



\$150,000,000
THE TRUSTEES OF PRINCETON UNIVERSITY
Taxable Bonds, 2017 Series A

Dated: Date of Delivery

Interest Payable January 1 and July 1

The Trustees of Princeton University Taxable Bonds, 2017 Series A (the “Bonds”) will be issued pursuant to the terms of an Indenture of Trust dated as of March 1, 2017 (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 general corporate purposes, including without limitation financing and refinancing capital expenditures, and to pay the costs of issuance of the Bonds.

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 January 1 and July 1 of each year, commencing on July 1, 2017. So long as the Bonds are held by DTC, the principal, Redemption Price or Make-Whole Redemption Price (each 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, Redemption Price 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 AND GLOBAL CLEARANCE PROCEDURES” herein.

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

Interest on, and gain, if any on the sale of the Bonds are not excludable from gross income for federal, state or local income tax purposes. See “TAX MATTERS” herein.

The Bonds constitute unsecured general obligations of the Institution. The Institution has other unsecured general obligations outstanding. See APPENDIX A – “PRINCETON UNIVERSITY – Third Party Debt” and APPENDIX B-1 – “CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015, AND REPORT OF INDEPENDENT AUDITORS” 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.

Maturity Date, Principal Amount, Interest Rate, Price and CUSIP Number

\$150,000,000 3.84% Bonds due July 1, 2048, Price: 100%, CUSIP Number 89837LAF2†

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 Underwriter, when, as and if issued by the Institution and accepted by the Underwriter, subject to the approval of legality by Ballard Spahr LLP, Philadelphia, Pennsylvania, counsel to the Institution. In addition, certain other legal matters will be passed upon for the Institution by Ramona E. Romero, Esq., General Counsel to the Institution, and for the Underwriter by its counsel, McCarter & English, LLP, Newark, New Jersey. It is expected that the Bonds will be available for delivery to DTC in New York, New York on or about March 15, 2017.

Goldman, Sachs & Co.

March 8, 2017

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. The CUSIP numbers are included solely for the convenience of Bondholders and the Institution is not responsible for the selection or the correctness of the CUSIP numbers printed herein. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors, including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products.

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

	<u>Page</u>
GENERAL INFORMATION.....	iii
SUMMARY OF THE OFFERING	viii
INTRODUCTION.....	1
Purpose of the Bonds and the Plan of Finance.....	1
The Institution.....	1
The Bonds.....	1
Security for the Bonds	1
Outstanding Indebtedness	2
Redemption.....	2
Book-Entry Only System.....	2
Continuing Disclosure	2
Certain Information Related to this Offering Memorandum.....	3
ESTIMATED SOURCES AND USES OF PROCEEDS	3
PLAN OF FINANCE	3
THE BONDS.....	4
Description of the Bonds	4
Redemption.....	4
Partial Redemption of Bonds.....	6
Notice of Redemption.....	6
Effect of Redemption.....	6
Selection of Bonds for Redemption.....	7
BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES	7
Clearing Systems	8
Clearing and Settlement Procedures	11
General.....	12
Certificated Bonds	12
SECURITY FOR THE BONDS.....	12
General.....	12
Indenture Fund.....	13
TAX MATTERS	14
General Federal Tax Matters	14
Foreign Account Tax Compliance Act (FATCA).....	17
Other Matters	18
BENEFIT PLANS AND ERISA CONSIDERATIONS.....	18
General Fiduciary Matters	19
Prohibited Transactions - In General	19
Plan Asset Issues.....	19
Prohibited Transaction Exemptions	20
Representation	21
UNDERWRITING	21
CERTAIN RELATIONSHIPS	22

TABLE OF CONTENTS

	<u>Page</u>
CONTINUING DISCLOSURE.....	22
APPROVAL OF LEGALITY	22
FINANCIAL ADVISOR.....	22
INDEPENDENT ACCOUNTANTS.....	23
RATINGS.....	23
MISCELLANEOUS.....	23
PRINCETON UNIVERSITY	APPENDIX A
CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015, AND REPORT OF INDEPENDENT AUDITORS	APPENDIX B-1
REPORT ON INVESTMENTS, 2015-16	APPENDIX B-2
SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE	APPENDIX C
PROPOSED FORM OF OPINION OF COUNSEL TO THE INSTITUTION.....	APPENDIX D

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. (the “Underwriter”) 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.

In making an investment decision, investors must rely on their own examination of the Institution and the terms of this Offering Memorandum, including the merits and risks involved. None of the Securities and Exchange Commission, any state securities commission, or any other federal or state regulatory authority has recommended or 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 Underwriter represents 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 assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Institution or the Underwriter 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 which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of the Underwriter. 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 – “PRINCETON UNIVERSITY,” APPENDIX B-1 – “CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015, AND REPORT OF INDEPENDENT AUDITORS,” and APPENDIX B-2 – “REPORT ON

INVESTMENTS, 2015-16". 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 Underwriter has provided the following sentence for inclusion in this Offering Memorandum. The Underwriter has reviewed the information in this Offering Memorandum in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER 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.

INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

REFERENCES HEREIN TO THE “ISSUER” MEAN THE TRUSTEES OF PRINCETON UNIVERSITY AND REFERENCES TO “BONDS” OR “SECURITIES” MEAN THE BONDS OFFERED HEREBY.

MINIMUM UNIT SALES

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF \$1,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 150 UNITS (BEING 150 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF \$150,000).

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

THIS OFFERING MEMORANDUM IS NOT A PROSPECTUS FOR THE PURPOSES OF EUROPEAN COMMISSION REGULATION 809/2004 OR EUROPEAN COMMISSION DIRECTIVE 2003/71/EC (AS AMENDED, INCLUDING BY EUROPEAN COMMISSION DIRECTIVE 2010/73/EU, AS APPLICABLE) (THE “PROSPECTUS DIRECTIVE”). IT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE BONDS WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 3 OF THE PROSPECTUS DIRECTIVE, AS IMPLEMENTED IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA, FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR SUCH OFFERS. THIS OFFERING MEMORANDUM IS ONLY ADDRESSED TO AND DIRECTED AT PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA WHO ARE “QUALIFIED INVESTORS” WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE AND ANY RELEVANT IMPLEMENTING MEASURE IN EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (“QUALIFIED INVESTORS”). THIS OFFERING MEMORANDUM MUST NOT BE ACTED ON OR RELIED ON IN ANY SUCH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA BY PERSONS WHO ARE NOT QUALIFIED INVESTORS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFERING MEMORANDUM RELATES IS AVAILABLE ONLY TO QUALIFIED INVESTORS IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA AND WILL NOT BE ENGAGED IN WITH ANY OTHER PERSONS.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

THIS OFFERING MEMORANDUM HAS NOT BEEN APPROVED FOR THE PURPOSES OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (“FSMA”) AND DOES NOT CONSTITUTE AN OFFER TO THE PUBLIC IN ACCORDANCE WITH THE PROVISIONS OF SECTION 85 OF THE FSMA. IT IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, (II) ARE INVESTMENT PROFESSIONALS, AS SUCH TERM IS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE “FINANCIAL PROMOTION ORDER”), (III) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FSMA) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SECURITIES MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THIS OFFERING MEMORANDUM IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS, INCLUDING IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA APPLIES TO THE INSTITUTION. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFERING MEMORANDUM RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFERING MEMORANDUM OR ANY OF ITS CONTENTS.

NOTICE TO PROSPECTIVE INVESTORS IN HONG KONG

THE BONDS MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF ANY DOCUMENT OTHER THAN (I) IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CAP. 32 OF THE LAWS OF HONG KONG) (“COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE”) OR WHICH DO NOT CONSTITUTE AN INVITATION TO THE PUBLIC WITHIN THE MEANING OF THE SECURITIES AND FUTURES ORDINANCE (CAP. 571 OF THE LAWS OF HONG KONG) (“SECURITIES AND FUTURES ORDINANCE”), OR (II) TO “PROFESSIONAL INVESTORS” AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE AND ANY RULES MADE THEREUNDER, OR (III) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A “PROSPECTUS” AS DEFINED IN THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE, AND NO ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE BONDS MAY BE ISSUED OR MAY BE IN THE POSSESSION OF ANY PERSON FOR THE PURPOSE OF ISSUE (IN EACH CASE WHETHER IN HONG KONG OR ELSEWHERE), WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC IN HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO “PROFESSIONAL INVESTORS” IN HONG KONG AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE AND ANY RULES MADE THEREUNDER.

NOTICE TO INVESTORS IN CANADA

THE BONDS MAY BE SOLD IN CANADA ONLY TO PURCHASERS PURCHASING, OR DEEMED TO BE PURCHASING, AS PRINCIPAL THAT ARE ACCREDITED INVESTORS, AS DEFINED IN NATIONAL INSTRUMENT 45-106 PROSPECTUS EXEMPTIONS OR SUBSECTION 73.3(1) OF THE SECURITIES ACT (ONTARIO), AND ARE PERMITTED CLIENTS, AS DEFINED IN NATIONAL INSTRUMENT 31-103 REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS. ANY RESALE OF THE BONDS MUST BE MADE IN ACCORDANCE WITH AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE PROSPECTUS REQUIREMENTS OF APPLICABLE SECURITIES LAWS.

SECURITIES LEGISLATION IN CERTAIN PROVINCES OR TERRITORIES OF CANADA MAY PROVIDE A PURCHASER WITH REMEDIES FOR RESCISSION OR DAMAGES IF THIS OFFERING MEMORANDUM (INCLUDING ANY AMENDMENT THERETO) CONTAINS A MISREPRESENTATION, PROVIDED THAT THE REMEDIES FOR RESCISSION OR DAMAGES ARE EXERCISED BY THE PURCHASER WITHIN THE TIME LIMIT PRESCRIBED BY THE SECURITIES LEGISLATION OF THE PURCHASER’S PROVINCE OR TERRITORY. THE PURCHASER SHOULD REFER TO ANY APPLICABLE PROVISIONS OF THE SECURITIES LEGISLATION OF THE PURCHASER’S PROVINCE OR TERRITORY FOR PARTICULARS OF THESE RIGHTS OR CONSULT WITH A LEGAL ADVISOR.

PURSUANT TO SECTION 3A.3 OF NATIONAL INSTRUMENT 33-105 UNDERWRITING CONFLICTS (NI 33-105), THE UNDERWRITER IS NOT REQUIRED TO COMPLY WITH THE DISCLOSURE REQUIREMENTS OF NI 33-105 REGARDING UNDERWRITER CONFLICTS OF INTEREST IN CONNECTION WITH THIS OFFERING.

NOTICE TO INVESTORS IN KOREA

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF KOREA FOR PUBLIC OFFERING IN KOREA UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT AND ITS SUBORDINATE DECREES AND REGULATIONS (COLLECTIVELY THE “FSCMA”). THE BONDS MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, OR OFFERED OR SOLD TO ANY PERSON FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENT OF KOREA EXCEPT AS OTHERWISE PERMITTED UNDER THE APPLICABLE LAWS AND REGULATIONS OF KOREA, INCLUDING THE FSCMA AND THE FOREIGN EXCHANGE TRANSACTION LAW AND ITS SUBORDINATE DECREES AND REGULATIONS (COLLECTIVELY, THE “FETL”). WITHOUT PREJUDICE TO THE FOREGOING, THE NUMBER OF BONDS OFFERED IN KOREA OR TO A RESIDENT IN KOREA SHALL BE LESS THAN FIFTY AND FOR A PERIOD OF ONE YEAR FROM THE ISSUE DATE OF THE BONDS, NONE OF THE BONDS MAY BE DIVIDED RESULTING IN AN INCREASED NUMBER OF THE BONDS. FURTHERMORE, THE BONDS MAY NOT BE RESOLD TO KOREAN RESIDENTS UNLESS THE PURCHASER OF THE BONDS COMPLIES WITH ALL APPLICABLE REGULATORY REQUIREMENTS (INCLUDING BUT NOT LIMITED TO GOVERNMENT REPORTING REQUIREMENTS UNDER THE FETL) IN CONNECTION WITH THE PURCHASE OF THE BONDS.

SUMMARY OF THE OFFERING

Issuer	The Trustees of Princeton University
Securities Offered	\$150,000,000 3.84% Taxable Bonds, 2017 Series A due July 1, 2048
Interest Accrual Date	Interest will accrue from March 15, 2017
Interest Payment Dates	January 1 and July 1 of each year, commencing July 1, 2017
Redemption	The Bonds are subject to optional redemption and mandatory sinking fund redemption by the Institution prior to maturity, as further described herein. See “THE BONDS – Redemption” herein.
Settlement Date	March 15, 2017
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 general corporate purposes, including without limitation financing and refinancing capital expenditures, and to pay costs of issuance of the Bonds. See “ESTIMATED SOURCES AND USES OF PROCEEDS” and “PLAN OF FINANCE” herein.
Ratings	Moody’s: Aaa S&P: AAA See “RATINGS” herein

OFFERING MEMORANDUM

Relating to

\$150,000,000

THE TRUSTEES OF PRINCETON UNIVERSITY

TAXABLE BONDS, 2017 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 \$150,000,000 aggregate principal amount of The Trustees of Princeton University Taxable Bonds, 2017 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 general corporate purposes, including without limitation financing and refinancing capital expenditures, and to pay costs of issuance of the Bonds. 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 – "PRINCETON UNIVERSITY," APPENDIX B-1 – "CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015, AND REPORT OF INDEPENDENT AUDITORS," and APPENDIX B-2 – "REPORT ON INVESTMENTS, 2015-16" 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 March 1, 2017 (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 February 1, 2017, the outstanding indebtedness of the Institution, including long-term debt and commercial paper debt, totaled approximately \$3.5 billion. For additional information regarding the outstanding and proposed indebtedness of the Institution, see APPENDIX A – “PRINCETON UNIVERSITY – Third Party Debt” and APPENDIX B-1 – “CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015, AND REPORT OF INDEPENDENT AUDITORS” attached hereto.

Redemption

The Bonds are subject to optional redemption by the Institution prior to maturity at the Redemption Price or Make-Whole Redemption Price (as applicable) and mandatory sinking fund redemption, 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). The principal, Redemption Price 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. Beneficial interests in the Bonds may be held through DTC, Clearstream Banking, S.A. (“Clearstream Banking”) or Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”), directly as a participant or indirectly through organizations that are participants in such system. See “BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES” 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 the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access system (“EMMA”) pursuant to continuing disclosure agreements relating to its previous tax-exempt debt offerings. These annual financial reports are currently available through EMMA and management of the Institution expects to continue to file such reports so long as any tax-exempt bonds of the Institution are outstanding. 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	\$150,000,000
Total Sources of Funds	<u>\$150,000,000</u>

USES:

Capital Projects and other General Corporate Purposes	\$149,729,391
Underwriter’s Discount	270,609
Total Uses of Funds	<u>\$150,000,000</u>

PLAN OF FINANCE

The Institution will use the proceeds of the Bonds for general corporate purposes, including without limitation financing and refinancing capital projects, and to pay costs of issuance of the Bonds. See “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

THE BONDS

Description of the Bonds

The Bonds will be dated, will bear interest at the rate and will mature on the date (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 (“Authorized Denominations”). 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 in the principal amount of the Bonds. 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, Redemption Price 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 January 1 and July 1 of each year commencing on July 1, 2017. 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, Redemption Price or Make-Whole Redemption Price and interest payments will be made to Cede & Co. by wire transfer in immediately available funds.

Redemption

Optional Redemption

Optional Redemption at Par. The Bonds are subject to optional redemption prior to maturity on or after the Par Call Date, at the direction of the Institution, in whole or in part (and, if in part, in Authorized Denominations and on a pro rata basis, subject to the provisions described below under “Selection of Bonds for Redemption”) on any Business Day at the Redemption Price, out of any moneys received by the Trustee from the Institution and deposited in the Redemption Fund. “Redemption Price” means 100% (expressed as a percentage of the principal amount of such Bonds to be redeemed), plus accrued interest to the redemption date. “Par Call Date” means January 1, 2048.

Optional Redemption at Make-Whole Redemption Price. Prior to the Par Call Date, the Bonds are subject to optional redemption prior to maturity, at the direction of the Institution, in whole or in part (and, if in part, in Authorized Denominations and on a pro rata basis, subject to the provisions described below under “Selection of Bonds for Redemption”), on any Business Day at the Make-Whole Redemption Price. The Institution shall retain an independent accounting firm or an independent financial advisor to determine the Make-Whole Redemption Price and perform all actions and make all calculations required to determine the Make-Whole Redemption Price. The Trustee and the Institution may conclusively rely on such

accounting firm's or financial advisor's calculations in connection with, and its determination of, the Make-Whole Redemption Price, and neither the Trustee nor the Institution will have any liability for their reliance. The determination of the Make-Whole Redemption Price by such accounting firm or financial advisor shall be conclusive and binding on the Trustee, the Institution and the Holders of the Bonds. For purposes of this paragraph: (a) "*Make-Whole Redemption Price*" means the greater of (i) 100% of the principal amount of a Bond to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Bond, not including any portion of those payments of interest accrued and unpaid as of the date on which such Bond is to be redeemed, discounted to the date on which such Bond is 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 12.5 basis points, plus accrued and unpaid interest on such Bond to the redemption date; and (b) "*Treasury Rate*" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date. As used in connection with the above definition of "Treasury Rate" the following capitalized terms have the following meanings: (a) "*Comparable Treasury Issue*" means the United States Treasury security or securities selected by a Designated Investment Banker that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Bonds; (b) "*Comparable Treasury Price*" means, with respect to any redemption date, the average of the Primary Treasury Dealer Quotations for such redemption date or, if the Designated Investment Banker obtains only one Primary Treasury Dealer Quotation, such Primary Treasury Dealer Quotation; (c) "*Designated Investment Banker*" means a Primary Treasury Dealer appointed by the Institution; (d) "*Primary Treasury Dealer*" means one or more entities appointed by the Institution, which, in each case, is a primary U.S. Government securities dealer in The City of New York, New York, and its successors; and (e) "*Primary Treasury Dealer Quotations*" means, with respect to each Primary Treasury Dealer and any redemption date, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Primary Treasury Dealer at 3:30 p.m. New York time on the third Business Day preceding such redemption date.

Mandatory Sinking Fund Redemption.

The Bonds are subject to mandatory sinking fund redemption prior to maturity on a pro rata basis, subject to the provisions described below under "Selection of Bonds to be Redeemed," on the dates and in the amounts set forth below, at the redemption price of 100% of the principal amount of such Bonds being redeemed plus accrued interest to the redemption date and without premium:

<u>JULY 1</u>	<u>AMOUNT</u>
2047	\$75,000,000
2048*	75,000,000

* Maturity date.

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 aggregated 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 Redemption Price or the manner of determining the Make-Whole Redemption Price (as applicable), 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 Redemption Price or Make-Whole Redemption Price (as applicable) 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 two (2) 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 Redemption Price or the Make-Whole Redemption Price (as applicable) 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 Redemption Price or the Make-Whole Redemption Price (as applicable) 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 Redemption

Price or 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

If the Bonds are registered in book-entry only form and so long as Cede & Co. (or such other DTC nominee) is the sole registered owner of such Bonds, if less than all of the Bonds are called for prior redemption, the particular Bonds or portions thereof to be redeemed shall be allocated on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Bonds are held in book-entry form, the selection for redemption of such Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the Securities Depository operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

The Institution intends that redemption allocations made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, neither the Institution nor the Underwriter can provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of the Bonds on such basis.

In connection with any repayment of principal, the Trustee will direct DTC to make a pro rata pass-through distribution of principal to the holders of the Bonds.

For purposes of calculation of the pro rata pass-through distribution of principal, "pro rata," means, for any amount of principal to be paid, the application of a fraction to each denomination of the respective Bonds where (a) the numerator is equal to the amount due to the respective bondholders on a payment date, and (b) the denominator is equal to the total original par amount of the respective Bonds.

If the Bonds are no longer registered in book-entry-only form, each owner will receive an amount of Bonds equal to the original face amount then beneficially held by that owner, registered in such investor's name. Thereafter, any redemption of less than all of the Bonds will continue to be paid to the registered owners of such Bonds on a pro-rata basis, based on the portion of the original face amount of any such Bonds to be redeemed.

BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream Banking (DTC, Euroclear and Clearstream Banking together, the "Clearing Systems") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Institution believes to be reliable, but none of the Institution, the Trustee or the Underwriter take any responsibility for the completeness or accuracy of the information in this section. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. The Institution will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

NEITHER THE INSTITUTION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR DIRECT 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.

Clearing Systems

DTC Book-Entry Only System

DTC 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 the Bonds in their aggregate principal amount and will be deposited with DTC.

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. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants," and together with Direct Participants, "Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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 the 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. Subject to the provisions described above in “THE BONDS—Selection of Bonds for Redemption,” if less than all of the Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such Bonds 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).

Payments of principal, Redemption Price and Make-Whole Redemption Price 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 Underwriter, the Trustee or the Institution, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, Redemption Price, Make-Whole Redemption Price 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 by giving reasonable notice to the Institution or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, such Bond certificates are required to be printed and delivered. 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. See “Certificated Bonds” below.

The information herein concerning DTC and DTC’s book-entry system has been obtained from sources that the Institution and the Underwriter believe to be reliable, but the Institution and the Underwriter take no 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 UNDERWRITER OR 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.

So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, references herein to Bondholders or registered owners of the Bonds shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of 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.

The Institution, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the Institution determines that (i) DTC is unable to discharge its responsibilities with respect to the Bonds, or (ii) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of the Beneficial Owners. In the event that no substitute securities depository is found by the Institution or restricted registration is no longer in effect, Bond certificates will be delivered.

NONE OF THE INSTITUTION, THE UNDERWRITER OR 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 INDENTURE; (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.

Euroclear and Clearstream Banking

Euroclear and Clearstream Banking each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream Banking provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream Banking also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream Banking have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream Banking customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream Banking is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

Clearing and Settlement Procedures

The Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, or Clearstream Banking and Euroclear in Europe if the investors are participants in those systems, or indirectly through organizations that are participants in the systems. For any of such Bonds, the record holder will be DTC's nominee. Clearstream Banking and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream Banking's and Euroclear's names on the books of their respective depositories.

The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream Banking or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream Banking or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream Banking or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream Banking participant on that business day. Cash received in Clearstream Banking or Euroclear as a result of sales of securities by or through a Clearstream Banking participant or Euroclear participant to a Direct Participant, other than the depository for Clearstream Banking or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream Banking or Euroclear cash account only as of the business day following settlement in DTC.

Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream Banking participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream Banking participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream Banking participants or Euroclear participants may not deliver instructions directly to the depositories.

The Institution will not impose any fees in respect of holding the Bonds; however, holders of book-entry interests in the Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in the Clearing Systems.

Initial Settlement

Interests in the Bonds will be in uncertificated book-entry form. Purchasers electing to hold book-entry interests in the Bonds through Euroclear and Clearstream Banking accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Bonds will be credited to Euroclear and Clearstream Banking participants' securities clearance accounts on the business day following the date of delivery of the Bonds against payment (value as on the date of delivery of the Bonds). Direct Participants acting on behalf of purchasers electing to hold book-entry interests in the Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. Direct Participants' securities accounts will be credited with book-entry interests in the Bonds following confirmation of receipt of payment to the Institution on the date of delivery of the Bonds.

Secondary Market Trading

Secondary market trades in the Bonds will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream Banking or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Bonds may be transferred within Euroclear and within Clearstream Banking and between Euroclear and Clearstream Banking in accordance with procedures established for these purposes by Euroclear and Clearstream Banking. Book-entry interests in the Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Bonds between Euroclear or Clearstream Banking and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream Banking and DTC.

General

None of Euroclear, Clearstream Banking or DTC is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

Neither the Institution or the Underwriter, nor any of their agents will have any responsibility for the performance by Euroclear, Clearstream Banking or DTC or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

The information herein concerning Euroclear, Clearstream Banking and DTC has been obtained from sources that the Institution and the Underwriter believe to be reliable, but the Institution and the Underwriter take no responsibility for the accuracy thereof.

Certificated Bonds

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Institution or the Trustee. In addition, the Institution may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners. 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 Bondowners 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 exchange (i) any Bond during the fifteen (15) days next preceding the selection of Bonds for redemption or (ii) any Bond called 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 – “PRINCETON UNIVERSITY – Third Party Debt” and APPENDIX B-1 – “CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015, AND REPORT OF INDEPENDENT AUDITORS” 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, Redemption Price 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, Redemption Price 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 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.

TAX MATTERS

General Federal Tax Matters

The following discussion summarizes the material United States federal income tax consequences generally applicable to the purchase, ownership and disposition of the Bonds by the beneficial owners thereof (“Owners”). The discussion is limited to the tax consequences to the initial Owners of the Bonds who purchase the Bonds at the issue price within the meaning of Section 1273 of the Internal Revenue Code of 1986, as amended (the “Code”), and generally does not address the tax consequences to subsequent purchasers of the Bonds. The discussion does not purport to be a complete analysis of all of the potential United States federal income tax consequences relating to the purchase, ownership and disposition of the Bonds, nor does this discussion describe any federal estate or gift tax consequences. Furthermore, the discussion does not address all aspects of taxation that might be relevant to particular purchasers in light of their individual circumstances. For instance, the discussion does not address the alternative minimum tax provisions of the Code or special rules applicable to certain categories of purchasers including dealers in securities or foreign currencies, insurance companies, regulated investment companies, real estate mortgage investment conduits, financial institutions, tax-exempt entities, Owners whose functional currency is not the United States dollar and, except to the extent discussed below, Foreign Owners (as defined below). The discussion does not address the special rules applicable to purchasers who hold the Bonds as part of a hedge, straddle, conversion, constructive ownership or constructive sale transaction or other risk reduction transaction. The discussion does not address foreign taxes.

The discussion is based on the provisions of the Code, the regulations of the Department of the Treasury, and administrative and judicial interpretations, all as in effect today and all of which are subject to change, possibly on a retroactive basis. The discussion assumes that the Bonds are held as capital assets within the meaning of Section 1221 of the Code.

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.

Tax Consequences to United States Owners

Interest on the Bonds is taxable to a United States Owner as ordinary income at the time the interest accrues or is received in accordance with the United States Owner’s method of accounting for United States federal income tax purposes. A “United States Owner” is an Owner of a Bond that is, for United States federal income tax purposes: (1) a citizen or resident of the United States, (2) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (3) an estate, the income of which is subject to United States federal income taxation regardless of its source, or (4) a trust, the administration of which is subject to the primary supervision of a court within the United States and which has one or more United States persons with authority to control all substantial decisions, or a trust that was in existence on August 20, 1996 and has elected to continue its then current treatment as a United States trust. If a partnership (or an entity taxable as a partnership) holds the Bonds, the United States federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership.

Tax-Exempt Organizations. Income or gain from Bonds held by a tax-exempt organization will be subject to the tax on unrelated business taxable income if the Bonds are “debt-financed property” of the organization under Section 514(b) of the Code.

Sale, Exchange, Redemption or Retirement of the Bonds. In general, upon the sale, exchange, redemption or retirement of a Bond, a United States Owner will recognize capital gain or loss equal to the difference between the amount realized on such sale, exchange, redemption or retirement (not including any amount attributable to accrued but unpaid interest that the United States Owner has not already included in gross income) and such United States Owner's adjusted tax basis in the Bond. Any amount attributable to accrued but unpaid interest that the Owner has not already included in gross income will be treated as a payment of interest. A United States Owner's adjusted tax basis in a Bond generally will equal the cost of the Bond to such United States Owner, reduced by any principal payments received by such United States Owner and increased by any accrued but unpaid interest the United States Owner has included in taxable income.

Backup Withholding. Owners will be subject to "backup withholding" of Federal income tax in the event they fail to furnish a taxpayer identification number to the paying agent or there are other, related compliance failures.

Market Discount. A holder who acquires a Bond in a secondary market transaction may be subject to Federal income tax rules providing that accrued market discount will be subject to taxation as ordinary income on the sale or other disposition of a "market discount bond." Dispositions subject to this rule include a redemption or retirement of a Bond. The market discount rules may also limit a holder's deduction for interest expense for debt that is incurred or continued to purchase or carry a Bond. A market discount bond is defined generally as a debt obligation purchased subsequent to issuance, at a price that is less than the principal amount of the obligation, subject to a de minimis rule. The Code allows a taxpayer to compute the accrual of market discount by using a ratable accrual method or a constant interest rate method. Also, a taxpayer may elect to include the accrued discount in gross income each year while holding the bond, as an alternative to including the total accrued discount in gross income at the time of a disposition, in which case the tax basis of the bond will be increased by the amount of discount included in gross income and the interest expense deduction limitation described above will not apply.

Bond Premium. A purchaser of a Bond who purchases such Bond at a cost greater than the sum of all amounts payable on the Bond after the acquisition date (other than payments made at least annually over the term of the Bonds of stated interest) will have amortizable bond premium. If the holder elects to amortize the bond premium, such election will apply to all Bonds held by the holder on the first day of the taxable year to which the election applies, and to all taxable bonds thereafter acquired by the holder. The premium must be amortized using constant yield principles based on the purchaser's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, but a reduction in basis is required for amortizable bond premium even though such premium is applied to reduce interest payments. Bond premium on a Bond held by a holder that has not elected to amortize bond premium will decrease the gain or loss otherwise recognized on the disposition of the Bond. Purchasers of any Bonds who acquire such Bonds at issue or in a secondary market at a premium should consult with their own tax advisors with respect to the determination and treatment of such premium for federal income tax purposes and with respect to state and local tax consequences of owning such Bonds.

Unearned Income Tax. A United States Owner that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the United States Owner's "net investment income" for the relevant taxable year and (2) the excess of the United States Owner's adjusted gross income (increased by certain amounts of excluded foreign income) for the taxable year over a certain threshold (which in the case of individuals will be between \$125,000 and \$250,000, depending on the individual's circumstances) (the "Unearned Income Tax"). A United States Owner's net investment income will generally include its interest income and net gain from the disposition of the Bonds, unless such interest income and net gain is derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). Net investment income may, however, be reduced by properly allocable deductions to such

income. United States Owners that are individuals, estates or trusts are urged to consult their tax advisors regarding the applicability of the Unearned Income Tax to their income and gains from the Bonds.

Tax Consequences to Foreign Owners

Payments of interest on a Bond to an Owner that is not a United States Owner (a “Foreign Owner”) are generally not subject to United States federal income tax or nonresident withholding tax, provided that:

- the Foreign Owner is not actually or constructively a “10-percent shareholder” under Section 871(h) or 881(c)(3)(B) of the Code;
- the Foreign Owner is not, for United States federal income tax purposes, a controlled foreign corporation with respect to which the issuer is a “related person” within the meaning of Section 881(c)(3)(C) of the Code;
- the Foreign Owner is not a bank receiving interest described in Section 881(c)(3)(A) of the Code;
- the certification requirements under Section 871(h) or 881(c) of the Code and regulations (summarized below) are met; and
- the Bond interest is not effectively connected with the conduct by the Foreign Owner of a trade or business in the United States under Section 871(b) or Section 882 of the Code.

In order to obtain the exemption from income and withholding tax, either (1) the Foreign Owner must provide its name and address, and certify, under penalties of perjury on Internal Revenue Service Form W-8BEN, W-8BEN-E, W-8IMY or W-8EXP, as applicable, to the issuer or its paying agent, as the case may be, that such Owner is a Foreign Owner or (2) a securities clearing organization, bank or other financial institution that holds customers’ securities in the ordinary course of its trade or business (“Financial Institution”) and holds a Bond on behalf of the Foreign Owner must certify, under penalties of perjury, to the issuer or its paying agent that such a certificate has been received from the Owner by it or by any intermediary Financial Institution and must furnish the issuer or its paying agent with a copy of the certificate. A certificate is generally effective only with respect to payments of interest made to the certifying Foreign Owner after issuance of the certificate in the calendar year of its issuance and the two immediately succeeding calendar years. A Foreign Owner who does not satisfy the exemption requirements is generally subject to United States withholding tax on payments of interest or accrual of original issue discount.

Interest on a Bond that is effectively connected with the conduct of a United States trade or business by the Foreign Owner is generally subject to United States federal income tax in the same manner as with a United States Owner, except to the extent otherwise provided under an applicable tax treaty. Effectively connected interest income received by a corporate Foreign Owner may also, under certain circumstances, be subject to an additional branch profits tax. Effectively connected interest income will not be subject to withholding tax if the Foreign Owner delivers a properly completed Internal Revenue Service Form W-8ECI to the issuer or its paying agent.

Sale, Exchange, Redemption or Retirement of the Bonds. In general, a Foreign Owner of a Bond will not be subject to United States federal income or withholding tax on the receipt of payments of principal on a Bond and will not be subject to United States federal income tax on any gain recognized on the sale, exchange, redemption, retirement or other taxable disposition of such Bond unless:

- the Foreign Owner is a nonresident alien individual who is present in the United States for 183 or more days in the taxable year of disposition and certain other conditions are met under Section 871(a)(2) of the Code;
- the Foreign Owner is required to pay tax pursuant to the provisions of United States tax law applicable to certain United States expatriates; or
- the gain is effectively connected with the conduct of a United States trade or business by the Foreign Owner (or pursuant to an applicable tax treaty is attributable to a United States permanent establishment of the Foreign Owner).

Foreign Account Tax Compliance Act (FATCA)

Under the Foreign Account Tax Compliance Act (“FATCA”) foreign financial institutions (which generally include hedge funds, private equity funds, mutual funds, securitization vehicles and other investment vehicles regardless of their size) that are not otherwise exempt from FATCA must comply with information reporting rules with respect to their U.S. account holders and investors or, regardless of the treatment of payments on the Bonds under the general income tax rules applicable to Foreign Owners that are discussed above, confront a separate withholding tax. Specifically, FATCA requires that foreign financial institutions enter into an agreement with the United States government to collect and provide the IRS substantial information regarding U.S. account holders of such foreign financial institution, comply with the terms of an applicable intergovernmental agreement between the United States and such foreign financial institution’s jurisdiction of formation (“IGA”), or establish an exemption from FATCA. Additionally, FATCA requires certain foreign entities that are not financial institutions to provide the withholding agent with a certification identifying the substantial U.S. owners of such foreign entity.

A foreign financial institution or other foreign entity that does not comply with the FATCA reporting requirements is subject to a 30% withholding tax with respect to any “withholdable payments.” For this purpose, “withholdable payments” include U.S. source payments of taxable interest and the entire gross proceeds from the sale of any debt instruments of U.S. issuers. FATCA withholding on gross proceeds generally will apply to payments of gross proceeds made after December 31, 2018. The FATCA withholding tax applies regardless of whether the payment would otherwise be exempt from U.S. nonresident withholding tax (e.g., under an income tax treaty, the portfolio interest exemption or as capital gain). FATCA withholding does not apply to withholdable payments made directly to foreign governments, international organizations, foreign central banks of issue and individuals, and the Treasury is authorized to provide additional exceptions.

As its principal means for implementing FATCA’s information and withholding requirements, the United States has entered into, and continues to negotiate, IGA with the vast majority of foreign jurisdictions. FATCA’s information reporting and withholding requirements with respect to foreign financial institutions resident in the over 100 jurisdictions that have either signed IGA or entered into an agreement in substance with the United States supersede the FATCA requirements established by the IRS Treasury regulations, from which they may differ significantly. In addition, special transition rules currently delay the implementation of FATCA reporting and withholding in some jurisdictions that do not yet have IGA in force. On July 29, 2016, however, the IRS announced (Announcement 2016-27) that, on January 1, 2017, the U.S. Treasury will begin updating its list of IGA to provide that certain jurisdictions that have not brought their IGA into force will no longer be treated as if they have an IGA in effect. Each jurisdiction with an IGA that is not yet in force and that wishes to continue to be treated as having an IGA in effect accordingly must provide to the U.S. Treasury by December 31, 2016, a detailed explanation of why the jurisdiction has not yet brought the IGA into force and a step-by-step plan for bringing the IGA into force in the future. The IRS stressed that jurisdictions that the IRS initially determined to treat as having an IGA in effect will not retain that status indefinitely.

In order to provide sufficient notice to foreign financial institutions, a jurisdiction will not cease to be treated as having an IGA in effect until at least 60 days after the jurisdiction's status on the IGA List is updated. Thereafter, foreign financial institutions in jurisdictions that cease to be treated as if they had an IGA in effect will no longer be able to rely on the IGA to be treated as exempt from FATCA withholding. Unless they qualify for an exemption under the FATCA regulations, such foreign financial institutions generally will have to enter into an agreement with the United States government to collect and provide the IRS substantial information regarding their U.S. account holders in order to avoid imposition of the 30% withholding tax. Withholding agents will have 90 days from the date that a jurisdiction ceases to be treated as having an IGA in effect to cure a foreign financial institution's change in status before beginning withholding.

The FATCA provisions are particularly complex, and the scope and timing of their application remains uncertain. Prospective investors should consult their own tax advisors regarding how these rules may apply in their particular jurisdictional and other circumstances.

Other Matters

Special rules not discussed in this summary may apply to certain Foreign Owners that are classified for federal income tax purposes as "controlled foreign corporations," "passive foreign investment companies," "expatriates," "surrogate foreign corporations," "personal holding companies," or corporations that accumulate earnings to avoid United States federal income tax.

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.

BENEFIT PLANS AND 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 Title I of ERISA ("ERISA Plans"). Section 4975 of the Code imposes similar prohibited transaction restrictions on (i) 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, (ii) Individual Retirement Accounts ("IRAs") described in Sections 408 and 408A of the Code, and (iii) certain other plans described in Section 4975(e)(1) of the Code (such plans or accounts, together with ERISA Plans, are hereinafter referred to as "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. While assets of such governmental or non-elective church plans, as well as non-U.S. plans, may be invested in the Bonds without regard to the ERISA and Code considerations described below, any such investment may nevertheless be subject to the provisions of applicable federal, state, local or non-U.S. law that are substantially similar to the requirements of ERISA and Section 4975 of the Code ("Similar Laws"). Accordingly, fiduciaries of such plans should consult with their counsel in considering whether to purchase such Bonds.

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code and prohibit certain transactions involving the assets of such a Plan with its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such a Plan or the management or disposition of the assets of such a Plan, or who renders investment advice for a fee or other compensation (direct or indirect) to such a Plan, is generally considered to be a fiduciary of the Plan.

In considering the acquisition, holding and, to the extent relevant, disposition of the Bonds with a portion of the assets of a Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code and any applicable Similar Laws relating to a fiduciary's duties to the Plan including, without limitation, the investment prudence, diversification, delegation of control and prohibited transaction provisions of such applicable laws.

Prohibited Transactions - In General

Section 406 of ERISA prohibits Plans subject to ERISA from engaging in specified transactions involving plan assets with persons or entities who are "parties in interest," within the meaning of Section 3(14) of ERISA, and Section 4975 of the Code imposes an excise tax on certain "disqualified persons," within the meaning of Section 4975 of the Code, who engage in similar prohibited transactions, in each case unless an exemption is available.

The definitions of "party in interest" and "disqualified person" are expansive. While other entities may be encompassed by these definitions, they include, most notably: (1) a fiduciary with respect to a Plan; (2) a person providing services to a Plan; and (3) an employer or employee organization any of whose employees or members are covered by the Plan.

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, regulatory or administrative exemption is available. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to other penalties and liabilities under ERISA and the Code. In the case of an IRA, the occurrence of a prohibited transaction could cause the IRA to lose its tax-exempt status.

Plan Asset Issues

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 Plan. The U.S. Department of Labor has promulgated regulations at 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA, describing what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of certain provisions of ERISA and Section 4975 of the Code, including the fiduciary responsibility provisions of Title I of ERISA and Section 4975 of the Code (the "Plan Asset Regulation"). If the Institution's assets were deemed to constitute "plan assets" pursuant to the Plan Asset Regulation, transactions that the Institution might enter into, or may have entered into in the ordinary course of business, might constitute non-exempt prohibited transactions under ERISA and/or Section 4975 of the Code.

Under the Plan Asset Regulation, the assets of the Institution would be treated as plan assets of a Plan for purposes of ERISA and the Code only if the Plan acquires an "equity interest" in the Institution and none of the exceptions contained in the Plan Asset Regulation is applicable. An equity interest is

defined under the Plan Asset 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 Asset Regulation. Accordingly, the assets of the Institution should not be treated as the assets of Plans investing in the Bonds.

Prohibited Transaction Exemptions

However, without regard to whether the Bonds are treated as an equity interest for such purposes, the acquisition or holding of Bonds (or an interest therein) by or on behalf of a Plan could be considered to give rise to a prohibited transaction if the Institution or the paying agent, or any of their respective affiliates, is or becomes a party in interest or a disqualified person with respect to such Plan, unless the investment is acquired and held in accordance with an applicable statutory, class or individual prohibited transaction exemption. The fiduciary of a Plan that proposes to purchase and hold any Bonds should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a party in interest, (ii) the sale or exchange or any property between a Plan and a party in interest, and (iii) the transfer to, or use by or for the benefit of, a party in interest, of any Plan assets.

Certain exemptions from the prohibited transaction rules recognized by the U.S. Department of Labor could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a Bond. These are commonly referred to as prohibited transaction class exemptions or “PTCEs.” Included among these exemptions are:

- (a) PTCE 75-1, which exempts certain transactions between a Plan and certain broker dealers, reporting dealers and banks,
- (b) PTCE 96-23, which exempts certain transactions effected at the sole discretion of an “in-house asset manager”;
- (c) PTCE 90-1, which exempts certain investments by “insurance company pooled separate accounts”;
- (d) PTCE 95-60, which exempts certain transactions effected on behalf of an “insurance company general account”;
- (e) PTCE 91-38, which exempts certain investments by bank collective investment funds; and
- (f) PTCE 84-14, which exempts certain transactions effected at the sole discretion of a “qualified professional asset manager.”

Note that IRAs (and certain other plans described in Section 4975(e)(1)) are typically not represented by banks, insurance companies or registered investment advisors so that, practically speaking, these status-based exemptions may be unavailable.

There is also a statutory exemption in Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (which may be available to IRAs as well as to other Plans). This statutory exemption, commonly referred to as the Service Provider Exemption, covers transactions involving “adequate consideration” with persons who are parties in interest or disqualified persons solely by reason of their (or their affiliate’s) status as a service provider to the Plan involved and none of which is a fiduciary (or an affiliate of such a

fiduciary) who has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of any Plan involved in the transaction.

The availability of each of these PTCs and/or the Service Provider Exemption is subject to a number of important conditions which the Plan's fiduciary must consider in determining whether such exemptions apply.

Because of the foregoing, the Bonds (and any interest therein) may not be purchased or held by any person investing "plan assets" of any Plan, unless such purchase and holding will not constitute or result in a non-exempt prohibited transaction under ERISA and the Code or similar violation of any applicable Similar Laws. No assurance is provided that any of the above-listed PTCs or the Service Provider Exemption will apply with respect to any particular investment in the Bonds by, or on behalf of, a Plan (or other entity deemed to hold assets of a Plan under the Plan Asset Regulation) or, even if it were deemed to apply, that any exemption would apply to all transactions that may occur in connection with the investment.

Any Plan fiduciary considering whether to purchase the Bonds on behalf of an ERISA Plan should, prior to purchasing the Bonds, consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such investment and the availability of any of the exemptions referred to above. In addition, persons responsible for considering the purchase of Bonds by a governmental plan, non-electing church plan or non-U.S. plan should consult with its counsel regarding the applicability of any Similar Law to such an investment.

Representation

It is the responsibility of each purchaser (and each subsequent transferee) of the Bonds to ensure that its purchase, holding and transfer of such Bonds is not a prohibited transaction. *Each purchaser and any fiduciary acting in connection with the purchase on behalf of a Plan will be deemed to have represented and warranted that either (i) no "plan assets" of any Plan have been used to purchase such Bond, or (ii) that the acquisition, holding and the disposition of any Bond by such holder does not and will not constitute a prohibited transaction under ERISA or Section 4975 of the Code or other Similar Laws for which there is no applicable statutory, regulatory or administrative exemption.*

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing Bonds on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of the Bonds. The acquisition, holding and, to the extent relevant, disposition of the Bonds by or to any Plan is in no respect a representation by the Institution, its affiliates or the Underwriter that such an investment meets all relevant legal requirements with respect to investments by such Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

UNDERWRITING

The Institution has entered into a purchase contract with Goldman, Sachs & Co. (the "Underwriter"), and the Underwriter has agreed to purchase the Bonds from the Institution at an aggregate discount of \$270,609.50 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 Underwriter will purchase not less than all of the Bonds. The Underwriter's 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 Underwriter 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 Underwriter.

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., which is acting as underwriter with respect to the Bonds. The Institution believes that all such arrangements are consistent with the Institution's conflict of interest policy.

The Underwriter and its affiliates are financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, advisory, investment management, principal investment, hedging, financial and brokerage activities. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various 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 the MSRB through EMMA pursuant to continuing disclosure agreements relating to its previous tax-exempt debt offerings. These annual financial reports are currently available through EMMA and management of the Institution expects to continue to file such reports so long as any tax-exempt bonds of the Institution are outstanding. 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 Ballard Spahr 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 Ramona E. Romero, Esq., General Counsel to the Institution, and for the Underwriter by its counsel, McCarter & English, LLP.

FINANCIAL ADVISOR

The Yuba Group LLC, also known as Yuba Group Advisors, is serving as financial advisor to the Institution (the "Institution Financial Advisor") in connection with the issuance of the Bonds. The Institution Financial Advisor is not contractually obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in this Offering Memorandum and the Appendices hereto. The Institution Financial Advisor is a financial advisory and consulting organization; and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiable instruments. The Institution Financial Advisor does not receive a fee related to or contingent upon the sale and closing of the Bonds.

INDEPENDENT ACCOUNTANTS

The financial statements of the Institution as of 2016 and 2015 and for each of the two years in the period ended June 30, 2016, included as Appendix B-1 to this Offering Memorandum, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing therein.

RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "Aaa" and S&P Global Ratings, acting through Standard & Poor's Financial Services LLC ("S&P") 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 S&P. 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 ratings 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 Underwriter 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.

[The remainder of this page is intentionally blank.]

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

APPENDIX A

PRINCETON UNIVERSITY

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A
PRINCETON UNIVERSITY

General

Princeton University (the "*University*") is a privately-endowed, non-sectarian institution of higher learning. When Princeton University 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 over 2,500 acres, of which about 500 comprise the main campus. The Forrestal campus, located approximately three miles from the main campus in Plainsboro Township, contains mostly support and research facilities. The University has approximately 11.9 million gross square feet of building space on- and off-campus: over 43% for academic buildings including the Firestone Library, about 20% for administrative and athletic facilities, about 29% for dormitories and graduate housing and about 8% for off-campus housing and commercial real estate properties.

As of the fall of 2016, the student body numbers 5,288 undergraduates and 2,781 graduate students. The University grants degrees to graduate students in 42 departments and programs, and awards undergraduate degrees in 36 fields of concentration. Undergraduates may also choose to pursue further study in 53 interdisciplinary certificate programs. The University offers instruction in the liberal arts and sciences along with 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 1,122 including 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 fewer 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, not fewer than four nor more than ten Term Trustees, and not more than thirteen Alumni Trustees. As of December 1, 2016, the Trustees are as follows:

Ex officio

Christopher L. Eisgruber
President of the University

Christopher J. Christie
Governor of the State of New Jersey

Charter Trustees

A. Scott Berg	Kathryn A. Hall (Chair)
Katherine B. Bradley	Philip U. Hammarskjold
John D. Diekman (Clerk)	Brent L. Henry (Vice Chair)
Henri R. Ford	Robert J. Hugin
Laura L. Forese	Louise S. Sams
C. Kim Goodwin	Peter Wendell
Paul G. Haaga, Jr.	C. James Yeh

Term Trustees

Denny Chin	Paul A. Maeder
Blair W. Effron	Thomas S. Roberts
Arminio Fraga	Margarita Rosa
Lisa P. Jackson	Bradford L. Smith
Mitchell R. Julis	Doris Lee Sohmen-Pao
Anthony H.P. Lee	

Alumni Trustees

Fiyinfoluwa Akinlawon	Derek C. Kilmer
José B. Alvarez	Steven D. Leach
Victoria Baum Bjorklund	Kanwal S. Matharu
Azzaa C. Cohen	Brian M. Reilly
Lori D. Fouché	Anne C. Sherrerd
Heather K. Gerken	Sheryl WuDunn
Yvonne Gonzalez Rogers	

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 1987, the responsibility for day-to-day oversight of the University's investment portfolio was delegated to the directors of the Princeton University Investment Company ("*PRINCO*"). 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 Philip U. Hammarskjold 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, Christopher L. Eisgruber. Among the other principal officers of the University are the Provost – David S. Lee; Vice President for Finance and Treasurer – Carolyn N. Ainslie; Vice President and Secretary – Robert K. Durkee; Executive Vice President – Treby McL. Williams; Vice President for Advancement – Kevin J. Heaney; Vice President for Facilities –KyuJung Whang; and General Counsel – Ramona E. Romero.

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

Christopher L. Eisgruber has served as Princeton University's 20th president since July 2013. He is the Laurance S. Rockefeller Professor of Public Affairs in the Woodrow Wilson School and the University Center for Human Values. Before becoming president, he served as Princeton's provost from 2004 – 2013 and as Director of Princeton's Program in Law and Public Affairs from 2001 – 2004. A renowned constitutional scholar, he is the author of *The Next Justice: Repairing the Supreme Court Appointments Process* (Princeton 2007), *Religious Freedom and the Constitution* (co-authored with Lawrence G. Sager, Harvard 2007) and *Constitutional Self-Government* (Harvard 2001), as well as numerous articles in books and academic journals. He is a member of the American Academy of Arts and Sciences. Before joining the Princeton 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 on the faculty of the New York University School of Law for eleven years. Eisgruber received an A.B. *magna cum laude* in Physics from Princeton, an M.Litt. in Politics from Oxford University, and a J.D. from the University of Chicago Law School.

David S. Lee became the Provost of Princeton University effective July 1, 2013. He joined the University in 2007 as professor of economics and public affairs and in 2009 became director of the Industrial Relations Section, an academic unit that promotes research and training in labor economics. Before joining the Princeton faculty as a member of the Department of Economics and the Woodrow Wilson School of Public Affairs, Dr. Lee was a professor of economics at Columbia University from 2006 – 2007, an associate professor at the University of California-Berkeley in 2006, an assistant professor at the University of California-Berkeley from 2000 – 2006, and an assistant professor at Harvard from 1999 – 2000. He was a faculty research fellow for the National Bureau of Economic Research from 1999 – 2008, and has been a research associate for the bureau since 2009. Dr. Lee received a bachelor's degree in economics from Harvard University and a master's and Ph.D. in economics from Princeton. Effective July 1, 2017, Dean of the Faculty Deborah Prentice will succeed Provost David Lee. Dr. Lee will return to full-time teaching and research.

Carolyn N. Ainslie was appointed Vice President for Finance and Treasurer of Princeton University in October 2008. From 1998 to 2008, she served as Vice President for Planning and Budget at Cornell University and held various other positions at Cornell since 1986. Currently, Ms. Ainslie serves on the board of PRINCO, Harding Loevner Funds and the Kendal Corporation and is the chairperson of the National Student Clearinghouse. She earned a B.A. from Bucknell University and an M.B.A. from the University of Rochester.

Robert K. Durkee was appointed Vice President and Secretary of Princeton University effective January 1, 2004. In this capacity, he serves as a senior advisor 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 (for which he has served as acting chair), the Association of Independent Colleges and Universities for New Jersey, the Council for Advancement and Support of Education, the Consortium of Financing Higher Education and the McCarter Theater. Mr. Durkee received his A.B. degree *magna cum laude* from Princeton in 1969, and earned a Master of Arts degree in teaching from Montclair State University in 1971.

Treby McL. Williams was appointed Executive Vice President of Princeton University effective November 18, 2013. She has been with the University since 2005. Prior to her appointment as Executive Vice President, she served as Assistant Vice President for Safety and Administrative Planning in the Office of the Executive Vice President. Ms. Williams served as an Assistant U.S. Attorney in the Southern District of New York and the district of New Jersey from 1992 to 2004 and also worked as an attorney for three years for Coudert Brothers in London and New York. Ms. Williams is a 1984 graduate of Princeton University and earned a law degree from New York University School of Law.

Kevin J. Heaney was appointed Princeton University's first Vice President for Advancement on November 19, 2016. In this role, he oversees the University's Office of Development and the Office of Alumni Affairs. He previously served as Acting Vice President for Development since March of 2016, and came to Princeton in March 2015 as Deputy Vice President for Development. Before joining Princeton, he worked with the Oregon State University Foundation for nearly 10 years, including as vice president for constituent and central development programs and as deputy campaign director. He also has held development positions at Georgetown University, Johns Hopkins University and Harvard University. He earned a B.A. from the University of Cincinnati, a M.A. from Columbia University, and a law degree from Boston College Law School.

KyuJung Whang was appointed Vice President for Facilities effective January 23, 2017. Prior to his appointment he led Cornell's Division of Infrastructure, Properties and Planning as

Vice President. Whang has been a licensed architect and professional planner since graduating from Syracuse University with a Bachelors of Architecture degree. He has extensive backgrounds in capital project management, facilities management, and campus planning in both the private and public sectors. He previously served as the Vice President for Facilities and Capital Planning at Rutgers University. Whang currently serves as a board member and Treasurer for the Association for the Advancement of Sustainability in Higher Education (AASHE), and has served on both the New Jersey and New York State Board of Architecture. Additional professional involvements include serving as a visiting team member on behalf of the National Architectural Accreditation Board (NAAB); and serving in various capacities for the National Council of Architectural Registration Boards (NCARB). While at Rutgers, he was a founding member of the New Jersey Higher Educational Partnership in Sustainability (NJHEPS), an organization promoting environmentally focused design for New Jersey higher education institutions.

Ramona E. Romero was appointed General Counsel of Princeton University effective December 1, 2014. Previously, Ms. Romero served as General Counsel of the United States Department of Agriculture (USDA). As the USDA's chief legal officer, she collaborated with the White House, the Department of Justice and other federal agencies. She also interacted with Congress and led the USDA Office of Ethics. Before joining the USDA, Ms. Romero served in a series of roles as a lawyer at E.I. DuPont de Nemours & Co. in Wilmington, Delaware. She spent the first decade of her career as a litigator in Washington, D.C. Ms. Romero earned a B.A. from Barnard College and a J.D. from Harvard Law School.

Andrew K. Golden became the third President of the 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 a 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 approximately 8,000 students, the University is smaller than most major research universities, yet its faculty is one of the most distinguished in the world and its research activities are internationally recognized.

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, and students choose to concentrate their studies in one of 31 different departments. The Bachelor of Science in Engineering degree is offered in the departments of Chemical and Biological Engineering, Civil and Environmental

Engineering, Operations Research and Financial Engineering, Electrical Engineering, Computer Science, and Mechanical and Aerospace Engineering.

The Graduate School comprises forty-two degree granting academic departments and programs offering over sixty areas of concentration. Fields of study leading to the doctorate are offered in humanities, social and natural sciences, engineering, architecture and public affairs. In addition, the Graduate School offers courses of study leading to the degrees of Master of Architecture, Master of Arts in Near Eastern Studies, Master in Public Affairs, Master in Public Policy, Master of Engineering, Master of Finance and Master of Science in Engineering. The Master of Arts and Master of Fine Arts (music only) are incidental degrees for which doctoral students may apply after passing the appropriate department requirements.

The University is accredited by the Middle States Commission on Higher Education. It also has professional accreditation from the National Architectural Accreditation Board, the Engineering Accrediting Commission of the Accreditation Board for Engineering and Technology and the Teacher Education Accreditation Council.

The University is a member of roughly forty organizations focused on advancing higher education, research, scholarship, and community engagement. Most organizations are national in scope including the Association of American Universities, or the Consortium on Financing Higher Education. A smaller number of organizations are regional including the Association of Independent Colleges and Universities in New Jersey, and the Chamber of Commerce of the Princeton Area. In addition to the memberships managed by the central administration, many departments are members of local, national, and international associations.

The Princeton University Library is one of the world's leading research libraries. Its holdings include more than ten million printed volumes, five million manuscripts, two million non-print items and extensive collections of digital text, data and images. The Library employs more than 300 staff members working in a large central library (Firestone Library), nine branch libraries and three storage facilities.

Faculty

The University consists of a single faculty that teaches both the graduate and undergraduate levels. There are 938 full-time faculty members with the titles Professor, Associate Professor, Assistant Professor, Instructor, Senior Lecturer and Lecturer. In addition, approximately 184 people each year are appointed to the positions of part-time faculty (excluding visiting faculty). Including all faculty, there is one faculty member for each seven students (graduate plus undergraduate).

Approximately 61% 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.

The table sets forth the full-time equivalent faculty over the last five years:

Full-Time Equivalent Faculty*

Academic Year	<u>Tenured</u>	Non-Tenured <u>on Tenure Track</u>	Others <u>Non-Tenured</u>	<u>Total</u>
2011 – 12	544	171	243	958
2012 – 13	567	178	245	990
2013 – 14	582	191	231	1,004
2014 – 15	571	164	297	1,032
2015 – 16	587	179	248	1,014

*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	<u>Enrollments</u>			<u>Degrees Awarded</u>	
	<u>Undergraduate</u>	<u>Graduate</u>	<u>Total</u>	<u>Bachelor</u>	<u>Advanced</u>
2011 – 12	5,173	2,584	7,757	1,248	832
2012 – 13	5,264	2,648	7,912	1,271	892
2013 – 14	5,244	2,666	7,910	1,267	996
2014 – 15	5,275	2,697	7,972	1,282	885
2015 – 16	5,277	2,736	8,013	1,307	906

The University's students come from every section of the country, with students from each of the fifty states represented in the student body almost every year. Typically over the past few years, the University has had a high undergraduate retention rate equal to or greater than 97% and a high graduation rate equal to or greater than 96%.

The table below sets forth the recent undergraduate applicants to the University, the number of such applicants admitted by the University and the resulting enrollment number:

Undergraduate Application & Enrollment

<u>Academic Year of Matriculation</u>	<u>Completed Applications</u>	<u>Total Admitted</u>	<u>Selectivity Rate</u>	<u>Total Enrolled</u>	<u>Yield Rate</u>
2012 – 13	26,664	2,094	8%	1,367	65%
2013 – 14	26,498	1,963	7%	1,291	66%
2014 – 15	26,641	1,983	7%	1,313	66%
2015 – 16	27,290	1,948	7%	1,319	68%
2016 – 17	29,303	1,911	7%	1,306	68%

The average freshman typically scores in the top 5% of the high school seniors who annually take the College Entrance Examination Board's SAT and ranks in the top 10% of their high school class. The middle 50% of the fall 2016 freshman class scored between 690 and 790 on the critical reasoning section of the SAT, between 710 and 800 on the math section and between 700 and 790 on the writing section. A significant percentage of Princeton graduates pursue graduate and professional education. In recent years, roughly 20 – 25% of each senior class has planned to attend graduate or professional school after graduation from the University.

The table below sets forth applications and acceptance statistics for the graduate school:

Graduate Applications & Acceptances*

<u>Academic Year of Matriculation</u>	<u>Completed Applications</u>	<u>Total Admitted</u>	<u>Total Accepted</u>
2012 – 13	12,077	1,232	620
2013 – 14	11,179	1,223	586
2014 – 15	10,964	1,231	608
2015 – 16	10,956	1,258	624
2016 – 17	10,804	1,305	646

*Excludes visitors and non-degree candidates.

Tuition and Fees

The full-time tuition charge for the 2016 – 2017 academic year is \$45,320 for both the undergraduate and graduate students. The table below provides a five-year summary of annual tuition rates:

<u>Academic Year</u>	<u>Tuition Rate</u>
2012 – 13	\$38,650
2013 – 14	40,170
2014 – 15	41,820
2015 – 16	43,450
2016 – 17	45,320

In addition, the standard room rate for undergraduates for the 2016 – 2017 academic year is \$8,335 and the board rate is \$6,435. For graduate students, the average room rate is \$6,578 and the average board rate is \$3,628.

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 its commitment to financial aid for several reasons. First, financial aid is given a high priority in the University's annual 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 \$120 million for undergraduate scholarships in the 2016 – 2017 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.

Approximately 60% of the current undergraduate student body receives need-based financial aid from the University or from outside sources. In the 2016 – 2017 academic year, a total of \$147.7 million is budgeted for undergraduate scholarship aid. 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 3%

of the total. The remaining 93% is provided from income earned on the endowment and from general University funds.

Graduate student aid is substantial and awarded largely on the basis of merit. During the 2016 – 2017 academic year, approximately \$190 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 include 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 86,000 living alumni with the greatest concentrations in New York, California, New Jersey, Massachusetts, and Pennsylvania.

Fund Raising

For the fiscal years 2012 through 2016, the University has received, on average, \$309.4 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 generally 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, 2016, receipts from private gifts and grants totaled \$267.9 million, while the present value of outstanding pledges at year-end was \$178.3 million. Annual Giving for fiscal year 2016 was \$59.3 million, with 58.4% participation by undergraduate alumni.

Financial Statements

The University presents its financial statements in accordance with the reporting and accounting standards established by the Financial Accounting Standards Board for not-for-profit organizations. Under these standards, resources are grouped into separate classes of net assets based on the existence or absence of donor-imposed use and/or time restrictions. Net assets that

have similar characteristics are combined into one of the net asset classes briefly described below:

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 or losses on these funds.

Restricted net assets are generally established to fund specific purposes such as professorships, research, faculty support, scholarships and fellowships, athletics, library and art museum, building construction and other donor-specified purposes. Temporarily restricted net assets include gifts, pledges, trusts and remainder interests, and income and gains that 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-imposed 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.

The financial statements of the University include the Statements of Financial Position as of June 30, 2016 and 2015, and the Statements of Activities and the Statements of Cash Flows for the years ended June 30, 2016 and 2015. See Appendix B-1 attached to this Official Statement. The University's consolidated financial statements include the accounts of its wholly-owned subsidiaries and foundation controlled by the University.

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, 2016 are derived from the audited financial statements of the University. The data should be read in conjunction with the audited financial statements and related notes.

(in thousands of dollars)

	<u>As of June 30, 2012</u>	<u>As of June 30, 2013</u>	<u>As of June 30, 2014</u>	<u>As of June 30, 2015</u>	<u>As of June 30, 2016</u>
Operating Activities:					
Total revenues	\$1,401,215	\$1,479,205	\$1,566,267	\$1,621,075	\$ 1,687,756
Total expenses	<u>(1,317,454)</u>	<u>(1,358,553)</u>	<u>(1,495,230)</u>	<u>(1,541,620)</u>	<u>(1,670,740)</u>
Net increase	\$ 83,761	\$ 120,652	\$ 71,037	\$ 79,455	\$ 17,016
Non-operating activities:					
Net increase (decrease)	<u>\$ 7,124</u>	<u>\$1,218,499</u>	<u>\$2,693,835</u>	<u>\$1,748,332</u>	<u>\$ (645,549)</u>
Increase (decrease) in net assets	<u>\$ 90,885</u>	<u>\$1,339,151</u>	<u>\$2,764,872</u>	<u>\$1,827,787</u>	<u>\$ (628,533)</u>

From fiscal year 2012 to fiscal year 2016, total revenues increased from \$1.4 billion to \$1.7 billion. Over the same five-year period, total expenses increased from \$1.3 billion to \$1.7 billion.

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, the present value of promises to give, contributions subject to donor-imposed restrictions, and other non-recurring activities.

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 and expense categories in the Statement are given in the following paragraphs.

Tuition and Fees represent an important source of the University's income. The full amount of tuition for each student is reported as 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. For fiscal year 2017, the tuition rate reflects a 4.3% increase, with an overall increase in tuition and fees of 4.3%.

Government Grants and Contracts represent another important source of University income. Approximately 43% of the funds were for the Princeton Plasma Physics Laboratory. Although the bulk of total grant receipts comes from the federal government, the State of New Jersey contributed approximately \$0.46 million in fiscal year 2016 for a variety of specific purposes. There would clearly be an adverse impact on the University if government funds were eliminated or significantly reduced, but most of these funds support specific research projects that would not continue at current levels if external funds 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 approximately \$46 million of revenues in fiscal year 2016.

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 FASB Accounting Standards Codification 958-310, *Not-for-Profit Entities-Receivables*, 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 dormitory and dining services, conference services and rental housing.

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

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. The current, standard assumption calls for the spending distribution to grow at a rate of 5% annually as long as the resulting spending rate, expressed as a percentage of the endowment market value, remains within a band between 4% and 6.25%. If the standard assumption results in a spending rate that falls outside of the recommended band, then it may be modified for a given year.

The principal functions affecting expenditures of the University are as follows:

Academic Departments and Programs reflect instructional and research costs of the faculty during the academic year, plus all other direct costs of operating academic departments and programs.

Academic Support includes the costs of services that support the academic functions of the institution such as the various academic deans' offices, academic administration, research administration and the Princeton University Art Museum.

Student Services include the costs of those offices dealing directly with students, such as Admission, Financial Aid, Registrar, Career Services, University Health Services and the Athletics Department.

Library costs reflect the acquisition of books and other library materials in addition to the direct costs of operating the Library.

General Administration and Institutional Support reflect the expenditures of the departmental "business offices" and other administrative offices that serve the University.

Auxiliary Activities are the costs of self-supporting activities that exist to furnish goods and services to students, faculty and staff such as housing, dining and conference services.

Operation and Maintenance of Plant reflect the cost of operating and maintaining the University's buildings and grounds, and is allocated among the above functional expense categories. The University expenses operating maintenance as incurred, and has followed a policy of not deferring maintenance costs in order to avoid even larger capital rehabilitation expenditures in the future.

Investments

Below are the market values of all of the University's investments at the end of the most recent five fiscal years:

Investments <i>(in thousands of dollars)</i>	
Year Ended <u>June 30</u>	<u>Market Value</u>
2012	\$17,291,900
2013	18,655,700
2014	21,451,600
2015	23,158,402
2016	22,485,669

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

Self-Liquidity

The University provides self-liquidity for its existing \$300 million commercial paper programs from its investment resources. As of June 30, 2016, there was more than \$1.0 billion in daily liquidity consisting primarily of United States Treasury Securities, Treasury repos and cash. As of June 30, 2016, \$29.0 million of tax-exempt commercial paper and \$64.8 million of taxable commercial paper were outstanding.

Third-Party Debt

As of June 30, 2016, the University had outstanding indebtedness of approximately \$3.5 billion (including unamortized premium/discount) in the form of taxable debt, loans from the New Jersey Educational Facilities Authority ("*NJEFA*"), advances from Bank of America to fund a parental loan program, notes and commercial paper.

University Indebtedness

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
	<i>(in thousands of dollars)</i>	
NJEFA Bonds – Tax-Exempt Revenue Bonds, 2003 Series D through 2016 Series B	\$2,022,642	\$1,958,070
Taxable Bonds, Series 2009A	997,474	997,364
Taxable Bonds, Series 2016A	100,000	
Taxable Notes, 2012 and 2013	245,000	245,000
NJEFA Higher Education Capital Improvement Fund, Series 2005 A, Series 2006 A and Series 2014 B	3,841	4,083
NJEFA Dormitory Safety Trust Fund Bonds, Series 2001 A	-	832
Parental Loans	44,343	43,489
Commercial Paper:		
Taxable	64,800	5,700
Tax-Exempt	29,000	59,000
Notes	735	906
Total Borrowings	<u>\$3,507,835</u>	<u>\$3,314,444</u>
Unamortized Debt Issuance Costs	<u>(12,283)</u>	<u>(13,031)</u>
Total Borrowings Net of Unamortized Issuance Costs	<u>\$3,495,552</u>	<u>\$3,301,413</u>

The University anticipates the issuance in April 2017 by the New Jersey Educational Facilities Authority of its Princeton University Revenue Bonds, 2017 Series B in the approximate principal amount of \$342 million (the "2017 Series B Bonds") and the Princeton University Revenue Bonds, 2017 Series C in the approximate principal amount of \$130 million (the "Series 2017 C Bonds"). The proceeds of the 2017 Series B Bonds are expected to be loaned to the University and used to currently refund and defease all or a portion of the NJEFA 2007 Series E and 2007 Series F Bonds and advance refund all or a portion of the NJEFA 2008 Series K Bonds. The proceeds of the 2017 Series C Bonds are expected to be loaned to the University and used to finance capital projects of the University.

The debt of the University described in the table above is an unsecured general obligation debt of the University. Although the University has issued debt designated as "Senior Unsecured Taxable Notes," no debt of the University is senior in right of payment to any other debt of the University.

The debt service on the NJEFA revenue bond issues in the above table is payable by the NJEFA from loan payments received from the University.

The 2003 Series D Bonds were issued to partially refund the 1994 Series A Bonds, the 1995 Series C Bonds, the 1996 Series C Bonds, the 1997 Series E Bonds, the 1998 Series F Bonds, the 1999 Series B Bonds, the 2000 Series E Bonds and the 2000 Series H Bonds. The 2006 Series D Bonds were issued to provide funds for the construction, renovation and repair of various University facilities and the purchase of capital equipment. The 2006 Series E Bonds were issued to partially refund the 1999 Series A Bonds, the 2000 Series H Bonds, the 2003 Series E Bonds, the 2004 Series D Bonds and the 2005 Series B Bonds. The 2007 Series E Bonds were issued to provide funds for the construction, renovation and repair of various University facilities, the purchase of capital equipment and to refund all or a portion of the Commercial Paper Notes, Series 2002B, Series 2004A and Series 2005A. The 2007 Series F Bonds were issued to partially refund the 1999 Series A Bonds, the 2003 Series E Bonds, the 2004 Series D Bonds, the 2005 Series A Bonds and the 2005 Series B Bonds. The 2008 Series K Bonds were issued to refund the 2001 Series B, the 2002 Series B and the 2003 Series F variable rate bonds. The 2008 Series J Bonds, the 2010 Series B Bonds and the 2011 Series B Bonds were issued to provide funds for the construction, renovation and repair of various University facilities and the purchase of capital equipment. The 2014 Series A Bonds were issued to provide funds for the construction, renovation and repair of various University facilities, the purchase of capital equipment and to refund a portion of taxable and tax-exempt commercial paper notes. The 2015 Series A Bonds were issued to partially refund the 2005 Series A Bonds and the 2005 Series B Bonds. The 2015 Series D Bonds and 2016 Series A Bonds were issued to provide funds for the construction, renovation and repair of various University facilities and to refund a portion of taxable and tax-exempt commercial paper notes. The 2016 Series B Bonds were issued to partially refund the 2006 Series D Bonds and the 2006 Series E Bonds.

The Series 2009A Taxable Bonds were issued to provide funds for working capital and other corporate purposes. The 2016A Taxable Bonds were issued to provide funds for general corporate purposes.

In August 2012 and December 2013, the University privately-placed Senior Unsecured Taxable Notes in the amounts of \$170 million and \$75 million, respectively, for capital and other purposes. The notes were structured as bullet maturities due July 1, 2042 and July 1, 2044, respectively.

In fiscal year 1999, the University entered into a loan facility to fund its parental loan program. Fixed or variable rate loans may be drawn on a pass-through basis to borrowers. As of June 30, 2016 and 2015, the balances outstanding were \$44.3 million and \$43.5 million, respectively.

The University has available bank lines of credit totaling \$300 million under which the University may borrow on an unsecured basis. As of June 30, 2016, approximately \$18.3 million was outstanding in the form of letters of credit.

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

2012	\$ 197,964
2013	206,803
2014	207,224
2015	206,934
2016	220,450

The following is the long-term projected debt service for fiscal years 2017 through 2021 for the debt outstanding as of June 30, 2016 (in thousands):

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 98,186	\$ 155,839	\$ 254,025
2018	88,002	149,294	237,296
2019	583,884	145,035	728,919
2020	89,935	116,249	206,184
2021	107,793	112,015	219,808

Short-Term Borrowing

In fiscal year 1998, a commercial paper program was authorized and the University's first commercial paper program was implemented through the NJEFA. In fiscal year 2013, the University initiated a separate taxable commercial paper program under which the University directly issues commercial paper. Proceeds of the NJEFA and University commercial paper programs are authorized to a maximum combined level of \$300 million. As of June 30, 2016 and 2015, NJEFA tax-exempt commercial paper outstanding totaled \$29.0 million and \$59.0 million, respectively. As of June 30, 2016 and 2015, the University taxable commercial paper outstanding was \$64.8 million and \$5.7 million, respectively.

Capital Plan

The University initiated a Ten-Year Capital Plan (the "*Plan*") in September 2007 to serve as an overarching framework for its capital activity from FY08 through FY17. The Plan integrates all capital activity undertaken by the University during this period, including the construction of new facilities and the renovation of existing buildings. Also included under the Plan umbrella are annual commitments to major maintenance and other renewal programs – which includes life safety, security and accessibility initiatives, laboratories, classrooms, equipment, furnishings and landscaping – as well as the University's real estate activity. The Plan incorporates funding from multiple sources including annual contributions from the operating budget, donor gifts, strategic reserves and other revenue allocated to capital purposes. In addition, the University plans to issue long-term debt to finance a portion of its capital program. The Plan is updated regularly and is reviewed in detail with the Trustees on an annual basis and each individual project within the Plan undergoes a separate review and approval process.

The Plan calls for approximately \$1,625 million of projected new construction over ten years including \$1,175 million for the following major academic initiatives: a new Chemistry Building and related enabling work; an "arts district" for the Creative and Performing Arts, including associated infrastructure improvements; a Neuroscience and Psychology building; and a Center for Energy and the Environment in the Engineering School. Investments in student and staff housing, a high performance computing research center, an off-campus administrative building, athletic fields and complexes and other improvements are expected to result in additional expenditures of approximately \$450 million over the ten-year period.

The Plan also incorporates a significant investment in the maintenance of the University's plant through its renovation, major maintenance and annual renewal program components, with these activities totaling approximately \$1,400 million over the ten-year period. Included in the \$960 million renovation component are projects totaling approximately \$640 million for academic purposes, including the renovation of the University's main library facility and the repurposing of the old Chemistry building for the economics department and international programs; \$125 million for campus life, housing and athletics projects; and \$195 million for administrative and other campus improvements. The Plan targets an annual level of investment in plant, primarily from the University's operating budget, of 2% of the estimated replacement value of the physical plant, both for the period of the Plan and thereafter.

Employees

As of June 2016, 6,550 people were employed by the University (not including students), consisting of 1,195 faculty members, 3,481 other professionals and 1,874 other employees. Included in these totals are 880 maintenance, service and support staff who are represented by six unions. In recent years, relationships with both organized and unorganized groups have been good with no significant labor disputes in about thirty 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) and Vanguard. The University also maintains a voluntary contributory Tax Deferred Annuity Plan for all faculty and staff.

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 benefit plan. The latter was terminated in 2000.

Litigation

The University is subject to certain legal claims that have arisen 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 for all of its buildings and contents with a limit of liability of \$1.5 billion for any 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 \$1 billion with a deductible of \$1,000. The University has Trustees and Officers liability coverage in the amount of \$35 million with a \$300,000 deductible for all claims.

APPENDIX B-1

**CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE
30, 2016 AND 2015, AND REPORT OF INDEPENDENT AUDITORS**

[THIS PAGE INTENTIONALLY LEFT BLANK]

Princeton University
Consolidated Financial Statements
June 30, 2016 and 2015



Report of Independent Auditors

To the Trustees of Princeton University:

We have audited the accompanying consolidated financial statements of Princeton University (the "University"), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015 and the related consolidated statements of activities and consolidated statements of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Princeton University at June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

November 21, 2016

Consolidated Statements of Financial Position

June 30, 2016 and 2015

<i>(dollars in thousands)</i>	2016	2015
Assets		
Cash	\$ 8,003	\$ 11,544
Accounts receivable	103,015	98,816
Receivables associated with investments	103,974	126,671
Educational and mortgage loans receivable	395,178	378,230
Contributions receivable	178,280	186,430
Inventories and deferred charges	9,442	10,451
Managed investments at market value	21,807,342	22,472,966
Funds held in trust by others	144,452	154,163
Other investments	678,327	685,436
Property, net of accumulated depreciation	3,952,390	3,753,676
Total assets	\$ 27,380,403	\$ 27,878,383
Liabilities		
Accounts payable	\$ 103,036	\$ 116,608
Liabilities associated with investments	207,828	308,367
Deposits, advance receipts, and accrued liabilities	125,797	125,025
Deposits held in custody for others	121,667	158,716
Deferred revenues	39,099	39,520
Liability under planned giving agreements	90,998	101,657
Federal loan programs	5,574	8,454
Indebtedness to third parties	3,495,552	3,301,413
Accrued postretirement benefits	483,410	382,648
Total liabilities	\$ 4,672,961	\$ 4,542,408
Net assets		
Unrestricted	\$ 9,693,143	\$ 9,928,976
Temporarily restricted	11,062,850	11,535,371
Permanently restricted	1,951,449	1,871,628
Total net assets	\$ 22,707,442	\$ 23,335,975
Total liabilities and net assets	\$ 27,380,403	\$ 27,878,383

See notes to consolidated financial statements.

Consolidated Statements of Activities

Year ended June 30, 2016

<i>(dollars in thousands)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
Operating revenues				
Tuition and fees	\$ 337,396	-	-	\$ 337,396
Less scholarships and fellowships	(226,235)	-	-	(226,235)
Net tuition and fees	111,161	-	-	111,161
Government grants and contracts	290,238	-	-	290,238
Private gifts, grants, and contracts	92,719	-	-	92,719
Auxiliary sales and services	90,359	-	-	90,359
Other sources	169,645	-	-	169,645
Investment earnings distributed	413,874	\$ 519,760	-	933,634
Operating revenues	1,167,996	519,760	-	1,687,756
Net assets released from restrictions	575,263	(575,263)	-	-
Total operating revenues	1,743,259	(55,503)	-	1,687,756
Operating expenses				
Educational and general:				
Academic departments and programs	768,283	-	-	768,283
Academic support	116,811	-	-	116,811
Student services	121,041	-	-	121,041
Library	83,632	-	-	83,632
General administration and institutional support	166,422	-	-	166,422
Other student aid	61,017	-	-	61,017
Plasma Physics Laboratory	125,610	-	-	125,610
Total educational and general	1,442,816	-	-	1,442,816
Auxiliary activities	84,638	-	-	84,638
Interest on indebtedness	143,286	-	-	143,286
Total operating expenses	1,670,740	-	-	1,670,740
Results of operations	72,519	(55,503)	-	17,016
Nonoperating activities				
Adjustments to planned giving agreements	(1,038)	(3,098)	-	(4,136)
Decrease in value of assets held in trust by others	-	(312)	\$ (9,398)	(9,710)
Private gifts, noncurrent	63,886	23,655	83,791	171,332
Net realized and unrealized appreciation on investments	47,818	89,428	887	138,133
Distribution of investment earnings	(413,874)	(519,760)	-	(933,634)
Reclassifications, transfers, and other nonoperating	(5,144)	(6,931)	4,541	(7,534)
Increase (decrease) from nonoperating activities	(308,352)	(417,018)	79,821	(645,549)
Increase (decrease) in net assets	(235,833)	(472,521)	79,821	(628,533)
Net assets at the beginning of the year	9,928,976	11,535,371	1,871,628	23,335,975
Net assets at the end of the year	\$ 9,693,143	\$ 11,062,850	\$ 1,951,449	\$ 22,707,442

See notes to consolidated financial statements.

Consolidated Statements of Activities

Year ended June 30, 2015

<i>(dollars in thousands)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
Operating revenues				
Tuition and fees	\$ 325,271	-	-	\$ 325,271
Less scholarships and fellowships	(215,298)	-	-	(215,298)
Net tuition and fees	109,973	-	-	109,973
Government grants and contracts	274,973	-	-	274,973
Private gifts, grants, and contracts	88,023	-	-	88,023
Auxiliary sales and services	86,599	-	-	86,599
Other sources	180,368	-	-	180,368
Investment earnings distributed	271,793	\$ 609,346	-	881,139
Operating revenues	1,011,729	609,346	-	1,621,075
Net assets released from restrictions	613,214	(613,214)	-	-
Total operating revenues	1,624,943	(3,868)	-	1,621,075
Operating expenses				
Educational and general:				
Academic departments and programs	677,927	-	-	677,927
Academic support	102,014	-	-	102,014
Student services	109,131	-	-	109,131
Library	88,930	-	-	88,930
General administration and institutional support	165,147	-	-	165,147
Other student aid	55,322	-	-	55,322
Plasma Physics Laboratory	119,488	-	-	119,488
Total educational and general	1,317,959	-	-	1,317,959
Auxiliary activities	79,709	-	-	79,709
Interest on indebtedness	143,952	-	-	143,952
Total operating expenses	1,541,620	-	-	1,541,620
Results of operations	83,323	(3,868)	-	79,455
Nonoperating activities				
Adjustments to planned giving agreements	-	(18,549)	-	(18,549)
Decrease in value of assets held in trust by others	-	(4,686)	\$ (2,179)	(6,865)
Private gifts, noncurrent	62,763	13,674	65,826	142,263
Net realized and unrealized appreciation on investments	1,697,880	821,251	-	2,519,131
Distribution of investment earnings	(271,793)	(609,346)	-	(881,139)
Reclassifications, transfers, and other nonoperating	2,662	1,984	(11,155)	(6,509)
Increase from nonoperating activities	1,491,512	204,328	52,492	1,748,332
Increase in net assets	1,574,835	200,460	52,492	1,827,787
Net assets at the beginning of the year	8,354,141	11,334,911	1,819,136	21,508,188
Net assets at the end of the year	\$ 9,928,976	\$ 11,535,371	\$ 1,871,628	\$ 23,335,975

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended June 30, 2016 and 2015

<i>(dollars in thousands)</i>	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (628,533)	\$ 1,827,787
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	149,653	138,124
Amortization of bond issuance costs and premiums	(5,878)	(6,495)
Property gifts-in-kind	(1,777)	(2,982)
Adjustments to planned giving agreements	4,136	18,554
Net realized and unrealized losses (gains) on investments	17,300	(2,373,809)
Loss on disposal of fixed assets	1,260	2,229
Decrease in value of assets held in trust by others	9,711	6,864
Contributions received for long-term investment	(83,791)	(65,826)
Changes in operating assets and liabilities:		
Receivables	(12,997)	(3,166)
Inventory and deferred charges	1,009	5,838
Accounts payable	420	995
Deposits, advance receipts, and accrued liabilities	772	19,893
Deposits held in custody for others	(37,049)	16,392
Deferred revenue	(421)	(380)
Accrued postretirement benefits	100,762	15,394
Net cash used by operating activities	(485,423)	(400,588)
Cash flows from investing activities		
Purchases of property, plant, and equipment	(368,296)	(379,077)
Proceeds from disposal of property, plant, and equipment	6,454	5,622
Purchases of investments	(14,041,165)	(13,143,769)
Proceeds from maturities/sales of investments	14,618,756	13,787,389
Net cash provided by investing activities	215,749	270,165
Cash flows from financing activities		
Issuance of indebtedness to third parties, net of drawdowns	268,485	336,817
Payment of debt principal	(68,468)	(247,631)
Contributions received for long-term investment	83,791	65,826
Transactions on planned giving agreements	(14,795)	(19,616)
Net additions (reductions) under federal loan programs	(2,880)	1,783
Net cash provided by financing activities	266,133	137,179
Net increase (decrease) in cash	(3,541)	6,756
Cash at the beginning of the year	11,544	4,788
Cash at the end of the year	\$ 8,003	\$ 11,544
Supplemental disclosures		
Interest paid	\$ 152,060	\$ 147,717

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended June 30, 2016 and 2015

1. NATURE OF OPERATIONS

Princeton University (the “University”) is a private, not-for-profit, 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 5,277 undergraduates and 2,697 graduate students in more than 90 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 1,240, including visitors and part-time appointments.

2. 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, foundation, and investments 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 Entities*. Relevant pronouncements include FASB Accounting Standards Codification (ASC) 958-310, *Not-for-Profit Entities—Receivables*, and ASC 958-205, *Not-for-Profit Entities—Presentation of Financial Statements*.

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 discounted 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; the balance is shown as a gift of either temporarily or permanently restricted net assets.

External financial statements of not-for-profit organizations require the preparation of a statement of financial position, a statement of activities, and a statement of cash flows. 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—is also required. Changes, including reclassification and transfers, 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, contributions receivable in future periods, contributions subject to donor-imposed restrictions, gains and losses on investments in excess of the University’s spending rule and other non-recurring activities. Temporarily restricted gift revenue expended in the same fiscal year is recorded as unrestricted revenue.

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 (GAAP) 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 statements of activities. Actual results could differ from such estimates.

Certain prior-year balances have been reclassified to conform to the current-year presentation.

Notes to Consolidated Financial Statements

(Continued)

New Authoritative Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs - Contracts with Customers (Subtopic 340-40)*. This ASU implements a single framework for revenue recognition ensuring that revenue is recognized in a manner which reflects the consideration to which the entity expects to be entitled to in exchange for goods and services. The ASU is effective for fiscal years beginning after December 15, 2017. The University is evaluating the impact on the University consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03 (Subtopic 835-30), *Imputation of Interest - Simplifying the Presentation of Debt Issuance Costs*. This ASU requires all premium received, discount given and costs incurred to issue debt to be presented in the balance sheet as an adjustment to the carrying value of the associated debt liability. The ASU is effective for fiscal years beginning after December 15, 2016 with early adoption permissible. The University has adopted ASU 2015-03 and has presented unamortized debt issuance costs as an offset to indebtedness to third parties within the liabilities section of the balance sheet for fiscal years 2016 and 2015. As a result, \$13.0 million has been reclassified from Inventories and deferred charges to Indebtedness to third parties in the 2015 column on the Consolidated Statements of Financial Position. The change in presentation has also been appropriately reflected in the Indebtedness to third parties table shown in Note 12.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820), Disclosure for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*. The ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the practical expedient. The ASU further removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the practical expedient. This ASU is effective for annual periods beginning after December 15, 2015, with early adoption permitted. The University has adopted AU 2015-07, and the disclosure change can be seen in the investment leveling tables shown in Note 4 for fiscal years 2016 and 2015.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The ASU allows entities that are not public business entities and do not carry financial instruments at fair value in the statement of financial position to no longer be required to disclose the fair value and significant assumptions used to estimate the fair value of such financial instruments. The standard is effective for fiscal years beginning after December 15, 2017 with early adoption permissible. The University has adopted the ASU for fiscal years 2016 and 2015.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The new ASU establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. The ASU is effective for fiscal years beginning after December 15, 2018 with early adoption permissible. The University is evaluating the impact of the new standard on the University consolidated financial statements.

Notes to Consolidated Financial Statements

(Continued)

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU amends the financial reporting requirements in Topic 958, *Not-for-Profit Entities*. Changes include revisions to the classification of net assets and expanded liquidity disclosures. The ASU is effective for fiscal years beginning after December 15, 2017 with early adoption permissible. The University is evaluating the impact of the new standard on the University consolidated financial statements.

3. INVESTMENTS

Managed Investments

All managed investments are reported at fair value. 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 for which published market prices are not available is based on estimated values using discounted cash flow analysis and other industry standard methodologies. Where applicable, independent appraisers and engineers assist in the valuation. The fair value of limited partnerships and similar investment vehicles is based on the net value of such investments and is generally estimated by external investment managers, including general partners or valuation committees. These valuations necessarily involve assumptions and methods that are reviewed, evaluated, and adjusted, if necessary, by the University. Changes in assumptions could have a significant effect on the fair values of these investments. 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. Realized gains and losses are calculated using the specific identification cost method.

A summary of managed investments by asset category at fair value at June 30, 2016 and 2015 is presented below. The managed investment categories are presented on a “manager-mandate” basis, that is, all of the assets and market value of the underlying funds and accounts are included in the asset class that is the primary focus of the fund or account. (Many funds and accounts have contractual flexibility to invest across more than one asset class.)

<i>(dollars in millions)</i>	2016	2015
Managed investments:		
Domestic equity	\$ 2,218.3	\$ 2,653.6
International equity	3,108.2	3,389.2
Independent return	5,763.1	5,535.1
Private equity	7,049.1	6,844.2
Real assets	3,053.2	3,027.4
Fixed income	416.0	752.5
Cash and other	199.4	271.0
Gross managed investments⁴	\$ 21,807.3	\$ 22,473.0
Receivables (liabilities) associated with investments—net	(103.8)	(181.7)
Net managed investments	\$ 21,703.5	\$ 22,291.3

⁴Includes derivative financial instruments at fair value

Notes to Consolidated Financial Statements

(Continued)

The Princeton University Investment Company (PRINCO) manages investments for a foundation that the University controls, the Stanley J. Seeger Hellenic Fund, and deposits held in custody for others. The investment balances managed by PRINCO for these entities as of June 30, included in the University's consolidated financial statements, are as follows:

<i>(dollars in millions)</i>	2016	2015
Princeton University	\$ 21,554.4	\$ 22,105.6
Stanley J. Seeger Hellenic Fund	42.1	43.5
Deposits held in custody for others	107.0	142.2
Net managed investments	\$ 21,703.5	\$ 22,291.3

The composition of net investment return from managed and other investments for the years ended June 30 was as follows:

<i>(dollars in thousands)</i>	2016	2015
Net realized and unrealized gains (losses)	\$ (17,300)	\$ 2,373,809
Interest, dividends, and other income	155,433	145,322
Total	\$ 138,133	\$ 2,519,131

Princeton University investments together with the Stanley J. Seeger Hellenic Fund and deposits held in custody for others are invested in a single unitized pool. The market value of each unit was \$10,521.24 and \$10,902.38 at June 30, 2016 and 2015, respectively. The average value of a unit during the years ending June 30, 2016 and 2015, was \$10,473.19 and \$10,264.36, respectively.

The average invested market balance in the unitized pool during the years ending June 30, 2016 and 2015, was \$21.494 billion and \$20.899 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 is shown as nonoperating revenue. Amounts distributed per unit under that rule were \$449.17 and \$427.78 for fiscal years 2016 and 2015, respectively.

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.

Derivative Financial Instruments

As part of its investment strategy, the University enters into transactions utilizing a variety of financial instruments and strategies, including futures, swaps, options, short sales, and forward foreign currency contracts. These financial instruments and strategies allow the University to fine-tune the asset allocation of the investment portfolio. In all cases except forward foreign currency exchange and swap contracts, these instruments are traded through securities and commodities exchanges. The forward foreign currency and swap contracts are executed with creditworthy banks and brokerage firms. These financial instruments are subject to an enforceable master netting arrangement or similar agreement, and are presented at fair value on a net basis on the consolidated statement of financial position.

Notes to Consolidated Financial Statements

(Continued)

Investment related derivative exposures at June 30 are as follows:

2016 (dollars in millions)	Long Notional ¹	Short Notional ¹	Net Derivative Assets (Liabilities)	Gains (Losses) ²
Index Futures	\$ 219.8	-	\$ (4.4)	\$ 4.6
Equity Swaps	249.9	\$ 207.5	39.9	66.9
Forward Contracts	-	1,699.3	10.2	2.5
Total	\$ 469.7	\$ 1,906.8	\$ 45.7	\$ 74.0

2015 (dollars in millions)	Long Notional ¹	Short Notional ¹	Net Derivative Assets (Liabilities)	Gains (Losses) ²
Index Futures	\$ 19.9	\$ 230.3	\$ 2.0	\$ (21.7)
Equity Swaps	325.5	231.4	(30.0)	(120.2)
Forward Contracts	-	-	-	11.9
Total	\$ 345.4	\$ 461.7	\$(28.0)	\$ (130.0)

¹ Notional amounts are representative of the volume and activity of each derivative type during the years ended June 30, 2016 and June 30, 2015

² Gains and losses on derivatives are recorded under "Net realized and unrealized appreciation on investments" in the Consolidated Statement of Activities

Investment related derivative assets, liabilities and collateral by counterparty at June 30, are as follows:

2016 (dollars in millions)	# of Contracts	Fair Value				Net
		Gross Derivative Assets	Gross Derivative Liabilities	Collateral (Held) Pledged		
Counterparty A	14	\$ 29.3	\$ (7.5)	\$ (13.0)	\$ 8.8	
Counterparty B	6	12.6	(1.0)	(10.7)	0.9	
Counterparty C	6	6.3	-	(7.0)	-	
Counterparty D	10	6.6	(0.7)	-	5.9	
Total	36	\$ 54.8	\$ (9.2)	\$ (30.7)	\$ 15.6	

2015 (dollars in millions)	# of Contracts	Fair Value				Net
		Gross Derivative Assets	Gross Derivative Liabilities	Collateral (Held) Pledged		
Counterparty A	4	\$ 3.7	\$ (11.8)	\$ 9.2	\$ 1.1	
Counterparty B	4	-	(19.8)	2.1	(17.7)	
Counterparty C	-	-	-	-	-	
Counterparty D	-	-	-	-	-	
Total	8	\$ 3.7	\$ (31.6)	\$ 11.3	\$ (16.6)	

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 \$144.4 million in 2016 and \$154.2 million in 2015.

Notes to Consolidated Financial Statements

(Continued)

Other Investments

Other investments include working capital (consisting primarily of U.S. Treasury bonds), a small number of funds that must be separately invested due to donor or legal restrictions, planned giving investments, proceeds from debt, and local real estate holdings expected to be liquidated strategically over several years. A summary of other investments at fair value at June 30, 2016 and 2015, is as follows:

<i>(dollars in millions)</i>	2016	2015
Working capital	\$ 354.4	\$ 378.7
Planned giving investments	160.8	178.4
Proceeds from debt	114.4	75.4
Strategic real estate investments	47.2	47.2
Other	1.5	5.7
Total	\$ 678.3	\$ 685.4

4. FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosure about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. Fair value should be based on assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques and the inputs to valuations. Fair value measurements assume that the transaction occurs in the principal market for the asset or liability (the market with the most volume and activity for the asset or liability from the perspective of the reporting entity), or in the absence of a principal market, the most advantageous market for the asset or liability (the market in which the reporting entity would be able to maximize the amount received or minimize the amount paid). The University applies fair value measurements to certain assets and liabilities, including the University's managed investments, other investments, and funds held in trust by others, in accordance with the requirements described above.

The University maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Fair value is based on actively quoted market prices, if available. In the absence of actively quoted market prices, price information from external sources, including broker quotes and industry publications, is used. If pricing information from external sources is not available, or if observable pricing is not indicative of fair value, judgment is required to develop the estimates of fair value using discounted cash flow and other income valuation approaches.

The University utilizes the following fair value hierarchy, which prioritizes, into three broad levels, the inputs to valuation techniques used to measure fair value:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities that the University has the ability to access at the measurement date. Instruments categorized in Level 1 primarily consist of a broadly traded range of equity and debt securities.

Level 2: Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability,

Notes to Consolidated Financial Statements

(Continued)

and inputs that are derived from observable market data by correlation or other means.

Level 3: Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability. Instruments categorized in Level 3 consist primarily of limited partnership interests and other similar investment vehicles.

The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The lowest level input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. Fair value measurements are categorized as Level 3 when a significant amount of price or other inputs that are considered to be unobservable are used in their valuations.

Investments in investee funds that are valued using the net asset values (NAV) of the underlying investee fund as a practical expedient have been excluded from the fair value hierarchy and are shown as a separate column in the fair value levelling table. Where the University has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) using the practical expedient, such investments have been excluded from the fair value hierarchy. Certain of these investments may be subject to modest holdback provisions to cover audit and other potential expenses or adjustments in the event of a complete withdrawal.

The University has various processes and controls in place to ensure investment fair value is reasonable and performs due diligence procedures on its investments, including an assessment of applicable accounting policies, a review of the valuation procedures employed, and consideration of redemption features and price transparency. The University holds direct real estate investments categorized as Level 3. Valuation for material directly held real estate investments is determined from periodic valuations prepared by independent appraisers or broker opinions.

The following tables present the University's assets that are measured at fair value for each hierarchy level, at June 30, 2016 and 2015.

<i>(dollars in millions)</i>	Fair Value Measurements at Reporting Date Using				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV as Practical Expedient
2016					
Assets at fair value					
Managed investments (gross):					
Domestic equity	\$ 2,218.3	\$ 109.8	\$ 7.2	\$ 1.2	\$ 2,100.1
International equity	3,108.2	436.7	6.6	210.8	2,454.1
Independent return	5,763.1	-	-	5.4	5,757.7
Private equity	7,049.1	1.5	4.5	240.4	6,802.7
Real assets	3,053.2	127.7	31.8	7.5	2,886.2
Fixed income	416.0	416.0	-	-	-
Cash and other	199.4	250.8	(51.4)	-	-
Total managed investments (gross)	21,807.3	1,342.5	(1.3)	465.3	20,000.8
Funds held in trust by others	144.5	-	-	144.5	-
Other investments	678.3	472.2	-	206.1	-
Total	\$ 22,630.1	\$ 1,814.7	\$ (1.3)	\$ 815.9	\$ 20,000.8

Notes to Consolidated Financial Statements

(Continued)

(dollars in millions)	Fair Value Measurements at Reporting Date Using				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV as Practical Expedient
2015					
Assets at fair value					
Managed investments (gross):					
Domestic equity	\$ 2,653.6	\$ 146.7	\$ (11.8)	\$ 2.4	\$ 2,516.3
International equity	3,389.2	675.9	1.7	181.5	2,530.1
Independent return	5,535.1	-	-	7.9	5,527.2
Private equity	6,844.2	0.7	-	244.2	6,599.3
Real assets	3,027.4	123.8	(19.8)	9.6	2,913.8
Fixed income	752.5	752.5	-	-	-
Cash and other	271.0	269.2	1.8	-	-
Total managed investments (gross)	22,473.0	1,968.8	(28.1)	445.6	20,086.7
Funds held in trust by others	154.2	-	-	154.2	-
Other investments	685.4	461.1	-	224.3	-
Total	\$ 23,312.6	\$ 2,429.9	\$ (28.1)	\$ 824.1	\$ 20,086.7

Assets and liabilities of a majority-owned investment fund have been consolidated for reporting purposes at June 30, 2016 and 2015. Managed investments, specifically the independent return asset class, includes consolidated investment fund assets of \$995.4 million and \$962.5 million at June 30, 2016 and 2015, respectively, and liabilities associated with investments includes consolidated investment fund liabilities of \$180.6 million and \$185.7 million at June 30, 2016 and 2015, respectively.

The following tables present the net change in the assets measured at fair value on a recurring basis and included in the Level 3 fair value category for the years ended June 30, 2016 and 2015:

(dollars in millions)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)						June 30, 2016
	June 30, 2015	Total gains or losses included in changes in net assets	Purchases	Sales and settlements	Transfers into Level 3	Transfers out of Level 3	
Assets at fair value							
Managed investments (gross):							
Domestic equity	\$ 2.4	\$ (1.2)	-	-	-	-	\$ 1.2
International equity	181.5	18.3	\$ 11.2	\$(0.2)	-	-	210.8
Independent return	7.9	1.1	-	(3.6)	-	-	5.4
Private equity	244.2	7.6	10.6	(22.0)	-	-	240.4
Real assets	9.6	(4.1)	-	(0.5)	\$ 2.5	-	7.5
Fixed income	-	-	-	-	-	-	-
Cash and other	-	-	-	-	-	-	-
Total Managed Investments (gross)	445.6	21.7	21.8	(26.3)	2.5	-	465.3
Funds held in trust by others	154.2	(11.5)	1.8	-	-	-	144.5
Other investments	224.3	(17.0)	3.7	(4.9)	-	-	206.1
Total Level 3 investments	\$ 824.1	\$ (6.8)	\$ 27.3	\$(31.2)	\$ 2.5	-	\$ 815.9

Notes to Consolidated Financial Statements

(Continued)

<i>(dollars in millions)</i>	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)						June 30, 2015
	June 30, 2014	Total gains or losses included in changes in net assets	Purchases	Sales and settlements	Transfers into Level 3	Transfers out of Level 3	
Assets at fair value							
Managed investments (gross):							
Domestic equity	\$ 2.0	\$ 0.4	\$ 0.1	\$ (0.1)	-	-	\$ 2.4
International equity	229.5	(48.0)	0.1	(0.1)	-	-	181.5
Independent return	18.4	1.4	-	(11.9)	-	-	7.9
Private equity	281.5	(30.9)	20.5	(26.9)	-	-	244.2
Real assets	12.2	(1.6)	-	(1.0)	-	-	9.6
Fixed income	-	-	-	-	-	-	-
Cash and other	-	-	-	-	-	-	-
Total Managed							
Investments (gross)	543.6	(78.7)	20.7	(40.0)	-	-	445.6
Funds held in trust by others	161.0	(7.4)	2.1	(1.5)	-	-	154.2
Other investments	246.0	(21.8)	5.5	(5.4)	-	-	224.3
Total Level 3 investments	\$ 950.6	\$ (107.9)	\$ 28.3	\$ (46.9)	-	-	\$ 824.1

The University assesses the valuation hierarchy for each asset or liability measured on an annual basis. From time to time, assets or liabilities will be transferred within hierarchy levels as a result of changes in valuation methodologies, liquidity, and/or redemption terms. One transfer to Level 3 assets occurred in the year ended June 30, 2016. The University's policy is to recognize transfers at the beginning of the reporting period.

Realized gains of \$5.7 million and \$14.0 million related to Level 3 investments and unrealized losses of \$12.5 million and \$121.9 million related to Level 3 investments are included in net realized and unrealized appreciation on investments in the consolidated statements of activities for the years ended June 30, 2016 and 2015, respectively.

The following tables and disclosures set forth the significant terms of the agreements with investment managers or funds by major category at June 30, 2016 and 2015. The information is presented on a "manager-mandate" basis.

<i>(dollars in millions)</i>	June 30 Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
2016				
Managed investments (gross)				
Domestic equity (a)	\$ 2,218.3	\$ 181.2	daily—annually	4-90 days
International equity—developed (b)	1,028.8	-	daily—annually	7-90 days
International equity—emerging (c)	2,079.4	233.4	daily—annually	7-90 days
Independent return (d)	5,763.1	503.0	monthly—annually	30-90 days
Fixed income and cash (e)	615.4	-	daily	1 day
Marketable asset classes	\$ 11,705.0	\$ 917.6		
Private equity (f)	7,049.1	2,716.4		
Real assets (g)	3,053.2	1,837.9		
Nonmarketable asset classes	\$ 10,102.3	\$ 4,554.3		
Total gross managed investments	\$ 21,807.3	\$ 5,471.9		

Notes to Consolidated Financial Statements

(Continued)

<i>(dollars in millions)</i>	June 30 Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
2015				
Managed investments (gross)				
Domestic equity (a)	\$ 2,653.6	\$ 181.2	daily—annually	4–90 days
International equity—developed (b)	1,076.9	-	daily—annually	7–90 days
International equity—emerging (c)	2,312.3	136.0	daily—annually	7–90 days
Independent return (d)	5,535.1	306.2	monthly—annually	30–90 days
Fixed income and cash (e)	1,023.5	-	daily	1 day
Marketable asset classes	\$ 12,601.4	\$ 623.4		
Private equity (f)	6,844.2	2,172.3		
Real assets (g)	3,027.4	1,523.0		
Nonmarketable asset classes	\$ 9,871.6	\$ 3,695.3		
Total gross managed investments	\$ 22,473.0	\$ 4,318.7		

(a) Domestic Equity: This asset class includes funds and accounts primarily invested in equities traded on domestic exchanges or in domestic over-the-counter markets. The fair values of the investments in this asset class have been estimated using the net asset value per share of the investee funds, or, in the case of custodied accounts, the fair value of the securities held. Investments representing approximately 4 percent of the market value of this asset class are invested in nonredeemable assets.

(b) International Equity—Developed: This asset class includes funds primarily invested in public equity and debt securities traded in countries with developed economies other than the United States. The fair values of the investments in this asset class have been estimated using the net asset value per share of the investee funds. Investments representing approximately 13 percent of the market value of this asset class are invested in nonredeemable assets.

(c) International Equity—Emerging: This asset class includes funds primarily invested in public equity and debt securities traded in countries with emerging economies. The fair values of the investments in this asset class have been estimated using the net asset value per share of the investee funds or, in the case of custodied accounts, the fair value of the securities held, at prevailing exchange rates. Investments representing approximately 6 percent of the market value of this asset class are invested in nonredeemable assets.

(d) Independent Return: This asset class includes funds invested in equity and debt securities and financial instruments such as options, swaps, futures, and other derivatives. Funds in this asset class may hold both long and short positions in any of these instruments and pursue a variety of investment strategies based upon the fund's investment mandate and the current opportunity set. In general terms, approximately 32 percent of independent return market value is invested in funds principally focused on long/short equity investments, 25 percent is invested in event-driven/arbitrage strategies, and 43 percent is invested in funds that opportunistically engage in both strategies. Investments representing approximately 16 percent of the market value of this asset class are invested in nonredeemable assets.

(e) Fixed Income and Cash: On a combined basis, these asset classes include primarily U.S. government and U.S. government-guaranteed securities held in separate accounts at the custodial bank. Virtually all of the investments in these asset classes can be liquidated on a daily basis.

(f) Private Equity: This asset class includes funds invested primarily in buyouts or venture capital. The fair values of the investments in this asset class have generally been estimated using

Notes to Consolidated Financial Statements

(Continued)

partners' capital statements issued by the funds, which reflect the University's ownership interest. Generally, investments in this asset class are not redeemable. Distributions from investee funds in the portfolio are received as the underlying investments of the funds are liquidated.

(g) Real Assets: This asset class includes funds invested primarily in real estate, energy, and timber. The fair values of the investments in this asset class have been estimated using partners' capital statements issued by the funds, which reflect the University's ownership interest.

Generally, investments in this asset class are not redeemable. However, a small portion, \$175.0 million at June 30, 2016, and \$196.2 million at June 30, 2015, was invested in redeemable funds. More broadly, distributions from investee funds are received as the underlying investments of the funds are liquidated.

Investments in the marketable asset classes are generally redeemable, made in entities that allow the University to request withdrawals in specified circumstances. However, approximately \$1.2 billion of the marketable asset classes are invested in "nonredeemable assets," which are not eligible for redemption by the University. Nonredeemable assets are specific investments within a fund designated by the fund manager as ineligible for withdrawal. Due to the illiquid nature of nonredeemable assets, it is impossible for the University to predict when these assets will liquidate and the proceeds be distributed to investors.

In addition to nonredeemable assets, the University may be limited in its ability to effect a withdrawal if a fund manager invokes a "gate" provision restricting redemptions from its fund. Gates are generally triggered when aggregate fund withdrawal requests exceed a contractually predetermined threshold. No withdrawal requests were impacted by a gate in the year ended June 30, 2016.

The University is obligated under certain agreements to fund capital calls periodically up to specified commitment amounts. At June 30, 2016, the University had unfunded commitments of \$5.5 billion. Such commitments are generally called over periods of up to 10 years and contain fixed expiration dates or other termination clauses.

5. ENDOWMENT

The University's endowment consists of approximately 4,300 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the University to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the University to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

ASC 958-205-45-28, *Not-for-Profit Entities—Presentation of Financial Statements—Other Presentation Matters—Classification of Donor-Restricted Endowment Funds Subject to the Uniform Prudent Management of Institutional Funds Act*, 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 Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was enacted in the state of New Jersey in June 2009.

Interpretation of relevant law—The University interprets the UPMIFA as requiring the preservation of the fair value at the original gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets: (a) the original value of gifts donated to the

Notes to Consolidated Financial Statements

(Continued)

permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. The University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment net asset composition by type of fund as of June 30, 2016 and 2015, was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2016 (dollars in thousands)				
Donor-restricted endowment funds	\$ (535)	\$ 10,796,205	\$ 1,750,003	\$ 12,545,673
Board-designated endowment funds	9,049,775	-	-	9,049,775
Total	\$ 9,049,240	\$ 10,796,205	\$ 1,750,003	\$ 21,595,448
2015 (dollars in thousands)				
Donor-restricted endowment funds	-	\$ 11,219,923	\$ 1,649,703	\$ 12,869,626
Board-designated endowment funds	\$ 9,278,348	-	-	9,278,348
Total	\$ 9,278,348	\$ 11,219,923	\$ 1,649,703	\$ 22,147,974

Changes in endowment net assets for the years ended June 30, 2016 and 2015, were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
2016 (dollars in thousands)				
Endowment net assets, beginning of the year	\$ 9,278,348	\$ 11,219,923	\$ 1,649,703	\$ 22,147,974
Investment return:				
Net realized and unrealized appreciation	73,178	81,036	887	155,101
Reclassification for funds with deficiencies	(535)	535	-	-
Total investment return	\$ 72,643	\$ 81,571	\$ 887	\$ 155,101
Contributions	13,699	1,056	94,872	109,627
Appropriation of endowment assets for expenditure	(404,369)	(511,904)	-	(916,273)
Reclassifications, transfers, and board designations	88,919	5,559	4,541	99,019
Endowment net assets, end of the year	\$ 9,049,240	\$ 10,796,205	\$ 1,750,003	\$ 21,595,448

Notes to Consolidated Financial Statements

(Continued)

2015 (dollars in thousands)	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
Endowment net assets, beginning of the year	\$ 8,023,126	\$ 10,721,605	\$ 1,697,187	\$ 20,441,918
Investment return:				
Net realized and unrealized appreciation	1,574,425	821,251	-	2,395,676
Contributions	14,616	1,460	72,608	88,684
Appropriation of endowment assets for expenditure	(262,253)	(602,799)	-	(865,052)
Reclassifications, transfers, and board designations	(71,566)	278,406	(120,092)	86,748
Endowment net assets, end of the year	\$ 9,278,348	\$ 11,219,923	\$ 1,649,703	\$ 22,147,974

Funds with Deficiencies—From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor of UPMIFA requires the University to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$0.5 million at June 30, 2016. There were no funds with deficiencies at June 30, 2015. Deficiencies can result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions while continued appropriations are deemed prudent by the Board of Trustees.

In accordance with the terms of donor gift instruments, the University is permitted to reduce the balance of restricted endowments below the original amount of the gift. Subsequent investment gains are then used to restore the balance up to the fair market value of the original amount of the gift. Subsequent gains above that amount are recorded in temporarily restricted net assets.

Return objectives and risk parameters—The University has adopted investment and spending policies for endowment assets that attempt to support the University’s current and future operating needs, while preserving intergenerational equity. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for donor-specified periods as well as University-designated funds. Under these policies, the endowment assets are invested in a manner that is intended to produce returns that exceed both the annual rate of spending and university inflation.

Strategies employed for achieving objectives—The vast majority of the endowment assets are actively managed by PRINCO, which is structured as a University office, but maintains its own Board of Directors, and operates under the final authority of the University’s Board of Trustees (the “Trustees”).

In pursuit of the investment return objectives, PRINCO maintains an equity-biased portfolio and seeks to partner with best-in-class investment management firms across diverse asset categories.

Spending policy and how the investment objectives relate to spending policy—Each year the Trustees decide upon an amount to be spent from the endowment for the following fiscal year. 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. The framework targets annual spending rates of between 4.0 percent and 6.25 percent.

The endowment must seek investment returns sufficient to meet spending policy targets as well as to maintain future purchasing power without deterioration of corpus resulting from university inflation.

Notes to Consolidated Financial Statements

(Continued)

6. EDUCATIONAL AND MORTGAGE LOANS

Educational 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 \$65.0 million and \$64.8 million at June 30, 2016 and 2015, respectively.

Through a program designed 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 \$330.6 million and \$313.7 million at June 30, 2016 and 2015, respectively.

Allowance for Doubtful Loans

Management assesses the adequacy of the allowance for doubtful loans by performing evaluations of the loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of borrowers, the economic environment, the level of delinquent loans, and the value of any collateral associated with the loans. In addition to general economic conditions and other factors described above, a detailed review of the aging of loans receivable is considered in management's assessment. The level of the allowance is adjusted according to the results of management's analysis.

Loans less than 120 days delinquent are deemed to have a minimal delay in payment and are generally not written off. Loans delinquent by 120 days or more are subject to standard collection practices, including litigation. Only loans that are deemed uncollectible are written off, and this occurs only after several unsuccessful collection attempts, including placement at an external collection agency. Considering the other factors discussed herein, management considers the allowance for doubtful loans at June 30, 2016 and 2015, to be prudent and reasonable.

Educational and mortgage loans receivable at June 30, 2016 and 2015, are reported net of allowances for doubtful loans of \$0.4 million and \$0.3 million, respectively.

7. PROMISES TO GIVE

At June 30, 2016 and 2015, the University had received from donors unconditional promises to give contributions of amounts receivable in the following periods:

<i>(dollars in thousands)</i>	2016	2015
Less than one year	\$ 75,600	\$ 89,043
One to five years	90,335	94,525
More than five years	23,441	14,319
Total	189,376	197,887
Less unamortized discount and reserve	11,096	11,457
Net amount	\$ 178,280	\$ 186,430

The amounts promised have been recorded after discounting the future cash flows to the present value. Current-year promises are included in revenue as additions to temporarily or permanently restricted net assets, as determined by the donors, and are included in contributions receivable at fair value based on observable ASC 820 Level 2 inputs.

Notes to Consolidated Financial Statements

(Continued)

In addition, at June 30, 2016, the University had received from donors promises to give totaling \$6.3 million, 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.

8. PROPERTY

Land additions are reported at estimated market value at the date of gift, or on a cost basis. Buildings and improvements are stated at cost. Expenditures for operation and maintenance of physical plant are expensed as incurred.

Items classified as property at June 30, 2016 and 2015, consisted of the following:

<i>(dollars in thousands)</i>	2016	2015
Land	\$ 114,272	\$ 113,891
Buildings and improvements	4,123,404	3,815,443
Construction in progress	331,167	353,023
Equipment and systems	361,528	342,446
Rare books	104,063	98,878
Library books, periodicals, and bindings	286,816	281,844
Fine art objects	132,202	126,805
Total property	5,453,452	5,132,330
Accumulated depreciation	(1,501,062)	(1,378,654)
Total	\$ 3,952,390	\$ 3,753,676

Equipment, library books, periodicals, and bindings are stated at cost net of accumulated depreciation. 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 making purchases with University funds, the University, since its inception, has received a substantial number of fine art objects and rare books from individual gifts and bequests. Art objects and rare books 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 and rare books acquired subsequent to June 30, 1973, are recorded at cost or fair value at the date of gift. Works of art, literary works, historical treasures, and artifacts that are part of a collection are protected, preserved, and held for public exhibition, education, and research in furtherance of public service. Collections are not capitalized, and contributed collection items are not recognized as revenues in the University's financial statements.

The University uses componentized depreciation for buildings and building improvements used for research. The costs of research facilities are separated into building shell, service system, and fixed equipment components that 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. Art objects and rare books having cultural, aesthetic, or historical value are not depreciated.

Notes to Consolidated Financial Statements

(Continued)

9. CONDITIONAL ASSET RETIREMENT OBLIGATIONS

Under ASC 410-20, *Asset Retirement and Environmental Obligations—Asset Retirement Obligations*, companies must accrue 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. The estimate is recorded as a liability and as an increase to the asset, and the capitalized portion is depreciated over the remaining useful life of the asset. The asset retirement obligation included in accrued liabilities was \$13.2 million and \$12.8 million at June 30, 2016 and 2015, respectively, and accretion expense on the asset retirement obligation was \$0.3 million and \$0.4 million for the years ended June 30, 2016 and 2015, respectively.

10. INCOME TAXES

ASC 740, *Income Taxes*, 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 continues to evaluate its tax positions pursuant to the principles of ASC 740, 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 statute of limitations on the University's U.S. federal tax returns remains open for the years ended June 30, 2013, through the present.

11. 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.

12. INDEBTEDNESS TO THIRD PARTIES

At June 30, 2016 and 2015, the University's debt consisted of taxable bonds, taxable notes, loans through the New Jersey Educational Facilities Authority (NJEFA), commercial paper, various parent loans, and a note as follows:

<i>(dollars in thousands)</i>	2016	2015
Taxable Revenue Bonds		
2009 Series A, 4.95% and 5.70%, due March 2019 and March 2039, net of unamortized discount of \$2,526 and \$2,636	\$ 997,474	\$ 997,364
2016 Series A, 1.85%, 2.61%, 3.63%, due July 2021, July 2026, July 2046	100,000	-
Taxable Notes		
2012, 3.372%, due July 2042	170,000	170,000
2013, 4.72%, due July 2044	75,000	75,000

Notes to Consolidated Financial Statements

(Continued)

NJEFA Revenue Bonds	2016	2015
2003 Series D, 3.73%, due July 2019, including unamortized premium of \$2,054 and \$2,739	34,364	45,119
2006 Series D, 4.39%, due July 2031, including unamortized premium of \$0.00 and \$603	-	58,258
2006 Series E, 4.50%, due July 2027, including unamortized premium of \$0.00 and \$57	-	91,727
2007 Series E, 4.53%, due July 2037, including unamortized premium of \$3,609 and \$3,781	271,274	278,866
2007 Series F, 4.39%, due July 2030, including unamortized premium of \$559 and \$599	62,904	67,354
2008 Series J, 4.39%, due July 2038, including unamortized premium of \$3,463 and \$3,620	218,563	224,355
2008 Series K, 4.36%, due July 2023, including unamortized premium of \$3,466 and \$3,961	109,231	124,766
2010 Series B, 4.03%, due July 2040, including unamortized premium of \$9,732 and \$10,137	235,657	241,207
2011 Series B, 4.09%, due July 2041, including unamortized premium of \$13,634 and \$14,179	245,534	250,929
2014 Series A, 3.77%, due July 2044, including unamortized premium of \$17,971 and \$18,613	215,386	218,613
2015 Series A, 2.32% due July 2035, including unamortized premium of \$28,779 and \$30,293	182,294	187,083
2015 Series D, 3.40% due July 2045, including unamortized premium of \$19,133 and \$19,793	169,133	169,793
2016 Series A, 2.53% due July 2035 including unamortized premium of \$22.145	131,645	-
2016 Series B, 1.77% due July 2027 including unamortized premium of \$28,837	146,657	-
NJEFA Dormitory Safety Trust Fund Bonds		
2001 Series A, due January 2016	-	832
NJEFA Capital Improvement Fund Bonds		
2005 Series A, 4.12%, 2000 Series A, 5.72%, due September 2020	574	702
2006 Series A, 4.42%, 2000 Series A, 5.72%, due September 2020	165	166
2014 Series B, 3.67%, due September 2033, including unamortized premium of \$200 and \$211	3,102	3,215
Commercial Paper		
Taxable, .12% and .08% with maturities up to one year	64,800	5,700
Tax-exempt (NJEFA), .08% and .04% with maturities up to one year	29,000	59,000
Parent Loans , 0.5% to 5.4% with maturities up to nine years	44,343	43,489
Notes	735	906
<hr/>		
Total Borrowings	\$3,507,835	\$3,314,444
Unamortized debt issuance costs	(12,283)	(13,031)
<hr/>		
Total Borrowings Net of Unamortized Issuance Costs	\$3,495,552	\$3,301,413

In March 2016, the University issued the 2016 Series A Taxable Bonds for general corporate purposes.

The proceeds of NJEFA loans are used primarily to finance the costs of acquisition, construction, renovation, and installation of capital assets of the University.

In April 2016, the University issued the NJEFA 2016 Series A Bonds and the 2016 Series B Bonds. The 2016 Series A Bonds were issued for the purpose of funding new construction and renovations, and for the refunding of portions of the taxable and tax-exempt commercial papers notes. The 2016 Series B Bonds were issued for the purpose of the current refunding and defeasance of the 2006 Series D and 2006 Series E Bonds. The University is authorized by the Trustees to issue new debt up to \$350 million annually. The University intends to issue additional debt in the future.

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

In fiscal 1999, the University entered into a loan facility with a national bank to fund its parent loan program, which is currently authorized by the Trustees up to \$100 million. Fixed or variable rates may be selected on a pass-through basis to the borrowers; terms may be as long as 14 years.

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 commercial paper proceeds are primarily used to finance construction expenditures until permanent financing

Notes to Consolidated Financial Statements

(Continued)

from gifts or other sources is made available. The program is currently authorized to a maximum level of \$300 million.

Principal payments for each of the next five years and thereafter on debt outstanding at June 30, 2016, excluding commercial paper, are as follows:

<i>(dollars in thousands)</i>	Principal Payments
2017	98,186
2018	88,002
2019	583,884
2020	89,935
2021	107,793
Thereafter	2,295,180
Subtotal	3,262,980
Unamortized premium	151,055
Net long-term debt	\$ 3,414,035

The University has committed bank lines of credit totaling \$300 million, under which the University may borrow on an unsecured basis at agreed-upon rates. There were \$18.3 million and \$16.9 million in letters of credit outstanding under these credit facilities at June 30, 2016 and 2015, respectively.

13. EMPLOYEE BENEFIT PLANS

All faculty and staff who meet specific employment requirements participate in a defined contribution plan, which invests in the Teachers Insurance and Annuity Association and College Retirement Equities Fund and Vanguard Fiduciary Trust Funds. The University's contributions were \$52.3 million and \$53.5 million for the years ended June 30, 2016 and 2015, respectively.

Postretirement Benefits Other Than Pensions

ASC 715, *Compensation—Retirement Benefits*, requires the recognition of a defined benefit postretirement plan's funded status as either an asset or a liability on the statement of financial position. Actuarial gains or losses and prior service costs or credits that arise during the period must be recognized as a component of unrestricted net assets. The University calculates its Accumulated Postretirement Benefit Obligation (APBO) in accordance with ASC 715, which was initially elected in 1993 and amortized over 20 years. 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, 2016 and 2015, consisted of the following:

<i>(dollars in thousands)</i>	2016	2015
Service cost	\$ 18,434	\$ 17,479
Interest cost	17,022	15,416
Total	\$ 35,456	\$ 32,895

Notes to Consolidated Financial Statements

(Continued)

The APBO at June 30, 2016 and 2015, consisted of actuarially determined obligations to the following categories of employees:

<i>(dollars in thousands)</i>	2016	2015
Retirees	\$ 150,327	\$ 130,175
Active employees eligible to retire	129,857	98,822
Other active participants	203,226	153,651
Total	\$ 483,410	\$ 382,648

As of June 30, 2016 and 2015, the APBO was unfunded.

An assumed discount rate of 3.75 percent and 4.5 percent was used to calculate the APBO at June 30, 2016 and 2015, respectively. The assumed health care cost trend rate used to calculate the APBO at June 30, 2016 was 6.2 percent, declining by 0.24 percent per year until the long-term trend rate of 5.0 percent is reached for medical claims. For prescription drug claims, the assumed health care cost trend rate used to calculate the APBO at June 30, 2016 was 9.0 percent, declining by 0.08 percent per year until the long-term trend rate of 5.0 percent is reached. The assumed health care cost trend rate used to calculate the APBO at June 30, 2015 was 7.75 percent, declining by 0.3 percent per year until the long-term trend rate of 5.0 percent is reached, for medical claims. For prescription drug claims, the assumed health care cost trend rate used to calculate the APBO at June 30, 2015 was 7.75 percent, declining by 0.55 percent per year until the long-term trend rate of 5.0 percent is reached. An increase of 1 percent in the cost trend rate would raise the APBO to \$594.4 million and \$465.8 million and cause the service and interest cost components of the net periodic cost to be increased by \$10.3 million and \$9.4 million for the years ended June 30, 2016 and 2015, respectively. A decrease of 1 percent in the cost trend rate would decrease the APBO to \$398.9 million and \$318.8 million and cause the service and interest cost components of the net periodic cost to be decreased by \$7.5 million and \$7.0 million for the years ended June 30, 2016 and 2015, respectively.

Postretirement plan benefit payments for fiscal years 2017 through 2021 are expected to range from \$9.5 million to \$13.2 million per year, with aggregate expected payments of \$80.9 million for fiscal years 2022 through 2026. These amounts reflect the total benefits expected to be paid from the plan, net of the participants' share of the cost and federal subsidies. Expected benefit payments are based on the same assumptions used to measure the benefit obligations and include estimated future employee service.

The University provides Medicare retiree drug coverage through an employer group waiver plan (EGWP). Under EGWP, the cost of drug coverage is offset through direct federal subsidies, brand-name drug discounts, and reinsurance reimbursements. The net effect of these subsidies has been recognized in the calculation of the University's postretirement benefit obligation as of June 30, 2016 and 2015.

14. 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

Notes to Consolidated Financial Statements

(Continued)

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, the library, the art museum, building construction, and other specific purposes. Temporarily restricted net assets include gifts, pledges, trusts and remainder interests, and income and gains that 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 by donor-imposed restrictions 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.

15. NATURAL CLASSIFICATION OF EXPENSES

Operating expenses incurred for the years ended June 30 were as follows:

<i>(dollars in thousands)</i>	2016	2015
Salaries and wages	\$ 653,477	\$ 625,757
Employee benefits	265,189	180,712
Purchased services	169,493	172,604
Supplies and materials	113,116	107,843
Space and occupancy	68,442	73,495
Sub-recipient agreements	24,760	25,333
Other expenses	21,634	17,765
Other student aid	61,017	55,321
Depreciation	150,326	138,838
Interest	143,286	143,952
Total	\$ 1,670,740	\$ 1,541,620

Certain prior-year balances have been reclassified to conform to the current-year presentation.

16. COMMITMENTS AND CONTINGENCIES

At June 30, 2016, the University had authorized major renovation and capital construction projects for more than \$986.7 million. Of the total, approximately \$285.8 million had not yet been expended.

Minimum operating lease commitments at June 30, 2016, for space and equipment were as follows:

<i>(dollars in thousands)</i>	Lease Payments
2017	\$ 6,525
2018	6,525
2019	6,525
2020	6,765
2021	5,542
Thereafter	13,600
Total	\$ 45,482

Notes to Consolidated Financial Statements

(Continued)

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 was \$21.9 million at June 30, 2016.

The University is subject to certain legal claims that have arisen 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.

17. SUBSEQUENT EVENTS

The University has evaluated subsequent events through November 21, 2016, and determined that there were no subsequent events requiring adjustment or disclosure in the consolidated financial statements.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B-2

REPORT ON INVESTMENTS, 2015-16

[THIS PAGE INTENTIONALLY LEFT BLANK]

Report on Investments

PRINCETON UNIVERSITY INVESTMENT COMPANY



As of June 30, 2016, Princeton's Endowment stood at \$22.2 billion, a decrease of approximately \$570 million from last year.¹ The decline in the value of the Endowment reflects that spending outflows used in support of the University's operations exceeded investment gains, gifts, and other inflows during the year.

The vast majority of the Endowment, \$21.7 billion, is actively managed by the Princeton University Investment Company ("PRINCO").² While PRINCO maintains its own Board of Directors (the "Directors"), it is a University office operating under the final authority of the University's Board of Trustees (the "Trustees").

The purpose of the Endowment is to provide steady support for the University's current and future operating needs, while preserving real value for future generations. This mission requires an expected long-term return that exceeds the sum of the annual rate of spending and University inflation. To pursue this goal, PRINCO maintains an equity-biased portfolio and seeks to partner with best-in-class investment management firms across diverse asset categories.

Against a backdrop of challenging market conditions, the portion of the Endowment actively managed by PRINCO generated a 0.8 percent investment return during fiscal 2016. While a disappointing return in absolute terms—and one that falls below long-term return expectations—it represents a reasonable relative result given the market environment.

Of course, the evaluation of our investment program should focus on the long term, and our long-term results remain strong in both absolute and relative terms. The Endowment's annualized return over the past ten years was 8.2 percent, equating to a Higher Education Price Index-adjusted real return of 5.7 percent, which is above the amount needed to preserve purchasing power after spending. The 8.2 percent annualized nominal gain, as discussed further below, also compares favorably to all performance yardsticks.

SPENDING

Each year the Trustees decide upon an amount to be spent from the Endowment for the following fiscal year.³ 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. For much of the last decade, the framework targeted annual spending between 4.00 and 5.75 percent. In 2015, the Trustees decided that based upon the continued strength of Princeton's investment program, higher long-term average spending rates could be supported, and indeed, that a higher average rate of spending was needed in order to achieve intergenerational equity, *i.e.* having endowment spending patterns that

balanced the interests of current and future students and faculty. Moreover, a higher average spending rate would likely help optimize the mix of the University's three important types of capital—financial, physical, and human. The Trustees agreed that an important step toward the goal of higher long-term average spending was to raise the upper boundary of the spending target range to 6.25 percent. Notably, this marked the second time that the Trustees had raised the upper boundary of the spending range in the last decade, having previously moved the boundary from 5.00 to 5.75 percent in 2006.

In Fiscal Year 2016, the Endowment spending distribution, in aggregate, equaled \$926 million.⁴ Spending per Endowment unit equated to 4.1 percent

¹ Excluded from Princeton's traditional definition of "Endowment" are working capital, planned giving investments, and proceeds from debt.

² The pool actively managed by PRINCO excludes University mortgages, loans, and other assets held primarily for strategic University purposes. "Endowment net assets" as reported in the notes to the Consolidated Financial Statements in the amount of \$21.6 billion as of June 30, 2016, further exclude agency funds in custody for others.

³ Excluded from these decisions are funds devoted to certain strategic purposes, such as subsidizing faculty and staff housing.

⁴ Investment earnings distributed in fiscal year 2016 in the amount of \$934 million in the Statement of Activities is comprised of Endowment spending of \$926 million, plus earnings from funds held in trust by others, working capital, planned giving investments, and other non-endowment investments.

of market value at the start of fiscal 2016. (Of note, the Trustees approved a substantial boost in Endowment spending for Fiscal Year 2017. Per-unit spending in the coming year is projected to be 5.0 percent.)

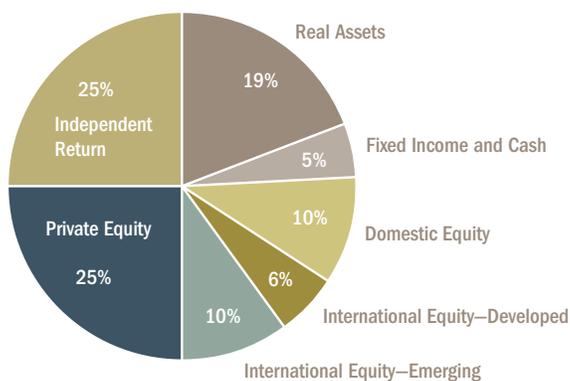
ASSET ALLOCATION

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 nonmarketable assets.

Princeton’s long-term asset allocation decisions are embodied in a Policy Portfolio that 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 mid-term opportunities arising from significant market disequilibria or to other unusual circumstances. Figure 1 depicts the Policy Portfolio targets.

Readily manifest is PRINCO’s bias toward equities or equity-like assets—95 percent of the portfolio is allocated toward these investments. Also striking is the relatively small portion, 10 percent, of the portfolio dedicated directly to the Domestic Equity asset category. Large portions of the portfolio are allocated to other high 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

Figure 1
PRINCETON UNIVERSITY POLICY PORTFOLIO
Fiscal Year 2017



areas can offer attractive opportunities for skilled, patient investors.

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 create superior return potential. A broader opportunity set means that the portfolio may 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 in most environments.

PRINCO’s Directors, working closely with PRINCO Staff, review the Policy Portfolio periodically. In the most recent review, in October 2015, PRINCO reduced the policy target for Real Assets to 19 percent from 21 percent. This was offset by increasing the Domestic Equity policy target to 10 percent from 9 percent, and increasing the Independent Return target to 25 percent from 24 percent.

The decision to reduce the Real Assets target is aimed at modestly

Report on Investments

PRINCETON UNIVERSITY INVESTMENT COMPANY

(Continued)



Table 1
PRINCETON UNIVERSITY ENDOWMENT POLICY PORTFOLIO TARGETS*
Every Five Years Since 1997

Asset Class	1997	2002	2007	2012	2017
Domestic Equity	20.0 %	18.0 %	12.0 %	6.5 %	10.0 %
International Equity:					
Developed Markets	7.5 %	7.5 %	8.5 %	5.5 %	6.0 %
Emerging Markets	7.5 %	7.5 %	8.5 %	11.0 %	10.0 %
Independent Return	25.0 %	25.0 %	25.0 %	25.0 %	25.0 %
Private Equity	15.0 %	15.0 %	19.0 %	23.0 %	25.0 %
Real Assets	10.0 %	12.0 %	20.0 %	23.0 %	19.0 %
Total Equity	85.0 %	85.0 %	93.0 %	94.0 %	95.0 %
Fixed Income and Cash	15.0 %	15.0 %	7.0 %	6.0 %	5.0 %
Total	100 %				

*Policy targets are pro forma based on current asset class definitions.

enhancing the Endowment’s liquidity. To offset the decrease, we chose to increase the Independent Return target as we like the “all weather” characteristics of the asset category—it can generate strong returns both in periods when traditional strategies perform well, and when they do not. The recommendation to increase the Domestic Equity target is driven by bottom-up, manager-specific considerations, as well as the desire to create room to have more liquid equity exposure.

Table 1 gives a historical perspective, showing how the Policy Portfolio has evolved over two decades. Clearly evident is the long-standing practice of aggressive positioning. While non-traditional investments have grown as a share of the portfolio, this growth represents deliberate-paced expansion reflecting extensive consideration over multiple years.

Diversification into international investments is an important part of our multi-asset class approach. PRINCO believes such investments have the potential to increase long-term expected returns while helping to manage portfolio risk. Relative to the U.S., international

markets tend to be less efficient, providing meaningful opportunities to add value through active management.

An important part of PRINCO’s approach to international investments is an emphasis on “foreign local” managers based outside the U.S. Over time we have gained more exposure to such managers in both marketable and non-marketable categories. Indeed, we have formally articulated efforts in this regard as our “Grand Unifying Theme.” This theme, while very important, is not fully visible in the Policy Portfolio, as it cuts across several asset categories. On June 30, 2016, about 34 percent of the Endowment (including uncalled commitments) was controlled by managers based outside the U.S.

Table 2 compares PRINCO’s long-term Policy Portfolio asset allocation targets with the actual weights as of June 30, 2016. Within relatively small and predetermined ranges, PRINCO’s Staff and Directors will intentionally overweight or underweight more or less compelling asset categories. These deliberate allocation overlays occur most frequently in the marketable asset

categories. Within Private Equity and Real Assets, deviations from Policy Portfolio targets can occur without deliberate intent, due to funding and market dynamics. When the Policy Portfolio targets for Private Equity and Real Assets were established, and when they are reviewed, it was with the understanding that allocation deviations in these categories are neither easily, nor cheaply, controlled with great precision, and therefore will often need to be offset by allocation adjustments in other categories.

That said, the large overweight in Private Equity is unintentional and deserves further comment. With hindsight, we recognize that our commitments to Private Equity funds during fiscal years 2006 through 2008 were too high. Since that time, we have reduced our commitment pace to a sustainable steady-state rate, and are in the process of gliding gradually over multiple years back to the target allocation. Indeed, exposure to the category has declined from 38.2 percent at the end of fiscal 2011 to 33.4 percent at the end of fiscal 2016, despite the category's very strong performance. (Private Equity has generated a 13.3 percent annualized return over the past five years relative to a 7.8 percent return

Table 2
ASSET ALLOCATION
June 30, 2016

Allocation	FY 2017 Policy Target	Actual
Domestic Equity	10.0 %	7.5 %
International Equity		
Developed Markets	6.0 %	5.7 %
Emerging Markets	10.0 %	8.5 %
Independent Return	25.0 %	24.6 %
Private Equity	25.0 %	33.4 %
Real Assets	19.0 %	16.7 %
Fixed Income and Cash	5.0 %	3.7 %

Figure 2
FISCAL YEAR 2016 PERFORMANCE



for the Endowment excluding Private Equity.) It will, however, take time for exposure to decline to the 25 percent policy target level.

Within Fixed Income and Cash we hold shorter-than-market duration bonds due to a combination of exceptionally low yields that U.S. government bonds offer, increased price risk, and decreased “insurance” functionality.⁵ The underweight in this asset category at the end of fiscal 2016 was transitory, and funds received after year-end resulted in exposure increasing to the 5.0 percent policy target level.

PERFORMANCE

Against the backdrop of difficult, volatile markets, the Endowment generated a fiscal 2016 investment return of 0.8 percent, falling short of our long-term return expectations (see Figure 2).⁶ Based upon preliminary estimates of Higher Education Price Index (HEPI), our fiscal 2016 performance translated into a real loss of approximately 1.0 percent.

PRINCO has traditionally used two benchmarks to provide context for our results. We outperformed our primary benchmark, the Policy Portfolio Index, by 1.3 percent.⁷ However, we underperformed our secondary benchmark—a 65/35 blend of the S&P 500 and the Barclays Government/Credit Bond Index—by 4.2 percent.⁸ The 65/35's dominance illustrates that diversification away from U.S. large-cap

⁵ A key reason for holding high quality fixed income is that it provides “insurance” against deflation and extended equity market declines. In particular, we expect yields to decline and bond prices to rise in many crisis scenarios. However, given current low yields, there is less room for further declines, reducing the insurance functionality.

⁶ Reported results exclude the returns on certain short-term assets and other assets, such as faculty and staff mortgages, held primarily for strategic University purposes. The total asset base upon which performance is calculated equaled \$21.7 billion at fiscal year-end.

⁷ Policy Portfolio Index returns represent a weighted average of individual asset class benchmark returns.

⁸ The 65% S&P 500/35% Barclays Government/Credit Index portfolio represents what an investor would earn from a 65/35 investment in these equity and fixed income market indices, rebalanced annually. Since its inception in 1987, PRINCO has used this benchmark to represent the returns that might have been earned by institutional investors pursuing more traditional investment approaches.

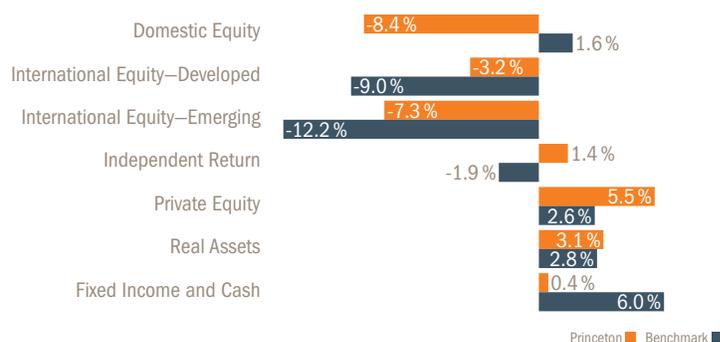
Report on Investments

PRINCETON UNIVERSITY INVESTMENT COMPANY

(Continued)

Figure 3
PRINCETON ASSET CLASS RETURNS
VS. BENCHMARKS

Fiscal Year 2016



Benchmarks used:
 Domestic Equity: Wilshire 5000 Index;
 International Equity—Developed: MSCI World ex-U.S. IMI;
 International Equity—Emerging: MSCI Emerging Markets IMI;
 Independent Return: HFRI Fund Weighted Composite Index + 50 basis points per annum;
 Private Equity: Customized Cambridge Associates benchmark;
 Real Assets: Blend of Cambridge Associates Real Estate benchmark, a timber component, and an energy component;
 Fixed Income & Cash: Barclays Government Bond Index.

stocks and bonds created a significant drag on performance this year. Notably, the Endowment's return compares favorably with performance results from other college and university endowments; the median institution in this group lost 2.9 percent.⁹

Absolute performance varied across asset classes, although relative performance was mostly strong (see Figure 3). Modestly positive results in Private Equity, Real Assets and Independent Return were largely offset by losses in Domestic Equity, International Developed Equity and Emerging Markets. More specifically, Private Equity was up 5.5 percent and Real Assets up 3.1 percent, both outpacing their respective benchmarks. Similar to fiscal 2015, Real Assets results were driven by strong real estate performance, partially offset by losses in natural resources. Independent Return also outpaced its

benchmark, but produced only a 1.4 percent return. In Domestic Equity, a structural overweight to the biotechnology industry created a significant headwind in fiscal 2016. Domestic Equity lost 8.4 percent, while the benchmark gained 1.6 percent. The damage of the structural biotech overweight would have been much worse absent savvy stock picking by our specialist manager, and a hedge we implemented directly against part of our exposure. Notably, our structural overweight to the biotech sector has been the primary driver of our substantial outperformance in Domestic Equity in fiscal 2015 and over the long term. Our International Developed Equity and Emerging Market programs both lost value, but outperformed their respective benchmarks. The Fixed Income and Cash category eked out a 0.4 percent gain, and lagged the market, reflecting a low-yield environment and our continuing shorter-than-market duration posture.

Generally speaking, the evaluation of our investment program should focus on the long term, and our long-term results are strong in both absolute and relative terms (see Figure 4). For the 10-year period, Princeton's portfolio earned an annualized 8.2 percent, which represents a good result within the context of a decade that included the global financial crisis, as well as lower-than average inflation over the period. (For context, the HEPI—a measure of University inflation—averaged 2.3 percent over this period versus 3.9 percent over the previous decade.) The portfolio's gain compares favorably against the 7.1 percent return for the Policy Portfolio Index and the 7.0 percent return of the passive 65/35 benchmark. The managed investment portfolio also did very well relative to the

⁹ The median college and university endowment returns represent data compiled by Cambridge Associates for over 150 college and university endowments.

Figure 4
10-YEAR ANNUALIZED PERFORMANCE

Ending June 30, 2016



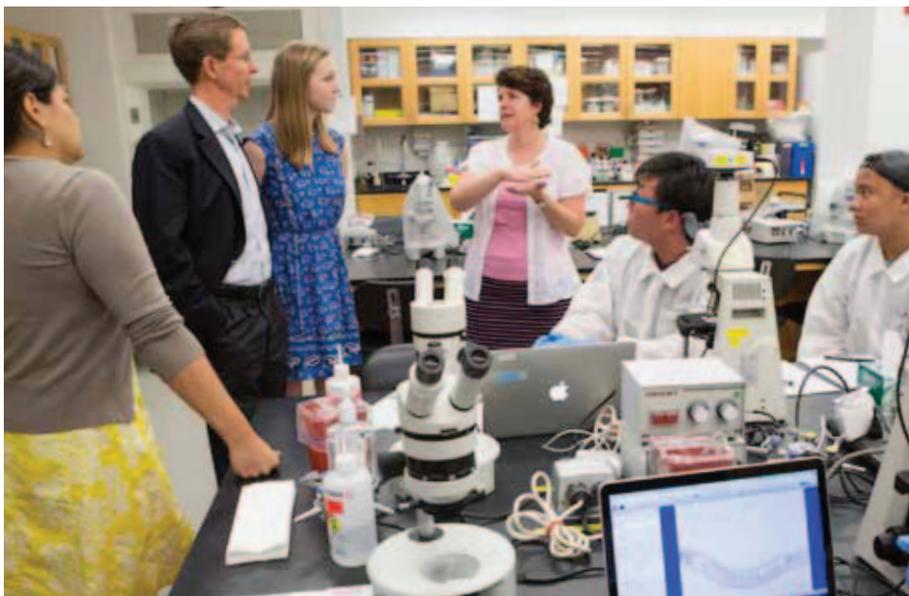
5.1 percent return for the median college and university endowment. Over the past ten years, Princeton’s excess performance relative to the Policy Portfolio, 65/35 benchmark, and median college and university has added approximately \$2 billion, \$3 billion, and \$6 billion, respectively, to the Endowment.

Examining performance over rolling ten-year periods enables additional long-term perspective. Table 3 compares PRINCO’s investment performance over rolling-ten-year periods versus that of the 65/35 benchmark. Over rolling decade-long periods, the Endowment has consistently outperformed the more conventional, more liquid 65/35 benchmark.

Table 3
ANNUALIZED 10-YEAR RETURNS

Fiscal Years	PRINCO	65/35	Difference
1998-2007	16.2%	7.1%	9.1%
1999-2008	14.9%	4.2%	10.7%
2000-2009	9.7%	1.0%	8.7%
2001-2010	7.9%	1.6%	6.3%
2002-2011	9.8%	4.2%	5.6%
2003-2012	9.9%	5.9%	4.0%
2004-2013	10.2%	6.7%	3.5%
2005-2014	10.5%	7.2%	3.3%
2006-2015	10.1%	7.0%	3.1%
2007-2016	8.2%	7.0%	1.2%

Over the past ten years, Princeton outperformed within asset categories by an average annualized margin of 1.9 percent, with five of seven asset categories outperforming their respective benchmarks (see Figure 5). Particularly notable is the fact that even over this relatively lengthy period, the easily benchmarked equity categories (Domestic Equity, International Developed Equity, and Emerging Markets) have registered remarkable outperformance.¹⁰ In aggregate, these categories gained



¹⁰ We describe these categories as “easily benchmarked” because for each there exists an easily investable index alternative that closely parallels our investment approach. No such alternatives exist for the other equity asset categories.

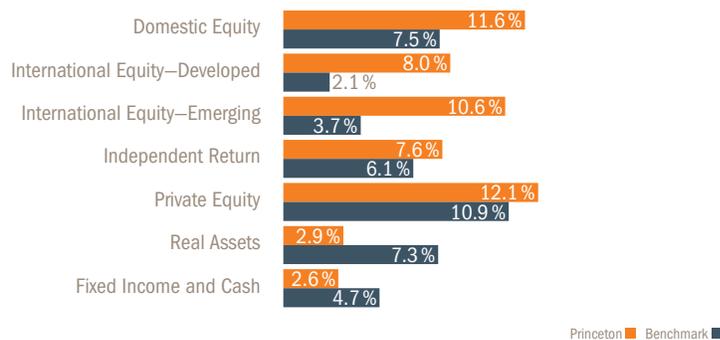
Report on Investments

PRINCETON UNIVERSITY INVESTMENT COMPANY

(Continued)

Figure 5
PRINCETON ASSET CLASS RETURNS
VS. BENCHMARKS

Ten Years Ending June 30, 2016



Benchmarks used:

Domestic Equity: Wilshire 5000 Index;
International Equity—Developed: MSCI World ex-U.S. Index prior to 6/30/10; MSCI World ex-US IMI thereafter;
International Equity—Emerging: MSCI Emerging Markets Index prior to 6/30/10; MSCI Emerging Markets IMI thereafter;
Independent Return: (40% Wilshire 5000 + 60% 91-day T-Bill) + 550 bps annualized until 6/30/10; 40% MSCI All Country World Index + 60%*(91-day T-Bill + 650 bps annualized) through 6/30/12; thereafter, HFRI Fund Weighted Composite Index + 50 basis points per annum;
Private Equity: Customized Cambridge Associates benchmark;
Real Assets: Blend of levered NCREIF Property Index, a timber component, and an energy component. Levered NCREIF Property Index change to Cambridge Associates Real Estate benchmark at 6/30/2010;
Fixed Income & Cash: Barclays Government Bond Index.

almost 10.4 percent annualized over the past 10 years, surpassing a policy-weighted benchmark by nearly 6 percent annualized.

Independent Return’s long-term performance has been strong and consistent, with meaningful outperformance over the period. Private Equity generated strong returns over ten years and outperformed. Performance of Real Assets has been disappointing. Real Estate, which was particularly impacted by the global financial crisis, posted meager gains over the full period. The sharp decline in commodity prices over the last two years also weighed on natural resource returns. Of note, the comparison to the benchmark is made less meaningful by the fact that Real Assets is an inherently difficult asset class to

benchmark. Indeed, we have often had to select the “least bad” benchmark. As a result, a substantial amount of the long-term underperformance relates to structural differences between the composition of our real estate and energy programs and those of their benchmarks.

Fixed Income and Cash results were slightly below expectations in absolute terms, while also trailing the benchmark. The underperformance is due to holding shorter-than-market duration bonds in recent years, as well as the episodic presence of significant cash balances, held transitionally during periods of portfolio-wide rebalancing.

Clearly we have had more rewarding years than fiscal 2016. But this year’s results do not imply a lack of effort. Particularly in the face of disappointment, the hardest thing to do sometimes is to show restraint, to not change for the sake of change, to not act for the sake of acting. We remain confident in our approach. We close this year’s report with the closing quote from our report last year, a year in which many stars aligned: *“We had a very strong year, but we won’t always be this lucky. When times do get tougher—which may be happening as we write—we will say to ourselves what we are privately saying now: ‘This, too, shall pass.’ And we will say to others what we are writing now: ‘Please help us focus on the long term.’”*

Thank you for your support.

Andrew Golden
President, Princeton University
Investment Company

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

[THIS PAGE INTENTIONALLY LEFT BLANK]

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, 2017 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.

“*Comparable Treasury Issue*” means the United States Treasury security or securities selected by a Designated Investment Banker that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Bonds.

“*Comparable Treasury Price*” means, with respect to any redemption date, the average of the Primary Treasury Dealer Quotations for such redemption date or, if the Designated Investment Banker obtains only one Primary Treasury Dealer Quotation, such Primary Treasury Dealer Quotation.

“*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, 3rd Floor, Woodland Park, 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.

“*Designated Investment Banker*” means a Primary Treasury Dealer appointed by the Institution.

“*DTC*” means The Depository Trust Company, New York, New York.

“*Electronic Means*” means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services under the Indenture.

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

“*Government Obligations*” means 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 and held by a custodian for safekeeping on behalf of holders of such securities.

“*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 January 1 and July 1 of each year, commencing July 1, 2017.

“*Investment Securities*” means any of the following: (1) Government Obligations; (2) money market mutual funds having a rating in the highest investment category granted thereby from S&P or Moody's, including, without limitation any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee; (3) commercial paper having, at the time of investment or contractual commitment to invest therein, a rating of A-1 or better from S&P or P-1 from Moody's; or (4) demand deposits, including interest bearing money market accounts, time deposits, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, and certificates of deposit or bankers acceptances of issued by any bank, trust company or national banking association (including the Trustee and any of its affiliates), provided that such investments must be (i) fully insured by the Federal Deposit Insurance Corporation, or (ii) secured, to the extent not insured by the Federal Deposit Insurance Corporation, by Government Obligations held by the Trustee or an appropriate third party approved by the Institution, having a market value determined weekly, at least equal to the principal amount thereof (or portion thereof not insured as aforesaid), or (iii) issued by an institution whose unsecured, long term senior debt obligations are, at the time of such issuance, rated by S&P and Moody's in either of their respective two highest rating categories (disregarding qualifications of such categories by symbols as “+” or “-“).

“*Make-Whole Redemption Price*” means the greater of (1) 100% of the principal amount of a Bond to be redeemed or (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Bond, not including any portion of those payments of interest accrued and unpaid as of the date on which such Bond is to be redeemed, discounted to the date on which such Bond is 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 twelve and a half (12.5) basis points plus accrued and unpaid interest on such Bonds to the redemption date.

“*Moody’s*” means Moody’s Investors Service, Inc., 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 March 8, 2017, 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) not unsatisfactory 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.

“*Par Call Date*” means January 1, 2048.

“*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.

“*Primary Treasury Dealer*” means one or more entities appointed by the Institution, which, in each case, is a primary U.S. Government securities dealer in The City of New York, New York, and its successors.

“*Primary Treasury Dealer Quotations*” means, with respect to each Primary Treasury Dealer and any redemption date, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Primary Treasury Dealer at 3:30 p.m. New York time on the third Business Day preceding such redemption date.

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

“*Principal Payment Date*” means July 1, 2048, the date of final maturity of the Bonds.

“*Project*” means general corporate purposes, including without limitation financing and refinancing capital expenditures, and costs of issuance of the Bonds.

“*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.

“*Redemption Price*” means the principal amount of the Bonds to be redeemed pursuant hereto, plus the applicable premium, if any, payable upon redemption.

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

“*S&P*” means S&P Global Ratings, a Standard and Poor’s Financial Services business, 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 DTC 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 with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

“*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.

“*Underwriter*” means Goldman, Sachs & Co.

“*Uniform Commercial Code*” means the Uniform Commercial Code as in effect in the State of New Jersey 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, Redemption Price 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, Redemption Price 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, Redemption Price 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 general corporate purposes, including without limitation financing and refinancing capital expenditures, and costs of issuance of the Bonds.

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 the Bonds at maturity.

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 the written 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 Redemption Price or 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

Make-Whole Optional Redemption; Determination of Make-Whole Redemption Price. Prior to the Par Call Date, 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 at the Make-Whole Redemption Price, as described in the Indenture.

The Institution shall retain an independent accounting firm or an independent financial advisor to determine the Make-Whole Redemption Price and perform all actions and make all calculations required to determine the Make-Whole Redemption Price. The Trustee and the Institution may conclusively rely on such accounting firm's or financial advisor's calculations in connection with, and its determination of, the Make-Whole Redemption Price, and neither the Trustee nor the Institution will have any liability for their reliance. The determination of the Make-Whole Redemption Price by such accounting firm or financial advisor shall be conclusive and binding on the Trustee, the Institution and the Holders of the Bonds.

Optional Redemption at Par. The Bonds are subject to optional redemption, prior to maturity, at the written direction of the Institution, in whole or in part (and, if in part, in Authorized Denominations and on a pro rata basis, subject to the provisions of "*Selection of Bonds for Redemption Within a Maturity*" below) on any Business Day on or after the Par Call Date at the redemption price equal to 100% (expressed as a percentage of the principal amount of such Bonds to be redeemed), plus accrued interest to the redemption date, out of any moneys received by the Trustee from the Institution and deposited in the Redemption Fund.

Mandatory Sinking Fund Redemption. The Bonds are subject to mandatory sinking fund redemption prior to maturity on a pro rata basis, subject to the provisions described in "*Selection of Bonds for Redemption Within a Maturity*" below, on the dates and in the amounts set forth below, at the redemption price of 100% of the principal amount of such Bonds being redeemed plus accrued interest to the redemption date and without premium:

<u>July 1</u>	<u>Amount</u>
2047	\$75,000,000
2048*	75,000,000

* Maturity date.

Selection of Bonds for Redemption. If the Bonds are registered in Book-Entry Form and so long as Cede & Co. (or such other DTC nominee) is the sole registered owner of such Bonds, if less than all of the Bonds are called for prior redemption, the particular Bonds or portions thereof to be redeemed shall be allocated on a pro rata pass-through distribution of principal

basis in accordance with DTC procedures, provided that, so long as the Bonds are held in Book-Entry Form, the selection for redemption of such Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the Securities Depository operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

In connection with any repayment of principal, the Trustee shall direct DTC to make a pro rata pass-through distribution of principal to the holders of the Bonds.

For purposes of calculation of the pro rata pass-through distribution of principal, “pro rata,” means, for any amount of principal to be paid, the application of a fraction to each denomination of the respective Bonds where (a) the numerator is equal to the amount due to the respective Bondholders on a payment date, and (b) the denominator is equal to the total original par amount of the respective Bonds.

If the Bonds are no longer registered in book-entry-only form, each owner will receive an amount of Bonds equal to the original face amount then beneficially held by that owner, registered in such investor's name. Thereafter, any redemption of less than all of the Bonds will continue to be paid to the registered owners of such Bonds on a pro-rata basis, based on the portion of the original face amount of any such Bonds to be redeemed.

Notice of Optional Redemption. Notice of optional 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 optional 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 optional redemption shall state the date of such notice, the date of issue of the Bonds, the redemption date, the Redemption Price or the manner of determining the Make-Whole Redemption Price (as applicable), 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 Redemption Price or the Make-Whole Redemption Price (as applicable) 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 optional 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 optional 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 two (2) 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 optional redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price or the Make-Whole Redemption Price (as applicable) 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 Redemption Price or the Make-Whole Redemption Price (as applicable) 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 Redemption Price or 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 in the principal amount of the Bonds. 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 shall be executed and delivered in the principal amount of the Bonds, 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, Redemption Price 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, Redemption Price 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.

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, Redemption Price 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, Redemption Price 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 under the Indenture. 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, Redemption Price 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, Redemption Price 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, Redemption Price 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, Redemption Price 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, Redemption Price 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, Redemption Price 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 Redemption Price or Make-Whole Redemption Price, as applicable) 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. Permissive rights of the Trustee under the Indenture shall not be construed as duties.

The Institution may remove the Trustee at any time, upon thirty (30) days' notice, 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 thereof 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. The Trustee shall be entitled to receive, and shall be fully protected in relying upon, an opinion of counsel stating that the execution of any such Supplemental Indenture is authorized or permitted by the Indenture and complies with the terms of the Indenture.

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, Redemption Price 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.

Upon the defeasance of any of the Bonds pursuant to an advance refunding, the Trustee shall be entitled to receive and to rely upon a verification report and an opinion of counsel.

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, Redemption Price 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, Redemption Price 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 Jersey under then applicable New Jersey 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, Redemption Price 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 deemed to be a contract under, and together with any disputes or controversies arising out of or relating to the Indenture, shall be governed by, and construed and interpreted in accordance with, the laws of the State of New Jersey and applicable federal law, without regard to choice of law rules. Claims arising under the Indenture shall only be brought in a court of competent jurisdiction 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

PROPOSED FORM OF OPINION OF COUNSEL TO THE INSTITUTION

[THIS PAGE INTENTIONALLY LEFT BLANK]

[Form of Opinion of Counsel to the Institution]

March ____, 2017

The Trustees of Princeton University
701 Carnegie Center
Suite 432
Princeton, NJ 08540

The Bank of New York Mellon, as Trustee
Corporate Trust Administration
385 Rifle Camp Road, 3rd Floor
Woodland Park, NJ 07424

Goldman, Sachs & Co., as Underwriter
200 West Street
New York, NY 10282

Re: \$150,000,000 The Trustees of Princeton University Taxable Bonds, 2017
Series A

Ladies and Gentlemen:

We have acted as counsel to The Trustees of Princeton University (the “Institution”) in connection with the issuance of \$150,000,000 aggregate principal amount of its Taxable Bonds, 2017 Series A (the “Bonds”). The Bonds are issued under and pursuant to the laws of the State of New Jersey (the “State”) and an Indenture of Trust dated as of March 1, 2017 (the “Indenture”) between 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 general corporate purposes, including without limitation financing and refinancing capital expenditures, and costs of issuance of the Bonds.

In our capacity as counsel to the Institution, we have examined such documents, records of the Institution and other instruments as we deemed necessary to enable us to express the opinions set forth below, including original counterparts or certified copies of the Indenture and the other documents listed in the closing memorandum in respect of the Bonds filed with the Trustee. We have also examined an executed Bond, authenticated by the Trustee, and have assumed that all other Bonds have been similarly executed and authenticated. We have also assumed that the Indenture has been duly authorized, executed and delivered by the Trustee.

Based on the foregoing, it is our opinion that:

1. The Institution is a nonprofit corporation organized and in good standing under the laws of the State, with full power and authority to execute and deliver the Indenture and to issue and sell the Bonds.

2. The Indenture has been duly authorized, executed and delivered by the Institution and constitutes a valid and binding obligation of the Institution enforceable in accordance with its terms,

except as the rights created thereunder and the enforcement thereof may be limited by bankruptcy, insolvency or other similar laws or equitable principles affecting the enforcement of creditors' rights generally.

3. The issuance and sale of the Bonds have been duly authorized by the Institution. Based on the assumption as to execution and authentication set forth above, the Bonds have been duly executed and delivered by the Institution and authenticated by the Trustee, are valid and binding obligations of the Institution and are entitled to the benefit and security of the Indenture, except as the rights created thereunder and the enforcement thereof may be limited as indicated in paragraph 2.

We express no opinion herein with respect to the adequacy of the security or sources of payment for the Bonds or the accuracy or completeness of any offering document used in connection with the sale of the Bonds.

Very truly yours,

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]



Printed by: ImageMaster, LLC
www.imagemaster.com