names Fitness Center, the Anderson University Center, Xavier Hall, W. M. Keck Observatory, Martin J. Neeb Center, Karen Hille Phillips Center for the Performing Arts, and other classroom and administration buildings.

PLU was successful in obtaining $1.85 million in Federal grants for the seismic upgrades to its Stuen and Ordal residence halls. The Bonds will finance additional structural and efficiency renovations in these two halls and in South Hall. Built in 1966, Stuen Hall is a 31,300 square foot building that houses 105 students. Built in 1967, Ordal Hall is a 40,300 square foot building that houses 177 students. Renovations to these buildings will include renewed bathrooms and kitchens, new windows and heating units, sprinkler systems for fire suppression, restored woodwork, resident room upgrades with new lighting, paint and flooring. The third project is to replace plumbing in South Hall. This 100,000 square foot, 228 bed building was opened in 2000. The original plumbing used CPVC pipe, which is now at the end of its expected life. There have been various plumbing failures over the years since South Hall's construction, damaging student property and requiring relocation of students. As part of the project being financed with Bond proceeds, the CPVC piping in South Hall will be replaced with copper piping.

Accreditation and Memberships

PLU is accredited by the Northwest Commission of Colleges and Universities as an institution of higher education. In addition, University programs hold the following specialized accreditations and approvals:

- The Association to Advance Collegiate Schools of Business (AACSB International);
- American Chemical Society;

- Commission on Collegiate Nursing Education and Washington State Nursing Care Quality Assurance Commission;
- National Council for the Accreditation of Teacher Education;
- Commission on Accreditation for Marriage and Family Therapy Education of the American Association for Marriage and Family Therapy;
- National Association of Schools of Music;
- Engineering Accreditation Commission of ABET;
- Computing Accreditation Commission of ABET; and
- The Council on Social Work Education.

The University is a member of each of the following organizations:

- American College & University President's Climate Commitment
- American Council on Education
- Association for the Advancement of Sustainability in Higher Education
- Association of American Colleges and Universities
- Association of Governing Boards of Colleges and Universities
- Council of Independent Colleges
- Independent Colleges of Washington
- Lutheran Educational Conference of North America
- New American Colleges and Universities
- National Association of College and University Business Officers
- National Association of Independent Colleges and Universities
- Northwest Commission on Colleges and Universities
- Northwest Conference of NCAA Division III

Academic Programs

The University is a liberal arts university offering 12 types of baccalaureate degrees through the curricula of 44 majors and seven graduate programs at the master's and doctoral levels. The liberal arts program is anchored by a College of Arts and Sciences including the divisions of Humanities, Natural Sciences and Social Sciences, and eight interdisciplinary programs. The four professional schools include schools of Arts and Communications, Business, Education and Kinesiology, and Nursing. The University offers graduate programs in business administration, creative writing, education, finance, marketing research, marriage and family therapy, and nursing. A doctoral degree in nursing practice will be offered starting in 2015.

Athletic and Cultural Activities

Athletic Activities. The University supports an active recreation program and offers 15 intramural sports. The campus athletic and recreation complex is available to every member of the campus community and includes an indoor swimming pool, two gymnasiums, a field house with an artificial turf surface, an outdoor sand volleyball court, lighted tennis courts, racquetball and squash courts, an outdoor synthetic all weather field, an outdoor natural turf field, and other outdoor recreation facilities, and a fitness center with free weights, weight machines, fitness machines, aerobics areas, and an indoor running track.

The University is a member of NCAA Division III. Student-athletes make up 13% of the students on campus. Students compete in nineteen sports (nine men's and ten women's). PLU's softball team won the national championship in 2012 and its football team has won three national championships since 1980.

Cultural Activities. A variety of visual and performing arts events on campus, provided by students, faculty, and visiting professional groups, are available to the University community and the public. The Department of Music sponsors more than 100 concerts every year in a broad array of musical styles and media. The Mary Baker Russell Music Center features Lagerquist Concert Hall which houses a tracker action organ which is the largest university-based organ on the west coast. The Department of Art maintains the University Gallery, which houses major shows and exhibitions throughout the year, including exhibitions by regional and nationally recognized artists as well as faculty and student work. The Department of Communication and Theatre produces plays and other stage events in the Karen Hille Phillip Center for the Performing Arts.

The Anderson University Center houses student government and student clubs and organizations that regularly sponsor programs, events, and activities to enrich the social and cultural life of the campus. University students write, edit and publish a student newspaper, a literary magazine, and radio and television shows. PLU MediaLab is an Emmy award winning, student run media organization that has produced 12 documentary films in the last eight years. They have received 24 regional, national, and international awards.

University Strategies and Market Position

In 2013, the Board of Regents of the University (the "Board") adopted *PLU2020,* the third in a series of long-range plans developed over the past 20 years that have served to define the mission, shape the aspirations, and frame the progress of, the University. See "Financial Operations – Financial Goals and Budgeting Process" below.

PLU's Long Range Planning Committee has identified five strategic priorities in *PLU2020*: advance academic excellence; accelerate strategic enrollment management and marketing; enhance student achievement and success; increase leadership capacity and community engagement; and improve financial and physical resources. The Strategic Enrollment Management Advisory Committee was established in early 2013 to lead the development and the ongoing reevaluation of a strategic enrollment management plan. The Budget Working Group was established in summer 2013 to explore budget systems and practices to help the University optimize its resources in a multi-year budget planning model.

Washington and Oregon are classified as primary student recruitment markets, while Idaho, Montana, California, Hawaii, Alaska, Colorado, and Minnesota are considered secondary markets. Tertiary markets include Utah, Nevada, Arizona, Texas, the rest of the Midwest, the East, and the South. The current student body comes from 32 states. International students come from more than 12 countries and make up approximately six percent of the student body.

Governance

The University is a Washington nonprofit corporation, which has been determined to be exempt from federal income taxation under Section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code"), as an organization described in Section 501(c)(3) of the Code.

The corporate members (the "Members") of the University include the 581 member congregations included within Region 1 of the ECLA. The Bylaws of the University provide that the following persons shall be entitled vote on matters requiring the approval of the Members: (i) the members of the Board of Regents of the University (further described below); and (ii) the delegates in attendance at the annual meeting of the Members, lay or clergy, elected by the Synods of Region 1, on behalf of their constituent congregations. Each Synod is entitled to elect one representative ("Representative") for each five congregations within its jurisdiction at the time of the election. The Representatives meet at least annually for the transaction of business of the Members pertaining to the University, including the election of the Board of Regents.

The Board of Regents of the University, comprised of not more than 37 persons (the "Regents"), is responsible for all aspects of the institution's governance and generally meets three times each year. Four Regents, including the President of the University and three Bishop Regents, serve *ex officio*. The remainder, elected by the Representatives, includes members of the University Alumni Association (three Regents), members of the congregations included within Region 1 (18 Regents), and members of the community at large (12 Regents). Regents serve for staggered three year terms, and may serve for no more than three consecutive terms. Current Regents, their occupations, hometowns, and terms of membership on the Board, are identified in the table in the next section immediately below.

Members of Board of Regents

The following table identifies members of the Board of Regents as of the date of this Official Statement:

Name	Occupation	Hometown	Term
Mark Knudson, Ph.D, Chair	President and CEO, EnteroMedics, Inc.	Shoreview, MN	2006-2015
Brenda Morris, Vice Chair	CFO, 5.11 Tactical	Lake Tapps, WA	2011-2014
Bradley Tilden, Secretary	President and CEO Alaska Airlines and Alaska Air Group	Seattle, WA	2008-2014
Daniel Alsaker	President, Alsaker Corporation	Spokane, WA	2011-2014
Neal Arnston	Chairman, Albina Fuels Company	Vancouver, WA	2006-2014
Linda Barbo	Retired Business Owner	Seattle, WA	2006-2015
Dale Benson, Ph.D	Retired Investment Manager	Portland, OR	2012-2016
Gayle Berg	Homemaker/Rancher, Berg Ranch Co.	Martinsdale, MT	2006-2015
Bruce Bjerke, Esq.	Attorney and Partner, Davis Wright Tremaine LLP	Seattle, WA	2005-2014
Andrew Finstuen, PhD	Associate Professor and Director of Honors College, Boise State University	Boise, ID	2013-2016
Edward Grogan	Financial Planner and President Summit Financial Group	Gig Harbor, WA	2012-2015

Name	Occupation	Hometown	Term
Darren Hamby	Sr. VP, Director of Human Resources Federal Homeloan Bank of Seattle	Seattle, WA	2007-2016
Roe Hatlen	Owner, Hatlen Investments	Big Fork, MT	2007-2015
Tony Hicks	Corporate Executive, Hospira Worldwide Inc.	Scottsdale, AZ	2010-2016
Mack Hogans	Consultant, CEO, Mack Hogans Consulting Services, LLC	Bellevue, WA	2013-2016
Estelle Kelley, Esq.	Corporate Director and Ph.D. Candidate	Portland, OR	2005-2014
Lisa Kittilsby	Vice President, Miles Sand & Gravel Company	Mercer Island, WA	2009-2015
Lisa Korsmo	Elementary School Teacher	Lakewood, WA	2007-2016
Jon Kvinsland, DDS	Dentist	Gig Harbor, WA	2006-2015
Michelle Long	Manager, Biofuels, Chevron USA	Katy, TX	2013-2016
Osamu Matsutani, MD	Physician	Anchorage, AK	2013-2016
Rev. David Peters	Director for Evangelical Mission	Billings, MT	2007-2015
Nancy Powell	Real Estate Developer, Northface Development	Gig Harbor, WA	2010-2016
Jeffrey Rippey	Director, JFR Foundation	Hood River, OR	2008-2014
Pam Russell	Retired Solutions Manager, IBM	San Diego, CA	2013-2016
Jan Ruud	Pastor, St. Mark's Lutheran Church by The Narrows	Tacoma, WA	2013-2016
Donna Schlitt	Community Volunteer	Portland, OR	2006-2015
Jerry Skaga	Retired Educator and Real Estate Investor	Gig Harbor, WA	2011-2014
Charleen Tachibana	Senior VP, Hospital Administrator and Chief Nursing Officer	Woodinville, WA	2011-2014
Amb. Tom Vraalsen	Ambassador/Special Adviser to Ministry of Foreign Affairs	Oslo, Norway	2006-2015
Donald Wilson	President and General Manager, Wilson Construction Co.	Canby, OR	2009-2015
Rev. Andrew Yee	Spiritual Care Director	Camano Island, WA	2005-2014

Ex-Officio

Thomas Krise, Ph.D	President, PLU	
Rev. David Brauer-Rieke	Bishop, Oregon Synod, ELCA	2009-2016
Rev. Richard Jaech	Bishop, Southwestern Synod, ELCA	2013-2016
Rev. Martin Wells	Bishop, Eastern Washington-Idaho Synod, ELCA	2013-2016

PLU Advisory Board Members to the Board of Regents are:

Rev. Jessica Crist	Bishop, Montana Synod ELCA
Donna Gibbs	Vice President for Marketing and Communications
Lucy Morros, Ph.D	Interim Vice President for Advancement
Joanna Royce-Davis	Vice President for Student Life and Dean of Students
Steven Starkovich, Ph.D	Provost and Dean of Graduate Studies
Sheri Tonn, Ph.D	Vice President for Finance and Operations
Erin McKenna, Ph.D	Philosophy, Faculty
Wendelyn Shore, Ph.D	Psychology, Faculty
Rev. Kirby Unti	Bishop, Northwestern Washington Synod ELCA
Jill Whitman, Ph.D	Geosciences, Faculty
Rev. Shelly Wickstrom	Bishop, Alaska Synod ELCA

Officers of the University

The officers of the University are as follows:

Thomas W. Krise, Ph.D., President. President Thomas W. Krise became PLU's thirteenth President on June 1, 2012. Dr. Krise holds a B.S. in history from the United States Air Force Academy, an M.S.A. in human resources management from Central Michigan University, an M.A. in English from the University of Minnesota, and a Ph.D. in English from the University of Chicago. Prior to his appointment as PLU's President, Dr. Krise was Dean of the College of the Pacific at the University of the Pacific in Stockton, California, Chair of the Department of English at the University of Central Florida in Orlando, Director of the Humanities Institute at the U.S. Air Force Academy in Colorado Springs and Vice Director of the National Defense University Press in Washington, DC.

Donna Gibbs, Vice President of Marketing and Communications. Donna Gibbs joined in September of 2013 to lead the newly formed division of Marketing and Communications at PLU. Ms. Gibbs has vast experience in developing and marketing some of the best known brands in the world, including Nike, Apple, and Microsoft. She most recently served as managing director, and helped establish the West Coast operations of Bluetext, a Washington, D.C.-based digital marketing and strategic communications firm that counts among its clients Google, Adobe, Cisco and Intel.

David E. Gunovich, Interim Dean of Enrollment Services. David Gunovich was hired as an Admission Counselor in 1983. He was promoted to Assistant Dean of Admission in 1985 and later the Association Dean of Admission in 1989. In 2004, Mr. Gunovich relocated to the Office of Advancement as a Development Director for Major Gifts. Mr. Gunovich returned to Admissions and Enrollment Services in the fall of 2012. Mr. Gunovich is an alumnus of the University, graduating with a Bachelors of Arts in Education in 1982. He returned to the University as a student to earn his Masters of Arts in Social Sciences in 1995.

Lucy Morros, Ph.D., Interim Vice President, Division of Advancement. Lucy Morros joined PLU as the interim Vice President for Advancement in March 2014. Dr. Morros most recently served as Vice President for Institutional Advancement at Lindenwood University, a 17,000-student institution in St. Charles, Missouri, where she was responsible for raising $17 million for capital projects, campaigns, the endowment and academic program support. She also served as President of Barat College in Lake Forest, Illinois, from 1988-2000, during a time in which the student population grew by 40 percent and financial assets grew by more than $23 million.

Joanna Royce-Davis, Ph.D., Vice President of Student Life and Dean of Students. Joanna Royce-Davis will join PLU on August 1, 2014. She comes to PLU from the University of the Pacific, where she most recently served as Dean of Students in the Division of Student Life. Dr. Royce-Davis directs the graduate program in Student Affairs at the University of the Pacific. She has also served as lead or co-designer for multiple strategies focused on undergraduate student success, including the Western Association of Schools and Colleges Student Success essay; First Year Experience signature programs, including Mountains, Ocean, Valley Experience (MOVE), which received the 2012 NASPA National Gold award; and the Retention Action Network.

Steven Starkovich, Ph.D., Provost. Steve Starkovich, Provost, is associate professor of physics at PLU and has a broad array of responsibilities as the academic leader of PLU. Dr. Starkovich first came to PLU in 1992 and was hired to a tenure-track position in 1997. He taught for 17 years prior to becoming acting provost in 2009 and then provost in 2010. The Admissions and Enrollment Services department reports to the Provost.

Sheri Jeanne Tonn, Ph.D., Vice President, Finance and Operations. Dr. Tonn was appointed the Vice President of Finance and Operations in May 1999. She oversees Facilities Management, Construction Management, Dining and Retail Services, Auxiliary Services, Human Resources, and the Business Office. Prior to becoming the Vice President for Finance and Operations, Dr. Tonn served as the University's Dean of Information Resources from 1997 to 2000, and has taught chemistry at the University since 1979. Dr. Tonn was Dean of the University's Natural Sciences Division from 1993 to 1997 and chair of the chemistry department from 1989 to 1993.

Student and Faculty Information

The University is the source for the information provided in the tables that follow, unless otherwise indicated.

Application Pool

The following table shows applications, admissions and new enrollments of freshmen and transfers into the University undergraduate programs for academic years 2010 through 2014.

	Freshmen			Transfers		
Year	Application	Admission	New Enrollment	Application	Admission	New Enrollment
2009/10	2571	2014	716	790	497	210
2010/11	2838	2200	691	852	487	210
2011/12	3289	2520	731	937	553	212
2012/13	3550	2613	633	1020	669	230
2013/14	3443	2643	648	1031	690	240

Freshman Class

The following table shows the Scholastic Aptitude Test (SAT) results and high school Grade Point Average (GPA) for the past five freshmen classes:

Academic Year	Average Total SAT	Average GPA
2009/10	1106	3.62
2010/11	1122	3.64
2011/12	1107	3.63
2012/13	1097	3.62
2013/14	1098	3.63

Geographic Distribution of PLU Undergraduate and Graduate Students Fall 2013

The following table shows the distribution of undergraduate and graduate students enrolled as of Fall, 2013 by geographic origin.

Washington	2620
Other Northwest	289
West	258
Midwest/East	129
International	166

Enrollments

The following table reflects, for the past five academic years, undergraduate and graduate enrollments on a 10th-day head-count basis and total full-time equivalent enrollments for the fall term of the respective periods.

Academic Year	Undergraduate	Graduate	Total	Full-time Equivalent*
2009/10	3305	276	3581	3392
2010/11	3267	276	3543	3358
2011/12	3195	266	3461	3296
2012/13	3166	307	3473	3286
2013/14	3142	320	3462	3288

**One Full-Time Equivalent calculated as full-time headcount plus 1/3 part-time headcount.*

Retention

The following table shows the retention of students entering as first-year students for the past six reportable years.

Enrolled Fall	1st Fall	2nd Fall	3rd Fall	4th Fall
2007	715	606	542	502
2008	716	581	510	466
2009	716	587	529	490
2010	689	564	515	480
2011	731	605	534	-
2012	633	518	-	-
2013	648	-	-	-

Degrees

The following table shows the number of degrees awarded in undergraduate and graduate programs in the past five academic years.

Academic Year	Undergraduate	Graduate	Total
2008/09	763	144	907
2009/10	731	131	862
2010/11	835	121	956
2011/12	728	110	838
2012/13	752	118	870
2013/14*	813	135	948

**Estimated count for the current academic year.*

Tuition, Charges and Fees

The following table provides student charges for the four most recent past academic years and the current academic year.

Academic Year	Undergraduate Tuition (full time)	Room and Meals (includes J-Term)	Fees*	Total
2009/10	28,100	8,600	0	36,700
2010/11	29,200	8,800	0	38,000
2011/12	30,950	9,250	0	40,200
2012/13	32,800	9,620	300	42,720
2013/14	34,440	10,100	300	44,840
2014/15	36,180	10,230	350	46,760

**PLU developed the PLU Wellness Access Plan in 2012 in response to changes in Health Care regulations. This plan includes preventive and wellness services at the University Health Center and Counseling Center at no charge; and free exercise and nutrition classes. The Wellness Access Plan also includes a self-funded student health plan with coverage benefits of $5,000 each for sickness and accident.*

2014/2015 Undergraduate Rate Comparison with Selected Private Colleges and Universities

(Ranked by Comprehensive Charges)

Colleges/Universities	Tuition/Fees	Room/Meals	Total
Whitman College	44,800	11,228	56,028
Willamette University	44,076	10,820	54,896
University of Puget Sound	43,314	11,180	54,494
Lewis and Clark College	43,487	10,906	54,393
St. Olaf College	41,700	9,500	51,200
University of Portland	38,435	11,444	49,879
Pacific University	38,510	11,116	49,626
California Lutheran University	37,140	12,400	49,540
Gustavus Adolphus College	40,367	9,110	49,477
Seattle University	38,205	11,130	49,335
Linfield College	37,346	10,330	47,676
Whitworth University	36,734	10,278	47,012
Pacific Lutheran University	**36,530**	**10,230**	**46,760**
Gonzaga University	36,535	9,906	46,441
Seattle Pacific University	35,472	9,834	45,306
Augsburg College	34,431	10,106	44,537
Saint Martin's University	31,688	9,990	41,678
Concordia College, Moorhead	34,114	7,370	41,484
Capital University	32,090	9,060	41,150
AVERAGE	38,156	10,312	48,469

These are "standard," full-time, academic year charges for new entering students. Several colleges have differential tuition for upper-level students or other policies that result in some variation across class levels and students. PLU is well positioned with respect to its peers, having tuition and fees slightly below the mean as well as a tuition discount that is slightly below the mean.

NOTE: This information was compiled by the PLU Finance and Operations Office utilizing the information on the various university websites or by contacting their administration. Comprehensive charges are reduced for many students through financial assistance. Most private college students apply for and receive financial assistance, with the amounts and types of aid determined in relation to family resources, calculated need, government formulas and financial aid funding and other factors. Typical assistance provided to students includes Federal and State grants (if applicant qualifies), institutional grants, loans and work-study determined in relation to the student's needs and other factors.

Student Financial Aid

Recognizing that many students who want to attend the University would be unable to meet all expenses of enrollment from personal or family sources, the University provides financial assistance to eligible students. Any student currently enrolled or approved for enrollment may request financial aid; financial assistance is available to all qualified students regardless of sex, race, creed, color, age, national origin, or disability. Approximately 97 percent of the University's students receive help in the form of gift assistance (scholarships, talent awards or grants), low-interest deferred loans or employment, or a combination of these.

The University subscribes to a financial-aid leveraging model prepared by Hardwick-Day, which uses financial need as determined by the FAFSA analyses and high school or college GPA as two variables to determine the financial aid offer to a particular applicant. The University was the first institution in the Northwest to use financial aid leveraging, and its use has widened the range of students with access to the University and contributed positively to its net revenues.

The following table provides information regarding the University's various student financial aid programs for the five most recent academic years.

Student Financial Aid

Academic Year	University Funds	Federal Funds	State Funds	GSL and PLUS	Total
2008/09	$33,224,830	$5,296,812	$5,755,782	$23,933,444	$68,210,868
2009/10	35,414,871	7,000,611	5,833,445	23,475,860	71,724,787
2010/11	37,403,725	7,189,552	4,811,467	24,775,850	74,737,619
2011/12	40,318,774	7,104,926	4,276,428	26,008,597	77,708,725
2012/13	43,322,243	7,444,562	4,550,547	26,825,825	82,143,177
2013/14*	45,250,000	7,446,256	4,373,750	26,582,350	83,652,356

**Figures for 2013/14 are estimates as of May 16, 2014.*
***effective July 1, 2010, the University converted all Title IV Loan Programs from the Federal Family Education Loan Program to the William D. Ford Federal Direct Loan Program.*

Faculty and Staff

The University faculty includes many internationally recognized scholars. The tenure rate is approximately 51 percent, and the student to faculty ratio is 14:1. The following table gives the number of full-time and part-time faculty for the past five academic years:

Academic Year	Full-Time Faculty	Part-Time Faculty (FTE)	Total	Tenured Faculty
2009/10	231	22	253	130
2010/11	221	13	234	139
2011/12	213	14	227	153
2012/13	212	25	237	149
2013/14	245	31	276	155

Financial Operations

Financial Management

Finance and Operations is one of the five divisions of the University and is composed of six departments: Business Office (accounting, budgeting, student accounts receivable, purchasing and payroll); Human Resource Services (environmental, health and safety and emergency programs); Facilities Management; Construction Management, Dining and Retail Services (including Garfield Book Company and 208 Garfield); and Auxiliary Services (including Conferences and Events). The Finance and Operations Office is responsible for finance; debt, endowment and trust management; real estate; contracts; legal issues; and risk management. The authority for managing money and encumbering University assets belongs to the Board, but is delegated to certain officers of the Board and the University by resolution.

The Board meets three times annually. At the fall meeting, the Board authorizes the tuition for the next Summer Session and reviews the audited financial statement for the year ended May 31. At the winter meeting, the Board authorizes tuition and fees, and room and meal charges for the next academic year based on the budget being constructed for the next fiscal year (FY). At each spring meeting, the Board approves the operating and auxiliary budget for the next fiscal year, which runs from June 1 to May 31. FY 2015 will begin on June 1, 2014.

The University has had balanced operating budgets in each of the past five years. The size of the operating budget (net of financial aid) has grown from $71.7 million in FY09 to $78.7 million in FY14. While the economic downturn of 2008-2010 was of great concern to the University, PLU weathered it and emerged stronger than before the downturn. Monthly budget summaries are posted on the Finance and Operations website and allow the University community to monitor the operating budget.

Annual financial statements are prepared in accordance with generally accepted accounting principles and allow the University to benchmark itself from year to year. Total assets of the University grew from $222 million in FY09 to $244 million at the end of FY13. The financial statement for fiscal year ended May 31, 2013 and May 31, 2012 are attached as Appendix B to this Official Statement. The FY14 financial statement is expected to be issued in October 2014.

PLU derives a significant proportion of the operating income from tuition and other fees, at 90.8%. The endowment and annual fund provide approximately 4.4% and the other remaining 4.8% comes from auxiliary services (dining services, residence halls, bookstore, and conferences and events).

Financial Goals and Budgeting Process

The University maintains a long-range planned budget process designed to meet the financial goals for the University established in *PLU2000, PLU2010* and updated in *PLU2020.* This financial plan includes projections of revenue generation, enrollment, planned expense levels, investments, and endowments. Annual budgets to meet the financial goals established for the University are prepared jointly by the Finance and Operations division and the President's Council (made up of the University's president, provost, vice presidents, associate vice president for Finance, associate vice president for Human Resources, senior advisor to the president, and the director of administration and secretary to the Board of Regents). The budget then is reviewed and ratified by the Board. Budgets may vary year-to-year according to fluctuations in required funding. Fiscal activity is monitored regularly by the Finance and Operations division and the Board.

Financial Statements and Accounting

The accounting policies of the University reflect practices common to universities and colleges, and conform to generally accepted accounting principles. The University maintains its accounts in accordance with the principles and practices of fund accounting.

Summary of Five-Year Operating Results

A summary of operating results for the University for the last five fiscal years is shown in the chart on the following page.

Pacific Lutheran University
Statement of Unrestricted Activities
Year Ended May 31,

	2009	2010	2011	2012	2013
Revenues, Gains and Other Support					
Tuition and Fees	$93,147,607	$95,300,927	$97,340,275	$102,408,334	$107,806,144
Scholarships & Grants	(34,272,641)	(36,789,232)	(39,305,904)	(41,391,396)	(43,989,955)
Net Tuition and Fees	58,874,966	58,511,695	58,034,371	61,016,938	63,816,189
Governmental Grants	3,658,465	4,746,272	2,630,412	2,305,315	2,193,127
Private Gifts	2,879,444	1,759,784	18,659,806	2,947,945	1,952,636
Endowment Income and Gains (Losses)	(10,951,202)	1,643,105	2,007,879	(2,112,717)	2,533,909
Other Investment Gains (Losses)	253,626	152,460	65,235	80,828	(30,784)
Sales and Services of Ed. Activities	120,057	107,057	147,521	142,706	131,864
Other Sources	1,852,737	752,657	1,017,162	669,702	453,668
Sales and Service of Auxiliary Enterprises	18,103,345	17,153,800	17,199,036	17,712,235	17,615,009
	74,791,438	84,826,830	99,761,422	82,762,952	88,665,618
Reclassification of Net Assets	(174,075)	(7,837)	66,608	(5,554)	(15,370)
Net Assets Released from Restrictions	15,919,926	10,191,434	10,654,247	11,429,290	14,084,949
Total Revenues, Gains & Other Support	90,537,289	95,010,427	110,482,277	94,186,688	102,735,197
Expenses					
Program Expenses					
Instruction	38,263,629	38,203,497	38,928,664	40,301,960	41,413,178
Research	325,413	351,518	416,715	433,087	454,647
Public Service	6,819,764	6,838,443	6,671,945	7,058,614	6,642,208
Academic Support	5,294,768	5,489,565	5,686,712	5,878,958	6,088,339
Student Services	10,080,885	10,407,469	10,721,792	11,226,259	12,110,651
Auxiliary Enterprises	16,694,355	16,000,676	16,349,600	16,739,816	16,866,764
Support Services					
Institutional Support	16,632,416	17,644,341	17,638,068	18,673,740	18,603,144
Allocable Expenses					
Operation and Maintenance of Plant	7,895,085	8,349,167	8,896,157	9,897,618	10,293,943
Interest	2,838,906	2,785,431	2,731,192	2,674,107	2,614,046
Depreciation	4,494,520	4,593,930	4,503,664	4,415,764	4,427,265
Amortization Expense	129,397	128,906	137,439	137,439	137,439
Accretion Expense	41,015	42,154	44,189	46,393	41,616
Less: Allocated Expense	(15,398,923)	(15,899,588)	(16,312,641)	(17,171,321)	(17,514,309)
Actuarial Adjustment	328,025	(550,281)	(118,879)	(139,227)	(493,278)
Total Expenses	94,439,255	94,385,228	96,294,617	100,173,207	101,685,653
Change in Net Assets before Reclassification for Change in Law	(3,901,966)	625,199	14,187,660	(5,986,519)	1,049,544
Reclassification for Change in Law	--	(4,997,403)	--	--	--
Change in Net Assets	(3,901,966)	(4,372,204)	14,187,660	(5,986,519)	1,049,544
Net Assets - Beginning of Year	60,596,309	56,694,343	52,322,139	66,509,799	60,523,280
Net Assets - End of Year	56,694,343	52,322,139	66,509,799	60,523,280	61,572,824

Source: University's Audited Financial Statements. See also Appendix B to this Official Statement. which should be read in its entirety.

Summary of Current Operating Expenses and Revenues as of April 30, 2014

The following table sets forth the unaudited expenses and revenues for the 11 month period ending April 30, 2014.

2013/14 BUDGETED INCOME & EXPENDITURES

HEADCOUNT	3,330	3,462	103.96%	3,330	3,473	104.29%	
	BUDGET 2013/2014	ACTUAL 4/30/2014	% of BUDGET	BUDGET 2012/2013	ACTUAL 4/30/2013	% of BUDGET	ACTUAL 5/31/2013
INCOME							
TUITION & FEES	109,808,125	112,706,566	102.64%	106,595,220	107,695,569	101.03%	107,705,265
LESS: FINANCIAL AID	(44,500,000)	(45,903,891)	103.15%	(43,465,000)	(42,964,010)	98.85%	(42,947,603)
NET TUITION & FEES	65,308,125	66,802,675	102.29%	63,130,220	64,731,559	102.54%	64,757,662
ENDOWMENT	3,205,000	3,308,081	103.22%	3,120,000	3,185,794	102.11%	3,185,794
GOVERNMENT GRANTS	300,000	-	0.00%	300,000	-	0.00%	253,518
GIFTS AND GRANTS	2,350,000	1,508,645	64.20%	2,350,000	1,436,324	61.12%	1,707,768
OTHER REVENUE	1,005,000	701,826	69.83%	1,021,500	1,483,220	145.20%	2,206,676
NET AUXILIARY REVENUE	6,527,030	5,437,925	83.31%	6,386,300	5,587,635	87.49%	4,646,381
NET OPERATING INCOME	78,695,155	77,759,152	98.81%	76,308,020	76,424,532	100.15%	76,757,799
EXPENDITURES							
FACULTY/STAFF SALARIES	38,274,440	34,207,209	89.37%	36,626,535	33,191,149	90.62%	36,749,239
STUDENT SALARIES	2,712,240	2,524,104	93.06%	2,687,060	2,436,437	90.67%	2,789,597
EMPLOYEE BENEFITS	12,180,000	11,014,560	90.43%	11,813,800	10,580,069	89.56%	11,575,332
STUDY AWAY EXPENDITURES	3,490,000	3,245,229	92.99%	4,103,860	3,368,341	82.08%	3,385,619
LIBRARY ACQUISITIONS	1,097,120	1,002,218	91.35%	1,047,120	1,010,056	96.46%	1,052,538
SERVICES AND PURCHASES	11,613,345	10,697,778	92.12%	11,081,235	10,664,017	96.23%	11,115,077
	69,367,145	62,691,098	90.38%	67,359,610	61,250,068	90.93%	66,667,402
EQUIPMENT & MAINTENANCE	4,680,450	4,898,242	104.65%	4,498,410	5,581,633	124.08%	6,071,498
TRANSFERS AND DEBT SERVICE	3,950,000	3,554,068	89.98%	3,950,000	3,580,911	90.66%	3,971,238
RESERVE	697,560	-	0.00%	500,000	-	0.00%	-
TOTAL OPERATING EXPEND	78,695,155	71,143,408	90.40%	76,308,020	70,412,611	92.27%	76,710,139
OPERATING SURPLUS (DEFICIT)	-	6,615,744		-	6,011,921		47,660

Endowment and Investments

The PLU endowment is a permanent fund from which income may be spent at a rate established by the Board. Currently, the annual payment is 5% of a three-year average market value of the principal, on a unit value basis. The average computation is to include the November 30 quarter end preceding the beginning of the fiscal year. The endowment reached $83.8 million as of March 31, 2014. As of May 31, 2009, it stood at $62.1 million, down from a previous high of $75 million. It had rebounded to $79.6 million by the end of FY13. Most of the rebound was due to the market recovery, although many moderately sized gifts were made during that period. PLU maintained a consistent 5% return to operating income during the downturn, providing budget stability for programs that depend on the endowment. Annual endowment reports are available on the PLU Finance and Operations website.

About 90.8% of the annual University budget is funded by tuition fees. Gifts to the University, including annual contributions and endowment income, fund an additional 4.4% of the total annual university budget.

The income from the endowment provides the University with greater financial stability and allows the university to implement its long-range plans.

Due to the perpetual nature of the endowment, investments are made with the intention of holding them long-term. While many of the investments are liquid and can be sold at any time, others have an investment horizon as long as ten years. Real estate included in the portfolio may be held even longer.

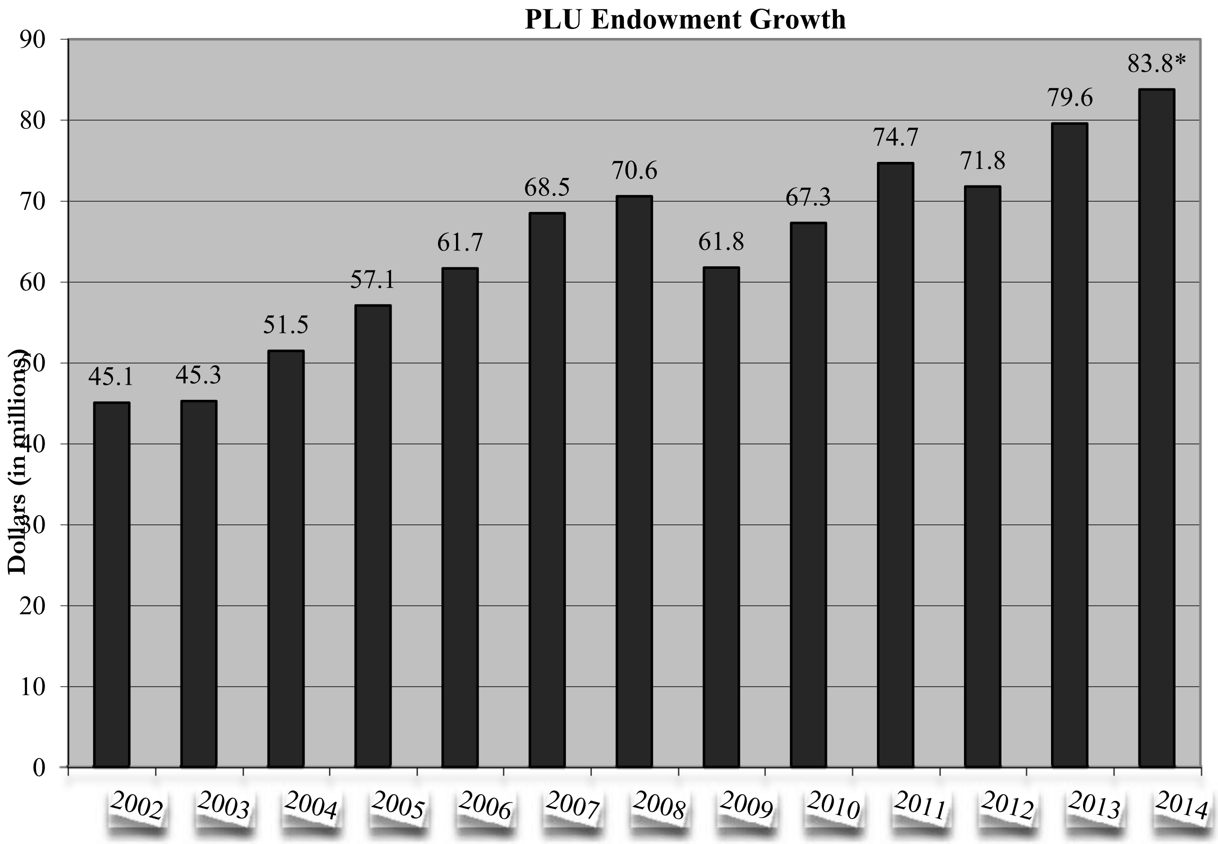
The PLU endowment is invested in highly diversified asset classes, providing stability in principal. This stability has allowed the University to continue to provide a five percent payout each year even during the volatile market of the early 2000s. Beyond maintaining the endowment value, continual growth has been realized due to careful management.

The University and its managers have selected an investment strategy that strives to create an aggressive endowment growth to provide continual funds for a variety of university programs. This growth is not only supported by market expansion but also through gifts to its endowment. The Board of Regents Investment Committee voted to adjust the target allocations at their May 3, 2014, meeting. The following table shows the endowment asset allocation targets as of May 31, 2013, and the current asset allocation targets.

PLU Endowment Asset Allocation Targets

	Target	
Asset Class	5/31/2013	5/3/2014
Equities	50%	60%
Fixed Income/Cash	10%	10%
Real Assets	20%	15%
Multi-Strategy	20%	15%
Total	100%	100%

The following table shows endowment growth over the last 13 years.



**The 2014 value is the value of the endowment as of March 2014.*

The following table lists cost and market value of the University's endowment investments at the end of Fiscal Year 2013 and as of March 31, 2014.

Endowment Investments

	Fair Value 5/31/2013	Fair Value 3/31/2014
Cash and short term investments	$4,191,071	$3,649,142
Commodity mutual funds	4,803,852	4,647,744
Domestic equity mutual funds	6,301,432	10,255,377
Fixed income mutual funds	6,012,881	6,586,112
International equity mutual funds	20,738,235	23,025,303
Alternative investments		
Hedge funds	11,353,379	8,675,926
Funds of hedge funds	4,321,997	4,748,654
Real estate	7,172,787	7,485,354
Real estate contracts	513,212	513,212
Private equity funds	3,129,757	2,796,477
	68,538,603	72,383,301
Perpetual trusts held by others	9,593,347	9,912,476
Life insurance	1,453,757	1,453,757
Total:	$79,585,707	$83,749,534

Capital Plans

The University fundraising campaign, *Engage the World: The Campaign for PLU*, was successfully completed in 2012 with the University receiving pledges, deferred gifts and contributions totaling approximately $122 million. It raised $42.5 million in deferred gifts, $10.3 million in endowment for academics and mission, and $13.6 million in endowment for student scholarships. Capital project support totaled $31.8 million for the renovation of academics and athletics, recreation and wellness facilities. Annual operating support and special projects rounded out the campaign at $23.6 million.

The University is in the preliminary phase of evaluating a new multi-stage comprehensive campaign, which is anticipated to begin in fiscal year 2015.

Risk Management

The University maintains a full program of commercial insurance, including but not limited to property, general liability and automobile, and various policies covering academic, athletic and intramural programs. The major policies are purchased through Educational & Institutional Insurance Administrators, Inc. (EIIA), a consortium of 130 private colleges and universities located throughout the country. Deductibles are $25,000 for property, $0 for liability and $500 per occurrence for automobile. The University maintains a fund to cover loss deductibles. The University has Educator's Legal Liability (ELL) coverage from Chubb Insurance Group. ELL provides coverage for potential claims inherent to higher education institutions such as, wrongful acts, errors and omissions; employment practices, and fiduciary liability. The University administration is engaged in evaluating and mitigating enterprise risks.

Retirement Plans

The University has contributory defined contribution retirement plans (403(b)) for academic and nonacademic personnel. Individual contributions are based on a percentage of compensation. The University pays the cost of the retirement plans on a current basis. The contributions amounted to approximately $3,568,000 and $3,444,000 for the years ended May 31, 2013 and 2012 respectively. The University completes a plan audit each year.

Outstanding Indebtedness

The following table sets forth the estimated total outstanding long term indebtedness after the issuance of the Series 2014 Bonds.

Total Anticipated Outstanding Indebtedness as of July 31, 2014

Indebtedness	Final Maturity	Interest Rate	Principal Outstanding ($000's)
Washington Higher Education Facilities Authority Revenue and Refunding Revenue Bonds (Pacific Lutheran University), Series 2006 (the "2006 Bonds")	11/1/2036	Fixed	$54,495
Washington Higher Education Facilities Authority Revenue Bonds (Pacific Lutheran University), Series 2014 (the "Bonds")	11/1/2044	Fixed	$10,000

The 2006 Bonds were issued by the Washington Higher Education Facilities Authority ("WHEFA" or the "Authority"). The 2006 Bonds are fixed rate bonds which were issued for the purpose of refunding certain bonds of the Authority previously issued in 1996 and 1999 for the benefit of the University, and for the purpose of financing the cost of construction for various improvement projects of the University. The 2006 Bonds have an initial optional redemption date of November 1, 2016 and a final maturity date of November 1, 2036.

Coverage Ratios

	Historic			Pro Forma
	2011	2012	2013	2013
Adjusted Unrestricted Revenues				
Total Revenues, Gains and Other Support (Unrestricted)	$110,983,552	$94,220,579	$102,740,284	$102,740,284
- (Unrestricted) Endowment income and gains (losses)	(2,007,879)	2,112,717	(2,533,909)	(2,533,909)
5% of the three-year average of Endowment Investments	3,500,591	3,473,426	3,588,454	3,588,454
	112,476,264	99,806,722	103,794,829	103,794,829
Adjusted Unrestricted Expenses	(96,795,892)	(100,207,098)	(101,690,740)	(101,690,740)
Depreciation	4,503,664	4,415,764	4,427,265	4,427,265
Interest	2,731,192	2,674,107	2,614,046	2,614,046
Accretion	44,189	46,393	41,616	41,616
Amortization	137,439	137,439	137,439	137,439
	(89,379,408)	(92,933,395)	(94,470,374)	(94,470,374)
Net Adjusted Revenues Available for Debt Service	23,096,856	6,873,327	9,324,455	9,324,455
Maximum Annual Debt Service	3,816,088	3,816,088	3,816,088	4,304,838
Coverage Ratio (x)	**6.05**	**1.80**	**2.44**	**2.17**

Employee Relations

The University offers a full range of employee relations and employee benefits programs, for the purpose of creating and maintaining human resources strategies that are competitive with other significant employers in its industry and market area, maintaining salary and benefit costs within budgeted and projected limits and upgrading the skills and qualifications of its work force.

Employee benefit programs include medical and dental coverage, life and long term disability insurance, a retirement plan, tuition remission/assistance benefits for employees and dependents, support for professional development through on- and off-campus sources, and free or discounted access to athletic and cultural events.

The 18 on-air employees of the University's radio station are represented by the American Federation of Television and Radio Artists-Screen Actors Guild ("SAG-AFTRA") for collective bargaining. The term of the collective bargaining agreement extends through May 31, 2014. There is a history of good labor/management relations between the University and SAG-AFTRA. Additionally, Service Employees International Union Local 925 has filed a petition with the National Labor Relations Board ("NLRB") seeking to represent certain "contingent" faculty members at PLU. The NLRB has accepted review of two legal issues relating to that petition and such review is pending before the full NLRB.

Litigation

There is no litigation now pending, or, to the knowledge of the University, threatened, which restrains or enjoins the issuance or delivery of the Bonds or the use of the proceeds of the Bonds or which questions the validity of the Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization, or existence of the University, nor the title of the present officers of the University to their respective offices, is being contested or questioned.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY

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PACIFIC LUTHERAN UNIVERSITY

Tacoma, Washington

FINANCIAL STATEMENTS
Including Independent Auditors' Report

As of and for the Years Ended May 31, 2013 and 2012

PACIFIC LUTHERAN UNIVERSITY

TABLE OF CONTENTS

BAKER TILLY
VIRCHOW KRAUSE, LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Regents
Pacific Lutheran University
Tacoma, Washington

We have audited the accompanying financial statements of Pacific Lutheran University (the "University"), which comprise the statements of financial position as of May 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
September 26, 2013

PACIFIC LUTHERAN UNIVERSITY

STATEMENTS OF FINANCIAL POSITION
As of May 31, 2013 and 2012

ASSETS

	2013	2012
Cash and cash equivalents	$ 11,785,020	$ 17,230,664
Student receivables, net of allowance for doubtful accounts of $417,600 and $419,800	1,213,791	1,186,441
Other receivables	1,524,000	1,073,068
Estate gift receivable	450,000	3,500,000
Real estate contracts receivable	146,051	175,551
Grants receivable	687,206	665,759
Contributions receivable, net	2,109,579	2,982,528
Inventories	875,750	826,605
Prepaid expenses and deposits	1,090,004	960,546
Real estate	2,005,020	2,902,920
Student loans receivables, net	7,422,861	7,542,098
Investments	12,099,247	11,227,605
Endowment investments	76,370,227	68,925,200
Deposits held by trustee		
Government obligations	4,769,609	4,739,300
Bond acquisition costs	1,310,771	1,365,387
Construction in progress	16,896,145	10,881,009
Property, plant and equipment, net	103,621,433	103,282,462
TOTAL ASSETS	$ 244,376,714	$ 239,467,143

LIABILITIES AND NET ASSETS

	2013	2012
LIABILITIES		
Accounts payable	$ 3,565,138	$ 2,322,210
Accrued liabilities	7,798,529	7,146,898
Student deposits	1,722,964	1,774,249
Asset retirement obligation	873,925	974,302
Long-term debt	55,854,612	57,072,107
Unamortized premium on long-term debt	957,753	997,659
Annuities payable	6,648,126	6,192,641
Deposits held in custody for others	1,153,418	1,224,339
Government grants refundable	7,430,820	7,528,484
Total Liabilities	86,005,285	85,232,889
NET ASSETS		
Unrestricted	61,572,824	60,523,280
Temporarily restricted	21,582,023	22,552,802
Permanently restricted	75,216,582	71,158,172
Total Net Assets	158,371,429	154,234,254
TOTAL LIABILITIES AND NET ASSETS	$ 244,376,714	$ 239,467,143

See accompanying notes to financial statements.

PACIFIC LUTHERAN UNIVERSITY

STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2013
With Comparative Totals for 2012

	2013				2012
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUES, GAINS AND OTHER SUPPORT					
Tuition and fees	$ 107,806,144			$ 107,806,144	$ 102,408,334
Less: Scholarships and grants	(43,989,955)			(43,989,955)	(41,391,396)
Net tuition and fees	63,816,189			63,816,189	61,016,938
Government grants	2,193,127			2,193,127	2,305,315
Private gifts	1,957,723	$ 7,968,196	$ 2,590,468	12,516,387	14,263,895
Endowment income and gains (losses)	2,533,909	5,297,391	31,334	7,862,634	(2,090,484)
Gains (losses) in perpetual trusts			761,838	761,838	(955,309)
Other investment income (losses)	(30,784)			(30,784)	80,828
Sales and services of educational activities	131,864			131,864	142,706
Other sources	453,668			453,668	669,702
Sales and services of auxiliary enterprises	17,615,009			17,615,009	17,712,235
	88,670,705	13,265,587	3,383,640	105,319,932	93,145,826
Reclassification of net assets	(15,370)	(113,143)	128,513		
Net assets released from restrictions	14,084,949	(14,084,949)			
Total Revenues, Gains and Other Support	102,740,284	(932,505)	3,512,153	105,319,932	93,145,826
EXPENSES AND LOSSES					
Program expenses					
Instruction	41,413,178			41,413,178	40,301,960
Research	454,647			454,647	433,087
Public service	6,642,208			6,642,208	7,058,614
Academic support	6,088,339			6,088,339	5,878,958
Student services	12,110,651			12,110,651	11,226,259
Auxiliary enterprises	16,866,764			16,866,764	16,739,816
Support expenses					
Institutional support	18,603,144			18,603,144	18,673,740
Allocable expenses					
Operation and maintenance of plant	10,293,943			10,293,943	9,897,618
Interest expense	2,614,046			2,614,046	2,674,107
Depreciation expense	4,427,265			4,427,265	4,415,764
Amortization expense	137,439			137,439	137,439
Accretion expense	41,616			41,616	46,393
Less: Allocated expenses	(17,514,309)			(17,514,309)	(17,171,321)
Adjustment of actuarial liability for annuities payable	(493,278)	(14,326)	(572,653)	(1,080,257)	264,738
Loss on contributions receivable	5,087	52,600	26,396	84,083	79,097
Total Expenses and Losses	101,690,740	38,274	(546,257)	101,182,757	100,656,269
Change in Net Assets	1,049,544	(970,779)	4,058,410	4,137,175	(7,510,443)
NET ASSETS - Beginning of Year	60,523,280	22,552,802	71,158,172	154,234,254	161,744,697
NET ASSETS - END OF YEAR	$ 61,572,824	$ 21,582,023	$ 75,216,582	$ 158,371,429	$ 154,234,254

See accompanying notes to financial statements.

PACIFIC LUTHERAN UNIVERSITY

STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Tuition and fees	$ 102,408,334			$ 102,408,334
Less: Scholarships and grants	(41,391,396)			(41,391,396)
Net tuition and fees	61,016,938			61,016,938
Government grants	2,305,315			2,305,315
Private gifts	2,981,836	$ 9,548,300	$ 1,733,759	14,263,895
Endowment income and gains (losses)	(2,112,717)	5,430	16,803	(2,090,484)
Losses in perpetual trusts			(955,309)	(955,309)
Other investment income	80,828			80,828
Sales and services of educational activities	142,706			142,706
Other sources	669,702			669,702
Sales and services of auxiliary enterprises	17,712,235			17,712,235
	82,796,843	9,553,730	795,253	93,145,826
Reclassification of net assets	(5,554)	(113,938)	119,492	
Net assets released from restrictions	11,429,290	(11,429,290)		
Total Revenues, Gains and Other Support	94,220,579	(1,989,498)	914,745	93,145,826
EXPENSES AND LOSSES				
Program expenses				
Instruction	40,301,960			40,301,960
Research	433,087			433,087
Public service	7,058,614			7,058,614
Academic support	5,878,958			5,878,958
Student services	11,226,259			11,226,259
Auxiliary enterprises	16,739,816			16,739,816
Support expenses				
Institutional support	18,673,740			18,673,740
Allocable expenses				
Operation and maintenance of plant	9,897,618			9,897,618
Interest expense	2,674,107			2,674,107
Depreciation expense	4,415,764			4,415,764
Amortization expense	137,439			137,439
Accretion expense	46,393			46,393
Less: Allocated expenses	(17,171,321)			(17,171,321)
Adjustment of actuarial liability for annuities payable	(139,227)	5,978	397,987	264,738
Loss on contributions receivable	33,891	45,206		79,097
Total Expenses and Losses	100,207,098	51,184	397,987	100,656,269
Change in Net Assets	(5,986,519)	(2,040,682)	516,758	(7,510,443)
NET ASSETS - Beginning of Year	66,509,799	24,593,484	70,641,414	161,744,697
NET ASSETS - END OF YEAR	$ 60,523,280	$ 22,552,802	$ 71,158,172	$ 154,234,254

See accompanying notes to financial statements.

PACIFIC LUTHERAN UNIVERSITY

STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 4,137,175	$ (7,510,443)
Adjustments to reconcile change in net assets to net cash		
flows from operating activities		
Depreciation and amortization	4,564,704	4,553,203
Accretion	41,616	46,396
Change in gifts of investments	4,579	65,679
(Gains) losses on endowment investments and perpetual trusts	(7,750,874)	3,837,198
Gains on investments	(1,366,631)	(15,676)
Actuarial adjustment on annuities payable	673,207	49,383
Loan cancellations, assignments and write-offs	114,548	134,689
Loss on default of real estate contract		108,266
Losses on contributions receivable	84,082	79,097
Loss on sale of real estate	162,674	91,215
Increase (decrease) in allowance on student receivables	(2,200)	32,200
Decrease in allowance on student notes	(6,000)	(1,500)
Change in assets and liabilities		
Student receivables	(25,150)	130,246
Other receivables	(450,932)	(476,753)
Estate gift receivable	3,050,000	6,000,000
Grants receivable	(21,447)	(21,350)
Contributions receivable for operations	374,323	488,171
Inventories, prepaid expense and deposits	(178,603)	270,999
Accounts payable and accrued liabilities	(117,930)	687,771
Student deposits	(51,285)	(287,197)
Deposits held in custody for others	(70,921)	(55,699)
Change in cash surrender value of life insurance held as endowment investment	(57,159)	(74,048)
Contributions restricted for long-term investment, loans and plant	(2,684,079)	(3,992,152)
Contributions under split-interest agreements	(459,507)	(1,867)
Interest and dividends restricted for reinvestment	(31,334)	(16,803)
Net Cash Flows From Operating Activities	(67,144)	4,121,025
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of endowment investments	(18,707,179)	(9,123,786)
Sales of endowment investments	19,070,185	6,447,257
Purchases of investments	(1,924,866)	(18,257,681)
Sales of investments	2,003,881	18,853,149
Proceeds from partial redemption of life insurance policy	411,395	
Proceeds from sale of real estate	735,226	319,121
Additions to deposits held by trustee, net	(30,309)	(30,396)
Purchases of property, plant and equipment	(8,891,612)	(5,918,881)
Reductions of asset retirement obligation	(141,993)	
Repayments of real estate contract receivables	29,500	32,016
Disbursements of loans to students	(1,218,873)	(1,303,400)
Repayments of loans from students	1,229,562	1,215,079
Net Cash Flows From Investing Activities	(7,435,083)	(7,767,522)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of principal on indebtedness	(1,217,495)	(1,156,424)
Contributions received restricted for long-term investment, loans and plant	3,098,623	5,054,482
Proceeds from issuance of split-interest agreements	1,059,560	10,000
Receipts of interest and dividends restricted for reinvestment	31,334	16,803
Payments to annuitants	(817,775)	(793,810)
Decrease in government grants refundable	(97,664)	(40,214)
Net Cash Flows From Financing Activities	2,056,583	3,090,837
Net Change in Cash and Cash Equivalents	(5,445,644)	(555,660)
CASH AND CASH EQUIVALENTS - Beginning of year	17,230,664	17,786,324
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 11,785,020	$ 17,230,664
Supplemental disclosure of cash flow statement		
Interest paid	$ 2,618,942	$ 2,678,764
Noncash investing and financing activities		
Property, plant and equipment acquired through accounts payable	2,570,134	557,645

See accompanying notes to financial statements.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization - Pacific Lutheran University (the "University") is a private non-profit institution that offers a full range of liberal arts academic programs to undergraduate and graduate students. Affiliated with the Evangelical Lutheran Church in America, the University enrolls approximately 3,500 students. The University confers degrees and majors at the undergraduate level that include, but are not limited to, various majors of Bachelor of Arts, Bachelor of Science and Bachelor of Music. At the Graduate level, the University confers degrees of Masters of Art in Education, Business Administration, Nursing and Fine Art.

Basis of Financial Statements - The accounting policies of the University reflect practices common to universities and colleges and conform to accounting principles generally accepted in the United States of America. The more significant accounting policies are summarized below:

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.

Releases from 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 and the law allows the release of the restriction) are reported on the statement of activities as net assets released from restrictions. Occasionally donor restrictions related to net assets may be clarified or changed, at which time they are reflected as reclassification of prior year net assets on the statement of activities.

Revenue Recognition - The timing and classification of revenue are summarized below:

Tuition and Fees and Auxiliary Revenue - Revenues from tuition and auxiliary enterprises are recognized in the period the services or goods are provided as increases in unrestricted net assets. 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.

Other Revenue and Expenses - 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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contribution Revenue - 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.

Investment Gains and Losses - In the absence of donor stipulations or law to the contrary, gains or losses on the investments of donor-restricted endowment funds adjust temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the funds have not been met before the change occurs. If losses reduce the assets of a donor-restricted endowment funds below the level required by the donor stipulations or law, gains that restore the fair value of the assets of the endowment funds to the required level are classified as increases in unrestricted net assets.

Gains and losses on investments of endowment funds created by a board designation of unrestricted funds are classified as changes in unrestricted net assets. Any other adjustments not subject to donor stipulations or law affect unrestricted net assets.

Cash and Cash Equivalents - The University considers all highly liquid investments, except for those held for long-term investment, with a maturity of three months or less when purchased to be cash equivalents. Certain cash held by the University is restricted for the Federal Perkins and Nursing Loan Funds.

Student Accounts Receivable - Student accounts receivable are carried at the unpaid balance of the original amount billed to students less an estimate made for doubtful accounts which is based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Student accounts are written off when deemed uncollectible. Recoveries of student accounts previously written off are recorded when received. Receivables are generally unsecured. Past due balances are subject to a 1.5% monthly interest charge.

Estate Gift Receivable - During the year ended May 31, 2011, the University received a gift of several properties and other assets from an estate. The amount recorded as estate gift receivable represents the non-liquidated portion of the estate as of May 31, 2013 and 2012, which was valued at the estimated fair value of assets at the date of the gift based on market appraisals, signed purchase agreements or other reliable expedients.

Inventories - Bookstore inventories are valued at a percentage of retail value, which approximates cost and is not in excess of market. All other inventories are valued at the lower of cost or market, determined on a first-in, first-out basis.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Real Estate - Real estate consist of various properties and land held for resale. Such items are acquired at the discretion of the University or as contributions from donors. They are disposed of when management and the governing board believe a fair market price is available.

Deposits Held By Trustee - Deposits held by trustee include amounts restricted for debt service as required by the trust indentures.

Bond Acquisition Costs - Costs of bond issuance are deferred and amortized over the term of the related indebtedness.

Physical Plant and Equipment - Physical plant assets are stated at cost at date of acquisition less accumulated depreciation. The University depreciates its assets on the straight-line basis over estimated useful lives as follows: buildings and building improvements, 10 to 50 years; improvements other than buildings, 10 years; automobiles, 5 years; library books, 15 years; equipment, 10 years; and leasehold improvements, 15 years. Normal repair and maintenance expenses are charged to operations as incurred. The University capitalizes physical plant additions in excess of $5,000.

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.

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 May 31, 2013 and 2012 are as follows:

	2013	2012
Balance, Beginning of the year	$ 974,302	$ 927,906
Abatements	(141,993)	
Accretion expense	41,616	46,396
Balance, End of the year	$ 873,925	$ 974,302

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Grants Refundable - Funds provided by the United States Government under the Federal Perkins and Nursing Loan Programs 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.

Retirement Plans - The University has certain contributory defined contribution retirement plans for academic and nonacademic personnel. Individual contributions are based on a percentage of compensation. The University pays the cost of the retirement plans currently. The contributions amounted to approximately $3,568,000 and $3,444,000 for the years ended May 31, 2013 and 2012, respectively.

Grants to Specified Students - Amounts received from state and federal agencies designated for the benefit of specified students are considered agency transactions and, therefore, are not reflected as revenues and expenses of the University.

Unemployment Compensation - The University has elected to pay unemployment compensation claims as they arise.

Income Tax Status - The Internal Revenue Service has determined that the University is 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.

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 May 31, 2013 and 2012. The University's tax returns are subject to review and examination by federal authorities. The tax returns for fiscal years 2010 and thereafter 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.

Fund-Raising and Advertising Expenses - Fund-raising expenses totaled $2,304,000 and $2,419,000 for the years ended May 31, 2013 and 2012, 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 2 - FAIR VALUE MEASUREMENTS

Financial Instruments - The carrying amounts of cash and cash equivalents, student and other receivables, prepaid expenses and deposits, accounts payable, student deposits and deposits held in custody for others approximate fair value because of the short term maturity of these financial instruments.

The fair value of contributions receivable (pledges) is based on a discounted cash flow methodology using discount rates consistent with the expected maturities of the pledges, adjusted for consideration of the donor's credit. The fair value of the contributions receivable approximates carrying value and would be considered Level 3 in the fair value hierarchy.

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 annuities payable related to split interest agreements is based on a discounted cash flow methodology using assumptions about estimated return on invested assets during the term of the agreement, the contractual payment obligations of the agreement, discount rates that are commensurate with the risks involved, and life expectancies published in the mortality tables. The fair value of the annuities payable approximates carrying value. The fair value for annuities payable related to gift annuities would be considered Level 2 in the fair value hierarchy. The fair value of annuities payable related to unitrusts would be considered Level 3 in the fair value hierarchy.

The approximate fair value of fixed rated debt was $61,244,000 and $64,600,000 as of May 31, 2013 and 2012, respectively. The estimated fair value for the fixed rate debt was estimated using the rates currently offered for comparable debt instruments with similar remaining maturities. Based on these inputs, the fair value of the fixed rate long-term debt would be classified as a Level 2 liability.

Real estate is recorded at cost except those items received as gifts, which are valued at fair market value at the date of the gift. The investments in the Garfield Commons LLC and Garfield North LLC are carried at cost.

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.

Fair Value Hierarchy - Fair value is defined in the accounting 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.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

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.

NOTE 2 - FAIR VALUE MEASUREMENTS (Continued)

Valuation Techniques and Inputs

Level 1 - Level 1 assets include:

> Investments in certain mutual funds (domestic equity funds, international equity funds, global fixed income funds and real estate funds), certain commodity funds and government obligations for which quoted prices are readily available.

Level 2 - Level 2 assets include:

> Short-term investments (consisting primarily of money market funds) for which quoted prices are not readily available. The fair values are estimated using Level 2 inputs 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.

> Investments in certain mutual funds (global fixed income funds, U.S. government bond funds, corporate bond funds and high yield bond funds) for which quoted prices are not readily available. The fair values are estimated using Level 2 inputs 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.

> Investments in certain commodity funds for which quoted prices are not readily available. The fair values are estimated using Level 2 inputs 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.

Level 3 - Level 3 assets include:

> Investments in hedge funds, private equity funds and funds of funds for which quoted prices are not readily available and the funds cannot be redeemed within a short time. The University has estimated the fair value of these funds by using the net asset value (“NAV”) provided by the investee as of December 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 May 31.

> Perpetual trusts held by others for which quoted prices are not readily available. The fair values are estimated using an income approach by calculating the present value of the future distributions expected to be received based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows).

There have been no changes in the techniques and inputs used at May 31, 2013 and 2012.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

NOTE 2 - FAIR VALUE MEASUREMENTS (Continued)

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 information about the University's assets measured at fair value on a recurring basis as of May 31, 2013 based upon the three-tier hierarchy:

	Total	Level 1	Level 2	Level 3
ASSETS				
Short term investments	$ 2,174,652		$ 2,174,652	
Mutual funds				
Domestic equity funds	9,983,914	$ 9,983,914		
International equity funds	22,675,407	22,675,407		
Global fixed income funds	6,768,244	6,012,881	755,363	
U.S. government bond funds	1,499,321		1,499,321	
Corporate bond funds	1,613,146		1,613,146	
High yield bond funds	270,959		270,959	
Real estate funds	1,476,775	1,476,775		
Alternative investments				
Hedge funds	11,353,379			$ 11,353,379
Private equity funds	3,129,757			3,129,757
Funds of hedge funds	4,321,997			4,321,997
Commodity funds	4,803,852	3,066,098	1,737,754	
Perpetual trusts held by others	9,593,347			9,593,347
Government obligations	4,769,609	4,769,609		
Total	$ 84,434,359	$ 47,984,684	$ 8,051,195	$ 28,398,480

NOTE 2 - FAIR VALUE MEASUREMENTS (Continued)

The following table presents information about the University's assets measured at fair value on a recurring basis as of May 31, 2012 based upon the three-tier hierarchy:

	Total	Level 1	Level 2	Level 3
ASSETS				
Short term investments	$ 3,910,729		$ 3,910,729	
Mutual funds				
Domestic equity funds	7,930,555	$ 7,930,555		
International equity funds	12,489,723	12,489,723		
Global fixed income funds	10,754,953	9,960,201	794,752	
U.S. government bond funds	1,429,436		1,429,436	
Corporate bond funds	1,706,005		1,706,005	
High yield bond funds	266,116		266,116	
Real estate funds	1,445,834	1,445,834		
Alternative investments				
Hedge funds	9,323,345			$ 9,323,345
Private equity funds	2,914,200			2,914,200
Funds of hedge funds	4,840,306			4,840,306
Commodity funds	5,230,681	3,471,340	1,759,341	
Perpetual trusts held by others	8,831,510			8,831,510
Government obligations	4,739,300	4,739,300		
Total	$ 75,812,693	$ 40,036,953	$ 9,866,379	$ 25,909,361

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the year ended May 31, 2013:

	Balance May 31, 2012	Net realized and unrealized gains	Purchases	Sales	Balance May 31, 2013
Assets					
Hedge funds	$ 9,323,345	$ 2,187,659	$ 3,207,078	$ (3,364,703)	$ 11,353,379
Private equity funds	2,914,200	396,319	164,998	(345,760)	3,129,757
Funds of hedge funds	4,840,306	337,417		(855,726)	4,321,997
Perpetual trusts held by others	8,831,510	761,837			9,593,347
Total	$ 25,909,361	$ 3,683,232	$ 3,372,076	$ (4,566,189)	$ 28,398,480

The amount of total gains for the period included in change in net assets attributable to the change in unrealized gains relating to assets measured at fair value still held at May 31, 2013	$ 2,618,879

NOTE 2 - FAIR VALUE MEASUREMENTS (Continued)

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the year ended May 31, 2012:

	Balance May 31, 2011	Net realized and unrealized gains (losses)	Purchases	Sales	Balance May 31, 2012
Assets					
Hedge funds	$ 12,173,418	$ (678,088)		$ (2,171,985)	$ 9,323,345
Private equity funds	2,530,665	230,716	$ 459,913	(307,094)	2,914,200
Funds of hedge funds	4,148,799	17,043	2,400,000	(1,725,536)	4,840,306
Perpetual trusts held by others	9,786,819	(955,309)			8,831,510
Total	$ 28,639,701	$ (1,385,638)	$ 2,859,913	$ (4,204,615)	$ 25,909,361

The amount of total gains or losses for the period included in change in net assets attributable to the change in unrealized gains or losses relating to assets measured at fair value still held at May 31, 2012	$ (231,524)

NOTE 2 - FAIR VALUE MEASUREMENTS (Continued)

The University uses the net asset value ("NAV") as a practical expedient to determine fair value of all underlying investments which (a) do not have a readily determinable fair value; and (b) are in investment companies or similar entities that report their investment assets at fair values.

The following table lists the alternative investments in which NAV was utilized as the practical expedient for estimating fair value by major category as of May 31, 2013:

	Hedge Funds	Private Equity Funds	Funds of Funds
Fair value, May 31, 2013	$11,353,379	$3,129,757	$4,321,997
Significant Investment Strategy	Long and short global equities, fixed income, and their derivatives	Venture and buyout investments in private companies globally	Long and short equities and their derivatives
Remaining Life	N.A.	1 to 12 years	N.A.
Dollar Amount of Unfunded Commitments	N.A.	$924,000	N.A.
Timing to Draw Down Commitments	N.A.	3 to 5 years	N.A.
Redemption Terms	Range from monthly to annual, on 60 to 90 days' notice	N.A.	Annual with 100 days' notice
Redemption Restrictions	Currently there are no lock-ups in effect. Upon full redemption, 90% - 95% is returned, with the remaining 5% -10% held back until the completion of the annual audit	N.A.	Upon full redemption, 90% is returned, with the remaining 10% held back until completion of the annual audit
Redemption Restrictions in Place at Year End	Two funds have yet to return holdback positions following nearly-complete redemptions	N.A.	None

NOTE 3 - RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Permanently restricted net assets consist of the following at May 31, 2013 and 2012:

	2013	2012
Endowment funds	$ 70,387,873	$ 67,091,602
Contributions receivable	250,913	390,925
Student loan funds	257,331	252,602
Annuity, life income and similar funds	4,320,465	3,423,043
	$ 75,216,582	$ 71,158,172

Temporarily restricted net assets consist of the following at May 31, 2013 and 2012:

Gifts and other unexpended revenues and gains available for:		
Scholarships, instruction and other departmental support - operating	$ 2,683,299	$ 2,850,090
Scholarships, instruction and other departmental support - endowment funds not yet appropriated for spending	6,256,854	3,978,303
Acquisition of buildings and equipment	10,764,931	13,147,770
	19,705,084	19,976,163
Contributions receivable for operations	187,322	531,642
Contributions receivable for acquisition of buildings and equipment	1,645,343	2,015,049
Annuity, life income and similar funds	44,274	29,948
	$ 21,582,023	$ 22,552,802

At May 31, 2013 and 2012, the University's unrestricted net assets were allocated as follows:

Operations	$ 3,189,449	$ 3,883,789
Endowment funds		
Donor restricted endowment funds (underwater)	(1,989,553)	(3,680,950)
Board designated endowment	4,930,532	4,413,621
Total Endowment	2,940,979	732,671
Annuity, life income and similar funds	646,143	1,173,147
Loans to students	824,743	838,043
Plant	53,971,510	53,895,630
	$ 61,572,824	$ 60,523,280

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 during the years ended May 31, 2013 and 2012 were as follows:

	2013	2012
Expended for plant facilities	$ 3,106,458	$ 6,749
Scholarships, instruction and other departmental support	10,978,491	11,422,541
	$ 14,084,949	$ 11,429,290

These assets were reclassified to unrestricted net assets.

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at May 31, 2013 and 2012 include the following unconditional promises to give:

	2013	2012
Unrestricted - completed construction projects	$ 77,255	$ 100,092
Temporarily restricted - operations	209,068	595,443
Temporarily restricted - plant projects	2,454,642	2,955,712
Permanently restricted - endowment	288,082	450,571
Gross unconditional promises to give	3,029,047	4,101,818
Less: Allowance for uncollectable promises	(234,398)	(331,392)
Less: Unamortized discount	(685,070)	(787,898)
Net Unconditional Promises to Give	$ 2,109,579	$ 2,982,528
Amounts due in:		
Less than one year	$ 839,283	
One to five years	1,061,252	
More than five years	1,128,512	
	$ 3,029,047	

Promises due in more than one year received on or before May 31, 2009 were discounted at an interest rate of 6%. Promises due in more than one year received after May 31, 2009 were discounted at interest rates that approximate the U.S. Daily Treasury Yield Curve at the date of the gift adjusted for a risk premium. The discount rates for these promises ranged from 1.57% to 2.34% at May 31, 2013 and 2012. Promises due in less than one year were not discounted.

NOTE 6 - ENDOWMENT INVESTMENTS

The University's endowment consists of 482 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 University's governing board has interpreted the State of Washington enacted version of 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 Regents. See Note 2 for further information on net asset classifications.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets 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 endowment funds:

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

Endowment net asset composition by type of fund consists of the following as of May 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (1,989,553)	$ 6,256,854	$ 70,387,873	$ 74,655,174
Board-designated endowment funds	4,930,532			4,930,532
Total endowment net assets	$ 2,940,979	$ 6,256,854	$ 70,387,873	$ 79,585,706

Endowment net asset composition by type of fund consists of the following as of May 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (3,680,950)	$ 3,978,303	$ 67,091,602	$ 67,388,955
Board-designated endowment funds	4,413,621			4,413,621
Total endowment net assets	$ 732,671	$ 3,978,303	$ 67,091,602	$ 71,802,576

NOTE 6 - ENDOWMENT INVESTMENTS (Continued)

Changes in endowment net assets for the year ended May 31, 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, May 31, 2012	$ 732,671	$ 3,978,303	$ 67,091,602	$ 71,802,576
Investment return:				
Investment income, net of fees of $356,502	574,838	282,925	31,326	889,089
Net appreciation, perpetual trusts - unrealized			761,838	761,838
Net appreciation - realized and unrealized	2,001,175	5,014,466		7,015,641
Total investment return	2,576,013	5,297,391	793,164	8,666,568
Contributions	150,050		2,334,576	2,484,626
Appropriation of endowment net assets for expenditure	(574,838)	(3,018,840)		(3,593,678)
Matured deferred gifts	7,083		167,956	175,039
Transfer from other funds	50,000		575	50,575
Endowment net assets, May 31, 2013	$ 2,940,979	$ 6,256,854	$ 70,387,873	$ 79,585,706

Changes in endowment net assets for the year ended May 31, 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, May 31, 2011	$ 1,767,297	$ 6,962,644	$ 65,923,611	$ 74,653,552
Investment return:				
Investment income, net of fees of $213,378	578,840	251,667	31,828	862,335
Net depreciation, perpetual trusts - unrealized			(955,309)	(955,309)
Net depreciation - realized and unrealized	(2,635,652)	(246,237)		(2,881,889)
Total investment return	(2,056,812)	5,430	(923,481)	(2,974,863)
Contributions	1,026	26,944	2,011,780	2,039,750
Appropriation of endowment net assets for expenditure	(578,840)	(3,016,715)		(3,595,555)
Transfer to loan fund			(4,884)	(4,884)
Transfers to endowment	1,600,000		84,576	1,684,576
Endowment net assets, May 31, 2012	$ 732,671	$ 3,978,303	$ 67,091,602	$ 71,802,576

NOTE 6 - ENDOWMENT INVESTMENTS (Continued)

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $1,989,553 and $3,680,950 as of May 31, 2013 and 2012, 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 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 an acceptable level of return while assuming a moderate level of investment risk. The University expects its endowment funds, over time, to provide an average annual rate of approximately 10%. 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 alternative 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 that limits the amount the endowment shall distribute annually to 5% of a three-year average market value of the principal, on a unit value basis. The average computation is to include the November 30 quarter end preceding the beginning of the fiscal year. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects to achieve a total return, over a three-year moving average basis, at least equal to the spending rate plus the rate of inflation as measured by the Consumer Price Index (CPI) for urban customers. 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.

NOTE 6 - ENDOWMENT INVESTMENTS (Continued)

The following summarizes the University's endowment investments, which are recorded at fair value unless otherwise noted, at May 31, 2013 and 2012:

	2013	2012
Cash and short term investments	$ 4,191,071	$ 6,173,821
Commodity funds	4,803,852	5,230,681
Domestic equity mutual funds	6,301,432	4,773,244
Fixed income mutual funds	6,012,881	9,960,202
International equity mutual funds	20,738,235	10,876,266
Alternative investments		
Hedge funds	11,353,379	9,323,345
Funds of hedge funds	4,321,997	4,840,306
Real estate (at cost)	7,172,787	6,943,160
Real estate contracts (at cost)	513,212	539,242
Private equity funds	3,129,757	2,914,200
	68,538,603	61,547,467
Perpetual trusts held by others	9,593,347	8,831,510
Life insurance (at cost)	1,453,757	1,396,599
	79,585,707	71,802,576
Less Interfund Amounts:		
Cash and short term investments (at cost)	(2,702,268)	(2,338,134)
Real estate contracts (at cost)	(513,212)	(539,242)
	$ 76,370,227	$ 68,925,200

Endowment investments include interfund amounts, which have been eliminated in the financial statements.

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 financial statements.

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

NOTE 7 - INVESTMENTS

The following summarizes the University's investments in funds other than endowment funds at May 31, 2013 and 2012:

	2013	2012
Cash and short term investments	$ 685,849	$ 238,061
Mutual funds		
Equity funds	5,619,654	4,770,767
Fixed income funds	4,138,789	4,196,309
Stocks (at cost)	3,192	7,771
Real estate funds	1,476,775	1,445,834
Other (at cost)	174,988	568,863
	$ 12,099,247	$ 11,227,605

NOTE 8 - CONSTRUCTION IN PROGRESS

At May 31, 2013, the following major building projects were in progress:

	Cost To Date	Funding Source
Karen Hille Phillips Center for the Performing Arts	$ 16,593,575	Private Grants
Campus Entrance	302,570	Private Grants
	$ 16,896,145	

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at May 31, 2013 and 2012:

	2013	2012
Land	$ 2,037,723	$ 2,037,723
Buildings and building improvements	133,652,263	133,652,263
Improvements other than buildings	8,722,013	5,104,025
Equipment and automobiles	34,221,463	33,444,692
Library books	12,449,286	12,506,788
Leasehold improvements	1,840,955	1,840,955
Non depreciated assets	1,235,950	1,235,950
	194,159,653	189,822,396
Less: Accumulated depreciation and amortization	(90,538,220)	(86,539,934)
	$ 103,621,433	$ 103,282,462

NOTE 10 - LONG-TERM DEBT

Long-term debt at May 31, 2013 and 2012 consisted of the following:

	2013	2012
Loan payable to Washington Higher Education Facilities Authority, Series 2006	$ 55,760,000	$ 56,965,000
Note payable to an individual	94,612	107,107
	$ 55,854,612	$ 57,072,107

In December 2006, the University entered into a loan and security agreement with the Washington Higher Education Facilities Authority for the Authority to sell Series 2006 Revenue and Refunding Bonds in the amount of $62,160,000. Interest is payable semi-annually on each November 1 and May 1 at rates ranging from 4.25% to 5.00%. Serial bonds are payable in amounts ranging from $1,265,000 to $2,300,000 on November 1, 2013 through November 1, 2025. Term bonds in the amounts of $16,085,000 and $17,080,000 are due November 1, 2031 and 2036, respectively. The term bonds are subject to annual sinking fund payments on November 1, in the years 2026 to 2036, in amounts varying from $2,400,000 to $3,730,000. The bonds were issued for the purposes of refinancing the series 1996 and series 1999 loans and for construction and plant improvement projects to the extent that proceeds were available. The University has pledged its unrestricted revenues to the repayment of its obligations under the loan agreement.

The loan agreements with the Washington Higher Education Facilities Authority require the University to comply with certain financial and other covenants, as amended in May 2012. As of May 31, 2013, the University is in compliance with these covenants.

The note payable to an individual, dated January 20, 1995, was issued to purchase land adjacent to the University and is secured by the land. The note bears interest at a rate of 9.0%, with monthly installments of $1,800, including interest, due through February 1, 2018.

The approximate principal and sinking fund payment requirements for all long-term debt for the five years subsequent to May 31, 2013 are:

Year Ended May 31	Principal
2014	$ 1,279,000
2015	1,345,000
2016	1,416,000
2017	1,488,000
2018	1,564,000

NOTE 11 - OPERATING LEASES

The University has an operating lease for equipment, which expires in June 2015. The University also has two building facility leases. One lease term expires in January 2022 with an option to renew for up to seven five-year lease terms. The other lease term expires in October 2017. Rental expense under these leases totaled $787,000 and $743,000, respectively, for the years ended May 31, 2013 and 2012.

KPLU-FM Pacific Lutheran University, a noncommercial radio station owned and operated by the University, has two operating leases for communications equipment and facilities through June 2020 and January 2021, respectively. Rental expense associated with these leases totaled $276,800 and $256,700 for the years ended May 31, 2013 and 2012, respectively.

Future minimum lease payments under operating leases as of May 31, 2013 are:

Year Ended May 31	Amount
2014	$ 777,750
2015	780,750
2016	575,250
2017	588,150
2018	607,950

NOTE 12 - DEFERRED GIFT AGREEMENTS

The University has arrangements with donors classified as charitable lead trusts, charitable remainder trusts and charitable gift annuities. In general, under these arrangements the University receives a gift from a donor in which it has a remainder interest and agrees to pay the donor stipulated amounts over the life of the donor. The arrangement may cover one or more lives. The University invests and administers the related assets and makes distributions to the beneficiaries as required. When the agreement reaches the end of its term, remaining assets are retained by the University as unrestricted, temporarily restricted or permanently restricted net assets, or in some instances, distributed to third-party beneficiaries.

When a gift is received under one of these arrangements, it is split into the amount representing the actuarial present value of future distributions back to the donor and the remaining gift value to be retained for the benefit of the University or third-party beneficiaries. The actuarial liability is adjusted annually using actuarial tables appropriate for the type of arrangement, number of lives covered and age of the donor. The University used interest rates ranging from of 1.2% to 11.6% in making the calculations at May 31, 2013 and 2012.

The University received $459,507 and $1,867 of gift value relating to deferred gift agreements for the years ended May 31, 2013 and 2012, respectively. Total assets held by the University under deferred gift agreements totaled $12,280,118 and $11,538,522 at May 31, 2013 and 2012, respectively. The University maintains separate reserve funds adequate to meet future payments under its charitable gift annuity contracts as required by governing states' law. The total amount held in separate reserve funds was $2,901,474 and $3,230,546, respectively, as of May 31, 2013 and 2012.

NOTE 13 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the University to concentrations of credit risk consist principally of cash, investments, accounts receivable, notes receivable, real estate contracts receivable and other receivables. 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. Investments are generally placed in a variety of managed funds administered by different investment managers in order to limit credit risk. Concentrations of credit risk with respect to the real estate contracts receivable are limited due to the University holding a secured position in these agreements. Student notes and receivables and other 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 14 - RELATED PARTY TRANSACTIONS

Garfield Commons, LLC - The University entered into an agreement, effective April 20, 2006, to form Garfield Commons LLC, a commercial retail project located in Parkland two blocks from the University's main entrance. The University has a 49% ownership interest in Garfield Commons, and applies the equity method of accounting for its investment. The other investee, Lorig/Garfield Commons, LLC, a Washington limited liability company, has a 51% ownership in the partnership. The property upon which the commercial building was constructed constituted the University's capital contribution in Garfield Commons. As part of the agreement, the University's bookstore became a tenant of the building in the summer of 2007. Terms of a separate lease agreement between the University, as a lessee and Garfield Commons, as the lessor, commenced at that time (see Note 11).

Garfield North, LLC - The University entered into an operating agreement with Garfield Partners, LLC ("GP"), a Washington limited liability company, effective October 17, 2011, to form Garfield North, LLC, a retail, commercial and residential project located in Parkland two blocks from the University's main entrance (Garfield Station). The original agreement was amended on April 5, 2012 and July 18, 2013. As provided for in the operating agreement, as amended, the parties agreed to make specified capital contributions to Garfield North on or before July 26, 2013. In April 2012, the agreed upon value of the property to be contributed by the University was determined to be $1,080,000 and the agreed upon value for the property to be contributed by GP was determined to be $1,023,000.

The University will contribute an additional $500,000 in cash as part of its capital contributions and GP will contribute at least an additional $4,220,000 in cash as part of its capital contributions.

Following its capital contributions to Garfield North, the University will have a 22% ownership interest, and will apply the equity method of accounting for its investment. GP will have a 78% ownership. A spouse of a member of the University's Board of Regents (the "related party") is a partner in GP. In addition, five members of the University's Board of Regents are personally invested in GP.

Under the terms of the agreement, as amended, the University provided financing to Garfield North in the form of a loan in the amount of $1,000,000. Interest is at 3%. Principal payments of $150,000 shall be made annually until the loan is paid in full, unless sufficient funds are not available to pay the full $150,000, in which case the balance shall be added to the amount to be paid in the next year. The loan will be jointly and severally guaranteed by GP, the related party and another entity in an amount equal to their 78% of the loan. In addition, the related party's construction company is specified in the partnership agreement to act as the general contractor on a construction contract that is yet to be signed.

NOTE 14 - RELATED PARTY TRANSACTIONS (Continued)

The University has contracts totaling approximately $12,882,000 with a construction company owned by the spouse of a member of the Board of Regents to renovate Eastvold (which has been renamed the Karen Hille Phillips Center for the Performing Arts). The contracts were approved in accordance with the Board of Regents' conflict of interest policy. At May 31, 2013, the University owed $2,541,000 on the contracts, which was included in accounts payable on the statements of financial position.

Contributions receivable from non-compensated board members at May 31, 2013 and 2012 were $185,810 and $443,108, respectively. Gifts from non-compensated board members totaled $1,219,492 and $239,330 at May 31, 2013 and 2012, respectively.

NOTE 15 - 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 both May 31, 2013 and 2012, student loans represented approximately 3% of total assets.

At May 31, 2013 and 2012, student loans consisted of the following:

	2013	2012
Federal government programs	$ 7,813,861	$ 7,939,098
Less allowance for doubtful accounts:		
Beginning of year	397,000	398,500
Increase	6,000	1,500
End of year	391,000	397,000
Student loans receivable, net	$ 7,422,861	$ 7,542,098

Funds advanced by the Federal government of $7,430,278 and $7,453,618 at May 31, 2013 and 2012, 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 and Nursing Loan Program receivables may be assigned to the U.S. Department of Education and U.S. Department of Health and Human Services, respectively. 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 and U.S. Department of Health and Human Services.

NOTE 15 - STUDENT LOANS RECEIVABLE (Continued)

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

	Amounts Past Due			
	60-89 days	90-119 days	120+ days	Total
May 31,				
2013	$ 4,366	$ 4,841	$ 1,032,487	$ 1,041,694
2012	4,162	7,005	1,045,626	1,056,793

NOTE 16 - SUBSEQUENT EVENTS

The University has evaluated subsequent events through September 26, 2013, which is the date that the financial statements were issued.

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 law in effect on the date of issuance or thereafter.

"Adjusted Expenses" means, for any period, all operating and nonoperating expenses of the University as shown on its financial statements for such period.

"Adjusted Unrestricted Expenses" means, for any period, total unrestricted expenses of the University, adjusted by subtracting (i) interest expense, (ii) depreciation expense, (iii) amortization expense, and (iv) accretion expense all shown on its financial statements for such period.

"Adjusted Unrestricted Revenues" means, for any period, total unrestricted revenues, gains and other support of the University as shown on its financial statements for such period, adjusted by subtracting unrestricted endowment income and gains (a reduction in the case of income and gains, and an addition in the case of a loss) and adding five percent of the average endowment investment balance for the three most recently completed Fiscal Years for which annual financial statements are available.

"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.

"Balloon Indebtedness" means Long Term Debt, 25% or more of the principal of which (calculated as of the date of issuance) becomes due during any period of 12 consecutive months if such maturing principal amount is not required to be amortized below such percentage by mandatory redemption prior to such 12-month period.

"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 (Pacific Lutheran University Project), Series 2014.

"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.

"*Continuing Disclosure Agreement*" means the Continuing Disclosure Agreement between the University and U.S. Bank National Association, as dissemination agent, dated as of July 1, 2014, as such agreement may be amended from time to time.

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

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

"Coverage Ratio" means Net Adjusted Revenues Available for Debt Service for such period divided by Maximum Annual Debt Service.

"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.

"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.

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

"Determination of Taxability" means written notice to the Trustee of (i) failure to make any amendment to the Indenture, the Loan Agreement or the Tax Certificates that, in the written opinion of Bond Counsel, is necessary

to preserve the exclusion for purposes of federal income taxation from gross income of interest on the Bonds, or (ii) a final judgment or order of a court of competent jurisdiction, or a final ruling or decision of the Internal Revenue Service, in either case to the effect that the interest on the Bonds is includable for federal income tax purposes in the gross incomes of the recipients thereof, or (iii) the enactment of Federal legislation that, in the written opinion of Bond Counsel, would cause the interest on the Bonds to be includable for federal income tax purposes in the gross incomes of the recipients thereof. A judgment or order of a court of competent jurisdiction or a ruling or decision of the Internal Revenue Service shall be considered final only if no appeal or action for judicial review has been filed (and is pending) and the time for filing such appeal or action has expired.

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

"*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.

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

"Guaranty" means all obligations of the University resulting from any guarantee of any Indebtedness of any primary obligor (including an affiliate of the University) in any manner, whether directly or indirectly, including, but not limited to, obligations incurred through an agreement, contingent or otherwise, by such Person (a) to purchase such Indebtedness or any property constituting security therefor; (b) to advance or supply funds (1) for the purchase or payment of such Indebtedness, (2) to maintain working capital or other balance sheet condition, or (3) to otherwise advance or make available funds for the purchase or payment of such Indebtedness; (c) to purchase securities or other Property or services primarily for the purpose of assuring the owner of such Indebtedness of the ability of the primary obligor to make payment of the Indebtedness; or (d) otherwise to insure the owner of the Indebtedness against loss in respect therefor.

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

"Indebtedness" means any obligation of the University for the payment of money to any other 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 acquisition 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.

"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.

"Independent Consultant" means a firm (but not an individual) which (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in the University or any affiliate of the University, (3) is not connection with the University or any affiliate of the University as an officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions, (4) is qualified to pass upon questions relating to the financial affairs of organizations similar to the University or facilities of the type or types operated by the University and having the skill and experience necessary to render the particular opinion or report required by the provision of the Indenture or Loan Agreement in which such requirement appears.

"Intercreditor Agreement" means the Intercreditor Agreement dated as of July 1, 2014, as such agreement may be amended from time to time.

"Interest Payment Date" means (a) May 1 and November 1 of each year, commencing November 1, 2014, 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) Authority and University 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.

"Loan" means the loan by the Authority to the University pursuant to the Loan Agreement to provide permanent financing for the Project.

"Loan Agreement" means the Loan Agreement among the Authority, the Trustee and the University dated as of July 1, 2014, as it may be supplemented or amended from time to time.

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

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

"Maximum Annual Debt Service" means the highest total Debt Service due on Long Term Debt in which then-current or any future Fiscal Year. Balloon Indebtedness shall be treated as Long Term Debt with level annual debt service payments over a period equal to the life of such Balloon Indebtedness calculated from the original date of the delivery of such Balloon Indebtedness.

"Moody's" means Moody's Investors Service, Inc., and its successors and assigns.

"Net Adjusted Revenues Available for Debt Service" means the excess of Adjusted Unrestricted Revenues for such period less Adjusted Unrestricted Expenses.

"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.

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

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

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

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

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

(3) Federal Financing Bank

(4) Federal Housing Administration Debentures (FHA)

(5) General Services Administration
Participation certificates

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

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

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

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

(1) Federal Home Loan Bank System
Senior debt obligations

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

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

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

(5) Resolution Funding Corp. (REFCORP) obligations

(6) Farm Credit System
Consolidated systemwide bonds and notes

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

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

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

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

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

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

(j) Repurchase agreements for 30 days or less must follow the following criteria:

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

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

a. Primary dealers on the Federal Reserve reporting dealer list which are rated "A" or better by S&P and "A3" or better by Moody's, or

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

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

a. Securities which are acceptable for transfer are:

(1) Direct U.S. governments, or

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

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

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

d. Valuation of Collateral:

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

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

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

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

"Principal Office" (i) when used with respect to the Trustee, means the agency office of the Trustee located in Seattle, Washington, at the address designated pursuant to the Indenture, (ii) when used with respect to the Trustee in its capacity as Bond Registrar, as applicable, and with respect to 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 (iii) 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" means the financing of the Project Facilities in Exhibit A to the Loan Agreement, and the paying of Issuance Costs.

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

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

"Project Facilities" means the facilities which are identified in Exhibit A to the Loan Agreement and which are to be financed or refinanced, in whole or in part, from the proceeds of the Bonds or any payments by the University which are reimbursed by proceeds of the Bonds, and any real property, interests in real property, structures, buildings, fixtures or equipment acquired in substitution for, as a renewal or replacement of, or a modification or improvement to, all or any part of such facilities; provided, that chapels or rooms dedicated to religious worship shall not be eligible for funding or refunding as Project Facilities from proceeds of the Bonds.

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

"Rating Agency" means S&P, 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 or agencies 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.

"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.

"Resolution" means Resolution No. 14-02, duly adopted and approved by the Authority on June 9, 2014, 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 New York corporation, and its successors and assigns.

"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.

"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 November 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 a letter agreement between the Trustee and the University as amended from time to time, with respect to the payment of all fees and expenses.

"2006 Bonds" means the Authority's Revenue and Refunding Revenue Bonds (Pacific Lutheran University Project), Series 2006, issued pursuant to an Indenture of Trust dated as of December 1, 2006, as amended, and outstanding in the aggregate principal amount of $54,495,000.

"Underwriter" means George K. Baum & Company, as underwriter for the Bonds.

"University" means Pacific Lutheran 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 Revenues" means for any period the unrestricted revenues of the University as shown on its financial statements for such period, adjusted by (a) subtracting each of the following (to the extent included in unrestricted revenues): (i) financial aid and tuition or fee discounts for such period, (ii) unrealized gains or losses on investments for such period, (iii) any pledges by donors made in such period but not actually collected in such period, and (iv) any gifts, grants, bequests, donations and contributions for such period designated at the time of making thereof by the donor or maker as being for specific purposes inconsistent with the payment of principal of or interest on the general obligation indebtedness of the University (and the income therefrom for such period to the extent so designated), and (b) adding each of the following (to the extent not already included in unrestricted revenues): (i) net assets released from temporary restrictions in such period, and (ii) any donations actually collected in such period, but for which pledges were recorded as unrestricted revenues for a prior period.

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 FOR THE BONDS."

Establishment of Funds and Accounts

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

On the date of issuance and delivery of the 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 accounts held in the Project Fund.

Project Fund. Amounts in the Project Account of the Project Fund shall be held by the Trustee in trust and shall be applied or disbursed in accordance with the Indenture and the Loan Agreement; provided that the Trustee may conclusively rely upon any funding requisition, without independent investigation or inquiry into the purposes for which such funding requisition is made and each payment pursuant to a funding requisition shall be presumed properly made.

A portion of the proceeds of the Bonds in an amount set forth in the Indenture shall be retained in the Holdback Account of the Project Fund until receipt of confirmation from the Authority that, based solely on the information provided by the Trustee with respect to the dates on which Bond proceeds have been disbursed, a spending exception from arbitrage rebate has been met with respect to the proceeds of the Bonds used to finance capital projects. Following 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. Any excess funds on deposit in the Holdback Account shall thereafter be transferred to the Project Account and may be requisitioned and disbursed. Following the disbursements of all amounts in the Holdback Account, such Holdback Account shall be closed.

The Trustee shall invest the amount initially deposited in the Project Fund in Permitted Investments as directed by the University.

Amounts, if any, remaining in the Project Fund on May 15, 2017, shall be transferred to the Debt Service Fund on July 1, 2017 (unless those dates are extended pursuant to the Loan Agreement) and used to redeem Bonds in accordance with the Indenture). Unless there has been an extension of the prepayment date as provided in the Loan Agreement, no Funding Requisition will be honored after May 15, 2017.

Cost of Issuance Fund. Money on deposit in the Cost of Issuance Fund shall be applied to pay Issuance Costs set forth in a closing memorandum prepared by the Underwriter. Any money remaining in the Cost of Issuance Fund on the 180th day following Bond Closing shall be transferred to the Project Account and the Cost of Issuance Fund shall be closed; provided that any requests for payment of additional fees and costs incurred in connection with the issuance of the Bonds received after the 180th day following the Bond Closing for the Bonds shall be immediately paid for by the University, with the University's approval. The Cost of Issuance Fund may be reopened if required upon the issuance of Additional Bonds pursuant to the Indenture, and closed again by the 90^{th} day thereafter, subject to requirements summarized in this paragraph. Money in the Cost of Issuance Fund shall be invested only in Permitted Investments as described in (d) or (e) of such definition.

Debt Service Fund. The Trustee shall deposit into the Debt Service Fund (i) money, if any, representing accrued interest at Bond Closing in the amount specified in the Indenture; (ii) money received with respect to principal and interest from the University under the Note; (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, 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 on the Bonds as the same becomes due and payable.

On each scheduled Interest Payment Date on the Bonds, the Trustee shall remit or cause to be remitted in accordance with the Indenture to the Bondowner as of the Record Date for such interest payment, an amount from the Debt Service Fund sufficient to pay the interest on the Bonds becoming due and payable on such date.

On each date on which any principal or premium becomes payable on the Bonds, the Trustee shall set aside and hold in trust, an amount from the Debt Service Fund sufficient to pay the amount of principal of and premium, if any, on the Bonds becoming due and payable on such date.

Rebate Fund. If the Trustee receives amounts determined in accordance with the Tax Certificates or the provisions of the Indenture relating to Rebate Amounts, 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 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 rating of the Bonds.

Nothing in the Indenture is intended to prevent the University from incurring additional indebtedness or granting a security interest or lien, or otherwise encumbering, the Unrestricted Revenues on a parity basis with the security interest in the Unrestricted Revenues granted to the Authority under the Loan Agreement.

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 Unrestricted Revenues on a parity basis with the security interest in the Unrestricted 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 and in the Intercreditor Agreement and the pledge and assignment created by the Indenture. 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 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, the University, and the Bondowners by the Trustee, or to the Authority, the University and the Trustee by 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

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 described in (1), (2) or (4) under "Defaults; Events of Default" above; 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 described in (1), (2) or (4) under "Defaults; Events of Default" above 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 as described in the preceding paragraph 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 with 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 at 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 and in every such case, the Owners of not less than a majority in aggregate principal amount of Outstanding Bonds may rescind and annul 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 the indemnification provisions of the Indenture, the Trustee as a sole remedy 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.

Upon the occurrence of an Event of Default which has not been waived as permitted by the Indenture, the Trustee may at its discretion or shall, at the written request of the Owners of not less than a majority in aggregate principal amount of Outstanding 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 and the Note; to enforce the security interests granted in the Loan Agreement, 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.

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 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 and in every such case 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 shall remove the Trustee only (i) for cause or, (ii) if requested to do so by an instrument or concurrent instruments in writing signed by the Bondowners of not less than a majority in aggregate principal amount of the 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.

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 shall (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) permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Bondowners of the lien created by the Indenture upon such Revenues and other assets (except as previously provided in the Indenture of the Loan Agreement), 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, 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 and to prevent a Determination of Taxability; or

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

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; (e) modifying the Loan Documents as contemplated by the Loan Agreement to reflect changes in generally accepted accounting principles applicable to the University; or (f) any other change therein which, in the reasonable judgment of the Trustee, 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) or (f) above, the Trustee may rely on the advice of Counsel or the University's accountants or financial advisors. The Authority and the Trustee, without the consent of or notice to any of the Bondowners are required to enter into any amendment, change or modification of the Loan Documents as may be necessary, in the opinion of Bond Counsel to comply fully with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated by the Department of the Treasury or the Internal Revenue Service pertaining to obligations issued under Section 145 of the Code.

Amendments to Loan Documents Requiring Consent of Bondowners

Except for the amendment, changes or modifications as provided above in "Amendments to Loan Documents Not Requiring Consent of Bondowners," and subject to the provisions of the Indenture requiring delivery of an opinion of Bond Counsel, neither the Authority nor the University 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. If at any time the Authority and the University shall request the consent of the Trustee to any such proposed amendment, change or modification of the Loan Documents, the Trustee shall, at the request of the Authority and 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 with respect to redemption of Bonds; provided, that the Trustee shall not be required to consent to any amendment that affects its rights or responsibilities under the Indenture or under the Loan Documents. Such notice (which shall be prepared by either the University or the Authority) shall briefly set forth the nature of such proposed amendment, change or modification and shall 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 shall be prescribed by the Authority, following the mailing of such notice, the owners of 51% or more of the aggregate principal amount of the Bonds then Outstanding at the time of the execution of any such amendment, change or modification shall have consented to and approved the execution thereof as provided in the Indenture, no Bondowner shall 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 shall have 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 described under this subheading, the Loan Documents shall be and be deemed to be modified, changed and amended.

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 pays or causes to be paid 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.

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 earnings on 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 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.

Tax Covenants

The University and Authority covenant that they will not take, or omit to take, any action if such action or omission 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; Security for Additional Indebtedness

The University may not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Unrestricted Revenues senior to the pledge and assignment created under the Loan Agreement except for the following permitted encumbrances (the "Permitted Encumbrances"):

(1) liens arising by reason of good faith deposits in the ordinary course of business by the University in connection with tenders, leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by the University to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds and deposits as security for the payment of taxes or assessments or other similar charges;

(2) any lien arising by reason of deposits with, or the giving of any form of security (i) to any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by the transaction of any business or the exercise of any privilege or license, or (ii) to enable the University to maintain self-insurance or to participate in any fund established to cover any insurance risks or in connection with workers compensation, unemployment insurance, old age pensions or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(3) liens for taxes and special assessments not then delinquent or which are being contested;

(4) liens resulting from governmental regulations on the use of the University's facilities or other real or personal property;

(5) any lien on bond proceeds or monies deposited with a bond trustee in a debt service or reserve fund for bonds under any lease, sublease, sale, loan or similar agreement entered into in connection with the issuance of and providing for or securing the payment of bonds;

(6) any lien arising by reason of any leases to or from any Person of any real or personal property of the University made in the ordinary course of business, any leases existing on any real or personal property acquired at the time of its acquisition, and any leases of any real or personal property at fair market rental value;

(7) any liens relating to property received by the University through gifts, grants, or bequests, to the extent that such liens impose or relate to restrictions on the ownership, use or disposition of such gifts, grants or bequests of property or the revenues therefrom of income thereon;

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

(9) any lien in favor of the Trustee or any other trustee on the proceeds of Indebtedness prior to the application of such proceeds;

(10) any purchase money security interest or construction mortgage lien on or in Project Facilities acquired or improved after the date of execution of the Loan Agreement, or mortgages or liens, existing in such Project Facilities at the time of acquisition thereof or renewals of any such liens or mortgages but only if no such lien extends or will extend to or cover any property other than the Project Facilities then being acquired or constructed or on which improvements are being so constructed and fixed improvements then or thereafter erected thereon and related insurance coverage and insurance proceeds;

(11) liens on donations, gifts and other charitable contributions, and on pledges thereof, to the extent that such liens secure Indebtedness or are the evidence of restrictions on the use of such donation, gifts or charitable contributions;

(12) the liens, charges or encumbrances existing on the date of execution and delivery of the Loan Agreement;

(13) liens on moneys deposited by students or others as security for or as prepayment for the cost of tuition, housing, or other related expenses;

(14) liens, security interests or other encumbrances existing on the date of execution and delivery of the Loan Agreement relating to additional Indebtedness (including the 2006 Bonds); and

(15) liens, charges and encumbrances on any proceeds of the foregoing.

Subject to the provisions described in the forepart of this Official Statement under the heading "SECURITY FOR THE BONDS – Security Under the Loan Agreement – *Additional Indebtedness*", the University expressly retains and reserves the right to incur additional Indebtedness from time to time and to encumber the Unrestricted Revenues, whether for the purpose of securing such additional Indebtedness or for any other lawful corporate purpose, with liens, security interests, or other encumbrances on a parity with, or subordinate to, the lien created under the Loan Agreement. In addition, nothing in the Loan Agreement shall be deemed to restrict the University's right (i) to grant security interests or liens in, or to otherwise encumber any of its assets other than Unrestricted Revenues, (ii) to incur additional Indebtedness on an unsecured basis, or, (iii) subject to the limitations described above, to secure any obligation or Indebtedness by a pledge, lien, charge, or other encumbrance upon the

Unrestricted Revenues senior to the pledge and assignment created in the Loan Agreement, so long as such pledge, lien, charge, or encumbrance constitutes a Permitted Encumbrance under the Loan Agreement.

Maintenance of Facilities

The University shall cause all of its properties used or useful in the conduct of its business to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the University may be necessary so that the business carried on in connection therewith may be properly conducted. Notwithstanding the foregoing, nothing in this this paragraph shall prevent the University from otherwise conveying, replacing, and/or discontinuing the use, operation or maintenance of any of its property if such action is, in the judgment of the University, necessary or desirable in the conduct of its business.

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.

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 or the other Loan Documents, 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 has determined that such default is curable and the University is then taking steps reasonably calculated to cure such default; provided that notwithstanding anything to the contrary in the Loan Agreement, failure to satisfy the covenant to maintain the Coverage Ratios described in the forepart of this Official Statement under the heading "SECURITY FOR THE BONDS – Security Under the Loan Agreement – Rate Covenant" shall not constitute a default under the Loan Agreement or a Loan Agreement Default if the University satisfies the requirements summarized therein with respect to a management consultant.

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

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

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

Notice of Default; Opportunity to Cure

If an event that would constitute a Loan Agreement Default under (1) of "Loan Agreement Defaults" above 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 of the University's receipt of the written default notice (in all other cases under (1) of "Loan Agreement Defaults"), then such event will constitute a Loan Agreement Default.

Remedies

Upon the occurrence of any Loan Agreement Default, that has not been cured within any applicable cure period, and subject, in all cases, to the applicable provisions of the Intercreditor Agreement so long as it shall be in full force and effect, 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 has been made good or secured to the satisfaction of the Trustee or provision has been 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 "Loan Agreement Defaults" above, resulting from a failure to make a required monetary payment of principal of or interest on the Loan, the University must transfer all Unrestricted Revenues then on hand immediately to the Trustee or an affiliate of the Trustee which is a member of the Federal Reserve Bank, and the University shall transfer all Unrestricted Revenues received thereafter immediately, upon receipt, to the Trustee. The Trustee (or its affiliate) shall hold all Unrestricted Revenues so transferred in a separate segregated trust fund for the benefit of the Bonds, from which the Trustee shall 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, the rights and remedies of the Authority and the Trustee under the Loan Agreement and the loan agreement executed in connection with the issuance of the 2006 Bonds 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), shall, at the direction of the Authority, or may, with the written consent of the Authority, pursue all remedies of a secured creditor under the applicable laws of the State.

(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.

(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.

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APPENDIX D

FORM OF LEGAL OPINION OF BOND COUNSEL

July __, 2014

Washington Higher Education Facilities Authority
Seattle, Washington

George K. Baum & Company
Denver, Colorado

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

Re: Washington Higher Education Facilities Authority
Revenue Bonds (Pacific Lutheran University Project), Series 2014

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 (Pacific Lutheran University Project), Series 2014 in the aggregate principal amount of $10,000,000 (the "Bonds") for the purpose of making a loan (the "Loan") to Pacific Lutheran University, a Washington nonprofit corporation (the "University"), in accordance with a Loan Agreement dated as of July 1, 2014 (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 financing the construction and renovation of and improvements to campus facilities and paying the costs of issuance of the Bonds (collectively, the "Project"). The Authority has executed a No Arbitrage Certificate and the University has executed a Certificate Regarding Section 501(c)(3) Status and Use of Proceeds, each of even date herewith (together, the "Tax Certificates") regarding 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 June 9, 2014 (the "Resolution"), and an Indenture of Trust dated as of July 1, 2014 (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 the date of their initial issuance and delivery, 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 November 1 and May 1 of each year commencing November 1, 2014, and shall be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are subject to optional and mandatory 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.

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 Hillis Clark Martin & Peterson P.S., special 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 financed and refinanced 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, enforceable 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 revenue, 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

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by Pacific Lutheran University (the "University")and U.S. Bank National Association, in its capacity as Dissemination Agent hereunder (the "Dissemination Agent"), in connection with the issuance of $10,000,000 aggregate principal amount Washington Higher Education Facilities Authority Revenue Bonds (Pacific Lutheran University Project), Series 2014 (the "Bonds"). The Bonds are being issued pursuant to the terms of an Indenture of Trust dated as of July 1, 2014 (the "Indenture"), between the Washington Higher Education Facilities Authority (the "Issuer") and U.S. Bank National Association, in its capacity as trustee thereunder (the "Trustee"). The Issuer is lending the proceeds of the Bonds to the University pursuant to a Loan Agreement dated as of July 1, 2014 (the "Loan Agreement"), among the Issuer, the University and the Trustee. The University and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the University and the Dissemination Agent for the benefit of the Bondholders and in order to assist the Participating Underwriter in complying with Rule 15c2-12 (each as defined below). The University and the Dissemination Agent acknowledge that neither the Issuer nor the Trustee (in its capacity as Trustee under the Indenture) has undertaken any responsibility with respect to any reports, notices or disclosures provided or required under this Agreement, and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the University pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Bankruptcy Event" means any of the following: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person 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 Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

"Bondholder" means the "holder" from time to time of any Bond, within the meaning of Rule 15c2-12.

"Disclosure Representative" means the Vice President Finance and Operations of the University, or his or her designee, or such other person as the University shall designate as such in writing to the Dissemination Agent from time to time.

"Dissemination Agent" means U.S. Bank National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the University.

"Fiscal Year" means the fiscal year of the University, currently the twelve-month period ending on each May 31, as such fiscal year may be changed from time to time.

"Listed Event" means any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board.

"Obligated Person" means an "obligated person" with respect to the Bonds, within the meaning of Rule 15c2-12.

"Official Statement" means the Official Statement dated June 26, 2014, with respect to the Bonds.

"Participating Underwriter" means George K. Baum & Company, and its successors and assigns.

"Rule 15c2-12" means paragraph (b)(5) of Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

Section 3. Provision of Annual Reports.

(a) The University, as an "obligated person" within the meaning of Rule 15c2-12, shall, or, by written direction, shall cause the Dissemination Agent to, not later than the first day of the ninth month after the end of each Fiscal Year, commencing with the Fiscal Year ending on May 31, 2014, provide to the MSRB an Annual Report consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than 15 Business Days prior to each such date, the University shall provide the Annual Report to the Dissemination Agent, together with a certificate of the University stating that the Annual Report constitutes the Annual Report required to be furnished by the University hereunder. The Dissemination Agent may conclusively rely upon such certificate of the University.

(b) If not provided as part of the Annual Report, the University shall, or, by written direction, shall cause the Dissemination Agent to, provide to the MSRB its audited financial statements for the applicable Fiscal Year when available.

(c) If by 15 Business Days prior to any date specified in subsection (a) for providing the Annual Report to the MSRB, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the University, the Issuer and the Trustee (if the Trustee is not the Dissemination Agent) to determine whether the University is in compliance with subsection (a).

(d) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(e) To the extent the University has provided the Annual Report to the Dissemination Agent pursuant to subsection (a), the Dissemination Agent shall file a report with the University and the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

Section 4. Content of Annual Reports.

(a) Each Annual Report shall contain or incorporate by reference:

1. The annual financial statements of the University, which shall be prepared in accordance with generally accepted accounting principles;

2. Additional information in substantially the form set forth in Exhibit A attached hereto, including the information described therein.

(b) Any or all of the items above may be set forth in one document or a set of documents. The items listed above may be included by specific reference to other documents available to the public on the Internet Web site of the MSRB or filed with the SEC.

Section 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the University shall give, or upon delivery of the information to the Dissemination Agent in accordance with subsection (b) below, the Dissemination Agent shall give, notice of the occurrence of any of the following events (each, a "Listed Event") with respect to the Bonds, such notice to be given in a timely manner not in excess of 10 Business Days after the occurrence of the Listed Event:

1. Principal and interest payment delinquencies;
2. Nonpayment related defaults, if material;
3. Unscheduled draws on the debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their enhancement facility or their failure to perform;
6. 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 of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy Events, or similar events involving an Obligated Person;
13. Consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of an Obligated Person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to the terms of such agreement, if material; and
14. Appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(b) The University may instruct the Dissemination Agent to report the occurrence of a Listed Event no later than the second Business Day prior to the deadline for disclosure set forth in subparagraph (a) above or such later date as agreed by the Dissemination Agent, providing to the Dissemination Agent, (i) a form of notice of Listed Event, and (ii) instructions to file such notice. If so instructed, the Dissemination Agent shall file the notice the occurrence of such Listed Event in the form provided by the University with the MSRB in an electronic format as prescribed by the MSRB, in a timely manner but not in excess of 10 Business Days after the occurrence of the Listed Event, with a copy to the University, the Trustee and the Issuer.

Section 6. Format of Reports. All reports, notices or disclosures provided under this Disclosure Agreement shall be provided in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB. Unless and until otherwise designated by the MSRB or the SEC, any information or notices submitted to the MSRB in compliance with Rule 15c2-12 are to be submitted through the MSRB's EMMA system, which as of the date hereof is located at emma.mrsb.org.

Section 7. Termination of Reporting Obligation. The University's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the University's obligations under the Loan Agreement are assumed in full by some other entity, such entity shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the University, and the original University shall have no further responsibility hereunder.

Section 8. Dissemination Agent. The University may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time upon at least 30 days' prior written notice to the University, the Issuer and the Trustee.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the University and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the University, except that the Dissemination Agent shall not be obligated to agree to any amendment that modifies or increases its duties or obligations hereunder) and any provision of this Disclosure Agreement may be waived, if (i) the amendment or waiver is necessary to reflect a change in circumstances that arises from a change in legal requirements, a change in law, a change in the identity, nature or status of an obligated person, or a change in the type of activities or business conducted by the University or other obligated person; (ii) the undertaking, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering of the Bonds, after taking into account any amendments or interpretation of Rule 15c2-12 by the SEC and any such change in circumstances; and (iii) it is determined by a party unaffiliated with the University or any other obligated person and acceptable to the Issuer, such as nationally recognized bond counsel or other counsel expert in federal securities laws, or pursuant to a favorable "no-action" letter issued by the SEC, that the amendment or waiver does not materially and adversely affect the interests of Bondholders. The University will give notice to the MSRB of the substance (or provide a copy) of any amendment to this Disclosure Agreement and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the notice also will include a narrative explanation of the effect of that change on the type of information to be provided.

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the University from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the University chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the University shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the University or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee shall, at the request of the Participating Underwriter or the Bondholders of not less than a majority in aggregate principal amount of Bonds then Outstanding and upon receipt of indemnification from any cost, expense or liability, including without limitation fees and costs of its attorneys, satisfactory to the Trustee, or any Bondholder may, take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the University or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, the Loan Agreement or the Trust Deed, and the sole remedy under this Disclosure Agreement in the event of any failure of the University or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the University agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any claims, loss, expense and liabilities which they each may incur arising out of or in the exercise or performance the Dissemination Agent's powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The University shall compensate the Dissemination Agent for the services provided hereunder in accordance with its schedule of fees, as amended from time to time, and shall reimburse the Dissemination Agent for all reasonable expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the University, the Bondholders or any other party. The obligations of the University under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Notices. All notices, certificates or other communications shall be sufficiently given and shall be deemed given on the business day on which the same have been personally delivered (either by messenger or courier service which guarantees next day delivery) or on the second business day following the date on which the same has been deposited with the U.S. Postal Service when sent by certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Authority: Washington Higher Education Facilities Authority
Bond #89, Pacific Lutheran University
1000 Second Avenue, Suite 2700
Seattle, Washington 98104-1046
Attention: Director – Finance
Telephone: (206) 464-7139
Telefax: (206) 587-5113

If to the University:	Pacific Lutheran University 12180 Park Avenue South Tacoma, Washington 98447 Attention: Vice President Finance and Operations Telephone: (253) 535-7121 Telefax: (253) 536-5079
With copies to:	Gordon Thomas Honeywell LLP 1201 Pacific Avenue, Suite 2100 Tacoma, Washington 98402 Attention: Jemima J. McCullum Telephone: (253) 620-6520 Telefax: (253) 620-6565 and Hillis Clark Martin & Peterson P.S. 1221 2nd Avenue, Suite 500 Seattle, Washington 98101 Attention: Daniel S. Gottlieb Telephone: (206) 623-1745 Telefax: (206) 623-7789
If to the Dissemination Agent:	U.S. Bank National Association 1420 Fifth Avenue, 7th Floor Seattle, Washington 98101 Attention: Corporate Trust Services Telephone: (206) 344-4681 Telefax: (206) 344-4630
If to the Trustee:	U.S. Bank National Association 1420 Fifth Avenue, 7th Floor Seattle, Washington 98101 Attention: Corporate Trust Services Telephone: (206) 344-4681 Telefax: (206) 344-4630

Section 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the University, the Dissemination Agent, the Trustee, the Participating Underwriter and the Bondholders, and shall create no rights in any other person or entity.

Section 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: July __, 2014

[Signature Page to Follow]

[Signature Page – Continuing Disclosure Agreement]

PACIFIC LUTHERAN UNIVERSITY

By: ____
Name: ____
Title: ____

U.S. BANK NATIONAL ASSOCIATION, as Dissemination Agent

By: ____
Name: ____
Title: ____

EXHIBIT A
FORM OF CONTINUING DISCLOSURE ANNUAL REPORT

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY
REVENUE BONDS (PACIFIC LUTHERAN UNIVERSITY PROJECT), SERIES 2014

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 new name and title.
____

(b) Has there been a change in accreditation of Pacific Lutheran University (the "University") since the last annual report? (Check one)
Yes ☐ No ☐ If yes, please describe.
____

(c) Please describe any new litigation, or a material result in a dispute 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.

(e) Please review Section 5 of the Continuing Disclosure Agreement dated July __, 2014 (the "Continuing Disclosure Agreement"), between the University and U.S. Bank National Association and confirm that no listed event required to be disclosed thereunder has occurred. Please describe any event required to be disclosed pursuant to Section 5 of the Continuing Disclosure Agreement that has occurred since the date of the last report for which notice has not previously been provided in accordance therewith.

(f) Please update the tables in Appendix A of the Official Statement with respect to the above-referenced bonds (the "Bonds") dated June 26, 2014 (the "Official Statement"), under the subheadings "Student and Faculty Information – Application Pool," Student and Faculty Information – Enrollments," "Student and Faculty Information – Tuition, Charges and Fees," "Student and Faculty Information – Student Financial Aid," "Student Faculty Information – Faculty and Staff," "Financial Operations – Summary of Five-Year Operating Results," "Financial Operations – Endowment Investments," and "Financial Operations – Outstanding Indebtedness" to include information for the most recently completed fiscal year or academic year, as applicable.

(g) Please provide the Coverage Ratio for the most recently completed Fiscal Year, calculated in accordance with the Loan Agreement dated as of July 1, 2014, among the University, the Washington Higher Education Facilities Authority and U.S. Bank National Association, as Trustee.

Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Continuing Disclosure Agreement. The University hereby certifies that the financial and operating information contained herein is the information required by the Continuing Disclosure Agreement.

PACIFIC LUTHERAN UNIVERSITY

By ______________________________
Authorized Officer

EXHIBIT B
NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Washington Higher Education Facilities Authority
Name of Bond Issue:	Revenue Bonds (Pacific Lutheran University Project), Series 2014
Name of Borrower:	Pacific Lutheran University
Date of Issuance:	July __, 2014

NOTICE IS HEREBY GIVEN that the University has not provided an Annual Report with respect to the above-referenced bonds as required by the Continuing Disclosure Agreement dated July __, 2014, among the University, the Dissemination Agent and the Trustee. [The University anticipates that the Annual Report will be filed by __________, 20__.]

Dated: __________, 20__.

U.S. BANK NATIONAL ASSOCIATION, as Dissemination Agent, on behalf of the University

By: ____
Authorized Officer

cc: University
Issuer
Trustee

APPENDIX F

BOOK-ENTRY SYSTEM

The following information has been obtained from DTC's website. The state takes no responsibility for the accuracy or completeness thereof, or for the absence of material changes in such information subsequent to the date hereof. Beneficial Owners should confirm the following with DTC or the Participants (as hereinafter defined).

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

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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 (which website is not incorporated by reference).

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. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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 interests in the 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. When notices are given, they shall be sent by the Bond Registrar to DTC only**.** 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.

6. Redemption notices will be sent to DTC. If less than all of the Bonds within a Series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 state 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 state or the Bond Registrar, 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 Bond Registrar or the state, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or any other nominee as may be requested by an authorized representative of DTC) are the responsibility of the state or the Bond Registrar, 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 depository with respect to the Bonds at any time by giving reasonable notice to the state or the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY • REVENUE BONDS (PACIFIC LUTHERAN UNIVERSITY PROJECT), SERIES 2014

PACIFIC LUTHERAN UNIVERSITY

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

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