



**The Trustees of Princeton University
Taxable Bonds, 2009 Series A**

NOTICE OF CHANGE OF SETTLEMENT DATE

THIS PAGE AMENDS INFORMATION CONTAINED IN THE TRUSTEES OF PRINCETON UNIVERSITY OFFERING MEMORANDUM DATED JANUARY 14, 2009 (THE “OFFERING MEMORANDUM”).

THIS PAGE SHOULD BE PERMANENTLY AFFIXED TO AND MADE A PART OF THE OFFERING MEMORANDUM.

The Settlement Date for The Trustees of Princeton University Taxable Bonds, 2009 Series A (the “Bonds”) is January 21, 2009.

The date from which interest on the Bonds will accrue is January 21, 2009.

Any references in the Offering Memorandum, including statements on the front cover thereof, under the caption “SUMMARY OF THE OFFERING” therein, or in Appendix D thereto, to a Settlement Date or Interest Accrual Date of January 22, 2009 are amended hereby to state such dates as January 21, 2009.

THE DATE OF THIS AMENDMENT IS JANUARY 16, 2009.



THE TRUSTEES OF PRINCETON UNIVERSITY
Taxable Bonds, 2009 Series A

\$500,000,000 4.950% Bonds due March 1, 2019 Issue price: 99.620%
\$500,000,000 5.700% Bonds due March 1, 2039 Issue price: 99.721%

Interest Payable March 1 and September 1
Dated: Date of Delivery

The Trustees of Princeton University Taxable Bonds, 2009 Series A (the “Bonds”) will be issued pursuant to the terms of an Indenture of Trust, dated as of January 1, 2009 (the “Indenture”), by and between The Trustees of Princeton University (the “Institution”) and The Bank of New York Mellon, as trustee (the “Trustee”). The proceeds of the Bonds will be used by the Institution for working capital, to pay the costs of issuance of the Bonds, and for other eligible corporate purposes.

The Bonds will be issued in fully registered form in denominations of \$1,000 and any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in principal amounts of \$1,000 and any integral multiple thereof. Purchasers of the Bonds will not receive physical certificates (except under certain circumstances described in the Indenture) representing their ownership interests in the Bonds purchased.

Interest on the Bonds will be payable on March 1 and September 1 of each year, commencing on March 1, 2009. So long as the Bonds are held by DTC, the principal or Make-Whole Redemption Price (as defined herein) of and interest on the Bonds will be payable by wire transfer to DTC, which in turn is required to remit such principal or Make-Whole Redemption Price and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as more fully described in “BOOK-ENTRY ONLY SYSTEM” herein.

The Bonds are subject to optional redemption prior to their stated maturity as described herein. See “THE BONDS – Redemption” herein.

Interest on and profit, if any, on the sale of the Bonds are not excludable from gross income for federal, state or local income tax purposes. See “CERTAIN UNITED STATES FEDERAL TAX CONSIDERATIONS” herein.

The Bonds constitute unsecured general obligations of the Institution. The Institution has other unsecured general obligations outstanding. See APPENDIX A – “CERTAIN INFORMATION CONCERNING THE INSTITUTION – Third Party Debt” and APPENDIX B-1 – “CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2008 AND 2007, AND INDEPENDENT AUDITORS’ REPORT” attached hereto. Moreover, the Institution is not restricted by the Indenture or otherwise from incurring additional indebtedness. Such additional indebtedness, if issued, may be either secured or unsecured and may be entitled to payment prior to payment on the Bonds. See “SECURITY FOR THE BONDS” herein.

This cover page contains certain information for quick reference only. It is not intended to be a summary of this issue. Investors must read the entire Offering Memorandum to obtain information essential to the making of an informed investment decision.

The Bonds are offered by the Underwriters, when, as and if issued by the Institution and accepted by the Underwriters, subject to the approval of legality by Ropes & Gray LLP, New York, New York, counsel to the Institution. In addition, certain other legal matters will be passed upon for the Institution by Peter G. McDonough, Esq., General Counsel to the Institution, and for the Underwriters by their counsel, Ballard Spahr Andrews & Ingersoll, LLP, Philadelphia, Pennsylvania. It is expected that the Bonds will be available for delivery to DTC in New York, New York on or about January 22, 2009.

Goldman, Sachs & Co.

J.P. Morgan

Morgan Stanley

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GENERAL INFORMATION

This Offering Memorandum does not constitute an offer to sell the Bonds in any jurisdiction in which or to any person to whom it is unlawful to make such an offer. No dealer, salesperson or other person has been authorized by Goldman, Sachs & Co., J.P. Morgan Securities Inc. and Morgan Stanley & Co. Incorporated (the “Underwriters”) or the Institution to give any information or to make any representations, other than those contained herein, in connection with the offering of the Bonds and, if given or made, such information or representations must not be relied upon.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Bonds, or determined that this Offering Memorandum is accurate or complete. Any representation to the contrary is a criminal offense. The Bonds have not been and will not be registered under the Securities Act of 1933, as amended (the “Securities Act”), and are being issued in reliance on an exemption under Section 3(a)(4) of the Securities Act. The Bonds are not exempt in every jurisdiction in the United States; some jurisdictions’ securities laws (the “blue sky laws”) may require a filing and a fee to secure the Bonds’ exemption from registration.

The distribution of this Offering Memorandum and the offer or sale of Bonds may be restricted by law in certain jurisdictions. Neither the Institution nor the Underwriters represent that this Offering Memorandum may be lawfully distributed, or that any Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Institution or the Underwriters which would permit a public offering of any of the Bonds or distribution of this Offering Memorandum in any jurisdiction where action for that purpose is required. To be clear, action may be required to secure exemptions from the blue sky registration requirements either for the primary distributions or any secondary sales that may occur. Accordingly, none of the Bonds may be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

All information set forth herein has been obtained from the Institution and other sources. Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Offering Memorandum nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Institution since the date hereof.

Certain statements included or incorporated by reference in this Offering Memorandum constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” “intend,” “projection” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information in APPENDIX A – “CERTAIN INFORMATION CONCERNING THE INSTITUTION”, APPENDIX B-1 – “CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2008 AND 2007, AND INDEPENDENT AUDITORS’ REPORT” and APPENDIX B-2 – “REPORT ON INVESTMENTS, 2007-08”. A number of important factors, including factors affecting the Institution’s financial condition and factors which are otherwise unrelated thereto, could cause actual results to differ materially from those stated in such forward-looking statements. THE INSTITUTION DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING

STATEMENTS IF OR WHEN ITS EXPECTATIONS CHANGE, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

The Underwriters have provided the following sentence for inclusion in this Offering Memorandum. The Underwriters have reviewed the information in this Offering Memorandum in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

SUMMARY OF THE OFFERING

Issuer	The Trustees of Princeton University
Securities Offered	\$500,000,000 4.950% Taxable Bonds, 2009 Series A due March 1, 2019 \$500,000,000 5.700% Taxable Bonds, 2009 Series A due March 1, 2039
Interest Accrual Dates	Interest will accrue from January 22, 2009
Interest Payment Dates	March 1 and September 1 of each year, commencing March 1, 2009
Redemption	The Bonds are subject to optional redemption by the Institution prior to maturity, on any Business Day, in such order of maturity as directed by the Institution, at the Make-Whole Redemption Price, as further described herein. See “THE BONDS – Redemption” herein.
Settlement Date	January 22, 2009
Authorized Denominations	\$1,000 and any integral multiple thereof
Form and Depository	The Bonds will be delivered solely in book-entry form through the facilities of DTC.
Use of Proceeds	The Institution will use the net proceeds of this offering for working capital, to pay costs of issuance of the Bonds, and for other eligible corporate purposes. See “ESTIMATED SOURCES AND USES OF PROCEEDS” and “PLAN OF FINANCE” herein.
Ratings	Moody’s: Aaa S&P: AAA

OFFERING MEMORANDUM

Relating to

\$1,000,000,000

THE TRUSTEES OF PRINCETON UNIVERSITY

TAXABLE BONDS, 2009 SERIES A

INTRODUCTION

The purpose of this Offering Memorandum, which includes the cover page, the table of contents and appendices, is to provide certain information concerning the sale and delivery by The Trustees of Princeton University (the "Institution") of its \$1,000,000,000 aggregate principal amount of The Trustees of Princeton University Taxable Bonds, 2009 Series A (the "Bonds"). This Introduction contains only a brief summary of certain of the terms of the Bonds being offered and a brief description of the Offering Memorandum. All statements contained in this Introduction are qualified in their entirety by reference to the entire Offering Memorandum.

Purpose of the Bonds and the Plan of Finance

The proceeds of the Bonds will be used by the Institution for working capital, to pay costs of issuance of the Bonds, and for other eligible corporate purposes. See "ESTIMATED SOURCES AND USES OF PROCEEDS" and "PLAN OF FINANCE" herein.

The Institution

The Institution is an educational corporation existing under the laws of the State of New Jersey. Important information on the financial condition of the Institution is set forth in APPENDIX A – "CERTAIN INFORMATION CONCERNING THE INSTITUTION", APPENDIX B-1 – "CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2008 AND 2007, AND INDEPENDENT AUDITORS' REPORT" and APPENDIX B-2 – "REPORT ON INVESTMENTS, 2007-08" attached hereto, which should be read in their entirety.

The Bonds

The Bonds are being issued pursuant to an Indenture of Trust, dated as of January 1, 2009 (the "Indenture"), by and between the Institution and The Bank of New York Mellon, as trustee (the "Trustee"). Pursuant to the Indenture, on each Payment Date, until the principal of and interest on the Bonds shall have been paid or provision for such payment shall have been made as provided in the Indenture, the Institution will pay the Trustee a sum equal to the amount payable on such Payment Date as principal of or interest on the Bonds. See "THE BONDS" herein.

Security for the Bonds

The Bonds constitute unsecured general obligations of the Institution. The Institution has other unsecured general obligations outstanding. See "Outstanding Indebtedness" below. Moreover, the Institution is not restricted by the Indenture or otherwise from incurring additional

indebtedness. Such additional indebtedness, if issued, may be either secured or unsecured and may be entitled to payment prior to payment on the Bonds. See “SECURITY FOR THE BONDS” herein.

Outstanding Indebtedness

As of December 1, 2008, the outstanding indebtedness of the Institution, including long-term debt and commercial paper debt, totaled approximately \$1.54 billion. For additional information regarding the outstanding indebtedness of the Institution, see APPENDIX A – “CERTAIN INFORMATION CONCERNING THE INSTITUTION – Third Party Debt” and APPENDIX B-1 – “CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2008 AND 2007, AND INDEPENDENT AUDITORS’ REPORT” attached hereto.

Redemption

The Bonds are subject to optional redemption by the Institution prior to maturity, on any Business Day, in such order of maturity as directed by the Institution, at the Make-Whole Redemption Price, as further described herein. See “THE BONDS – Redemption” herein.

Book-Entry Only System

When delivered, the Bonds will be registered in the name of Cede & Co., the nominee of The Depository Trust Company (“DTC”). DTC will act as the securities depository for the Bonds. Purchases of the Bonds may be made in book-entry form only, through brokers and dealers who are, or who act through, DTC Participants. Beneficial Owners of the Bonds will not receive physical delivery of certificated securities (except under certain circumstances described in the Indenture). Payment of the principal or Make-Whole Redemption Price of and interest on the Bonds are payable by the Trustee to DTC, which will in turn remit such payments to the DTC Participants, which will in turn remit such payments to the Beneficial Owners of the Bonds. In addition, so long as Cede & Co. is the registered owner of the Bonds, the right of any Beneficial Owner to receive payment for any Bond will be based only upon and subject to the procedures and limitations of the DTC book-entry system. See “BOOK-ENTRY ONLY SYSTEM” herein.

Continuing Disclosure

Consistent with the continuing disclosure requirements of SEC Rule 15c2-12 relating to its tax-exempt publicly traded bonds and with industry practice for institutions of higher education, the Institution files an annual financial report with all nationally recognized municipal securities information repositories (“NRMSIRs”) pursuant to continuing disclosure agreements relating to its previous debt offerings. These annual financial reports are currently available from the NRMSIRs. The Institution also routinely posts its annual treasurer’s report containing financial information on its website (<http://www.princeton.edu/sites/TreasurersOffice/Treasurer/>). The information contained in the Institution’s website is not a part of this Offering Memorandum and is not incorporated by reference herein. See “CONTINUING DISCLOSURE” herein.

Certain Information Related to this Offering Memorandum

The descriptions herein of the Indenture and other documents relating to the Bonds do not purport to be complete and are qualified in their entirety by reference to such documents, and the description herein of the Bonds is qualified in its entirety by the form thereof and the information with respect thereto included in such documents. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto for a brief summary of the Indenture, including descriptions of certain

duties of the Trustee, rights and remedies of the Trustee and the Bondholders upon an Event of Default, and provisions relating to amendments of the Indenture and procedures for defeasance of the Bonds.

All capitalized terms used in this Offering Memorandum and not otherwise defined herein have the same meanings as in the Indenture. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto for definitions of certain words and terms used but not otherwise defined herein.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither delivery of this Offering Memorandum nor any sale made hereunder nor any future use of this Offering Memorandum will, under any circumstances, create any implication that there has been no change in the affairs of the Institution.

ESTIMATED SOURCES AND USES OF PROCEEDS

The proceeds of the Bonds will be used for the purposes described under “PLAN OF FINANCE” herein. The estimated sources and uses of the proceeds of the Bonds are shown below.

SOURCES:

Principal Amount of Bonds	\$1,000,000,000
Less: Original Issue Discount.....	<u>(3,295,000)</u>
Total Sources of Funds	<u>\$ 996,705,000</u>

USES:

Working Capital and Other Corporate Purposes	\$ 989,830,000
Underwriters' Discount	<u>6,875,000</u>
Total Uses of Funds	<u>\$ 996,705,000</u>

PLAN OF FINANCE

The Institution will use the proceeds of the Bonds for working capital, to pay costs of issuance of the Bonds, and for other eligible corporate purposes. See “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

THE BONDS

Description of the Bonds

The Bonds will be dated, will bear interest at the rates and will mature on the dates (subject to prior redemption) as set forth on the cover page to this Offering Memorandum. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Bonds will be delivered in the form of fully registered Bonds in denominations of \$1,000 and any integral multiple thereof. The Bonds will be registered initially in the name of “Cede & Co.,” as nominee of the Securities Depository and will be evidenced by one Bond for each maturity in the principal amount of the Bonds of such maturity. Registered ownership of the Bonds, or any portions thereof, may not thereafter be transferred except as set forth in the Indenture. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto.

The principal or Make-Whole Redemption Price of the Bonds will be payable by check or by wire transfer of immediately available funds in lawful money of the United States of America at the Designated Office of the Trustee.

Interest on the Bonds will be payable from the later of (i) the date of original issuance of the Bonds and (ii) the most recent Interest Payment Date to which interest has been paid or duly provided for. An “Interest Payment Date” for the Bonds will occur on March 1 and September 1 of each year commencing on March 1, 2009. Payment of the interest on each Interest Payment Date will be made to the Person whose name appears on the bond registration books of the Trustee as the Holder thereof as of the close of business on the Record Date for each Interest Payment Date, such interest to be paid by check mailed by first class mail to such Holder at its address as it appears on such registration books, or, upon the written request of any Holder of at least \$1,000,000 in aggregate principal amount of Bonds, submitted to the Trustee at least one Business Day prior to the Record Date, by wire transfer in immediately available funds to an account within the United States designated by such Holder. Notwithstanding the foregoing, as long as Cede & Co. is the Holder of all or part of the Bonds in Book-Entry Form, said principal or Make-Whole Redemption Price and interest payments will be made to Cede & Co. by wire transfer in immediately available funds.

Redemption

The Bonds are subject to redemption prior to maturity by written direction of the Institution, in whole or in part, on any Business Day, in such order of maturity as directed by the Institution, at the Make-Whole Redemption Price. The “Make-Whole Redemption Price” is the greater of (i) 100% of the principal amount of the Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the adjusted Treasury Rate (as defined below) plus 40 basis points, plus, in each case, accrued and unpaid interest on the Bonds to be redeemed on the redemption date. The “Treasury Rate” is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year,

the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Partial Redemption of Bonds

Upon surrender of any Bond redeemed in part only, the Institution will execute (but need not prepare) and the Trustee will prepare or cause to be prepared, authenticate and deliver to the Holder thereof, at the expense of the Institution, a new Bond or Bonds of Authorized Denominations, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Notice of Redemption

Notice of redemption will be mailed by the Institution to the Trustee by first class mail, not less than 45 days, nor more than 60 days prior to the redemption date. Notice of redemption will be mailed by the Trustee by first class mail, not less than 30 days, nor more than 60 days prior to the redemption date, to the respective Holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee. If the Bonds are no longer held by the Securities Depository or its successor or substitute, the Trustee shall also give notice of redemption by overnight mail to such securities depositories and/or securities information services as shall be designated in a certificate of the Institution. Each notice of redemption shall state the date of such notice, the date of issue of the Bonds, the redemption date, the Make-Whole Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee) the maturity (including CUSIP number, if any), and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Bonds the Make-Whole Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered.

Failure by the Trustee to give notice as described above to any one or more of the securities information services or depositories designated by the Institution, or the insufficiency of any such notice will not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice of redemption to any one or more of the respective Holders of any Bonds designated for redemption will not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed.

The Institution may instruct the Trustee to provide conditional notice of redemption, which may be conditioned upon the receipt of moneys or any other event. Additionally, any such notice may be rescinded by written notice given to the Trustee by the Institution no later than five Business Days prior to the date specified for redemption. The Trustee will give notice of such rescission, as soon thereafter as practicable, in the same manner, to the same Persons, as notice of such redemption was given.

Effect of Redemption

Notice of redemption having been duly given as provided in the Indenture and as described above, and moneys for payment of the Make-Whole Redemption Price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portion thereof) so called for redemption being held by the Trustee, on the date fixed for redemption designated in such notice, the Bonds (or portion thereof) so called for redemption shall become due and payable at the Make-Whole Redemption Price specified in such notice and interest accrued thereon to the date fixed for redemption, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portion thereof) will cease to be entitled to any benefit or

security under the Indenture, and the Holders of said Bonds will have no rights in respect thereof except to receive payment of said Make-Whole Redemption Price and accrued interest to the date fixed for redemption from funds held by the Trustee for such payment.

Selection of Bonds for Redemption Within a Maturity

Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of a maturity, the Trustee shall select the Bonds to be redeemed from all Bonds subject to redemption or such given portion thereof not previously called for redemption, by lot in any manner that is customary in the industry.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company, New York, New York, 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 of the Bonds, and will be deposited with DTC.

The information set forth in this section under the subheading "General" has been obtained from sources that the Institution and the Trustee believe to be reliable, but the Institution and Trustee make no representation as to the completeness or accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

NONE OF THE INSTITUTION, THE TRUSTEE AND THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

General

DTC 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, thereby eliminating 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”, and together with Direct Participants, “Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of the 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 such Bonds is discontinued.

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 the 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.

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.

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

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 Institution 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).

Principal and interest 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 Institution or the Trustee on the 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 Underwriters, the Trustee or the Institution subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Institution or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time if it is unwilling or unable to continue as depository by giving reasonable notice to the Institution or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the Bond certificates are required to be printed and delivered. See “Certificated Bonds” below.

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

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the Institution and the Underwriters believe to be reliable, but the Institution and the Underwriters do not take responsibility for the accuracy thereof.

Each person for whom a Participant acquires an interest in the Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. **NONE OF THE INSTITUTION, THE UNDERWRITERS AND THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS.**

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Trustee to DTC only.

For every transfer and exchange of Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

NONE OF THE INSTITUTION, THE UNDERWRITERS AND THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE AGREEMENT; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE BONDS; OR (VI) ANY OTHER MATTER.

Certificated Bonds

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time if it is unwilling or unable to continue as depository by giving reasonable notice to the Institution. In addition, the Institution may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). If for either reason the Book-Entry Only system is discontinued, Bond certificates will be delivered as described in the Indenture and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner’s name, will become the Bondowner. Thereafter, the Bonds may be exchanged for an equal aggregate principal amount of the Bonds in other

authorized denominations and of the same maturity, upon surrender thereof at the principal corporate trust office of the Trustee. The transfer of any Bond may be registered on the books maintained by the Trustee for such purpose only upon assignment in form satisfactory to the Trustee. For every exchange or registration of transfer of the Bonds, the Trustee may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, and the Trustee may also require the Bondholder requesting such exchange to pay a reasonable sum to cover any expenses incurred by the Institution in connection with such exchange. The Trustee will not be required to transfer or exchange any Bond during the 15 days next preceding the selection of Bonds for redemption if such Bond (or any part thereof) is eligible to be selected or has been selected for redemption.

SECURITY FOR THE BONDS

General

The Indenture provides that, on or before each Payment Date, the Institution will pay the Trustee a sum equal to the amount payable on such Payment Date as principal of and interest on the Bonds. In addition, the Indenture provides that each such payment made will at all times be sufficient to pay the total amount of interest and principal (whether at maturity or upon acceleration) becoming due and payable on the Bonds on such Payment Date. If on any Payment Date, the amounts held by the Trustee in the accounts within the Bond Fund (as described below) are insufficient to make any required payments of principal of (whether at maturity or upon acceleration) and interest on the Bonds as such payments become due, the Institution is required to pay such deficiency to the Trustee. Upon the receipt thereof, the Trustee will deposit all payments received from the Institution into the Indenture Fund established pursuant to the Indenture. See “Indenture Fund” below.

The Bonds constitute unsecured general obligations of the Institution. The Bonds are not secured by a reserve fund, mortgage lien or security interest on or in any funds or other assets of the Institution, except for funds held from time to time by the Trustee for the benefit of the Holders of the Bonds under the Indenture. Pursuant to the Indenture, proceeds of the Bonds will be held by the Institution, rather than the Trustee, until expended, and will be commingled with general funds of the Institution. In addition, as described above, the Institution is not required to deposit with the Trustee amounts necessary to pay the principal of and interest on the Bonds until the Payment Date on which such amounts become due and payable; therefore, the funds held from time to time by the Trustee for the benefit of the Holders of the Bonds under the Indenture are expected to be minimal. Proceeds of the Bonds held by the Institution are not subject to any lien or charge in favor of the Holders of the Bonds and do not constitute security for the Bonds.

The Indenture does not contain any financial covenants limiting the ability of the Institution to incur indebtedness, encumber or dispose of its property or merge with any other entity, or any covenants. Further, the Institution is not required by the Indenture to produce revenues at any specified level or to obtain any insurance with respect to its property or operations.

The Institution has other unsecured general obligations outstanding. See APPENDIX A – “CERTAIN INFORMATION CONCERNING THE INSTITUTION – Third Party Debt” and APPENDIX B-1 – “CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2008 AND 2007, AND INDEPENDENT AUDITORS’ REPORT” attached hereto. Moreover, the Institution is not restricted by the Indenture or otherwise from incurring additional indebtedness. Such additional indebtedness, if issued, may be either secured or unsecured and may be entitled to payment prior to payment on the Bonds.

Indenture Fund

Under the Indenture, the Trustee has established for the sole benefit of the Bondholders, a master fund referred to as the “Indenture Fund,” containing the Bond Fund and the Redemption Fund and each of the funds and accounts contained therein. The Institution has pledged, assigned and transferred the Indenture Fund and all amounts held therein to the Trustee for the benefit of the Bondholders to secure the full payment of the principal or Make-Whole Redemption Price of and interest on the Bonds in accordance with their terms and the provisions of the Indenture. The Indenture Fund and all amounts on deposit therein constitute collateral security to secure the full payment of the principal or Make-Whole Redemption Price of and interest on the Bonds in accordance with their terms and provisions of the Indenture. Due to the timing of payments by the Institution to the Trustee, in general there is not expected to be any money in the Indenture Funds except for a brief period of time on the Interest Payment Dates.

For information on other funds and accounts established by the Indenture, see APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto.

CERTAIN UNITED STATES FEDERAL TAX CONSIDERATIONS

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Bonds. The discussion below is based upon current provisions of the Internal Revenue Code of 1986, as amended (the “Code”), current final, temporary and proposed Treasury regulations, judicial authority and current administrative rulings and pronouncements of the Internal Revenue Service (the “IRS”). There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS has been, or is expected to be, sought on the issues discussed herein. Legislative, judicial, or administrative changes or interpretations may occur that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may or may not be retroactive and could affect the tax consequences discussed below.

TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS, YOU ARE HEREBY NOTIFIED THAT ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED HEREIN (I) IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN AND (II) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES UNDER THE CODE. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER’S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The summary is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of Bonds and does not address U.S. federal gift or (for U.S. Holders) estate tax consequences or alternative minimum, foreign, state, local or other tax consequences. This summary does not purport to address special classes of taxpayers (such as S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate mortgage investment conduits, real estate investment trusts, grantor trusts, former citizens of the United States, persons whose functional currency is not the U.S. dollar, broker-dealers, traders in securities and tax-exempt organizations) that are subject to special treatment under the federal income tax laws, or persons that hold Bonds as part of a hedge against currency risk, or that are part of a hedge, straddle, conversion, constructive ownership, constructive sale transaction, or other risk reduction or integrated transaction. This summary also does not address the tax consequences to an owner of Bonds held through a partnership or other pass-through entity treated as a partnership for U.S. federal income tax purposes. In addition, this discussion is limited to persons purchasing the Bonds for cash in this offering at their “issue price” within the meaning of Section 1273 of the Code (i.e., the first price at which a substantial amount of

Bonds are sold to the public for cash), and it does not address the tax consequences to holders that purchase the Bonds after their original issuance. This discussion assumes that the Bonds will be held as capital assets within the meaning of section 1221 of the Code.

As used herein, the term “U.S. Holder” means a beneficial owner of Bonds that is (i) an individual citizen or resident of the United States for U.S. federal income tax purposes, (ii) a corporation (or other entity classified as a corporation for U.S. federal tax purposes) created or organized in or under the laws of the United States or any state thereof or the District of Columbia, (iii) an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or (iv) a trust if (a) a U.S. court can exercise primary supervision over the administration of such trust and one or more United States persons (within the meaning of the Code) has the authority to control all of the substantial decisions of such trust or (b) the trust has made a valid election under applicable Treasury regulations to be treated as a United States person (within the meaning of the Code). As used herein, the term “Non-U.S. Holder” means a beneficial owner of Bonds that is not a U.S. Holder.

BECAUSE INDIVIDUAL CIRCUMSTANCES MAY DIFFER, PROSPECTIVE HOLDERS OF THE BONDS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THEIR PARTICULAR TAX SITUATIONS AND AS TO ANY FEDERAL, FOREIGN, STATE, LOCAL OR OTHER TAX CONSIDERATIONS (INCLUDING ANY POSSIBLE CHANGES IN TAX LAW) AFFECTING THE PURCHASE, HOLDING AND DISPOSITION OF THE BONDS.

Certain U.S. Federal Income Tax Consequences to U.S. Holders

This section describes certain U.S. federal income tax consequences to U.S. Holders. Non-U.S. Holders should see the discussion under the heading “Certain U.S. Federal Income and Estate Tax Consequences to Non-U.S. Holders” for a discussion of certain tax consequences applicable to them.

Interest. Interest on the Bonds will generally be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

The Bonds should not be treated as issued with original issue discount (“OID”) for U.S. federal income tax purposes because the stated redemption price at maturity of the Bonds will not exceed their issue price, or because any such excess should only be a *de minimis* amount (as determined for tax purposes). *De minimis* OID is included in the income of a U.S. Holder as stated principal payments are made, and is treated as an amount received in retirement of a Bond.

Disposition of the Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption (including pursuant to an offer by the Institution) or other disposition of a Bond, will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of Bonds will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Bonds which will be taxed in the manner described above under “Interest”) and (ii) the U.S. Holder’s adjusted tax basis in the Bonds (generally, the purchase price paid by the U.S. Holder for the Bonds). Any such gain or loss generally will be long-term capital gain or loss, provided the Bonds have been held for more than one year at the time of the disposition. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding. Payments of interest on the Bonds will be generally subject to IRS information reporting and “backup withholding.” Under section 3406 of the Code and applicable Treasury Regulations, a non-corporate U.S. Holder of the Bonds may be subject to backup withholding at the current rate of 28% (subject to future adjustment) with respect to “reportable payments,” which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption or

retirement of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a taxpayer identification number (“TIN”) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in section 3406(c) of the Code or (iv) there has been a failure of the payee to certify under penalty of perjury that the payee is not subject to withholding under section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

Certain U.S. Federal Income and Estate Tax Consequences to Non-U.S. Holders

This section describes certain U.S. federal income and estate tax consequences to Non-U.S. Holders.

Interest. If, under the Code, interest on the Bonds is “effectively connected with the conduct of a trade or business within the United States” by a Non-U.S. Holder, such interest will be subject to U.S. federal income tax in a similar manner as if the Bonds were held by a U.S. Holder, as described above, and in the case of Non-U.S. Holders that are corporations may be subject to U.S. branch profits tax at a rate of up to 30%, unless an applicable tax treaty provides otherwise. Such Non-U.S. Holder will not be subject to withholding taxes, however, if it provides a properly executed Form W-8ECI to the Institution or its paying agent, if any.

Interest on the Bonds held by other Non-U.S. Holders may be subject to withholding taxes of up to 30% of each payment made to the Non-U.S. Holders unless the “portfolio interest” exemption applies. In general, interest paid on the Bonds to a Non-U.S. Holder will qualify for the portfolio interest exemption, and thus will not be subject to U.S. federal withholding tax, if (i) such Non-U.S. Holder is not a “controlled foreign corporation” (within the meaning of section 957 of the Code) related, directly or indirectly, to the Institution; (ii) the Non-U.S. Holder is not actually or constructively a “10-percent shareholder” under Section 871(h) of the Code; (iii) the Non-U.S. Holder is not a bank receiving interest described in Section 881(c)(3)(A) of the Code; (iv) the interest is not effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States under Section 871(b) or Section 882 of the Code; and (v) either (a) the Institution or its paying agent, if any, receives from the Non-U.S. Holder who is the beneficial owner of the obligation a statement signed by such person under penalties of perjury, on IRS Form W-8BEN (or successor form), certifying that such owner is not a U.S. Holder and providing such owner’s name and address or (b) a securities clearing organization, bank or other financial institution that holds the Bonds on behalf of such Non-U.S. Holder in the ordinary course of its trade or business certifies to the Institution or its paying agent, if any, under penalties of perjury, that such an IRS Form W-8BEN (or a successor form) has been received from the beneficial owner by it and furnishes the Institution or its paying agent, if any, with a copy thereof. A certificate is effective only with respect to payments of interest made to the certifying Non-U.S. Holder after issuance of the certificate in the calendar year of its issuance and the two immediately succeeding calendar years. Alternative methods may be applicable for satisfying the certification requirement described above. Foreign trusts and their beneficiaries are subject to special rules, and such persons should consult their own tax advisors regarding the certification requirements.

If a Non-U.S. Holder does not claim, or does not qualify for, the benefit of the portfolio interest exemption, the Non-U.S. Holder may be subject to a 30% withholding tax on interest payments on the Bonds. However, the Non-U.S. Holder may be able to claim the benefit of a reduced withholding tax rate under an applicable income tax treaty between the Non-U.S. Holder’s country of residence and the U.S. Non-U.S. Holders are urged to consult their own tax advisors regarding their eligibility for treaty benefits. The required information for claiming treaty benefits is generally submitted on Form W-8BEN. In addition, a Non-U.S. Holder may under certain circumstances be required to obtain a U.S. taxpayer identification number.

Disposition of the Bonds. A Non-U.S. Holder will generally not be subject to U.S. federal income tax or withholding tax on gain recognized on a sale, exchange, redemption, retirement, or other disposition of a Bond. (Such gain does not include proceeds attributable to accrued but unpaid interest on the Bonds, which will be treated as interest). A Non-U.S. Holder may, however, be subject to U.S. federal income tax on such gain if: (i) the Non-U.S. Holder is a nonresident alien individual who was present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met under Section 871(a)(2) of the Code; or (ii) the gain is effectively connected with the conduct of a U.S. trade or business, as provided by applicable U.S. tax rules (in which case the U.S. branch profits tax may also apply), unless an applicable tax treaty provides otherwise; or the Non-U.S. Holder is required to pay tax pursuant to the provisions of the United States tax law applicable to certain United States expatriates.

Information Reporting and Backup Withholding. The Institution must report annually to the IRS and to each Non-U.S. Holder any interest that is subject to U.S. withholding taxes or that is exempt from U.S. withholding taxes pursuant to an income tax treaty or certain provisions of the Code. Copies of these information returns may also be made available under the provisions of a specific tax treaty or agreement with the tax authorities of the country in which the Non-U.S. Holder resides.

A Non-U.S. Holder generally will not be subject to backup withholding with respect to payments of interest on the Bonds as long as the Non-U.S. Holder (i) has furnished to the Institution or its paying agent, if any, a valid IRS Form W-8BEN certifying, under penalties of perjury, its status as a non-U.S. person, (ii) has furnished to the Institution or its paying agent, if any, other documentation upon which it may rely to treat the payments as made to a non-U.S. person in accordance with Treasury regulations, or (iii) otherwise establishes an exemption. A Non-U.S. Holder may be subject to information reporting and/or backup withholding on a sale of the Bonds through the United States office of a broker and may be subject to information reporting (but generally not backup withholding) on a sale of the Bonds through a foreign office of a broker that has certain connections to the United States, unless the Non-U.S. Holder provides the certification described above or otherwise establishes an exemption. Non-U.S. Holders should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedure for obtaining such an exemption.

Amounts withheld under the backup withholding rules may be refunded or credited against the Non-U.S. Holder's U.S. federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

U.S. Federal Estate Tax. A Bond held or beneficially owned by an individual who, for estate tax purposes, is not a citizen or resident of the United States at the time of death will not be includable in the decedent's gross estate for U.S. estate tax purposes, provided that, at the time of death, payments with respect to such Bond would not have been effectively connected with the conduct by such individual of a trade or business in the United States. In addition, the U.S. estate tax may be inapplicable to such Bond under the terms of an applicable estate tax treaty.

THE FOREGOING SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF BONDS IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO ANY TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF BONDS, INCLUDING THE APPLICATION AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain fiduciary obligations and prohibited transaction restrictions on employee pension and welfare benefit plans subject to ERISA (“ERISA Plans”). Section 4975 of the Code imposes essentially the same prohibited transaction restrictions on tax-qualified retirement plans described in Section 401(a) and 403(a) of the Code, which are exempt from tax under section 501(a) of the Code, other than governmental and church plans as defined herein (“Qualified Retirement Plans”), and on Individual Retirement Accounts (“IRAs”) described in Section 408(b) of the Code (collectively, “Tax-Favored Plans”). Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA), and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA), are not subject to ERISA requirements. Additionally, such governmental and non-electing church plans are not subject to the requirements of Section 4975 of the Code. Accordingly, assets of such plans may be invested in the Bonds without regard to the ERISA and Code considerations described below, subject to the provisions of applicable federal and state law.

In addition to the imposition of general fiduciary obligations, including those of investment prudence and diversification and the requirement that a plan’s investment be made in accordance with the documents governing the plan, Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax-Favored Plans and entities whose underlying assets include plan assets by reason of ERISA Plans or Tax-Favored Plans investing in such entities (collectively, “Benefit Plans”) and persons who have certain specified relationships to the Benefit Plans (“Parties in Interest” or “Disqualified Persons”), unless a statutory or administrative exemption is available. Certain Parties in Interest (or Disqualified Persons) that participate in a prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Code) unless a statutory or administrative exemption is available.

Certain transactions involving the purchase, holding or transfer of the Bonds might be deemed to constitute prohibited transactions under ERISA and the Code if assets of the Institution were deemed to be assets of a Benefit Plan. Under final regulations issued by the United States Department of Labor (the “Plan Assets Regulation”), the assets of the Institution would be treated as plan assets of a Benefit Plan for the purposes of ERISA and the Code only if the Benefit Plan acquires an “equity interest” in the Institution and none of the exceptions contained in the Plan Assets Regulation is applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there can be no assurances in this regard, it appears that the Bonds should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation. However, without regard to whether the Bonds are treated as an equity interest for such purposes, the acquisition or holding of Bonds by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Institution or the Trustee, or any of their respective affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan. In such case, certain exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a Bond. Included among these exemptions are: Prohibited Transaction Class Exemption (“PTCE”) 96-23, regarding transactions effected by “in-house asset managers”; PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 95-60, regarding transactions effected by “insurance company general accounts”; PTCE 91-38, regarding investments by bank collective investment funds; and PTCE 84-14, regarding transactions effected by “qualified professional asset managers.”

Any ERISA Plan fiduciary considering whether to purchase Bonds on behalf of an ERISA Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code to such investment and the availability of any of the exemptions referred to above. Persons responsible for investing the assets of Tax-Favored Plans that are

not ERISA Plans should seek similar counsel with respect to the prohibited transaction provisions of the Code and the applicability of any similar state or federal law.

UNDERWRITING

The Institution has entered into a purchase contract with the Underwriters listed on the cover hereof for whom Goldman, Sachs & Co. is acting as representative, and the Underwriters have agreed to purchase the Bonds from the Institution at an aggregate discount of \$6,875,000 from the public offering price set forth on the cover page hereof.

The purchase contract pursuant to which the Bonds are being sold provides that the Underwriters will purchase not less than all of the Bonds. The Underwriters' obligation to make such purchase is subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by counsel and certain other conditions.

The Underwriters may offer and sell the Bonds to certain dealers and others at a price lower than the initial offering price. The offering price of Bonds may be changed from time to time by the Underwriters.

CERTAIN RELATIONSHIPS

The Institution maintains a conflict of interest policy. From time to time the Institution enters into business arrangements with entities that are related to officers or trustees of the Institution. Certain officers or trustees of the Institution are currently or have been affiliated with Goldman, Sachs & Co., J.P. Morgan Securities Inc., and Morgan Stanley & Co. Incorporated, which are acting as underwriters with respect to the Bonds. The Institution believes that all such arrangements are consistent with the Institution's conflict of interest policy.

Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Institution, for which they received or will receive customary fees and expenses.

CONTINUING DISCLOSURE

Consistent with the continuing disclosure requirements of SEC Rule 15c2-12 relating to its tax-exempt publicly traded bonds and with industry practice for institutions of higher education, the Institution files an annual financial report with all NRMSIRs pursuant to continuing disclosure agreements relating to its previous debt offerings. These annual financial reports are currently available from the NRMSIRs. The Institution also routinely posts its annual treasurer's report containing financial information on its website (<http://www.princeton.edu/sites/TreasurersOffice/Treasurer/>). The information contained in the Institution's website is not a part of this Offering Memorandum and is not incorporated by reference herein.

APPROVAL OF LEGALITY

Legal matters incident to validity of the Bonds and certain other matters are subject to the approving opinion of Ropes & Gray LLP, counsel to the Institution. The proposed form of opinion of counsel to the Institution relating to the validity of the issuance of the Bonds and certain other matters is attached hereto as Appendix D. In addition, certain other legal matters will be passed upon for the Institution by Peter G. McDonough, Esq., General Counsel to the Institution, and for the Underwriters by their counsel, Ballard Spahr Andrews & Ingersoll, LLP.

FINANCIAL ADVISOR

Prager, Sealy & Co., LLC serves as financial advisor to the Institution (the “Institution Financial Advisor”) in connection with the issuance of the Bonds. The Institution Financial Advisor advises the Institution in connection with the issuance of its obligations and certain other financial matters.

INDEPENDENT AUDITORS

The financial statements of the Institution as of June 30, 2008 and 2007 and for the years then ended, included as Appendix B-1 to this Offering Memorandum, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing therein, which expresses an unqualified opinion on those financial statements and includes an explanatory paragraph concerning the change in method of accounting for defined benefit pension and other postretirement plans in 2007.

RATINGS

Moody’s has assigned a rating of “Aaa” and Standard & Poor’s has assigned a rating of “AAA” on the Bonds. Any explanation of the significance of such ratings may only be obtained from Moody’s and Standard & Poor’s. Generally, rating agencies base their ratings on information and materials furnished and on investigation, studies, and assumptions by the rating agencies. There is no assurance that the rating mentioned above will remain in effect for any given period of time or that a rating might not be lowered or withdrawn entirely, if in the judgment of the rating agency originally establishing the rating, circumstances so warrant. Any such downward change in or withdrawal of a rating might have an adverse effect on the market price or marketability of the Bonds.

MISCELLANEOUS

All quotations from and summaries and explanations of the Indenture and of other statutes and documents contained herein do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions. Copies in reasonable quantity of the Indenture may be obtained upon request directed to the Underwriters or the Institution.

Any statements in this Offering Memorandum involving matters of opinion are intended as such and not as representations of fact. This Offering Memorandum is not to be construed as a contract or agreement between the Institution and Holders of any of the Bonds.

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The execution and delivery of this Offering Memorandum has been duly authorized by the Institution.

THE TRUSTEES OF PRINCETON UNIVERSITY

By: /s/ Carolyn N. Ainslie
Carolyn N. Ainslie
Vice President for Finance and Treasurer

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APPENDIX A

CERTAIN INFORMATION CONCERNING THE INSTITUTION

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January 14, 2009

The following information is submitted with respect to The Trustees of Princeton University (“Princeton” or the “University”). Except as otherwise specified, all financial and statistical data refer to the fiscal year ended June 30, and information contained in all charts is based on the University’s records.

General

Princeton is a privately endowed, non-sectarian institution of higher learning. When Princeton was chartered in 1746 as The Trustees of the College of New Jersey, it became the fourth college in British North America. It was renamed Princeton University in 1896. Originally located in Elizabeth, New Jersey, and later located in Newark, New Jersey, the school was moved to Princeton, New Jersey, in 1756.

Midway between New York and Philadelphia, the University has expanded considerably since its early years. It now covers more than 2,000 acres, of which about 500 comprise the main campus. The Forrestal campus, located approximately three miles from the main campus in Plainsboro Township, adjacent to Princeton Forrestal Center, contains mostly support and research facilities. The University has approximately 10 million square feet of building space on and off campus: about 40% for academic buildings including the library, about 25% for administrative and athletic facilities, almost 25% for dormitories and graduate housing and just over 10% for off-campus housing and commercial real estate properties.

The student body numbers approximately 4,800 undergraduates and 2,100 graduate students in more than 60 departments and programs. The University offers instruction in the liberal arts and sciences and in professional programs of the School of Architecture, the School of Engineering and Applied Science, and the Woodrow Wilson School of Public and International Affairs. The faculty numbers approximately 1,243, including visitors and part-time appointments.

Governance and Administration

The University is governed by a Board of Trustees (the “Trustees”) whose number, unless otherwise approved by the board, is set at not less than twenty-three nor more than forty, with two members *ex officio* (the Governor of the State of New Jersey and the President of the University), not more than twenty-one Charter Trustees (who serve for a ten year term), not fewer than four nor more than eight Term Trustees (who serve for four year terms), and thirteen Alumni Trustees (who serve for four year terms). As of July 1, 2008, the Trustees are as follows:

Ex officio

Shirley M. Tilghman
President of the University

Jon S. Corzine
Governor of the State of New Jersey

Charter Trustees

Thomas A. Barron
Dennis J. Brownlee
John D. Diekman
Kathryn A. Hall
Brent L. Henry

Karen Magee
Heidi G. Miller
Robert S. Murley
Stephen A. Oxman
Nancy B. Peretsman

Dennis J. Keller
Randall Kennedy
Peter B. Lewis

Louise S. Sams
Peter C. Wendell

Term Trustees

YoungSuk C. Chi
Christopher A. Cole
Shelby M.C. Davis
Carl Ferenbach III
Charles DeW. Gibson

Ellen D. Harvey
Kavita N. Ramdas
Sonia Sotomayor
William H. Walton III
Gordon Y.S. Wu

Alumni Trustees

Katherine Brittain Bradley
Janet L. Holmgren
Jose L. Huizar
Matthew J.T. Margolin
Katherine Marshall
Franklin H. Moss
John A. O'Brien

Meaghan P. Petersac
Michael E. Porter
Kimberly E. Ritrievi
Mark Siegler
Brady P. Walkinshaw
James Williamson

The principal trustee committees are the Executive Committee, the Committee on Finance, the Audit and Compliance Committee, the Committee on Grounds and Buildings, the Committee on Academic Affairs, the Committee on Student Life, Health and Athletics, and the Committee on University Resources. The Committee on Finance is responsible for the financial management and budgeting of the University. In April 1987, the responsibility for day-to-day oversight of the University's investment portfolio was delegated to individuals named as directors of the Princeton University Investment Company ("PRINCO"), an unincorporated division of the University. The directors of PRINCO are responsible to the Trustees for the management of the portfolio, reporting directly to the Committee on Finance. PRINCO has a twelve-member Board of Directors. Eight members are elected; the President and the Treasurer of the University, the President of PRINCO and the Chair of the Committee on Finance serve as *ex officio* members. Andrew K. Golden is the President of PRINCO and Kathryn A. Hall is the Chair of its Board of Directors.

The policies of the Trustees are carried out under the direction of the President of the University, Shirley M. Tilghman. Among the other principal officers of the University are the Provost – Christopher L. Eisgruber; Vice President for Finance and Treasurer – Carolyn N. Ainslie; Vice President and Senior Adviser to the President – Christopher McCrudden; Vice President and Secretary – Robert K. Durkee; Executive Vice President–Mark Burstein; Vice President for Facilities – Michael E. McKay; and General Counsel – Peter G. McDonough.

A brief description of each of these University officials, including the President of PRINCO, follows:

Shirley M. Tilghman was elected the nineteenth President of the University in May 2001. A native of Canada, President Tilghman received her B.Sc. (Honors) from Queen's University in 1968, and her Ph.D. in Biochemistry from Temple University in 1975. She joined the faculty in 1986 as the Howard A. Prior Professor of the Life Sciences, and has also been an Investigator with the Howard Hughes Medical Institute. In 1998 she took on additional responsibilities as the founding director of Princeton's

multi-disciplinary Lewis-Sigler Institute for Integrative Genomics. President Tilghman has served on the Advisory Council to the Director, National Institutes of Health, as well as on the National Advisory Council for the National Center for Human Genome Research. She is a Foreign Associate of the U.S. National Academy of Sciences, a Fellow of the Royal Society of London, and a member of the American Academy of Arts and Sciences and the American Philosophical Society. She is a Trustee of the Jackson Laboratory and the Carnegie Endowment for International Peace and a director of Google Inc.

Christopher L. Eisgruber became the Provost of the University on July 1, 2004. He is the Laurence S. Rockefeller Professor of Public Affairs in the Woodrow Wilson School and the University Center for Human Values. From 2001 through June 2004, he served as Director of Princeton's Program in Law and Public Affairs. He is the author of *The Next Justice: Repairing the Supreme Court Appointments Process* (Princeton 2007), *Religious Freedom and the Constitution* (Harvard 2007) (co-authored with Lawrence G. Sager), and *Constitutional Self-Government* (Harvard 2001), as well as numerous articles in books and academic journals. Before joining the faculty in 2001, he clerked for Judge Patrick Higginbotham of the United States Court of Appeals for the Fifth Circuit and for Justice John Paul Stevens of the United States Supreme Court, and then served for eleven years on the faculty of the New York University School of Law. Mr. Eisgruber received an A.B. *magna cum laude* in Physics from Princeton, a M.Litt. in Politics from Oxford University, and a J.D. from the University of Chicago Law School. He is a member of the American Law Institute.

Carolyn N. Ainslie became the Vice President for Finance and Treasurer effective October 1, 2008. Prior to her appointment, she served as Vice President for Planning and Budget at Cornell University since 1998 and held various positions as part of the Cornell budget staff since 1986. She is a graduate of Bucknell University with an M.B.A. from the University of Rochester.

Christopher McCrudden became the Vice President and Senior Adviser to the President on October 1, 2008. Prior to his current position he served as Vice President for Finance and Treasurer since 2005 and as Treasurer since 2001. Mr. McCrudden, who has been with the University since 1973, served as Associate Provost for Finance and Associate Treasurer. He received his B.A. in government from Trinity College in Hartford, Connecticut, and his M.A. in public administration from Maxwell School of Citizenship and Public Affairs at Syracuse University, where he was a Mellon Fellow. Mr. McCrudden has been active in federal research costing issues, participating in numerous studies and presentations conducted by the Council on Government Relations (COGR) where he has served as chairman of the board.

Robert K. Durkee became Vice President and Secretary of the University on January 1, 2004. In this capacity he serves as a senior adviser to the President, provides administrative support for the Trustees and oversees the official convocations of the University such as Commencement. He also serves as the University's vice president for public affairs, a position he has held since 1978. In addition to his work at the University, Mr. Durkee's board memberships have included the Washington, D.C.-based Fair Labor Association (which he has served as acting chair), the Association of Independent Colleges and Universities of New Jersey, the Council for Advancement and Support of Education, the Consortium on Financing Higher Education, and McCarter Theater. Mr. Durkee received his A.B. degree *magna cum laude* from the University in 1969, and earned a master of arts in teaching degree from Montclair State University in 1971.

Mark Burstein was appointed Vice President for Administration of the University effective August 2, 2004 and became Executive Vice President in July 2005. Mr. Burstein previously served as Columbia University's Vice President for Facilities Management, and before that as Vice President for Student Services and acting Vice President for Human Resources. An honors graduate of Vassar College with an M.B.A. from the Wharton School at the University of Pennsylvania (where he was awarded the

Morgenthau Fellowship in Public Finance), Mr. Burstein joined the Columbia administration in 1994 after a series of positions in consulting, investment banking and New York City government.

Michael E. McKay was appointed Vice President for Facilities effective July 2003. He has been with the University since 1977. Prior to being appointed Vice President for Facilities, Mr. McKay served as the General Manager of Plant and Services for the past ten years. He earned a B.S. in engineering from the U.S. Military Academy of West Point and a masters degree in management from Boston University. A registered professional engineer in New Jersey and Virginia, Mr. McKay has served as president of the International District Energy Association and on the boards of the New Jersey Independent Energy Producers and Coalition for Competitive Energy.

Peter G. McDonough is General Counsel for the University. He has been with the University since 1990. Prior to being elevated to General Counsel as of February 1, 2002, Mr. McDonough served as University Counsel. Mr. McDonough came to the University in 1990 from Morgan, Lewis & Bockius' New York office, where he practiced as a litigator and trial lawyer in federal and state courts, as well as various arbitration forums. He received his A.B. (in Economics) and J.D. from Georgetown University.

Andrew K. Golden became the third President of Princeton University Investment Company in January 1995. He came to PRINCO from Duke Management Company where he was an Investment Director. Prior to that time, he served as a Senior Associate in the Investments Office at Yale University. Mr. Golden holds a B.A. from Duke University and an M.P.P.M. from the Yale School of Organization and Management.

Academic Programs and Facilities

The University is a relatively small university that combines many of the advantages of a small liberal arts college with those of a large research-oriented university. With 6,960 students, the University is smaller than most major research universities.

The University offers two undergraduate degree programs: the Bachelor of Arts and the Bachelor of Science in Engineering. Programs of study in the humanities, the natural sciences and the social sciences lead to the Bachelor of Arts degree, with courses and programs of study offered in approximately sixty subjects. The Bachelor of Science in Engineering degree is offered in the departments of chemical engineering, civil and environmental engineering, operations research and financial engineering, electrical engineering, computer science, and mechanical and aerospace engineering; additionally, students may study in the subject areas of applications of computing, architecture and engineering, engineering and management systems, engineering biology, engineering physics, geological engineering, materials science and engineering, and robotics and intelligent systems.

The Graduate School comprises forty-three degree granting academic departments and programs offering over sixty areas of concentration. Fields of study leading to the doctorate are offered in the arts and sciences, engineering, architecture and public affairs. In addition, the Graduate School offers courses of study leading to the degree of Master of Architecture, Master of Arts in Near Eastern Studies, Master in Public Affairs, Master in Public Affairs and Urban and Regional Planning, Master in Public Policy, Master of Engineering (1 year), Master of Finance, Master of Science in Engineering (2 years) and Master of Science in Chemistry. The Master of Arts and Master of Fine Arts (music only) are incidental degrees for which doctoral students may apply after passing the General Examination.

The University is accredited by the Middle States Association of Colleges and Schools. It also has professional accreditation from the National Architectural Accreditation Board and the Engineering Accrediting Commission of the Accreditation Board for Engineering and Technology.

The University is a member of the American Academy of Arts and Sciences, American Council on Education, Association of American Universities and the Council on Government Relations.

The University maintains a major library facility, with a substantial number of works in numerous fields. The Library contains over six million volumes and has over 41,000 serial subscriptions. In addition, the University maintains instructional and research libraries in almost 20 departments mainly in the natural sciences and engineering, plus sophisticated computer facilities serving faculty and students in all fields of study.

Faculty

The University consists of a single faculty that teaches on both the graduate and undergraduate levels. There are approximately 850 full-time faculty members with the titles Professor, Associate Professor, Assistant Professor, Instructor, Senior Lecturer and Lecturer. In addition, approximately 320 people each year are appointed to positions as visiting or part-time faculty. Counting all faculty, there is approximately one faculty member for each six students (graduate plus undergraduate).

Approximately 63% of the University’s full-time faculty is tenured. The University has generally followed a policy of not paying the academic year salaries of its tenured faculty members with sponsored research funds. Although there are certain exceptions to this policy, the University has been generally successful in allocating other funds to support faculty positions, including endowment earnings and tuition revenues. This policy is specifically designed to protect the University’s instructional program from the inevitable fluctuations in Federal support for sponsored research.

Below is the record of full-time equivalent faculty over the last five years:

Full-Time Equivalent Faculty *

Academic Year	Tenured	Non-Tenured on Tenure Track	Others Non-Tenured	Total
2004-05	515	171	232	918
2005-06	520	160	238	918
2006-07	534	157	234	925
2007-08	538	153	249	940
2008-09	542	164	230	936

*The actual number of people appointed to the faculty is slightly higher than indicated, but the University maintains budget control by limiting the number of “full-time equivalents”.

Student Enrollments

The University places primary emphasis on undergraduate education within the setting of a major research university. The following table provides data on student enrollments and the number of degrees awarded in the past five academic years:

Academic Year	Enrollments			Degrees Awarded	
	Undergraduate	Graduate	Total	Bachelor	Advanced
2003-04	4,676	2,009	6,685	1,113	686
2004-05	4,678	2,030	6,708	1,145	688
2005-06	4,761	2,031	6,792	1,124	661
2006-07	4,790	2,095	6,885	1,144	716
2007-08	4,845	2,115	6,960	1,137	743

The University's students come from every section of the country, with each of the fifty states being represented in the student body almost every year. The University believes that its high retention rate of 98% and high graduation rate of 96% result primarily from the academic quality of the students who are admitted.

The Trustees have approved an increase in the size of the undergraduate student body of approximately 10% to enhance the quality of the overall educational experience at the University and make more effective use of the University's extraordinary resources. This growth of 500 students began with a gradual increase of students admitted for the fall of 2005, followed by similar increases for subsequent years, with a goal of 125 new freshman in each class, or approximately 1,300 total freshman. The gradual expansion to the freshman class is continuing as planned, and the University expects to enroll a class of 1,300 in the future.

The table below sets forth the recent undergraduate applicants to the University, the number of such applicants accepted by the University and the number of those accepted who enrolled:

<u>Academic Year of Matriculation</u>	<u>Completed Applications</u>	<u>Total Acceptances</u>	<u>Total Enrolled</u>
2004-05	13,695	1,732	1,175
2005-06	16,510	1,807	1,229
2006-07	17,564	1,790	1,231
2007-08	18,942	1,838	1,246
2008-09	21,370	2,122	1,246

The average freshman typically scores in the top 5% of the high school seniors who annually take the College Entrance Examination Board's Scholastic Aptitude Test (SAT) and ranks in the top 10% of his or her high school class. The middle 50% of the fall 2007 freshman class scored between 690 and 790 on the critical reading section of the SAT I and between 700 and 790 on the math SAT I. Approximately 2.5% of recent graduating classes have been awarded scholarships for graduate study which include the Rhodes, Marshall and Fulbright awards. In recent years, roughly 20-23% of each senior class has planned to attend graduate or professional school after graduation from the University.

The following table sets forth similar statistics for the Graduate School:

<u>Academic Year of Matriculation</u>	<u>Completed Applications</u>	<u>Total Acceptances</u>	<u>Total Enrolled*</u>
2004-05	7,739	1,056	541
2005-06	8,120	1,044	516
2006-07	8,633	1,136	586
2007-08	8,778	1,128	594
2008-09	9,238	1,216	620

*Excludes visitors and non-degree candidates.

Tuition and Fees

The full-time tuition charge for the 2008-2009 academic year is \$34,290 for both undergraduate and graduate students. A five-year summary of annual tuition rates follows:

<u>Academic Year</u>	<u>Tuition Rate</u>
2004-05	\$29,910
2005-06	31,450
2006-07	33,000
2007-08	33,000
2008-09	34,290

In addition, the standard room rate for undergraduates for the 2008-2009 academic year is \$6,205 and the board rate is \$5,200. For graduate students, the average room rate is \$5,305 and the average board rate is \$3,205.

Tuition and room and board expenses are expected to increase somewhat over the next five years. Although no assurances can be given that such increases will exactly match the general rate of inflation, it is the intention of the University to make every effort to moderate such increases. Studies conducted at the University and elsewhere indicate that tuition increases have not historically had a significant effect on the size and quality of the University's pool of applicants.

Financial Aid

As a matter of policy, the University's undergraduate admission decisions are made without any consideration of a student's financial need, and all admitted students who have demonstrated financial need are provided the financial aid they require. A portion of each student's financial aid package has traditionally comprised loans and part-time employment, but scholarship assistance is provided as well. The formulas for determining student and parental contributions were substantially liberalized for all classes entering in 1998 and subsequent years. Starting with the 2001-2002 academic year, the Trustees approved further significant expansions in aid for undergraduate and graduate students, including the elimination of any loan requirement for all undergraduate aid students. The University has been able to sustain this commitment to financial aid for several reasons. First, financial aid has been given a high priority in the normal budgeting process. Second, alumni and other benefactors have been especially generous in providing endowment support for the financial aid program; earnings from the endowment are expected to provide approximately \$73 million for undergraduate scholarships in the 2008-2009

academic year. Third, State and Federal student aid programs complement the funds the University itself has provided in this area. The University expects to meet all of its commitments to students, using University funds as necessary, in order to continue to admit students without consideration of financial need.

Greater than 50% of the current undergraduate student body annually receives need-based financial aid from the University or from outside sources, and current trends suggest this percentage will increase slightly over the next few years. In 2008-2009, a total of \$92.0 million is budgeted for undergraduate scholarship aid through the University. State and Federal government funds account for 4% of this figure, and outside scholarships (such as National Merit awards and other similar scholarships supported by non-University groups) make up another 8% of the total. The remaining 88% is provided from income earned on the endowment or from general University funds.

Graduate student aid is substantial and awarded on the basis of need and merit. During the 2008-2009 academic year, approximately \$120 million is budgeted for this purpose, including research and teaching assistantships. This total reflects expanded support for first-year fellowships in engineering and the natural sciences and summer support for students in the humanities and social sciences, both of which began in 2001-2002 along with the undergraduate aid enhancements described above.

Alumni

Princeton University alumni have contributed with leadership and distinction to many fields of human endeavor. Its alumni have included Presidents of the United States, distinguished public servants and diplomats, Nobel Prize winners in several academic fields, outstanding writers and recognized leaders in business, law and finance. The University has assisted in the education of talented and diverse individuals from throughout the country and the world. At present, the University has approximately 78,000 living alumni with the greatest concentrations in New York, California, New Jersey, Massachusetts and Pennsylvania.

Fund Raising

For the fiscal years 2004 through 2008, University Development reports receipts, on average, of approximately \$189.1 million per year in gifts from alumni and other supporters of the University, not including the substantial support provided by the Federal government for sponsored research and student aid. Support from alumni, corporations and foundations is used for capital projects or is added to the University's endowment, and substantial sums, primarily from the University's Annual Giving campaign, are included in the annual operating budget.

For the year ended June 30, 2008, cash and security receipts from private gifts and grants totaled \$227.2 million, while the present value of outstanding pledges at year-end was \$294.2 million. Annual Giving for fiscal year 2008 was \$54.1 million, with 59.2% participation by undergraduate alumni. The table below sets forth the total amount of gifts the University has received for each of the past five fiscal years.

TOTAL GIFTS
(in thousands of dollars)

Year Ended <u>June 30</u>	<u>Amount</u>
2004	\$188,100
2005	\$196,000
2006	\$270,000
2007	\$261,200
2008	\$348,000

Financial Information

Appendix B-1 to this Offering Memorandum includes the consolidated financial statements of the University as of and for the years ended June 30, 2008 and 2007. The consolidated financial statements should be read in their entirety. Appendix B-2 to this Offering Memorandum includes the University's Report on Investments, 2007-08.

The financial statements of the University included in Appendix B-1 include the Statements of Financial Position as of June 30, 2008 and 2007, and the Statements of Activities and the Statements of Cash Flows for the fiscal years ended June 30, 2008 and 2007. The University's consolidated financial statements include assets and operations of several foundations of which the University is the principal beneficiary. The Statement of Activities reflects the annual change in the amount and nature of the University's net assets.

The following selected financial data for the five years ended June 30, 2008 are derived from the audited financial statements of the University. The data should be read in conjunction with the audited financial statements, related notes, and other financial information included in Appendix B-1.

THE TRUSTEES OF PRINCETON UNIVERSITY
SUMMARY OF STATEMENT OF ACTIVITIES
(in thousands of dollars)

	<u>As of June 30</u> <u>2004</u>	<u>As of June 30</u> <u>2005</u>	<u>As of June 30</u> <u>2006</u>	<u>As of June 30</u> <u>2007</u>	<u>As of June 30</u> <u>2008</u>
Operating activities:					
Total revenues	\$ 779,495	\$ 826,842	\$ 921,633	\$ 996,987	\$1,179,565
Total expenses	<u>(789,489)</u>	<u>(835,031)</u>	<u>(927,942)</u>	<u>(981,281)</u>	<u>(1,050,818)</u>
Net increase (decrease)	\$ (9,994)	\$ (8,189)	\$ (6,309)	\$ 15,706	\$ 128,747
Nonoperating activities:					
Net increase	\$ 1,138,357	\$ 1,395,398	\$ 1,831,088	\$ 2,814,170	\$ 448,766
Settlement of Litigation					<u>(90,000)</u>
Cumulative effect of change in accounting principle			<u>(15,500)</u>	<u>(18,687)</u>	
Increase in net assets	<u>\$ 1,128,363</u>	<u>\$ 1,387,209</u>	<u>\$ 1,809,279</u>	<u>\$ 2,811,189</u>	<u>\$ 487,513</u>

From 2004 to 2008, total revenues increased from \$779.5 million to \$1.2 billion for the fiscal year ended June 30, 2008, or by 66%. Over the same five year period, total expenses increased from \$789.5 million to \$1.1 billion or by 75%.

For information concerning investment activity subsequent to June 30, 2008, see "Investments."

Operating activity includes sources of revenue such as tuition, gifts and grants, auxiliary activities and investment income made available for spending pursuant to the University's spending rule. The costs and expenses necessary to meet the University's education and research mission are deducted from operating revenue. Non-operating activity includes all investment income (less the amount made available for spending), including realized and unrealized gains and losses, the present value of promises to give and revenue from miscellaneous sources.

The Statement of Activities is designed to illustrate an organization's financial performance over a period of time, generally twelve months, and reflects the University's ability to meet its annual operating costs and expenses from current revenues. Explanations of the major revenue categories in the Statement are given in the following paragraphs:

Tuition and Fees represent a major source of the University's income that is generally under its control. The full amount of tuition for each student is taken into income even though a portion may be derived from scholarships or loan funds or student employment. Under accounting requirements, scholarship and fellowship expenditures are shown as a reduction of revenue. While historically the annual increases in fees have tended to be greater than the general rate of inflation, the rate of increase has been consistently decreasing in recent years. For fiscal year 2009, the tuition rate reflects a 3.9% increase, with an overall increase in tuition and fees of 4.2%. Although tuition is now a somewhat greater percentage of median family income than it was in decades prior to the eighties and nineties, the

University has increased its financial aid significantly to insure that all admitted undergraduate students can afford to attend.

Government Grants and Contracts represent another major source of University income; however, nearly 83% of these funds were restricted in fiscal year 2008. Of these restricted funds, roughly one half were for the Princeton Plasma Physics Laboratory, which is managed for the U.S. Department of Energy and represents approximately 7% of the University's operating expenses. Although the bulk of total grant receipts comes from the Federal government, the State of New Jersey contributed approximately \$1.7 million in fiscal year 2008 for a variety of specific purposes. There would be an adverse impact on the University if government funds were eliminated or significantly reduced, but a majority of these funds support specific research projects that would not be continued at their existing levels if outside funding were reduced.

In addition to funds for direct research expenditures on Federal government grants and contracts, the University is permitted to recover indirect costs for a percentage share of administrative costs, library expenditures, maintenance of the physical plant and similar items that are essential components of the University environment, and therefore are necessary to conduct research in that setting. These facilities and administrative recoveries comprised \$40 million of revenues in fiscal year 2008.

Private Gifts, Grants and Contracts consist of two major components: support for particular projects sponsored by foundations, corporations or individuals; and spendable gifts and grants, including the University's Annual Giving campaign, which are unrestricted revenue. Gift revenues include amounts that are unrestricted, temporarily restricted and permanently restricted depending on donor-imposed conditions. Under Statement of Financial Accounting Standards No. 116, Accounting for Contributions Received and Contributions Made, unconditional promises to give are recognized as revenues in the year made, not in the year in which the cash is received, and the amounts are present-valued based on expected collections.

Sales and Services of Auxiliary Activities include revenues from the Athletics Department, dormitory and food services, systems and technical support, and rental housing. Also included is the income from the Summer Events Program, which makes dormitories and other facilities available to groups that wish to hold meetings on the campus.

Investment Income includes dividends, interest and realized and unrealized appreciation and losses from the University's investment portfolio. The University has historically followed a policy of reinvesting a portion of the portfolio's total return in order to provide some protection against inflation and, in general, attempting to manage the endowment in such a way that its value will be preserved in order to meet future needs. Consistent with the spending rule, the amount of investment earnings made available for spending is shown as operating revenue and the balance as non-operating revenue.

The University's spending policy is reviewed regularly by the Trustees in light of the actual investment performance of the endowment and inflation expectations, and adjustments are made as required. This policy currently calls for the spending distribution to grow at a rate of 5% annually as long as the resulting spending rate, expressed as a percent of the endowment market value, remains within a band between 4% and 5.75%.

Investments

Below are the market values of all of the University's investments, which includes the University's endowment as well as certain operating and other funds, at the end of the past five fiscal years:

TOTAL INVESTMENTS (INCLUDING ENDOWMENT)¹
(in thousands of dollars)

Year Ended <u>June 30</u>	<u>Market Value</u>
2004	\$10,392,708
2005	11,904,679
2006	13,619,000
2007	16,542,000
2008	16,913,000

In order to oversee the management of the endowment and related investments, the University established PRINCO in January 1987. PRINCO administers the procedures for selection and oversight of external investment managers and advisors who make daily decisions about individual securities and other particular investments.

In fiscal year 2008, Princeton's endowment supplied more than 45% of the University's operating revenue.² In common with the equity markets generally, the endowment has significantly lost value since the beginning of the current fiscal year, which began July 1, 2008. Through October 31, the endowment declined by 11% from July 1, based on the University's standard reporting protocols and using information that is the best available as of the reporting date. However, given that values for non-marketable investments, which comprise more than half of the endowment portfolio, are reported only with lagged estimates until the end of each fiscal year, the University believes that 11% understates the actual economic loss the endowment suffered through October. In addition, financial markets have continued to decline since then. Although the University cannot predict what investment performance will be over the next six months, Management is planning for the possibility that the endowment will have declined by 25% at the end of the fiscal year.

Third Party Debt

As of December 1, 2008, the University had outstanding indebtedness of approximately \$1.54 billion in the form of loans from the New Jersey Educational Facilities Authority ("NJEFA" or "Authority"), advances from the Student Loan Marketing Association ("Sallie Mae") and Bank of America to fund a parental loan program, mortgages, notes and commercial paper.

¹ Includes non-endowment investments consisting of working capital, planned giving investments, bond proceeds awaiting drawdown and certain student loans.

² Princeton has historically calculated this percentage based on investment earnings on the endowment actually distributed as a percentage of the University's operating budget. The calculation excludes, among other items, scholarship and fellowship revenue, which are treated as an expense in the operating budget but are included in the audited financial statements of the University as a reduction of operating revenue. If calculated in accordance with generally accepted accounting principles, the actual percentage would be higher.

INDEBTEDNESS OF THE UNIVERSITY

	<u>December 1, 2008</u>	<u>June 30, 2007</u>
	(in thousands of dollars)	
NJEFA Bonds – Tax-Exempt Revenue Bonds 1999 Series A through 2008 Series K	\$1,468,657	\$1,274,716
NJEFA Higher Education Capital Improvement Fund, Series 2000 A	1,477	1,647
NJEFA Dormitory Safety Trust Fund Bonds, Series 2001A	6,658	7,490
NJEFA Equipment Leasing Fund Bonds, Series 2001A	9	26
Parental Loans – Sallie Mae and Bank of America	49,362	44,428
Commercial Paper	12,680	12,680
Mortgages	42	112
Notes	<u>2,022</u>	<u>2,248</u>
Total Third Party Debt	<u>\$1,540,907</u>	<u>\$1,343,347</u>

From 1989 until 1998, the University operated a parental loan program through Sallie Mae. Because of program reorientation at Sallie Mae, a new lender was chosen to finance the parental loan program as of 1998. As of December 1, 2008, \$3.03 million remained outstanding under the Sallie Mae Program.

Effective in September 1998, the University established a new parental loan program with Bank of America (formerly Fleet Bank). The financing arrangement with Bank of America provides the University with a line of credit of up to \$70 million. The advances have maturities of 14 years and can be at a fixed rate tied to United States Treasury Notes or at a variable rate tied to the LIBOR rate (with semiannual adjustments). The choice of interest rate selected by the borrowers in the parental loan program is the basis for the interest rate charged to the University for each of its advances from Bank of America. As of December 1, 2008, approximately \$46.33 million was outstanding under the Bank of America credit facility.

Additionally, the University has available bank lines of credit totaling \$200 million under which the University may borrow on an unsecured basis at agreed upon rates. As of December 1, 2008, approximately \$14.0 million was outstanding in the form of letters of credit.

Long-term debt service for each of the past five fiscal years has been:

2004	\$63,401,000
2005	76,322,000
2006	87,803,000
2007	86,259,000
2008	103,750,000

Short-Term Borrowing

In late 1997, the University initiated a program of short-term borrowing to finance the construction costs of major capital projects. The program was funded through commercial paper issued by the NJEFA (including both taxable and tax-exempt debt). The proceeds are used to provide funds for various major capital projects while awaiting the receipt of donor gifts, the usual funding source for capital projects. The authorized par of the existing \$120 million commercial paper program was increased by the University's Trustees to \$300 million in June 2008, and the permitted uses were expanded to include working capital needs. As of December 1, 2008, \$12.7 million was outstanding at an average nominal interest rate of 1.4%. Management anticipates that at the conclusion of the construction period for each capital project funded by the commercial paper program, philanthropic gifts raised through the University's ongoing development efforts will retire portions of each project's construction debt. At that time, permanent debt financing will be used to cover the balance of unfunded costs.

Self-Liquidity

The University provides its own liquidity for its commercial paper program from its endowment resources. At November 30, 2008, there was available more than \$514 million in same-day and next-day funds, consisting primarily of United States Treasury Securities, Treasury Repos, and cash. While the composition of the liquid funds varies depending on market conditions, management of the University believes the amounts at November 30, 2008 are generally representative of the University's liquidity capacity at any given time.

On November 5, 2008, the University refunded all of its outstanding variable rate demand bonds, and consequently has no self-liquidity requirements, other than those relating to its commercial paper program.

Capital Budgets

The University budgets from its general operating revenues to support a program of capital expenditures in two categories: 1) major maintenance and renovation; and 2) capital equipment (new construction costs are not included in this budget item). For major maintenance and renovation (which does not include normal operating maintenance such as painting), the University anticipates spending approximately \$139 million per year over the next several years. The annual University budget now includes sufficient funds to support an annual level of spending in excess of two percent of the estimated replacement value of the physical plant. In addition, the University may from time to time allocate dedicated funds and the earnings on certain capital reserve funds to allow for the acceleration of specific buildings in the renovation program. This could increase total expenditure levels by as much as \$100 million over the next five years.

New construction projects are typically funded by moneys raised as part of a separate capital budget and therefore are not normally funded from the University's annual operating budget. The current plans call for approximately \$1,658 million of new construction over ten years, including the following academic initiatives: \$385 million for a new Chemistry Building and associated pre-construction work; \$326 million for the Creative and Performing Arts, including associated infrastructure improvements; approximately \$325 million for a new Neuroscience and Psychology Building, and \$180 million for new construction in the Engineering School. Investments in student and staff housing, a data center, an off-campus administrative building, childcare, and athletic fields and complexes may result in additional expenditures of approximately \$440 million over this period. The University may issue long-term debt to finance the portion of these projects not funded by gifts or other dedicated sources.

The following table summarizes the University's major maintenance and renovation and capital equipment budgets for the upcoming five years. It should be noted that these budgets are reviewed annually and are sometimes supplemented with dedicated and reserve funds.

**PROJECTED MAJOR MAINTENANCE AND RENOVATION
AND CAPITAL EQUIPMENT SPENDING**
(in thousands of dollars)

Year Ended <u>June 30</u>	Major Maintenance <u>and Renovation</u>	Capital <u>Equipment*</u>	<u>Total</u>
2009	\$122,000	\$6,100	\$128,100
2010	127,400	6,200	133,600
2011	132,900	6,200	139,100
2012	138,000	6,200	144,200
2013	143,500	6,300	149,800

*This category includes only that equipment purchased from general University funds. Most scientific equipment is purchased with sponsored research funds. The amount actually spent for such equipment varies from year to year depending on the needs of different research groups and the availability of funds from sponsoring agencies (mostly within the Federal government).

Employees

As of June 2008, 5,865 people were employed by the University (other than students), consisting of 1,169 faculty members, 2,836 other professionals and 1,860 other employees. Approximately 810 maintenance, service and support staff are represented by five unions with collective bargaining agreements that have expiration dates between calendar years 2009 and 2011. In recent years, relationships with both organized and unorganized groups have been good with no significant labor disputes in over twenty years.

Retirement Plans

Effective January 1, 1994, faculty and staff who meet specific employment requirements participate in the Princeton University Retirement Plan. This is a non-contributory, tax qualified defined contribution plan funded through the Teachers Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF). The University also maintains a voluntary contributory Tax Deferred Annuity Plan for all faculty and staff. For further information concerning funding of this plan, see Appendix B-1 under the heading "Employee Benefit Plans."

Prior to January 1, 1994, faculty and monthly paid staff who met specific requirements participated in a non-contributory defined contribution plan and biweekly staff who met certain requirements participated in a non-contributory, tax-qualified defined benefit plan. The latter was terminated in 2000.

Litigation

In July 2002, three members of the Robertson Foundation Board of Trustees and another Robertson family member (collectively the "Family Trustees") commenced a lawsuit against the University and the remaining four Foundation board members, one of whom is the President of the

University and the other three appointed by the President (collectively the “University Trustees”). The complaint alleged that the University Trustees breached their fiduciary duty to the Robertson Foundation by developing “a scheme to transfer control of the investment of the Foundation’s assets to Princeton University Investment Company [PRINCO].” Additional claims included those pertaining to operational aspects and funding of the Woodrow Wilson School’s graduate program.

The parties entered into a settlement agreement on December 9, 2008, and on December 12, 2008 the court issued an order approving the settlement agreement and dismissing the action. Under the terms of the settlement agreement, the Robertson Foundation will be dissolved and its assets will be transferred to the University to create an endowed fund that will be controlled solely by the University. In addition, over a three-year period the University will reimburse the Banbury Fund, a Robertson family foundation, for \$40 million of legal fees that were paid by that fund during the course of the litigation, and beginning in 2012 the University will provide \$50 million, plus interest, paid over seven years, to a new charitable foundation designated by the Robertson family. The University intends to use the newly created endowed fund as the source of these payments. Settlement of the Robertson Foundation litigation is recorded as a reduction in temporarily restricted net assets in the Statement of Activities in the amount of \$90 million, and a corresponding accrued liability in the Statement of Financial Position for the year ended June 30, 2008.

The University is subject to certain other legal proceedings and claims that arise in the normal course of operations. In the opinion of management, the ultimate outcome of these actions will not have a material effect on the University’s financial position, statement of activities or cash flows.

Insurance

The University currently has a primary general liability policy in the amount of \$2 million, with a deductible of \$500,000 per occurrence. The University has an automobile liability policy in the amount of \$2 million, with a deductible of \$25,000 per occurrence. Above the primary layer for general liability, the University has various umbrella and excess layers of coverage, which generally follow the form of the commercial primary coverage, with total umbrella and excess limits of \$148 million. The University also carries property insurance on the insurable replacement value of all of its buildings and contents with a limit of liability of \$1.25 billion for any one occurrence at replacement cost with a deductible amount of \$250,000 per occurrence. The University separately insures its fine arts and rare books in the amount of \$750 million with a deductible of \$1,000.

This Appendix A and the accompanying “Consolidated Financial Statements as of and for the years ended June 30, 2008 and 2007, and Independent Auditors’ Report” and “Report on Investments, 2007-08” appended as Appendix B-1 and Appendix B-2, respectively, are submitted for inclusion in the Offering Memorandum relating to The Trustees of Princeton University, Taxable Bonds, 2009 Series A.

THE TRUSTEES OF PRINCETON UNIVERSITY

By: /s/ Carolyn N. Ainslie
Carolyn N. Ainslie
Vice President for Finance and Treasurer

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APPENDIX B-1

**CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED
JUNE 30, 2008 AND 2007, AND INDEPENDENT AUDITORS' REPORT**

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Princeton University

*Consolidated Financial Statements as of and
For the Years Ended June 30, 2008 and 2007, and
Independent Auditors' Report*

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
of Princeton University

We have audited the accompanying Consolidated Statements of Financial Position of Princeton University (the "University") as of June 30, 2008 and 2007, and the related Consolidated Statements of Activities and Cash Flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the University at June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note, "Postretirement benefits other than pensions" to the consolidated financial statements, the University changed its method of accounting for defined benefit pension and other postretirement plans in 2007.

Deloitte & Touche LLP

December 15, 2008

Princeton University
Consolidated Statements of Financial Position
June 30, 2008 and 2007

<i>(dollars in thousands)</i>	2008	2007
Assets		
Cash	\$ 4,087	\$ 3,830
Accounts and accrued interest receivable	73,501	80,846
Due from brokers	488	91,608
Educational and mortgage loans receivable	358,491	343,332
Contributions receivable	294,230	212,416
Inventories and deferred charges	20,687	27,534
Securities pledged to creditors	80,990	188,558
Managed investments at market value	15,919,900	15,136,300
Funds held in trust by others	106,260	115,110
Other investments	700,900	1,128,400
Property:		
Land	80,300	80,264
Buildings and improvements	2,066,886	1,840,017
Construction in progress	258,146	271,359
Other property	610,730	587,686
Accumulated depreciation	(801,727)	(756,506)
Total assets	\$ 19,773,869	\$ 19,350,754
Liabilities		
Accounts payable	\$ 92,799	\$ 69,837
Due to brokers	2,116	8,620
Deposits, advance receipts, and accrued liabilities	144,496	64,612
Payable under securities loan agreements	83,712	194,041
Deposits held in custody for others	187,580	181,308
Deferred revenues	42,685	44,451
Liability under planned giving agreements	90,520	99,086
Federal loan programs	6,229	7,579
Indebtedness to third parties	1,299,916	1,343,347
Accrued postretirement benefits	220,464	222,034
Total liabilities	\$ 2,170,517	\$ 2,234,915
Net Assets		
Unrestricted	\$ 15,027,555	\$ 14,607,370
Temporarily restricted	1,132,520	1,225,678
Permanently restricted	1,443,277	1,282,791
Total net assets	\$ 17,603,352	\$ 17,115,839
Total Liabilities and Net Assets	\$ 19,773,869	\$ 19,350,754

See notes to consolidated financial statements.

Princeton University

Consolidated Statement of Activities

Year ended June 30, 2008

<i>(dollars in thousands)</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>2008 Total</i>
Operating revenues, gains, and other support				
Tuition and fees	\$ 233,570			\$ 233,570
Less scholarships and fellowships	(142,221)			(142,221)
Net tuition and fees	91,349			91,349
Government grants and contracts	205,991			205,991
Private gifts, grants, and contracts	77,117			77,117
Sales and services of auxiliary activities	81,826			81,826
Other sources	60,058			60,058
Investment earnings distributed	606,582	\$ 56,642		663,224
Total operating revenues, gains, and other support	1,112,923	56,642		1,179,565
Net assets released from restrictions	196,721	(196,721)		-
Total operating revenues, gains, and other support	1,319,644	(140,079)		1,179,565
Operating expenses				
Educational and general:				
Academic departments and programs	489,893			489,893
Academic support	46,105			46,105
Student services	81,803			81,803
Library	58,615			58,615
General administration and institutional support	125,255			125,255
Other student aid	28,717			28,717
Plasma Physics Laboratory	70,375			70,375
Total educational and general	900,763			900,763
Auxiliary activities	98,891			98,891
Interest on indebtedness	51,164			51,164
Total operating expenses	1,050,818			1,050,818
Results of operations	268,826	(140,079)		128,747
Nonoperating activities				
Adjustments to planned giving agreements		7,695	\$ 10,404	18,099
Decrease in value of assets held in trust by others			(8,850)	(8,850)
Private gifts, noncurrent		128,043	142,862	270,905
Net unrealized (depreciation) appreciation on investments	(800,043)	(78,302)	763	(877,582)
Investment earnings not distributed	1,557,984	136,127	15,307	1,709,418
Distribution of prior year investment earnings	(606,582)	(56,642)		(663,224)
Increase from nonoperating activity	151,359	136,921	160,486	448,766
Settlement of Robertson Foundation litigation		(90,000)		(90,000)
Increase(decrease) in net assets	420,185	(93,158)	160,486	487,513
Net assets at the beginning of the year	14,607,370	1,225,678	1,282,791	17,115,839
Net assets at the end of the year	\$ 15,027,555	\$ 1,132,520	\$ 1,443,277	\$ 17,603,352

See notes to consolidated financial statements.

Princeton University
Consolidated Statement of Activities

Year ended June 30, 2007

<i>(dollars in thousands)</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>2007 Total</i>
Operating revenues, gains, and other support				
Tuition and fees	\$ 227,480			\$ 227,480
Less scholarships and fellowships	(132,124)			(132,124)
Net tuition and fees	95,356			95,356
Government grants and contracts	196,373			196,373
Private gifts, grants, and contracts	79,320			79,320
Sales and services of auxiliary activities	74,568			74,568
Other sources	48,738			48,738
Investment earnings distributed	452,617	\$ 50,015		502,632
Total operating revenues, gains, and other support	946,972	50,015		996,987
Net assets released from restrictions	175,834	(175,834)		
Total operating revenues, gains, and other support	1,122,806	(125,819)		996,987
Operating expenses				
Educational and general:				
Academic departments and programs	477,584			477,584
Academic support	35,620			35,620
Student services	76,022			76,022
Library	52,907			52,907
General administration and institutional support	109,569			109,569
Other student aid	26,148			26,148
Plasma Physics Laboratory	72,861			72,861
Total educational and general	850,711			850,711
Auxiliary activities	94,446			94,446
Interest on indebtedness	36,124			36,124
Total operating expenses	981,281			981,281
Results of operations	141,525	(125,819)		15,706
Nonoperating activities				
Adjustments to planned giving agreements		8,623	\$ 6,708	15,331
Increase in value of assets held in trust by others			15,335	15,335
Private gifts, noncurrent		158,259	23,621	181,880
Net unrealized appreciation on investments	1,170,713	77,172	5,474	1,253,359
Investment earnings not distributed	1,732,102	107,438	11,357	1,850,897
Distribution of prior year investment earnings	(452,617)	(50,015)		(502,632)
Increase from nonoperating activity	2,450,198	301,477	62,495	2,814,170
Increase in net assets before cumulative effect of change in accounting principle	2,591,723	175,658	62,495	2,829,876
Cumulative effect of change in accounting principle	(18,687)			(18,687)
Increase in net assets	2,573,036	175,658	62,495	2,811,189
Net assets at the beginning of the year	12,034,334	1,050,020	1,220,296	14,304,650
Net assets at the end of the year	\$ 14,607,370	\$ 1,225,678	\$ 1,282,791	\$ 17,115,839

See notes to consolidated financial statements.

Princeton University
Consolidated Statements of Cash Flows
Years ended June 30, 2008 and 2007

<i>(dollars in thousands)</i>	2008	2007
Cash flows from operating activities:		
Change in net assets	\$ 487,513	\$ 2,811,189
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	89,119	83,239
Amortization of bond issuance costs and premiums	(2,086)	(7,800)
Property gifts-in-kind	(366)	(1,606)
Adjustments to planned giving agreements	(18,099)	(15,331)
Realized gain on investments	(1,082,050)	(1,415,211)
Unrealized depreciation (appreciation) on investments	909,624	(1,253,359)
Loss on disposal of fixed assets	514	3,261
Decrease (increase) in value of assets held in trust by others	8,850	(15,335)
Contributions received for long-term investment	(270,905)	(181,880)
Changes in operating assets and liabilities:		
Decrease (increase) in operating assets	14,192	(7,489)
(Decrease) increase in operating liabilities	91,675	84,973
Net cash provided by operating activities	227,981	84,651
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(290,755)	(236,640)
Proceeds from disposal of property, plant, and equipment	9,972	4,738
Purchases of investments	(9,367,012)	(6,985,097)
Proceeds from maturities/sales of investments	9,327,055	6,695,515
Net cash used by investing activities	(320,740)	(521,484)
Cash flows from financing activities:		
Issuance of indebtedness to third parties	6,793	523,613
Payment of debt principal	(48,138)	(234,235)
Contributions received for long-term investment	126,178	132,745
Transactions on planned giving agreements	9,533	15,081
Net (repayments) additions under federal loan programs	(1,350)	179
Net cash provided by financing activities	93,016	437,383
Net increase (decrease) in cash	257	550
Cash at beginning of year	3,830	3,280
Cash at end of year	\$ 4,087	\$ 3,830
Supplemental disclosures:		
Interest paid	\$ 54,327	\$ 38,329

See notes to consolidated financial statements.

Princeton University

Notes to Consolidated Financial Statements

Years ended June 30, 2008 and 2007

Nature of operations

Princeton University (hereafter referred to as the University) is a privately endowed, nonsectarian institution of higher learning. When originally chartered in 1746 as the College of New Jersey, it became the fourth college in British North America. It was renamed Princeton University in 1896. First located in Elizabeth, and briefly in Newark, the school moved to Princeton in 1756.

The student body numbers approximately 4,800 undergraduates and 2,100 graduate students in more than 60 departments and programs. The University offers instruction in the liberal arts and sciences and in professional programs of the School of Architecture, the School of Engineering and Applied Science, and the Woodrow Wilson School of Public and International Affairs. The faculty numbers approximately 1,200, including visitors and part-time appointments.

Summary of significant accounting policies

The consolidated financial statements of Princeton University (now legally known as “The Trustees of Princeton University”) are prepared on the accrual basis and include the accounts of its wholly owned subsidiaries and two foundations controlled by the University. Financial information conforms to the statements of accounting principles of the Financial Accounting Standards Board (FASB) and to the American Institute of Certified Public Accountants *Audit and Accounting Guide for Not-for-Profit Organizations*. Relevant pronouncements of the FASB include Statements of Financial Accounting Standards (“SFAS”) No. 116, *Accounting for Contributions Received and Contributions Made*, and SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*, issued by the Financial Accounting Standards Board.

Under SFAS No. 116, unconditional promises to give are recognized as revenues in the year made, not in the year in which the cash is received. The amounts are present-valued based on timing of expected collections. Amounts received from donors to planned giving programs are shown in part as a liability for the present value of annuity payments to the donor and the balance as a gift of either temporarily or permanently restricted net assets.

SFAS No. 117 prescribes the standards for external financial statements and requires not-for-profit organizations to prepare a statement of financial position (balance sheet), a statement of activities, and a statement of cash flows. It requires the classification of the organization’s net assets and its revenues and expenses into three categories according to the existence or absence of donor-imposed restrictions—permanently restricted, temporarily restricted, or unrestricted. Changes in each category are reflected in the statement of

activities, certain of which are further categorized as nonoperating. Such nonoperating activities primarily reflect transactions of a long-term investment or capital nature, including contributions receivable in future periods, contributions subject to donor-imposed restrictions, and gains and losses on investments in excess of the University’s spending rule. Other significant accounting policies are described elsewhere in these notes.

The preparation of the University’s financial statements in conformity with generally accepted accounting principles 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 dates of the consolidated statements of financial position, and the reported amounts of revenue and expense included in the consolidated statement of activities. Actual results could differ from such estimates.

Except as set forth elsewhere in these notes, the University’s other financial instruments are carried in the balance sheet at amounts that approximate their fair values.

The prior year financial statements of the University include reclassifications of managed investments and other investments to conform to the current year presentation.

New accounting pronouncements

In September 2006, the FASB issued Statement No.157, *Fair Value Measurements*. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosure about fair value management. This statement is effective for fiscal years beginning after November 15, 2007.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115*. This statement permits all entities to choose, at specified election dates, to measure eligible items at fair value (the “fair value option”). Unrealized gains and losses on items for which the fair value option has been elected shall be reported in the statement of activities or similar statement. This statement is effective as of the beginning of the first fiscal year that begins after November 15, 2007.

In August 2008, the FASB issued Staff Position (“FSP”) No. 117-1, *Endowments of Non-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), and Enhanced Disclosures for All Endowment Funds*. FSP 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject

to an enacted version of the UPMIFA act of 2006. This FSP is also expected to improve disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA. FSP 117-1 is effective for fiscal years ending after December 15, 2008.

Management is evaluating the impact of implementing these pronouncements on the University's financial statements.

Managed investments

All investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair values. In addition, the University utilizes fair values for reporting other investments, primarily limited partnerships and derivatives.

The fair value of marketable equity, debt, and certain derivative securities (which includes both domestic and foreign issues) is generally based upon a combination of published current market prices and exchange rates. The fair value of restricted securities and other investments where published market prices are not available is based on estimated values using discounted cash flow and other industry standard methodologies. Where applicable, independent appraisers and engineers assist in the valuation. The fair value of limited partnerships (42% and 34% of the total assets at June 30, 2008 and 2007, respectively) is estimated by management based on information provided by the respective general partners or a valuation committee. Changes in assumptions could have a significant effect on the fair values of these instruments. Actual results could differ from these estimates and could have a material impact on the financial statements. These investments are generally less liquid than other investments and the values reported may differ from the values that would have been reported had a ready market for these securities existed. Securities transactions are reported on a trade-date basis. A summary of investments at fair value at June 30, 2008 and 2007 is as follows (in millions):

	2008	2007
Managed portfolio:		
Equity accounts	\$ 7,291.9	\$ 8,060.4
Fixed income accounts	389.6	578.9
Limited partnerships	8,238.4	6,497.0
	<hr/>	<hr/>
Gross Managed portfolio	15,919.9	15,136.3
Due from (to) brokers, net	(1.6)	83.0
	<hr/>	<hr/>
Net Managed portfolio	\$15,918.3	\$ 15,219.3

The Princeton University Investment Company ("PRINCO") manages investments for the University and the two foundations that the University controls, The Robertson Foundation and the Stanley J. Seeger Hellenic Fund. The investment balances managed by PRINCO for these entities as of June 30, included in the University's consolidated financial statements, are as follows (in millions):

	2008	2007
Princeton University	\$ 14,776.9	\$ 14,111.5
The Robertson Foundation	920.6	894.1
Stanley J. Seeger Hellenic Fund	33.2	32.4
Deposits held in custody for others	187.6	181.3
	<hr/>	<hr/>
Net Managed portfolio	\$15,918.3	\$ 15,219.3

The composition of net investment return for the years ended June 30, 2008 and 2007 were as follows (in thousands):

	2008	2007
Realized and unrealized gains and (losses)	\$ 172,426	\$ 2,668,570
Interest, dividends, and other income	659,410	435,686
	<hr/>	<hr/>
Total	\$ 831,836	\$ 3,104,256

Princeton University investments together with the Seeger Hellenic Fund and deposits held in custody for others are invested in a single unitized pool. The market value of each unit was \$8,733.28 and \$8,701.54 at June 30, 2008 and 2007, respectively. The average value of a unit during the years ending June 30, 2008 and 2007 was \$8,795.82 and \$7,988.89, respectively.

The average invested market balance in the unitized pool during the years ending June 30, 2008 and 2007 was \$14.783 billion and \$12.925 billion, respectively. The average invested balance of The Robertson Foundation during the years ending June 30, 2008 and 2007 was \$0.913 billion and \$0.812 billion, respectively.

The University follows a spending rule for its unitized investments, including funds functioning as endowment, that provides for regular increases in spending while preserving the long-term purchasing power of the endowment. Earnings available for spending are shown in operating revenue, and the balance as nonoperating revenue. Amounts distributed per unit under that rule were \$415.80 and \$396.00 at July 1, 2008 and 2007, respectively.

As of June 30, 2008 and 2007, the University had loaned

certain securities, returnable on demand, with a market value of \$81.0 and \$188.6 million, respectively, to several financial institutions that have deposited collateral with respect to such securities of \$83.7 and \$194.0 million, respectively. The University receives income on the invested collateral, and also continues to receive interest and dividends from the securities on loan. In accordance with SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, the securities loaned are shown as an asset labeled securities pledged to creditors and the obligation to return the collateral is shown as a liability labeled payable under securities loan agreements on the Consolidated Statements of Financial Position.

The University invests in various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

As part of its investment strategy, the University enters into a variety of financial instruments and strategies, including futures, swaps, options, short sales, and forward foreign currency exchange contracts. In all cases except forward foreign currency exchange and swap contracts, these transactions are traded through securities and commodities exchanges. The forward foreign currency exchange and swap contracts are executed with credit-worthy banks and brokerage firms. At June 30, 2008, the aggregate notional value of currency forward contracts was \$138 million, with an aggregate unrealized gain of \$0.2 million. The University enters into equity swap contracts to limit the University's exposure to market value fluctuations of equity securities held in limited partnerships. At June 30, 2008, the aggregate notional value of equity swaps was \$160.0 million, with an aggregate unrealized gain of \$19.3 million. At June 30, 2007 there were no swaps or currency forward contracts outstanding.

Other investments

Other investments include working capital, a small number of funds that must be separately invested due to donor or legal restrictions, planned giving investments, bond proceeds awaiting drawdown, and local real estate holdings expected to be liquidated strategically over the next several years. A summary of other investments at fair value at June 30, 2008 and 2007 is as follows (in millions):

	2008	2007
Working capital	\$ 239.6	312.6
Funds separately invested	8.3	159.3
Planned giving investments	205.6	235.9
Bond proceeds awaiting drawdown	176.0	346.5
Strategic real estate investments	71.4	74.1
Total	\$ 700.9	1,128.4

Educational and mortgage loans

Determination of the fair value of educational loans receivable could not be made without incurring excessive costs. These loans include donor-restricted and federally sponsored educational loans that bear mandated interest rates and repayment terms, and are subject to significant restrictions on their transfer and disposition. These loans totaled \$67.0 million and \$66.7 million at June 30, 2008 and 2007, respectively.

Through a program to attract and retain excellent faculty and senior staff, the University provides home acquisition and financing assistance on residential properties in the area surrounding the University. Notes receivable from faculty and staff and co-ownership interests in the properties are included in mortgage loans and are collateralized by mortgages on those properties. These loans and interests totaled \$292.2 million and \$277.3 million at June 30, 2008 and 2007, respectively.

Educational and mortgage loans receivable at June 30, 2008 and 2007 are reported net of allowances for doubtful loans of \$0.7 million and \$0.7 million, respectively.

Promises to give

At June 30, 2008 and 2007 the University had received from donors unconditional promises to give contributions of amounts receivable in the following periods (in thousands):

	2008	2007
Less than one year	\$ 66,609	\$ 38,932
One to five years	230,006	169,177
More than five years	37,182	41,462
Total	333,797	249,571
Less unamortized discount and reserve	39,567	37,155
Net amount	\$ 294,230	\$ 212,416

The amounts promised have been discounted at a risk-free rate to take into account the time value of money. Current year promises are included in revenue as additions to temporarily or permanently restricted net assets, as determined by the donors.

In addition, at June 30, 2008, the University has received from donors promises to give \$5.1 million, which are conditioned upon the raising of matching gifts from other sources and other criteria. These amounts will be recognized as income in the periods in which the conditions have been fulfilled.

Funds held in trust by others

The University is the income beneficiary of various trusts that are held and controlled by independent trustees. In addition, the University is the income beneficiary of entities that qualify as supporting organizations under Section 509(a)(3) of the U.S. Internal Revenue Code. Funds held in trust by others are recognized at the estimated fair value of the assets or the present value of the future cash flows when the irrevocable trust is established or the University is notified of its existence. Funds held in trust by others, stated at fair value, amounted to \$106.3 million in 2008 and \$115.1 million in 2007.

Property

Land additions subsequent to June 30, 1973, are reported at estimated market value at the date of gift, in the case of gifts, and at cost in all other cases. Land acquired through June 30, 1973, is carried at estimated value at that date, computed using municipal tax assessments because it was not practicable to determine historical cost or the market value at the date of gift.

Buildings and improvements are stated at cost. Expenditures for operation and maintenance of physical plant are expensed as incurred.

Items classified as other property at June 30, 2008 and 2007 consist of the following (in thousands):

	2008	2007
Equipment	\$ 231,704	\$ 224,930
Rare books	73,707	70,940
Library books, periodicals, and bindings	232,171	218,938
Fine arts objects	73,148	72,878
	<hr/>	<hr/>
Total	\$ 610,730	\$ 587,686
	<hr/> <hr/>	<hr/> <hr/>

Equipment, rare books, and library books, periodicals, and bindings are stated at cost. Equipment includes items purchased with federal government funds; an indeterminate portion of those items are expected to be transferred to the University at the termination of the respective grant or contract. In addition to purchases with University funds, the University, since its inception, has received a substantial number of fine arts objects from individual gifts and bequests. Art objects acquired through June 30, 1973, are carried at insurable values at that date because it is not practicable to determine the historical cost or market value

at the date of gift. Art objects acquired subsequent to June 30, 1973, are recorded at cost or fair value at the date of gift.

In 2006 the University adopted the use of componentized depreciation for buildings and building improvements used for research. The costs of research facilities were separated into building shell, service system and fixed equipment components which are separately depreciated.

Annual depreciation is calculated on the straight-line method over useful lives ranging from 15 to 50 years for buildings and improvements, 30 years for library books, and 10 and 15 years for equipment.

Conditional asset retirement obligations

In March 2005, the FASB issued Interpretation No. 47 ("FIN No. 47"), *Accounting for Conditional Asset Retirement Obligations*. Under FIN No. 47, companies must accrue for costs related to legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets. The obligation to perform the asset retirement activity is not conditional even though the timing or method may be conditional.

The University has identified asbestos abatement as a conditional asset retirement obligation. Asbestos abatement was estimated using site-specific surveys where available and a per/square foot estimate based on historical cost where surveys were unavailable. FIN No. 47 requires that the estimate be recorded as a liability and as an increase to the asset, and the capitalized portion depreciated over the remaining useful life of the asset. The asset retirement obligation which is included in accrued liabilities was \$14.5 million and \$15.0 million at June 30, 2008 and 2007, respectively, and accretion expense on the asset retirement obligation was \$0.8 million and \$0.7 million for the years ended June 30, 2008 and 2007, respectively.

Income taxes

Effective July 1, 2007, the University implemented FASB Interpretation No. 48 ("FIN No. 48"), *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*. FIN 48 prescribes the minimum recognition threshold a tax position must meet in connection with accounting for uncertainties in income tax positions taken or expected to be taken by an entity before being measured and recognized in the financial statements. The University has evaluated its tax positions pursuant to the principles of FIN 48, and has determined that there is no material impact on the University's financial statements.

The University is a not-for-profit organization as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from income taxes on related income. The University files U.S. federal and various state and local tax returns. The

Internal Revenue Service is currently conducting a routine audit of the University's activities. The audit is expected to continue into the next fiscal year; therefore, the outcome cannot be determined at this time. The statute of limitations on the University's U.S. federal tax returns remains open for the years ended June 30, 2005 through the present.

Deferred revenues

Deferred revenues primarily represent advance receipts relating to the University's real estate leasing activities. Such amounts are amortized over the term of the related leases.

Indebtedness to third parties

At June 30, 2008 and 2007 the University's debt consists of loans through the New Jersey Educational Facilities Authority (NJEFA), commercial paper, various parental loans with the Student Loan Marketing Association (Sallie Mae) and a national bank, a note with a regional bank, and various mortgages as follows (in thousands):

	2008	2007
NJEFA Revenue Bonds		
February 15, 1999 Series A, 4.80%, due July 2029, net of unamortized discount of \$52 and \$64	\$4,623	\$5,661
July 15, 1999 Series B, 4.75%, due July 2009, net of unamortized discount of \$25 and \$51	2,310	4,514
June 15, 2000 Series E, 5.21%, due July 2010, net of unamortized discount of \$46 and \$69	4,489	6,556
October 15, 2000 Series H, 5.23%, due July 2027, net of unamortized discount of \$100 and \$150	4,360	6,375
October 17, 2001 Series B, variable rate, due July 2022	79,200	83,200
July 26, 2002 Series B, variable rate, due July 2023	83,290	86,965
June 26, 2003 Series E, 3.94%, due July 2028, including unamortized premium of \$3,897 and \$4,197	68,017	71,207
August 6, 2003 Series F, variable rate, due July 2024	63,325	66,375
September 18, 2003 Series D, 3.73%, due July 2019, including unamortized premium of \$7,533 and \$8,218	92,738	98,638
July 21, 2004 Series D, 4.50%, due July 2029, including unamortized premium of \$3,328 and \$3,744	45,653	50,199
March 18, 2005 Series A, 4.40%, due July 2030, including unamortized premium of \$4,704 and \$5,132	139,864	140,867
June 8, 2005 Series B, 4.24%, due July 2035, including unamortized		

premium of \$1,964 and \$2,079	85,184	87,439
May 22, 2006 Series D, 4.39%, due July 2031, including unamortized premium of \$866 and \$904	73,416	75,194
August 3, 2006 Series E, 4.50%, due July 2027, including unamortized premium of \$91 and \$96	92,711	92,831
June 6, 2007 Series E, 4.53%, due July 2037, including unamortized premium of \$4,984 and \$5,156	324,535	330,156
May 22, 2007 Series F, 4.39%, due July 2030, including unamortized premium of \$879 and \$919	68,489	68,539
NJEFA Dormitory Safety Trust Fund Bonds		
August 14, 2001 Series A, 4.24%, due January 2016	6,658	7,490
NJEFA Equipment Leasing Fund Bonds		
October 11, 2001 Series A, 3.09%, due August 2009	18	26
NJEFA Capital Improvement Fund Bonds		
August 1, 2000 Series A, 5.72%, due August 2020	1,565	1,647
Commercial Paper	12,680	12,680
Parental Loans	44,665	44,428
Notes	2,078	2,248
Mortgage	48	112
Total	\$ 1,299,916	\$ 1,343,347

The proceeds of NJEFA loans were used primarily for new construction, renovation, and rehabilitation of University facilities, annual major maintenance, and purchases of capital equipment.

The University issued the 2006 Series E and 2007 Series F bonds in order to reduce the University's overall interest costs. The proceeds were used to refund portions of several previously issued NJEFA Series bonds and to pay the costs of issuance of the refunding bonds. In connection with these refundings the accompanying Statement of Activities includes a decrease in unrestricted net assets of \$3.4 million for the year ended June 30, 2007, to account for the unamortized costs of issuance and original issue discounts of the refunded bonds.

Subsequent to June 30, 2008, the University issued 2008 Series J bonds through the NJEFA in the amount of \$250 million at a fixed rate with a 30 year final maturity for the purpose of funding new construction, renovations and major maintenance, and 2008 Series K bonds in the amount of \$209 million at a fixed rate with a 15 year final maturity

for the purpose of refunding the outstanding variable rate bonds. The University intends to issue additional bonds in the future.

The full faith and credit of the University is pledged in all loan agreements with the NJEFA.

Loans with the Student Loan Marketing Association (Sallie Mae) are used for the parental loan program. At June 30, 2008 and 2007, the amounts outstanding were \$3.5 million and \$5.7 million, respectively, at rates ranging from 3.3% to 8.2%. As collateral, the University pledges these parent loans and additional student loans for which Sallie Mae provides a second market. In fiscal 1999 the University entered into a loan facility with a national bank to provide funding currently authorized up to \$70 million for the parental loan program. Terms to the borrowers are similar to the Sallie Mae program in that fixed or variable rates may be selected on a pass-through basis; terms may be as long as 14 years. At June 30, 2008 and 2007, the balances outstanding were \$41.2 million and \$38.7 million, respectively, at rates ranging from 3.3% to 7.4%.

In fiscal year 1998 a commercial paper program was authorized as an initial step of financing to provide construction funds for approved capital projects. The proceeds permit construction to proceed until permanent financing from gifts or other sources is made available. The program was initially authorized to a maximum level of \$120 million which was increased to \$300 million in June 2008. At June 30, 2008 and 2007, \$12.7 million and \$12.7 million, respectively, were issued through the NJEFA on a tax-exempt basis to the investors. Maturities of the debt were from 15 to 119 days, and the nominal interest rates at June 30, 2008 and 2007 were 1.4% and 3.7%, respectively.

Principal payments for each of the next five years and thereafter on debt outstanding at June 30, 2008, excluding commercial paper, are as follows (in thousands):

	<i>Principal payments</i>
2009	\$ 44,806
2010	45,923
2011	46,976
2012	59,030
2013	49,097
Thereafter	1,013,380
	<hr/>
Subtotal	1,259,212
Unamortized premium	28,023
	<hr/>
Net long-term debt	\$ 1,287,235
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The fair value of the University's long-term debt is estimated based on current notes offered for the same or similar

issues with similar security, terms, and maturities. At June 30, 2008, the carrying value and the estimated fair value of the University's long-term debt, excluding commercial paper, were \$1,287.2 million and \$1,312.4 million, respectively. At June 30, 2007, the carrying value and the estimated fair value of the University's long-term debt, excluding commercial paper, were \$1,330.7 million and \$1,355.8 million, respectively.

The University has a discretionary bank line of credit totaling \$50 million, including letters of credit, under which the University may borrow on an unsecured basis at agreed upon rates. There were \$14.1 million and \$11.1 million in letters of credit outstanding under this facility at June 30, 2008 and 2007, respectively. In June 2008, the University was authorized by its trustees to obtain committed bank lines of credit up to \$200 million.

Employee benefit plans

All faculty and staff who meet specific employment requirements participate in a defined contribution plan, which participates in the Teachers Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF). The University's contributions were \$41.7 million and \$38.1 million for the years ended June 30, 2008 and 2007, respectively. The defined contribution plan permits employee contributions.

Postretirement benefits other than pensions

In September 2006 the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, an amendment of FASB No. 106, *Accounting for Postretirement Benefits Other Than Pensions*. SFAS No. 158 requires the recognition of a defined benefit postretirement plan's funded status as either an asset or liability on the statement of financial position. SFAS No. 158 also requires the immediate recognition of the unrecognized actuarial gains or losses and prior service costs or credits that arise during the period as a component of unrestricted net assets. The University continues to apply the provisions of SFAS No. 106 in calculating its Accumulated Postretirement Benefit Obligation ("APBO") which it initially elected in 1993 to amortize over 20 years. The transition obligation remaining from the initial application of SFAS No. 106 must, however, be recognized upon the initial application of SFAS No. 158. The University adopted SFAS No. 158 effective June 30, 2007, which resulted in a net decrease in unrestricted net assets of \$18.7 million. Under the ongoing provisions of SFAS No. 106, the University continues to recognize the cost of providing postretirement benefits for employees over the period of their working years.

The University provides single coverage health insurance

to its retirees who meet certain eligibility requirements. Participants may purchase additional dependent or premium coverage. The accounting for the plan anticipates future cost-sharing changes to the written plan that are consistent with the University's expressed intent to increase retiree contributions in line with medical costs.

The benefit costs for the years ended June 30, 2008 and 2007 consist of the following (in thousands):

	2008	2007
Service cost	\$ 9,063	\$ 8,709
Interest cost	13,645	12,895
Net amortization of transition amount	3,374	3,374
	<hr/>	<hr/>
Total	\$ 26,082	\$ 24,978
	<hr/> <hr/>	<hr/> <hr/>

The APBO at June 30, 2008 and 2007 consisted of actuarially determined obligations to the following categories of employees (in thousands):

	2008	2007
Retirees	\$ 88,242	\$ 86,359
Fully eligible active employees	57,988	61,790
Other active participants	74,234	73,885
	<hr/>	<hr/>
Total	\$ 220,464	\$ 222,034
	<hr/> <hr/>	<hr/> <hr/>

As of June 30, 2008 and 2007, the APBO was unfunded.

Assumed discount rates of 6.50% and 6.25% were used to calculate the APBO at June 30, 2008 and 2007, respectively. The assumed health care cost trend rates used to calculate the APBO at June 30, 2008, were 9.0% for prescription drug claims, declining by 0.80% per year until the long-term trend rate of 5.0% is reached, and 6.25% for medical claims, declining by 0.25% per year until the long-term trend rate of 5.0% is reached. At June 30, 2007, the assumed health care cost trend rates were 9.8% for prescription drug claims, declining by 0.8% per year until the long-term trend rate of 5.0% is reached, and 6.5% for medical claims, declining by 0.25% per year until the long-term trend rate of 5.0% is reached. An increase of 1% in the cost trend rate would raise the APBO to \$256.4 million and \$259.1 million and cause the service and interest cost components of the net periodic cost to be increased by \$4.9 million and \$4.7 million for the years ended June 30, 2008 and 2007, respectively. A decrease of 1% in the cost trend rate would decrease the APBO to \$191.5 million and \$192.2 million and cause the service and interest cost components of the net period cost to be decreased by \$3.8 million and \$3.6 million for the years ended June 30, 2008 and 2007, respectively.

Postretirement plan benefit payments for fiscal years 2009 through 2013 are expected to range from \$7.8 million to \$10.5 million per year, with aggregate expected payments of \$67.3 million for fiscal years 2014 through 2018. These amounts reflect the total benefits expected to be paid from the plan and exclude the participants' share of the cost. Expected benefit payments are based on the same assumptions used to measure the benefit obligations and include estimated future employee service.

The University has applied for and is receiving the Federal subsidy as provided for in the Medicare Modernization Act (MMA), and has recognized the effect of the MMA in the calculation of its postretirement benefit obligation as of June 30, 2008 and 2007.

Net assets

Net assets are categorized as unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets are derived from gifts and other institutional resources that are not subject to explicit donor-imposed restrictions. The unrestricted category also includes income and gains on these funds. Included in the total is the net investment in plant and equipment. Certain net assets classified as unrestricted for external reporting purposes are designated for specific purposes or uses under the internal operating budget practices of the University. Restricted net assets are generally established by donors in support of schools or departments of the University, often for specific purposes such as professorships, research, faculty support, scholarships and fellowships, athletics, library and art museum, building construction and other specific purposes. Temporarily restricted net assets include gifts, pledges, trusts and remainder interests, and income and gains which can be expended but for which restrictions have not yet been met. Such restrictions include purpose restrictions and time restrictions imposed by donors or implied by the nature of the gift, or by the interpretations of law. Temporary restrictions are normally released upon the passage of time or the incurrence of expenditures that fulfill the donor-specified purpose. Permanently restricted net assets include gifts, pledges, trusts and remainder interests, and income and gains that are required to be permanently retained. Investment earnings are spent for general or specific purposes in accordance with donor wishes, based on the University's endowment spending rule.

Commitments and contingencies

At June 30, 2008, the University had authorized major renovation and capital construction projects for more than \$808 million including a new Chemistry Building (\$380 million), Lewis Library (\$90 million), Butler College (\$88

million), Sherrerd Hall (\$31 million), and health/safety improvements (\$75 million). Of the total, approximately \$561 million had not yet been expended. Also, the University is obligated under certain limited partnership agreements to advance additional funding periodically up to specified levels. At June 30, 2008, the University had unfunded commitments of \$6.1 billion. Such commitments are generally called over periods of up to 10 years and contain fixed expiration dates or other termination clauses.

The University has entered into certain agreements to guarantee the debt of others. Under these agreements, if the principal obligor defaults on the debt the University may be required to satisfy all or part of the remaining obligation. The total amount of these guarantees is \$8.2 million at June 30, 2008.

In July 2002, three members of the Robertson Foundation Board of Trustees and another Robertson family member (collectively the "Family Trustees") commenced a lawsuit against the University and the remaining four Foundation board members, one of whom is the President of the University and the other three appointed by the President (collectively the "University Trustees"). The complaint alleged that the University Trustees breached their fiduciary duty to the Robertson Foundation by developing "a scheme to transfer control of the investment of the Foundation's assets to Princeton University Investment Company [PRINCO]." Additional claims included those pertaining to operational aspects and funding of the Woodrow Wilson School's graduate program.

The parties entered into a settlement agreement on December 9, 2008, and on December 12, 2008 the court issued an order approving the settlement agreement and dismissing the action. Under the terms of the settlement agreement, the Robertson Foundation will be dissolved and its assets will be transferred to the University to create an endowed fund that will be controlled solely by the University. In addition, over a three-year period the University will reimburse the Banbury Fund, a Robertson family foundation, for \$40 million of legal fees that were paid by that fund during the course of the litigation, and beginning in 2012 the University will provide \$50 million, plus interest, paid over seven years, to a new charitable foundation designated by the Robertson family. The University intends to use the newly created endowed fund as the source of these payments. Settlement of the Robertson Foundation litigation is recorded as a reduction in temporarily restricted net assets in the Statement of Activities in the amount of \$90 million, and a corresponding accrued liability in the Statement of Financial Position for the year ended June 30, 2008.

The University is subject to certain other legal proceedings and claims that arise in the normal course of operations. In the opinion of management, the ultimate outcome of these actions will not have a material effect on the University's financial position, statement of activities, or cash flows.

APPENDIX B-2

REPORT ON INVESTMENTS, 2007-08

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Introduction

As of June 30, 2008, the assets that Princeton has traditionally described as “Endowment” stood at a record \$16.3 billion, approximately \$600 million more than the year before.¹ The vast majority of the Endowment, \$15.9 billion, is actively managed by the Princeton University Investment Company (“PRINCO”).² PRINCO is a University office, but maintains its own Board of Directors (the “Directors”), and operates under the final authority of the University’s Board of Trustees (the “Trustees”).

The purpose of the Endowment is to support the University’s current and future operating needs, while preserving intergenerational equity. This mission requires a long-term return that exceeds both the annual rate of spending and University inflation. In pursuit of this goal, PRINCO maintains an equity-biased portfolio and seeks to partner with best-in-class investment management firms across diverse asset categories.

Spending

The Endowment provided \$642 million in spending support to the University in fiscal year 2008.³

Each year the Trustees decide upon an amount to be spent from the Endowment for the following fiscal year. (Excluded from these decisions are funds that represent either capital reserves or assets devoted to strategic purposes, such as subsidizing faculty housing.) In their deliberations, the Trustees use a spending framework that is designed to enable sizable amounts to be spent in a reasonably stable fashion, while allowing for reinvestment sufficient to preserve purchasing power in perpetuity. Until recently, the framework targeted annual spending rates of between 4% and 5%. In 2006, the Trustees decided that based upon the strengthening of Princeton’s investment program, higher average spending rates could be supported going forward. As a result, the Trustees raised the upper boundary of the spending target range to 5.75%.

With long-term expectations of university inflation approximating 5% or more, the Endowment must seek

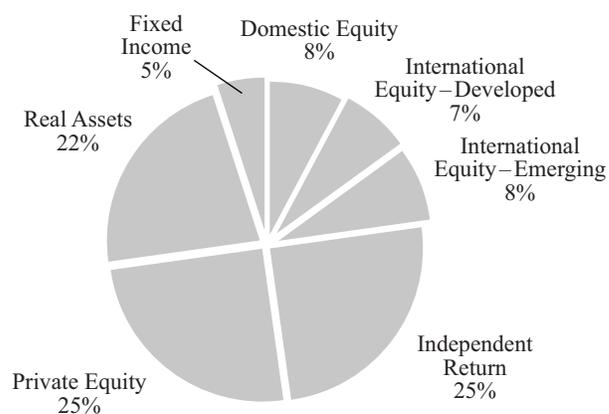
long-term investment returns approaching or exceeding 10% per year to maintain future purchasing power without a deterioration of corpus.

Asset Allocation

Asset allocation involves deciding what share of the portfolio should be placed in the various broad asset categories. The decisions attempt to balance the relative merits of equities *versus* fixed income, domestic *versus* foreign investments, and publicly traded *versus* non-marketable assets.

Princeton’s long-term asset allocation decisions are embodied in a Policy Portfolio, which describes the asset categories in which Princeton will invest, a set of target weights that indicate how the portfolio will be positioned in “normal” market conditions, and a range of weightings within which exposures can be adjusted in response to strategic (mid-term) opportunities arising from significant market disequilibria. The graph below (figure 1.) depicts the policy portfolio targets.

Figure 1. Princeton University Policy Portfolio, June 30, 2008



Clearly evident is PRINCO’s bias toward equities or equity-like assets—95% of the portfolio is allocated toward these investments. Also striking is the relatively small portion, 8%, of the portfolio dedicated directly to Domestic Equities. Large portions of the portfolio are allocated to other expected-return categories. Independent Return, Private Equity, and Real Assets bear further description. Independent Return is broadly defined as consisting of investment vehicles that seek high absolute returns that are typically independent of broad market trends. Private Equity and Real Assets include investments in private companies, venture capital opportunities, real estate, and natural resources. These areas have offered attractive opportunities for skilled, patient investors.

1. Excluded from “Endowment” are working capital, planned giving investments, bond proceeds awaiting drawdown, and certain student loans.

2. The remainder of the Endowment consists of University mortgages, loans, and other assets held for strategic purposes in addition to investment return.

3. Investment earnings distributed in fiscal year 2008 in the amount of \$663 million in the Statement of Activities is comprised of Endowment spending of \$642 million plus earnings from funds held in trust by others, working capital, planned giving investments, and other non-endowment investments.

The Policy Portfolio is diversified among asset categories for a number of reasons. Most importantly, PRINCO seeks return premia, in both risk-adjusted and absolute terms. In each equity asset category, Princeton has competitive advantages that make superior returns possible. A broader opportunity set means that the portfolio should be capable of producing high returns more often and in a greater variety of environments. The multi-asset class approach also offers diversification benefits that help to control risk.

PRINCO's directors, working closely with PRINCO staff, review the Policy Portfolio annually. Their fiscal 2008 Policy Portfolio review resulted in modifications of several long-term allocation targets—Private Equity's long-term target was increased by three points to 25% and Real Asset's long-term target was increased by two points to 22%. These changes were offset by a three-point reduction in Domestic Equity, a one-point reduction in Fixed Income, and half-point reductions in each of International Developed and Emerging Equity. The graph above incorporates these changes, which were motivated primarily by increased confidence in PRINCO's ability to expand its non-marketable investment programs without degradation in quality.

There has been in recent years a "Grand Unifying Theme" of PRINCO's activity, cutting across almost all asset categories. The theme has involved making it a priority to improve and expand our internationally based manager networks. While four years ago, PRINCO had just 12 relationships with "foreign local" managers, who managed \$1.1 billion of our assets, as of June 30 these relationships number 43, and collectively control \$4.5 billion of Princeton's assets (including unfunded commitments).

The following table (figure 2.) compares PRINCO's long-term Policy Portfolio asset allocation targets with the actual weights as of June 30, 2008. Within relatively small and pre-determined ranges, PRINCO's staff and directors will over or under weight relatively more or less compelling asset categories.

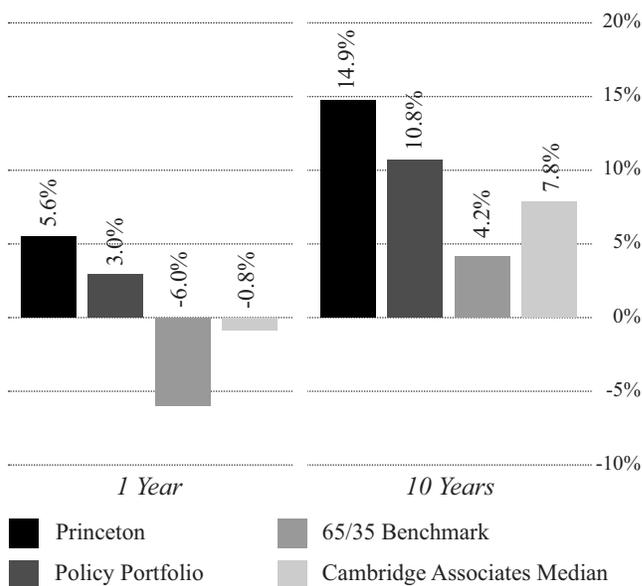
Figure 2. Asset Allocation, June 30, 2008

	<i>Policy Target</i>	<i>Actual Allocation</i>
Domestic Equity	8.0%	7.1%
International Equity—Developed	7.0%	4.8%
International Equity—Emerging	8.0%	7.4%
Independent Return	25.0%	24.2%
Private Equity	25.0%	29.4%
Real Assets	22.0%	23.1%
Fixed Income	5.0%	2.0%
Cash	0.0%	2.0%

Performance

For the fiscal year ending June 30, 2008, PRINCO produced a 5.6% return on invested assets, outperforming the Policy Portfolio benchmark by 2.6% and the median college and university endowment by 6.4%. This result was achieved against a backdrop of challenging market conditions. Over the 10 years ended June 30, 2008, Princeton's portfolio earned an annualized return of 14.9%, compared to a 10.8% return for the Policy Portfolio and 7.8% for the median college and university endowment.⁴ The managed investment portfolio delivered its greatest margin of excess performance relative to a passive blend of 65% S&P 500 and 35% Lehman (now known as Barclays Capital) U.S. Government/Credit Bond Index, which produced an annualized 10-year return of 4.2%.⁵ Princeton's excess performance relative to the Policy Portfolio, median college and university, and 65/35 benchmark has added

Figure 3. Endowment Performance vs. Benchmarks, Periods Ending June 30, 2008



Return to Policy Portfolio represents the weighted average of individual asset class benchmark returns.

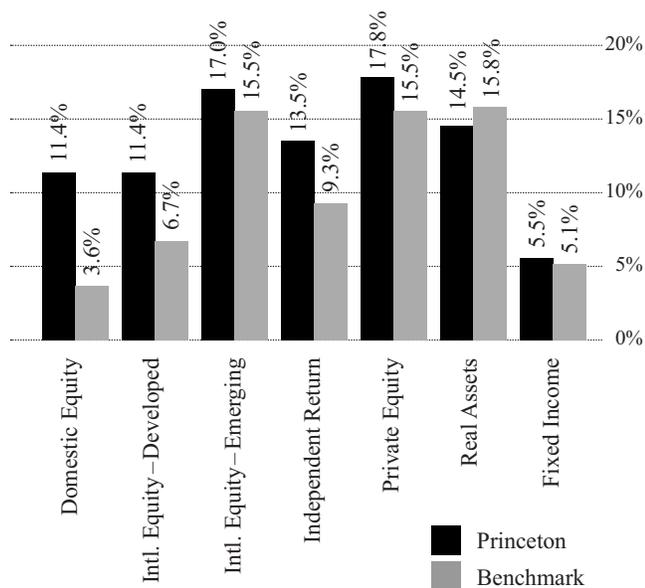
4. Policy Portfolio returns represent a weighted average of individual benchmark returns. The median college and university endowment returns are preliminary and represent data compiled by Cambridge Associates for 141 college and university endowments.

5. The 65% S&P 500/35% Lehman (now known as Barclays Capital) U.S. Government/Credit Bond Index portfolio represents what an investor would earn from a 65/35 investment in these equity and fixed income market indices, rebalanced annually.

approximately \$6, \$9, and \$12 billion, respectively, to the Endowment over the past 10 years. (figure 3.)

Over the past 10 years, Princeton outperformed within asset categories by an average annualized margin of 2.8%, with six of seven asset categories outperforming their respective benchmarks. The Real Assets portfolio produced strong absolute returns (the third highest across categories), but slightly underperformed its benchmark. A relative performance headwind has been created in Real Assets in recent years due to the substantial expansion of the program, which results in the portfolio's composition being relatively immature compared to that of the benchmark. (figure 4.)

Figure 4. Princeton Asset Class Returns vs. Benchmarks, 10 Years Ending June 30, 2008



Benchmarks used:
 Domestic Equity: S&P 500 Index until 12/31/97; Wilshire 5000 Index thereafter.
 International Equity – Developed: MSCI World ex-US Index.
 International Equity – Emerging: MSCI Emerging Markets Index.
 Independent Return: (40% Wilshire 5000 + 60% 91-day T-Bill) + 550 bps annualized.
 Private Equity: Customized Cambridge Associates benchmark.
 Real Assets: NCREIF Property Index until 6/30/00; Levered NCREIF Property Index until 6/30/03; thereafter blend of levered NCREIF Property and Timber Indices, Cambridge Associates Oil & Gas Universes and 6.5% Real Return.
 Fixed Income: 2/3 Lehman (now known as Barclays Capital) U.S. Aggregate Bond Index + 1/3 Salomon Brothers Non-U.S. Dollar World Government Bond Index until 6/30/01; Lehman (now known as Barclays Capital) U.S. Government Bond Index thereafter.

Subsequent Events and Results

Post the close of the fiscal year, financial markets suffered steep declines of historic proportions. Through October, public equity market indices were down 25% to 50%. While Princeton's diversified asset allocation and risk-sensitive investment approach offered some protection, the Endowment has suffered significant losses in the 2009 fiscal year-to-date period.

PRINCO's standard internal, intra-year performance reporting protocols use best available information, which means that the results of non-marketable investments are lagged until the close of the fiscal year, when our books are kept open long enough to eliminate the lag. Given that more than half of the Endowment is invested in non-marketable asset categories, the lag of non-marketable performance reporting introduces significant imprecision to intra-year performance reports. This imprecision is a key reason why PRINCO does not typically publish intra-year results.

Nonetheless, the unusual declines in markets compel comment on intra-year results, as best as they can be estimated. Through October, the Endowment suffered a loss of approximately 11%, as estimated using PRINCO's standard protocols. However, this estimate probably understates losses. When more complete information is available regarding the status of non-marketable investments, the Endowment's losses may be materially worse, although the total performance is still likely to be better than that of public equity markets, broadly speaking.

Andrew Golden
 President, Princeton University Investment Company

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture that are not described elsewhere in this Offering Memorandum. The Bonds are issued and secured pursuant to the Indenture. References to the Indenture or a fund or account refer to the related document, fund or account with respect to the Bonds, as described in the Offering Memorandum. Unless otherwise specified to the contrary in this Appendix C, all definitions and provisions summarized refer to the Indenture. This summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of its provisions.

Definitions

Unless the context otherwise requires, the following terms shall have the meanings specified below.

“*Authorized Denomination*” means \$1,000 or any multiple integral thereof.

“*Authorized Representative*” means the Institution’s Vice President for Finance and Treasurer, Assistant Treasurer, or any other Person designated as an Authorized Representative of the Institution by a Certificate of the Institution signed by the Institution’s Vice President for Finance and Treasurer or Assistant Treasurer, and filed with the Trustee.

“*Beneficial Owner*” means any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any of the Bonds (including any Person holding Bonds through nominees, depositories or other intermediaries) established to the reasonable satisfaction of the Trustee or the Institution .

“*Bond Fund*” means the fund by that name established pursuant to the Indenture.

“*Bonds*” means The Trustees of Princeton University Taxable Bonds, 2009 Series A authorized by, and at any time Outstanding pursuant to, the Indenture.

“*Book-Entry Form*” or “*Book-Entry System*” means a form or system, as applicable, under which physical bond certificates in fully registered form are registered only in the name of a Securities Depository or its nominee as Bondholder, with the physical bond certificates held by and “immobilized” in the custody of the Securities Depository and the book-entry system maintained by and the responsibility of others than the Institution or the Trustee is the record that identifies and records the transfer of the interests of the owners of book-entry interests in those Bonds.

“*Business Day*” means any day other than (A) a Saturday or Sunday or legal holiday or a day on which banking institutions in the city or cities in which the Designated Office of the Trustee is located are authorized by law or executive order to close or (B) a day on which the New York Stock Exchange is closed.

“*Certificate*”, “*Statement*”, “*Request*” or “*Requisition of the Institution*” mean, respectively, a written certificate, statement, request or requisition signed in the name of the Institution by an Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by the Indenture, each such instrument shall include the statements provided for in the Indenture.

“*Code*” means the Internal Revenue Code of 1986, as amended, or any successor statute thereto and any regulations promulgated thereunder.

“*Default*” means any event which is or after notice or lapse of time or both would become an Event of Default.

“*Designated Office*” means the Designated Office of the Trustee, which as of the date of the Indenture is located at 385 Rifle Camp Road, West Paterson, New Jersey 07424, Attention: Corporate Trust Administration, fax number (973) 357-7840, and such other offices as the Trustee may designate from time to time by written notice to the Institution and the Holders.

“*Event of Default*” means any of the events specified as such in the Indenture.

“*Holder*” or “*Bondholder*”, whenever used in the Indenture with respect to a Bond, means the Person in whose name such Bond is registered.

“*Indenture*” means the Indenture of Trust, by and between the Institution and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

“*Indenture Fund*” means the fund by that name established pursuant to the Indenture.

“*Institution*” means The Trustees of Princeton University, a not for profit corporation existing under the laws of the State of New Jersey, or said not for profit corporation’s successor or successors.

“*Interest Account*” means the account by that name in the Bond Fund established pursuant to the Indenture.

“*Interest Payment Date*” means March 1 and September 1 of each year, commencing March 1, 2009.

“*Investment Securities*” means either of the following: (1) direct nonprepayable, noncallable 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 of the United States of America) or direct nonprepayable, noncallable obligations the timely payment of the principal of and interest on which is fully guaranteed by the United States of America, including instruments evidencing a direct ownership interest in securities described in this clause such as CATS, TIGRs, and Stripped Treasury Coupons rated or assessed in the highest Rating Categories by S&P and Moody’s and held by a custodian for safekeeping on behalf of holders of such securities and (2) money market funds registered under the Investment Company Act of 1940, the shares in which are registered under the Securities Act of 1933 and that have a rating by S&P of AAAm-G, AAAM or AAM, including such funds for which the Trustee or its affiliates provide investment advisory or other management services.

“*Make-Whole Redemption Price*” means the greater of (1) 100% of the principal amount of the Bonds to be redeemed; and (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semi-annual basis assuming a 360-day year consisting of twelve 30-day months at the adjusted Treasury Rate plus 40 basis points, plus, in each case, accrued and unpaid interest on the Bonds to be redeemed on the redemption date.

“*Moody’s*” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their 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 securities rating agency designated by the Institution upon notice to the Trustee.

“*Offering Memorandum*” means the final offering memorandum dated January 14, 2009, relating to the Bonds.

“*Opinion of Counsel*” means a written opinion of counsel (who may be counsel for the Institution, but not an employee thereof) satisfactory to the Trustee.

“*Outstanding*” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for

cancellation; (2) Bonds with respect to which all liability of the Institution shall have been discharged in accordance with the Indenture; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

“*Payment Date*” means an Interest Payment Date or a Principal Payment Date.

“*Person*” means an individual, corporation, firm, association, partnership, trust, limited liability company or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“*Principal Account*” means the account by that name in the Bond Fund established pursuant to the Indenture.

“*Principal Payment Date*” means March 1, 2019 and March 1, 2039, the dates of final maturity of the Bonds.

“*Project*” means working capital, other eligible corporate purposes, and costs of issuance.

“*Rating Agency*” means Moody’s and S&P.

“*Rating Category*” means a generic securities rating category, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

“*Record Date*” means the fifteenth (15th) day (whether or not a Business Day) of the month immediately preceding each Interest Payment Date.

“*Redemption Fund*” means the fund by that name established pursuant to the Indenture.

“*Responsible Officer*” means any officer of the Trustee assigned to administer its duties under the Indenture.

“*S&P*” means Standard & Poor’s, a division of The McGraw-Hill Companies, a corporation organized and existing under the laws of the State of New York, its successors and their 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 securities rating agency designated by the Institution upon notice to the Trustee.

“*Securities Depository*” means The Depository Trust Company and its successors and assigns, or any other securities depository selected as set forth in the Indenture, which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds.

“*Special Record Date*” means the date established by the Trustee pursuant to the Indenture as the record date for the payment of defaulted interest on the Bonds.

“*Supplemental Indenture*” means any indenture hereafter duly authorized and entered into between the Institution and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

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

“Trustee” means The Bank of New York Mellon, a state banking corporation duly organized and existing under and by-virtue of the laws of the State of New York, or its successor or successors, as Trustee under the Indenture as provided in the Indenture.

“Underwriters” means Goldman, Sachs & Co., J.P. Morgan Securities Inc. and Morgan Stanley & Co. Incorporated.

“Uniform Commercial Code” means the Uniform Commercial Code as in effect in the State of New York from time to time.

Establishment and Pledge of Indenture Fund

Subject only to the provisions of the Indenture permitting or requiring the application thereof for the purposes and on the terms and conditions set forth therein, the Indenture Fund and all amounts held therein are pledged, assigned and transferred by the Institution to the Trustee for the benefit of the Bondholders to secure the full payment of the principal or Make-Whole Redemption Price of and interest on the Bonds in accordance with their terms and the provisions of the Indenture. The Institution grants to the Trustee a security interest in and acknowledges and agrees that the Indenture Fund and all amounts on deposit therein shall constitute collateral security to secure the full payment of the principal or Make-Whole Redemption Price of and interest on the Bonds in accordance with their terms and the provisions of the Indenture. For purposes of creating, perfecting and maintaining the security interest of the Trustee on behalf of the Bondholders in and to the Indenture Fund and all amounts on deposit therein, the parties to the Indenture agree as follows: (1) the Indenture shall constitute a “security agreement” for purposes of the Uniform Commercial Code; (2) the Trustee shall maintain on its books records reflecting the interest, as set forth in the Indenture, of the Bondholders in the Indenture Fund and/or the amounts on deposit therein; and (3) the Indenture Fund and the amounts on deposit therein and any proceeds thereof shall be held by the Trustee acting in its capacity as an agent of the Bondholders, and the holding of such items by the Trustee (including the transfer of any items among the funds and accounts in the Indenture Fund) is deemed possession of such items on behalf of the Bondholders.

Nothing in the Indenture or in the Bonds, expressed or implied, shall be construed to constitute a security interest under the Uniform Commercial Code or otherwise in the assets of the Institution other than in any interest of the Institution in the Indenture Fund and/or the amounts on deposit therein. No recourse for the payment of the principal or Make-Whole Redemption Price of or interest on any Bond, or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Institution in the Indenture or in any Supplemental Indenture or in any Bond, or because of the creation of any indebtedness represented thereby, shall be had against any employee, agent, or officer, as such, past, present or future, of the Institution or of any successor entity, either directly or through any successor entity, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, it being expressly understood that all such liability is expressly waived and released as a condition of, and as a consideration for, the execution of the Indenture and the issue of the Bonds. No officer or agent of the Institution, nor any Person executing the Bonds, shall in any event be subject to any personal liability or accountability by reason of the issuance of the Bonds.

Funds and Accounts

The Indenture creates an Indenture Fund (and a Bond Fund and a Redemption Fund thereunder). The Indenture also creates an Interest Account and Principal Account under the Bond Fund. All of the funds and accounts are to be held by the Trustee.

Application of Proceeds of Bonds. The proceeds of the Bonds will be used by the Institution for working capital, other eligible corporate purposes, and costs of issuance.

Indenture Fund. The Trustee establishes for the sole benefit of the Bondholders, a master fund referred to in the Indenture as the “Indenture Fund” containing the Bond Fund and the Redemption Fund and each of the accounts contained therein. The Indenture Fund and each of the funds and accounts in the Indenture Fund shall be

identified on the books of the Trustee with reference hereto and shall be maintained by the Trustee and held in trust apart from all other moneys and securities held under the Indenture or otherwise, and the Trustee shall have the exclusive and sole right of withdrawal therefrom in accordance with the terms of the Indenture. All amounts deposited with the Trustee pursuant to the Indenture shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

Bond Fund. Upon the receipt thereof, the Trustee shall deposit all payments received from the Institution (other than amounts which are to be deposited in the Redemption Fund or income or profit from investments which are to be applied pursuant to the Indenture) in a special fund designated the "Bond Fund" which the Trustee shall establish and maintain and hold in trust and which shall be disbursed and applied only as authorized in the Indenture.

At the times specified below, the Trustee shall allocate within the Bond Fund in the following order of priority the following amounts to the following accounts or funds, each of which the Trustee shall establish and maintain and hold in trust and each of which shall be disbursed and applied only as hereinafter authorized: (1) On each Interest Payment Date, the Trustee shall deposit in the "Interest Account" the aggregate amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding, until the balance in said account is equal to said aggregate amount of interest; and (2) On each Principal Payment Date, the Trustee shall deposit in the "Principal Account" the aggregate amount of principal becoming due and payable on such Principal Payment Date, until the balance in said account is equal to said aggregate amount of such principal.

Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to the Indenture).

Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay at maturity the Bonds.

Redemption Fund. Upon the receipt thereof, the Trustee shall deposit the following amounts in a special fund designated the "Redemption Fund" which the Trustee shall establish and maintain and hold in trust: (1) all moneys deposited by the Institution with the Trustee directed to be deposited in the Redemption Fund; and (2) all interest, profits and other income received from the investment of moneys in the Redemption Fund.

All amounts deposited in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in the Indenture, at the next succeeding date of redemption for which notice has been given; provided that, at any time prior to the selection of Bonds for such redemption, the Trustee shall, upon direction of the Institution, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Institution may direct, except that the purchase price (exclusive of accrued interest) may not exceed the Make-Whole Redemption Price then applicable to such Bonds (or, if such Bonds are not then subject to redemption, the par value of such Bonds); and provided further that in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Principal Account as set forth in a Request of the Institution.

Payments by the Institution; Allocation of Funds. On or before each Payment Date, until the principal of and interest on, the Bonds shall have been fully paid or provision for such payment shall have been made as provided in the Indenture, the Institution shall pay to the Trustee a sum equal to the amount payable on such Payment Date as principal of and interest on the Bonds. Each payment made pursuant to this paragraph shall at all times be sufficient to pay the total amount of interest and principal (whether at maturity or upon acceleration) becoming due and payable on the Bonds on such Payment Date. If on any Payment Date the amounts held by the Trustee in the accounts within the Bond Fund are insufficient to make any required payments of principal of (whether at maturity or upon acceleration) and interest on the Bonds as such payments become due, the Institution shall forthwith pay such deficiency to the Trustee.

The obligations of the Institution to make the payments required by the immediately preceding paragraph and to perform and observe the other agreements on its part contained in the Indenture shall be a general obligation

of the Institution, absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Trustee, and during the term of the Indenture, the Institution shall pay all payments required to be made by the immediately preceding paragraph (which payments shall be net of any other obligations of the Institution) as prescribed therein and all other payments required under the Indenture, free of any deductions and without abatement, diminution or set-off. Until such time as the principal of and interest on the Bonds shall have been fully paid, or provision for the payment thereof shall have been made as required by the Indenture, the Institution (i) will not suspend or discontinue any payments provided for in the immediately preceding paragraph; (ii) will perform and observe all of its other covenants contained in the Indenture; and (iii) except as otherwise provided in the Indenture, will not terminate the Indenture for any cause, including, without limitation, the occurrence of any act or circumstances that may constitute failure of consideration, destruction of or damage to all or a portion of the projects financed with the proceeds of the Bonds, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of New Jersey or any political subdivision of either of these, or any failure of the Trustee to perform and observe any covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture, except to the extent permitted by the Indenture.

Validity of Bonds

The recital contained in the Bonds that the same are issued pursuant to the Indenture shall be conclusive evidence of their validity and of compliance with the provisions of the Indenture in their issuance.

Redemption of Bonds

Terms of Redemption. The Bonds are redeemable prior to maturity at the written direction of the Institution to the Trustee at least forty-five (45) days before the redemption date. Such redemption shall be in accordance with the terms of the Bonds, as a whole or in part on any Business Day in such order of maturity as directed by the Institution at the Make-Whole Redemption Price, as described in the Indenture.

Selection of Bonds for Redemption Within a Maturity. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of a maturity, the Trustee shall select the Bonds to be redeemed from all Bonds subject to redemption or such given portion thereof not previously called for redemption, by lot in any manner that is customary in the industry.

Notice of Redemption. Notice of redemption shall be mailed by the Institution to the Trustee by first class mail, not less than forty-five (45) days, nor more than sixty (60) days prior to the redemption date. Notice of redemption shall be mailed by the Trustee by first class mail, not less than thirty (30) days, nor more than sixty (60) days prior to the redemption date, to the respective Holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee. If the Bonds are no longer held by the Securities Depository or its successor or substitute, the Trustee shall also give notice of redemption by overnight mail to such securities depositories and/or securities information services as shall be designated in a Certificate of the Institution. Each notice of redemption shall state the date of such notice, the date of issue of the Bonds, the redemption date, the Make-Whole Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the maturity (including CUSIP number, if any), and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the Make-Whole Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered.

Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Institution, for and on behalf of the Institution.

Failure by the Trustee to give notice pursuant to the Indenture to any one or more of the securities information services or depositories designated by the Institution, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice of redemption pursuant to the Indenture to any one or more of the respective Holders of any Bonds designated for redemption shall

not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed.

The Institution may instruct the Trustee to provide conditional notice of redemption, which may be conditioned upon the receipt of moneys or any other event. Additionally, any notice given pursuant to the Indenture may be rescinded by written notice given to the Trustee by the Institution no later than five (5) 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, to the same Persons, as notice of such redemption was given pursuant to the Indenture.

Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Institution shall execute (but need not prepare) and the Trustee shall prepare or cause to be prepared, authenticate and deliver to the Holder thereof, at the expense of the Institution, a new Bond or Bonds of Authorized Denominations, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Make-Whole Redemption Price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portion thereof) so called for redemption being held by the Trustee, on the date fixed for redemption designated in such notice, the Bonds (or portion thereof) so called for redemption shall become due and payable at the Make-Whole Redemption Price specified in such notice and interest accrued thereon to the date fixed for redemption, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portion thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said Make-Whole Redemption Price and accrued interest to the date fixed for redemption from funds held by the Trustee for such payment.

All Bonds redeemed pursuant to the provisions of the Indenture shall be cancelled by the Trustee upon surrender thereof and delivered to, or upon the order of, the Institution.

Use of Securities Depository

Notwithstanding any provision of the Indenture to the contrary:

The Bonds shall be initially issued as fully registered Bonds, registered in the name of “Cede & Co.,” as nominee of the Securities Depository and shall be evidenced by one Bond for each maturity in the principal amount of the Bonds of such maturity. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except: (1) to any successor of the Securities Depository or its nominee, or to any substitute depository designated pursuant to clause (2) of this paragraph (“substitute depository”); provided that any successor of the Securities Depository or substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it; (2) to any substitute depository designated by the Institution and not objected to by the Trustee, upon (i) the resignation of the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository or (ii) a determination by the Institution that the Securities Depository or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or (3) to any Person as provided below, upon (i) the resignation of the Securities Depository or its successor (or substitute depository or its successor) from its functions as depository; provided that no substitute depository which is not objected to by the Trustee can be obtained or (ii) a determination by the Institution that it is in the best interests of the Institution to remove the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository.

In the case of any transfer pursuant to clause (1) or clause (2) of the immediately preceding paragraph, upon receipt of the Outstanding Bonds by the Trustee, together with a Certificate of the Institution to the Trustee, new Bonds for each maturity shall be executed and delivered in the principal amount of the Bonds of such maturity, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Certificate of the Institution. In the case of any transfer pursuant to clause (3) of the immediately preceding paragraph, upon receipt of the Outstanding Bonds by the Trustee together with a Certificate of the Institution to the Trustee, new Bonds shall be executed and delivered in such denominations and registered in the

names of such persons as are requested in such a Certificate of the Institution, subject to the limitations of the Indenture, provided the Trustee shall not be required to deliver such new Bonds within a period less than sixty (60) days from the date of receipt of such a Certificate of the Institution.

In the case of partial redemption or an advance refunding of the Bonds evidencing all or a portion of the principal amount Outstanding, the Securities Depository shall make an appropriate notation on the Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee.

The Institution and the Trustee shall be entitled to treat the Person in whose name any Bond is registered as the Bondholder thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Institution or the Trustee. So long as the Outstanding Bonds are registered in the name of the Cede & Co. or its registered assign, the Institution and the Trustee shall cooperate with Cede & Co., as sole registered Bondholder, and its registered assigns, in effecting payment of the principal or Make-Whole Redemption Price of and interest on the Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due, all in accordance with the letter of representations of the Institution to the Securities Depository or as otherwise agreed by the Trustee and the Securities Depository.

Particular Covenants

Punctual Payment. The Institution shall punctually pay the principal or Make-Whole Redemption Price and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof. When and as paid in full, all Bonds shall be delivered to the Trustee and shall forthwith be cancelled by the Trustee and delivered to, or upon the order of, the Institution.

Compliance with Indenture. The Institution covenants not to issue, or permit to be issued, any Bonds in any manner other than in accordance with the provisions of the Indenture, and shall not suffer or permit any Default (within its power to prevent) to occur under the Indenture, but shall faithfully observe and perform all the covenants, conditions and requirements of the Indenture.

Against Encumbrances. The Institution shall not create or suffer to be created any pledge, lien, charge or other encumbrance upon all or any part of the Indenture Fund or any of the amounts held therein pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture and any statutory liens or other liens arising by operation of law. The Institution will assist the Trustee in contesting any pledge, lien, charge or other encumbrance that does not comply with the provisions of the Indenture.

Power to Issue Bonds and Make Pledge and Assignment. The Institution is duly authorized to issue the Bonds and to enter into the Indenture and to pledge and assign the funds and accounts purported to be pledged and assigned under the Indenture in the manner and to the extent provided in the Indenture. The Bonds are and will be legal, valid and binding obligations of the Institution in accordance with their terms, and the Institution and the Trustee shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of funds and accounts and all the rights of the Bondholders under the Indenture against all claims and demands of all Persons whomsoever, subject to the limitations set forth in the Indenture relating to the Trustee.

Accounting Records and Financial Statements. With respect to each fund or account established and maintained by the Trustee pursuant to the Indenture, the Trustee shall at all times keep, or cause to be kept, proper books of record and account prepared in accordance with corporate trust accounting standards, in which complete and accurate entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of payments received from the Institution and the proceeds of the Bonds. Such books of record and account shall be available for inspection by the Institution and any Bondholder, or his or her agent or representative duly authorized in writing, at reasonable hours and under reasonable circumstances.

The Trustee shall file and furnish to each Bondholder who shall have filed his or her name and address with the Trustee for such purpose, within thirty (30) days after the end of each month, a complete financial statement

(which need not be audited and may be its regular account statements) covering receipts, disbursements, allocation and application of any moneys (including proceeds of Bonds) in any of the funds and accounts established pursuant to the Indenture for such month; provided that the Trustee shall not be obligated to deliver an accounting for any fund or account that has a balance of \$0.00 and has not had any activity since the last reporting. The Trustee shall also furnish a copy of its monthly statement to the Institution.

Events of Default and Remedies of Bondholders

Events of Default. The following events shall be “Events of Default”: (a) default in the due and punctual payment of the principal or Make-Whole Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration or otherwise; (b) default in the due and punctual payment of any interest on any Bond when and as such interest shall become due and payable; (c) default by the Institution in the performance or observance of any of the other covenants, agreements or conditions on its part contained in the Indenture or in the Bonds (other than a covenant, agreement or condition a default in performance or observance of which is elsewhere in the Indenture specifically dealt with), if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied and stating that such notice is a “Notice of Default” under the Indenture, shall have been given to the Institution by the Trustee, or to the Institution and the Trustee by the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding; (d) the commencement by the Institution of a voluntary case under the federal bankruptcy laws, or if the Institution shall become insolvent or unable to pay its debts as they become due, or shall make an assignment for the benefit of creditors, or shall apply for, consent to or acquiesce in the appointment of, or taking possession by, a trustee, receiver, custodian or similar official or agent for itself or any substantial part of its property; (e) the appointment of a trustee, receiver, custodian or similar official or agent for the Institution or for any substantial part of its property and such trustee or receiver shall not be discharged within sixty (60) days; or (f) an order or decree for relief in an involuntary case under the federal bankruptcy laws shall be entered against the Institution, or a petition seeking reorganization, readjustment, arrangement, composition, or other similar relief as to it under the federal bankruptcy laws or any similar law for the relief of debtors shall be brought against it and shall be consented to by it or shall remain undismissed for sixty (60) days.

Acceleration of Maturity. If an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, upon notice in writing to the Institution, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration by the Trustee the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, there shall be deposited with the Trustee a sum sufficient to pay all the principal or Make-Whole Redemption Price of and interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the Bonds, and the reasonable charges and expenses of the Trustee, and any and all other Defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee shall, on behalf of the Holders of all of the Bonds, by written notice to the Institution, rescind and annul such declaration and its consequences and waive such Default; but no such rescission and annulment shall extend to or shall affect any subsequent Default, or shall impair or exhaust any right or power consequent thereon.

Rights as a Secured Party. The Trustee, as appropriate, may exercise all of the rights and remedies of a secured party under the Uniform Commercial Code with respect to securities in the Indenture Fund, including without limitation the Bond Fund and the Redemption Fund, including the right to sell or redeem such securities and the right to retain the securities in satisfaction of the obligation of the Institution hereunder. Notice sent by registered or certified mail, postage prepaid, or delivered during business hours, to the Institution at least seven (7) days before an event under Uniform Commercial Code Sections 9-610 and 9-611, or any successor provision of law shall constitute reasonable notification of such event.

Application of Moneys Collected by the Trustee. If an Event of Default shall occur and be continuing, all moneys then held or thereafter received by the Trustee under any of the provisions of the Indenture (subject to provisions of the Indenture requiring moneys to be held for payment of particular Bonds) shall be applied by the Trustee as follows and in the following order:

(A) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture; and

(B) To the payment of the principal or Make-Whole Redemption Price of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments due on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal or Make-Whole Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Make-Whole Redemption Price due on such date to the Persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

Trustee to Represent Bondholders. The Trustee is irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Indenture and applicable provisions of any law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power granted in the Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee, or in such Holders under the Bonds, the Indenture or any applicable law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the amounts pledged under the Indenture, pending such proceedings. If more than one such request is received by the Trustee from the Holders, the Trustee shall follow the written request executed by the Holders of the greatest percentage (which percentage shall be, in any case, not less than a majority in aggregate principal amount) of the Bonds then

Outstanding. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Indenture.

Bondholders' Direction of Proceedings. The Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnifying the Trustee to its satisfaction therefor, to direct the time, method and place of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

Limitation on Bondholders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture or any applicable law with respect to such Bond, unless (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared by the Indenture, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Holders of Bonds, or to enforce any right under the Indenture or applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Indenture.

Absolute Obligation of Institution. Notwithstanding any other provision of the Indenture, or in the Bonds, nothing shall affect or impair the obligation of the Institution, which is absolute and unconditional, to pay the principal or Make-Whole Redemption Price of and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Indenture, or, subject to the provisions of the Indenture regarding limitation on Bondholders' right to sue, affect or impair the right of such Holders to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Bondholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bondholders, then in every such case the Institution, the Trustee and the Bondholders, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the Institution, the Trustee and the Bondholders shall continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy conferred in the Indenture upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

Delay or Omission Not Waiver. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of any Default shall impair any such right or power or shall be construed to be a waiver of any such Default or an acquiescence therein; and every power and remedy given by

the Indenture to the Trustee or to the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Waiver of Past Defaults. The Trustee may, and upon request of the Holders of not less than a majority in aggregate principal amount of the Outstanding Bonds shall, on behalf of the Holders of all the Bonds waive any past Default under the Indenture and its consequences, except a Default: (A) In the payment of the principal or Make-Whole Redemption Price of or interest on any Bond, or (B) in respect of a covenant or other provision of the Indenture which, pursuant to the Indenture, cannot be modified or amended without the consent of the Holder of each Outstanding Bond affected. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of the Indenture, but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Undertaking for Costs. Subject to the provisions of the Indenture regarding the Trustee's rights to compensation and indemnification, the parties to the Indenture agree, and each Holder of any Bond by such Person's acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under the Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee or to any suit instituted by any Bondholder or group of Bondholders holding in the aggregate more than a majority in aggregate principal amount of the Outstanding Bonds.

Notice of Default. Upon a Responsible Officer's actual knowledge of the existence of any Default under the Indenture, the Trustee shall notify the Institution in writing as soon as practicable, but in any event within five (5) Business Days.

Upon a Responsible Officer's actual knowledge of the existence of any Default under the Indenture, the Trustee shall transmit by mail to all Bondholders, as their names and addresses appear in the bond register, notice of such Default under the Indenture within ninety (90) days, unless such Default shall have been cured or waived; provided, however, that, except in the case of a Default in the payment of the principal or Make-Whole Redemption Price of or interest on any Bond, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interest of the Bondholders; and provided, further, that in the case of any Default of the character specified in (c) under "Events of Default" above, no such notice to Bondholders shall be given until at least thirty (30) days after the occurrence thereof.

Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Institution or any other obligor upon the Bonds or the property of the Institution or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Bonds shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Institution for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise: (1) To file and prove a claim for the whole amount of principal (or Make-Whole Redemption Price) and interest owing and unpaid in respect of the Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel including expenses and fees of outside counsel and allocated costs of internal legal counsel) and of the Bondholders allowed in such judicial proceeding; and (2) To collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any receiver, assignee, trustee, liquidator or sequestrator (or other similar official) in any such judicial proceeding is, by the Indenture, authorized by each Bondholder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Bondholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel including expenses and fees of outside counsel and allocated costs of internal legal counsel, and any other amounts due the Trustee under the Indenture.

Nothing contained in the Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Bondholder any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Bondholder in any such proceeding.

The Trustee

Duties, Immunities and Liabilities of Trustee. The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture, and, except to the extent required by law, no implied covenants or obligations shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

The Institution may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with the Indenture, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take 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, and thereupon shall appoint a successor Trustee by an instrument in writing.

The Trustee may at any time resign by giving written notice of such resignation to the Institution and by giving the Bondholders notice of such resignation by mail at the addresses shown on the registration books maintained by the Trustee. Upon receiving such notice of resignation, the Institution shall promptly appoint a successor Trustee by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment.

Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within thirty (30) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bondholder (on behalf of itself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture, shall signify its acceptance of such appointment by executing and delivering to the Institution and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless at the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Institution shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this paragraph, the Institution shall mail or cause to be mailed (at the expense of the Institution) a notice of the succession of such Trustee to the trusts under the Indenture to the Bondholders at the addresses shown on the registration books maintained by the Trustee. If the Institution fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Institution.

Any successor Trustee shall be a trust company or bank having trust powers in the State of New Jersey, having a combined capital and surplus of (or if such trust company or bank is a member of a bank holding system, its bank holding company shall have a combined capital and surplus of) at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal, State of New Jersey or State of New York authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this paragraph, the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Indenture shall be retained in its possession and shall be subject upon prior written notice to the inspection of the Institution and any Bondholder, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Modification or Amendment of the Indenture

Amendments Permitted. The Indenture and the rights and obligations of the Institution and of the Holders of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental to the Indenture, which the Institution and the Trustee may enter into when the written consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Trustee. No such modification or amendment shall (1) 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 Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Indenture Fund or the amounts pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Holders of the Bonds of the lien created by the Indenture on the Indenture Fund and such amounts (except as expressly provided in the Indenture), without the consent of the Holders of all Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Institution and the Trustee of any Supplemental Indenture pursuant to this paragraph, the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to the Bondholders at the addresses shown on the registration books maintained by the Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

The Indenture and the rights and obligations of the Institution, of the Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by an indenture or indentures supplemental to the Indenture, which the Institution and the Trustee may enter into without the necessity of obtaining the consent of any Bondholders, 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 Institution contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved in the Indenture to or conferred upon the Institution, provided that such covenant, agreement, pledge, assignment or surrender shall not materially adversely affect the interests of the Holders of the Bonds; (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 Institution or the Trustee may deem necessary or desirable and not inconsistent with the Indenture, and which shall not materially adversely affect the interests of the Holders of the Bonds; (3) to modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Holders of the Bonds (provided, however, that such modifications, amendments, supplements and additions shall be permitted under this paragraph only if qualification under said act or similar federal statute is required by applicable law now or hereafter in effect); or (4) to provide for the procedures required to permit any Bondholder, at its option, to utilize an uncertificated

system of registration of its Bond or to facilitate the registration of the Bonds in the name of a nominee of the Securities Depository in accordance with the provisions of the Indenture.

The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by either of the two preceding paragraphs which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Institution, the Trustee and all Holders of Bonds Outstanding shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Amendment of Particular Bonds. The provisions of the Indenture regarding modification or amendment of the Indenture shall not prevent any Bondholder from accepting any amendment as to the particular Bonds held by such Bondholder, provided that due notation thereof is made on such Bonds.

Defeasance

Discharge of Indenture. The Bonds may be paid or discharged by the Institution or the Trustee on behalf of the Institution in any of the following ways: (A) by paying or causing to be paid the principal or Make-Whole Redemption Price of and interest on all Bonds Outstanding, as and when the same become due and payable; (B) by depositing with the Trustee, in trust, at or before maturity, moneys or securities in the necessary amount (as provided in the Indenture) to pay when due or redeem all Bonds then Outstanding; or (C) by delivering to the Trustee, for cancellation by it, all Bonds then Outstanding.

If the Institution shall also pay or cause to be paid all other sums payable under the Indenture by the Institution, then and in that case at the election of the Institution (evidenced by a Certificate of the Institution filed with the Trustee signifying the intention of the Institution to discharge all such indebtedness and the Indenture and upon receipt by the Trustee of an Opinion of Counsel to the effect that the obligations under the Indenture and the Bonds have been discharged), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of the Indenture Fund and all amounts held therein made under the Indenture and all covenants, agreements and other obligations of the Institution under the Indenture (except as otherwise provided in the Indenture) shall cease, terminate, become void and be completely discharged and satisfied and the Bonds shall be deemed paid. In such event, upon the request of the Institution, the Trustee shall cause an accounting for such period or periods as may be requested by the Institution to be prepared and filed with the Institution and shall execute and deliver to the Institution all such instruments as may be necessary to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the Institution all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Institution in respect of such Bond shall cease, terminate and be completely discharged, and the Bonds shall be deemed paid, except only that thereafter the Holder thereof shall be entitled to payment of the principal or Make-Whole Redemption Price of and interest on such Bond by the Institution, and the Institution shall remain liable for such payments, but only out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture regarding payment of Bonds after discharge of the Indenture.

The Institution may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Institution may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Payment of Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal or Make-Whole Redemption Price of, or interest on, any Bonds and remaining unclaimed for three years (or, if shorter, one day before such moneys would escheat to the State of New York under then applicable New York law) after such principal, Make-Whole Redemption Price or interest, as the case may be, has become due and payable (whether at maturity or upon call for redemption), shall be repaid to the Institution free from the trusts created by the Indenture upon receipt of an indemnification agreement acceptable to the Institution and the Trustee indemnifying the Institution and the Trustee with respect to claims of Holders of Bonds which have not yet been paid, and all liability of the Trustee and the Institution with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Institution as aforesaid, the Trustee may (at the cost of the Institution) first mail to the Holders of Bonds which have not yet been paid, at the addresses shown on the registration books maintained by the Trustee, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Institution of the moneys held for the payment thereof.

Limitation of Rights to Parties and Bondholders

Nothing in the Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Institution, the Trustee and the Holders of the Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Institution, the Trustee and the Holders of the Bonds.

Evidence of Rights of Bondholders

Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bondholders in Person or by an agent or agents duly appointed in writing.

The fact and date of the execution by any Person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the Person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the registration books for the Bonds held by the Trustee.

Any request, consent, or other instrument or writing of the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Institution in accordance therewith or reliance thereon.

Waiver of Personal Liability

No member, officer, agent or employee of the Institution shall be individually or personally liable for the payment of the principal or Make-Whole Redemption Price of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof or the performance of any duty under the Indenture; but nothing contained in the Indenture shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by the Indenture.

Governing Law; Venue

The Indenture shall be construed in accordance with and governed by the Constitution and the laws of the State of New York applicable to contracts made and performed in the State of New York. The Indenture shall be enforceable in the State of New York, provided, however, that any action arising under the Indenture shall (unless waived by the Institution) be filed and maintained in the State of New Jersey.

CUSIP Numbers

Neither the Trustee nor the Institution shall be liable for any defect or inaccuracy in the CUSIP number that appears on any Bond or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Holders and that neither the Trustee nor the Institution shall be liable for any inaccuracies in such numbers.

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APPENDIX D

PROPOSED FORM OF OPINION OF COUNSEL TO THE INSTITUTION

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ROPES & GRAY LLP
1211 AVENUE OF THE AMERICAS
NEW YORK, NY 10036-8704
WWW.ROPESGRAY.COM

APPENDIX D

January 22, 2009

The Trustees of Princeton University
Princeton, New Jersey 08544

Goldman, Sachs & Co.,
as Representative of the Underwriters
85 Broad Street
New York, New York 10004

The Bank of New York Mellon, as Trustee
385 Rifle Camp Road
West Paterson, New Jersey 07424

Ladies and Gentlemen:

We have been requested to furnish you with an opinion in connection with the issuance by The Trustees of Princeton University (the "Institution") of \$1,000,000,000 principal amount of Taxable Bonds, 2009 Series A (the "Bonds").

We have examined executed copies of the Indenture of Trust dated as of January 1, 2009 (the "Indenture of Trust") between the Institution and The Bank of New York Mellon, as trustee (the "Trustee"), specimen bonds as executed on behalf of the Institution and authenticated by the Trustee, a certified copy of proceedings of the Institution authorizing the execution of the Indenture of Trust, and certain other documents and the issuance of the Bonds.

In addition, we have examined such other documents and have made such investigation and such examination of law as we have deemed necessary for the purposes of the following opinion.

For purposes of this opinion, we have relied on an opinion addressed to each of you by the General Counsel to the Institution as to the due authorization, execution and delivery of the Indenture of Trust and as to the issuance, sale and delivery of the Bonds, and we have assumed that the Trustee has all requisite power and authority and has taken all necessary corporate action, consistent with all applicable laws and regulations, to execute and deliver the Indenture of Trust and to effect the transactions contemplated thereby.

We express no opinion as to the laws of any jurisdiction other than those of the State of New York and the federal laws of the United States of America.

The Trustees of Princeton University
Goldman, Sachs & Co., as Representative
The Bank of New York Mellon, as Trustee
January 22, 2009
Page 2

Based upon the foregoing, we are of the opinion that:

1. The Indenture of Trust constitutes a valid and legally binding obligation of the Institution and, subject to the qualifications stated in the unnumbered paragraphs at the end of this opinion, is enforceable against the Institution in accordance with its terms.
2. The Bonds have been duly authorized, issued and delivered against payment of the agreed upon consideration and, subject to the qualifications contained in the unnumbered paragraphs at the end of this opinion, are valid, legally binding, general obligations of the Institution, enforceable against the Institution in accordance with their terms.

Our opinion that the Indenture of Trust and the Bonds are enforceable, each in accordance with its terms, is qualified to the extent that enforcement of the rights and remedies created thereby is subject to (i) general principles of equity and (ii) bankruptcy, insolvency, moratorium and other similar laws affecting the rights and remedies of creditors and secured parties. We do not express any opinion herein as to the availability of the remedy of specific performance or injunctive relief or other relief in equity upon breach of any of the agreements, documents, or obligations referred to herein.

In addition, we express no opinion as to (i) the extent to which broadly worded waivers, conclusive presumptions or determinations or powers of attorney may be enforced, (ii) the enforceability of any provision of the Indenture of Trust which permits the exercise of a right of setoff against amounts not then due or which constitutes a penalty or forfeiture, or (iii) the enforceability of any provision that provides for non-effectiveness of oral modifications, waiver of or consent to service of process and venue, or waiver of offset or defenses.

Very truly yours,

